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Lessons for Bangladesh as a graduating LDC



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As per the decision of the UN General Assembly held in November 2021, Bangladesh is set to graduate out of the group of least developed countries (LDCs) on November 24, 2026, about 50 years after it first became a member of this cohort of developing countries in December 1975. The Twelfth Ministerial Conference of the World Trade Organization (WTO-MC12), held in Geneva during June 12-17, 2022, proved to be a litmus test as to what extent the global community was ready to extend support to these graduating LDCs, towards their sustainable graduation. As the MC12 decision indicates, regrettably, the ministerial has failed to pass the test. While the graduating LDCs will need to continue pursuing the agenda in future discussions and negotiations in the WTO, the message is clear – MC12 outcome reinforces the point that as a graduating LDC Bangladesh will need to prioritise its own homework in order to graduate with momentum and make graduation sustainable.

No doubt, Bangladesh's graduation, by meeting all three graduation criteria (GNI Per Capita, Human Asset Index, and Economic Vulnerability Index), speaks of the country's impressive track record in terms of some of the key socio-economic indicators of development. Sustainable LDC graduation will now hinge on Bangladesh's capacity to take advantage of the emergent global opportunities in the backdrop of the fast-changing and evolving geoeconomics, and its ability to address the challenges originating from the graduation. The government has set up a high-level committee at the Prime Minister's Office, with seven dedicated sub-committees, with the mandate to come up with an Action Plan with concrete recommendations. The point being made here is that whilst Bangladesh will need to pursue the case for a new set of ISMs in the WTO for the graduating LDCs, priority should be put on implementing concrete measures so that come November 2026, the country is well-prepared and ready to graduate from

a position of confidence and strength.

There are valid reasons to be frustrated by the MC12 outcomes. LDCs, which are slated for graduation over the next few years, have argued that they were graduating under the long shadow of the pandemic, that in spite of their commendable economic achievements their economies continue to suffer from embedded structural weakness and that a number of earlier initiatives in the WTO in support of the LDCs are yet to be implemented. In this backdrop, LDCs had put forward a proposal for extension of LDC-specific support measures to be enjoyed by the graduated LDCs, for a time-bound period. LDCs have also argued in favour of a new set of ISMs which include, along with the call for the aforesaid extension, debt relief initiative and reflection of concerns of graduating LDCs in the built-in and ongoing negotiations in the WTO. Being a recognised leader of the group of the LDCs in the WTO, Bangladesh has played a key role in articulating the demands of the graduating LDCs. Indeed, the Bangladesh Mission in Geneva and Ministry of Commerce have been playing a proactive role in pursuing this case in the WTO.

To reiterate, no concrete decision was taken at MC12 in view of the LDC proposal pertaining to the interests of the graduating LDCs. MC12 merely recognised the difficulties facing the graduating LDCs, as is evidenced by the Ministerial Outcome Document. Para 5 of the MC12 decision states, "We acknowledge the particular challenges that graduation presents, including the loss of trade-related international support measures, as they leave the LDC category. We recognise the role that certain measures in the WTO can play in facilitating smooth and sustainable transition for these Members after graduation from the LDC category." Para 8 of the outcome document recalled earlier decisions in support of the LDCs (e.g., Duty-Free Quota-Free market access, LDC-friendly rules of origin, operationalisation of services waiver and preferential treatment in favour of services and service suppliers from the LDCs, support to LDCs for implementing commitments as regards Category C in connection with the Trade Facilitation Agreement, and others). However, there was no time-bound commitment for implementation and operationalisation of these WTO decisions which were adopted several years back at successive earlier WTO Ministerial Conferences but are yet to be materialised. Indeed, a number of LDCs currently slated for graduation such as Bangladesh were likely to graduate before any of these commitments are realised on the ground, if at all. Also, no modality was proposed as to how the MC12 decision will be operationalised or whether

a Working Group will be set up to conduct follow-up discussions. Thus, the MC12 decision had little practical significance as far as the graduating LDCs were concerned.

Some have, however, interpreted the ministerial decision as leaving a window of opportunity open to initiate deliberations as regards graduation-related issues in the run up to MC13 in order to give shape to the part in the MC12 decision that talks of "the role that certain measures in the WTO can play in facilitating sustainable transition of graduating LDCs."

Notwithstanding this, as was noted earlier, rather than pinning hope on developments in the WTO, Bangladesh ought to prioritise domestic

attract more foreign direct investment, particularly in the special economic zones. Indeed, effective triangulation of transport, investment, and trade connectivity will be the key here to translate Bangladesh's comparative advantages into competitive advantages.

At the same time, however, from a strategic point of view, Bangladesh should continue to be proactively engaged in the WTO discussions concerning possible steps in support of the graduating LDCs. Indeed, in view of engagements in the WTO, Bangladesh's strategy should be guided by its triad identity: as an LDC – to work for implementation of earlier decisions favouring the LDCs during

other graduating LDCs should pursue the following strategies:

(a) Be proactively engaged in the discussions as regards follow-up of the MC12 decision so that a set of concrete ISMs favouring the graduating LDCs are ready to be presented at MC13.

(b) Strive to build coalitions of supporting members from among other groups including the G20 and G90.

(c) Play a proactive role for consolidation of LDC solidarity.

(d) Take stand against the proposed differentiated approach that argues in favour of taking measures depending on specific challenges faced by particular graduating LDC.

(e) Pursue issues of interest to graduating LDCs in other relevant



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preparedness towards the country's sustainable LDC graduation.

Bangladesh will thus need to put emphasis on putting in place concrete measures to mitigate the likely implications of LDC graduation in both domestic space (e.g., stringent compliance requirements including in areas of trade-related intellectual property rights; more obligations and greater commitments in various areas including tariffs and subsidies), and in global space (e.g., ensuring greater reciprocity in negotiations with partners; loss of preferential market access). Capacities should be built to take advantage of the new status as a graduating LDC, to promote "Brand Bangladesh," take advantage of better credit rating to raise financial resources in the international markets, and to

the next four years when Bangladesh will continue to remain an LDC; as a graduating LDC – proactively pursuing the case for a new set of ISMs for the particular cohort of graduating LDCs; and as a future developing country – in anticipation of Bangladesh's interests as a developing country member beyond 2026 (particularly in view of the ongoing negotiations in the WTO as regards Fisheries Subsidies, Agreement on Agriculture and plurilateral discussions on E-commerce, Investment Facilitation and Micro, Small and Medium enterprises, among others).

Going forward, in view of the above and in anticipation of the upcoming WTO MC13 (to be held some time in 2024), and in anticipation of the decadal LDC V Conference to be held in Doha (March 5 to 9, 2023), Bangladesh and

fora including regional and bilateral platforms, with key trading partners and in discussions involving other international bodies.

(f) Take advantage of various supportive measures already available for graduated LDCs (e.g., Technology Bank; Climate Fund; Aid for Trade, etc.).

(g) Make best use of the available LDC-specific ISMs during the run up to the graduation timeline (2023-2026 for Bangladesh).

(h) Pursue the cause of policy coherence in line with various UN resolutions that committed to extend support to graduating LDCs.

(i) Take up the graduation issue at the upcoming decadal LDC V Conference in Doha (in March, 2023) to garner international support for graduating LDCs.