

The LDC graduation conundrum



ANALYSIS

REFAYET ULLAH MIRDHA

The least developed countries (LDCs) have been struggling to graduate to developing nations for years. But at the same time, these countries fear losing preferential trade, exports, and employment. So, they hesitate and step back even after becoming eligible for graduation.

In almost every case, graduating LDCs have done the same, stepping back from the scheduled date of graduation.

Many of them step back by deferring graduation mainly due to their lack of readiness and fear of losing preferential trade benefits in international trade. Most of today's Third World countries emerged after the Second World War, and the majority of them are still in the group of LDCs because of their lagging economic development.

However, the task of graduating to developing and developed country status is not easy, as many nations have been struggling for years to elevate their economic status.

The financial structure, macroeconomic scenario, technology, infrastructure, logistics, human resource skills, business environment, investment climate, and educational institutions are not efficient enough for economic development in those countries.

Most troubled third world countries or LDCs are mainly busy mitigating domestic political and economic tensions and meeting the basic needs of their citizens.

The concept of LDC was adopted more than 50 years ago in 1971 by global leaders to uplift the fate of millions of poor people by delivering them quality education, health, infrastructure, sanitation and, overall, a better quality of life.

The LDC group, which began with just 25 members, eventually expanded to 50 before declining to the current 45. In more than five decades, only a handful of nations, including Bhutan, Vanuatu, Equatorial Guinea, Samoa, the Maldives, Cabo Verde and Botswana, have managed to graduate from the category.

The low level of socio-economic development in LDCs is characterised by historically weak development capacity, low and unequally distributed income, and scarcity of domestic financial resources, according to the UN.

The LDCs typically rely on agrarian economies, which can be affected by a vicious cycle of low productivity and low investment, especially as wealthier countries develop and utilise more productive farming technologies.

Generally, LDCs rely on a few primary commodities as major sources of exports and fiscal earnings, making them vulnerable to external terms-of-trade shocks. Some LDCs have been able to diversify into the manufacturing sector, though they often remain limited to products in labour-intensive industries, such as textiles and apparel.

These development constraints are responsible for insufficient domestic resource mobilisation, low economic management capacity, weaknesses in programme design and implementation, chronic external deficits, high debt burdens and heavy dependence on external financing in LDCs, the UN also said. The LDCs host about 40 percent of the world's poor. The LDCs account for 13 percent of the world's population but



LDCs have been able to diversify into the manufacturing sector, though they often remain limited to products in labour-intensive industries, such as textiles and apparel.

PHOTO: STAR/FILE

only about 1.3 percent of global GDP and less than 1 percent of global trade and FDI. Even if on the rise, still barely a fifth of the population in LDCs has access to the internet, the UN said.

There are currently 14 LDCs in various stages of the graduation process; four will graduate from the category by 2027. Bangladesh, Lao PDR and Nepal are due to graduate on November 24 of 2026. Solomon Islands is due to graduate on December 13 of 2027, while Cambodia and Senegal are due to graduate on December 19 of 2029. Other LDCs in the graduation pipeline are Rwanda, Uganda, United Republic of Tanzania, Kiribati, Tuvalu, Comoros, Djibouti and Myanmar.

These 44 countries benefit from exclusive international support measures (ISMs) in the areas of trade, development cooperation and participation in international organisations and processes. **PROBLEMS WITH BANGLADESH** Bangladesh was included in the league of LDCs in 1975 and, after a journey of 50 years, is now scheduled to graduate to a developing nation on November 24 next year, as the country has fulfilled all the required conditions.

The country has overcome many insurmountable challenges accrued both from domestic and external factors over the years and has reached the current level of economic development.

However, local businessmen are demanding a further deferment of graduation for six more years, up to 2032. They have already raised their demand to the government in public seminars and joint press conferences involving leaders of major business chambers and trade bodies. They say they are not ready to graduate now as they need more time to prepare.

The simple question is why Bangladesh could not take preparations until now, even though the country became eligible to graduate in 2018.

Earlier, the transition period was

extended mainly because of the severe fallout of Covid-19, the Russia-Ukraine war, historic inflationary pressure and many other domestic and international challenges.

However, the whole world has already recovered significantly from the previous severe fallout.

Moreover, two graduating countries, Nepal and Lao PDR, are not asking for deferment although their economic status is not equal to Bangladesh.

But the nature of economic development of each of the three graduating countries is unique.

For instance, Bangladesh has a huge population and employment is a major concern, while the country's export is

Most troubled third world countries or LDCs are mainly busy mitigating domestic political and economic tensions and meeting the basic needs of their citizens.

still mainly dependent on a single item: apparel. Other potential sectors could not perform well for different reasons.

As a result, the country faces the challenge of losing 14 percent of its exports, or \$7 billion in a year, putting many garment factories' financial conditions under stress. The country's 73 percent of exports are LDC-induced, and currently Bangladesh enjoys duty-free benefits in 38 countries under this category.

Like many LDCs, Bangladesh has also failed to sign any independent free trade agreements (FTAs), either with individual countries or with trade blocs such as Asean, EU or RCEP, although the country is trying and lobbying for trade deals with major trading partners and regional blocs.

So, the country's exports are in danger after graduation if it cannot make sufficient preparations for a smooth transition.

Potential export sectors such as pharmaceuticals, software, agro-processing, plastics, footwear (including non-leather), leather and tannery products, furniture and many more may lose the opportunity to grow, as they will face higher tariff rates, mostly 12 percent in different countries, except 36.5 percent to the USA, after graduation.

The businesses argue that they could not recover from the fallout of the Covid-19, the Russia-Ukraine war, higher freight charges, historic inflation and finally the reciprocal tariff rate imposed by President Trump.

Moreover, the emerging pharmaceuticals sector is still undergoing a lot of changes as the companies are yet to produce the basic raw materials to avoid costly patent rights from foreign companies.

As a result, medicine prices may go up in domestic markets, where local companies currently serve 98 percent.

Now, some of the local medicine companies are also exporting pharmaceutical goods to the USA and European markets. It is a great achievement for a country like Bangladesh.

Perhaps, Bangladesh is the only LDC capable of exporting medicine to the USA and European markets after meeting 98 percent of its domestic demand. Even medicine has the potential to become a billion-dollar export item like garments in the future if the sector is nurtured properly.

Whatever we say today or tomorrow, Bangladesh will have to face the reality of LDC graduation, and the government cannot continue subsidies for many years. Both the government and the private sector must prepare for a smooth graduation to ensure the sustainability of the economy and trade.

The untapped power of sorry

MAHTAB UDDIN AHMED

In our country, the word "sorry" is rarer than electricity on a summer evening. Not because we do not make mistakes. We produce them in bulk. From call drops to collapsing bridges, from delayed mega projects to disappearing dollars, we are world-class exporters of errors. What we do not export, and barely use at home or in office, is the simple act of apology.

We treat an apology as if it were a dangerous chemical. Say it once, and your reputation will melt. Our leaders, CEOs and even regulators follow the same golden rule: never admit fault, only blame "technical glitches", "unexpected circumstances" or "the past government".

Research, including the Harvard Business Review article "Sometimes Apologies Can Be Good for the Bottom Line" by Laura De Kerpel, Anneleen Van Kerckhove and Tina Tessitore, shows that apologies can be profitable. Instead of insisting "We all gave our best effort" at a crisis press conference, imagine saying: We are sorry. We messed up. Here is how we will fix it.

According to the research, apologies restore trust and reduce customer anger, which in turn cuts churn. A sincere apology builds loyalty, strengthens relationships and minimises reputational damage. In the long run, mistakes can even become opportunities for renewed engagement.

To err is natural, to admit is cultural, and to improve is transformational. Progress is not about pretending to be flawless but about the honesty to confess and the courage to correct. Yet in our society, "sorry" has its own hierarchy.

We apologise upwards to bosses, superiors and the powerful.

But to a liftman, a security guard, a cleaner, or a fellow citizen, humility mysteriously vanishes. Real culture is measured not by how politely we bow to authority but by how sincerely we respect those with less power yet equal dignity.

Take the Bangladesh Bank heist. Eighty-one million dollars vanished like smoke. The official explanation? Hackers, glitches, foreigners. Everything except a plain apology. Depositors were safe, yes, but it was our central reserves, the people's reserves. Imagine if the governor had said: "We are sorry. Our security was fragile. We will fix it." Anger would still come, but it would be mixed with respect.

Look at our beloved telcos. Call drops are so routine that many of us treat them as background noise. Yet instead of admitting the problem, they roll out ads for shiny 4.5G or 4G++ networks. What if one operator simply said: "Sorry bhai, our signal goes on silent mode sometimes. Here is a free data pack." That honesty would win more goodwill than a hundred billboard campaigns. Occasionally they do apologise, but only when regulators force them.

And then there are politicians, the Everest of unapologetic species. Can you imagine one saying: "Sorry for the potholes. We will fix them before the next rain." The entire country would faint first, then probably vote for him next. Instead, denial remains the preferred policy.

The irony is that Bangladeshis are known for their emotional nature. We forgive and forget easily. We cry over cricket, hug after fights, and forgive neighbours who block our gate. A sincere apology would strike straight into that emotional core. It would not erase mistakes, but it would buy trust. And trust, unlike excuses, compounds over time.

The problem is we confuse apology with weakness. In truth, it is the cheapest currency to earn loyalty. One "sorry" can save millions in PR campaigns. Swallowing pride is not our national habit. Shouting, blaming and deflecting are.

The writer is the president of the Institute of Cost and Management Accountants of Bangladesh and founder of BuildCon Consultancies Ltd.



India extends exemption of cotton import duty till Dec

OUR CORRESPONDENT, New Delhi

India has extended the exemption of import duty on cotton until December 31 this year to ease supply pressure on its textile export sector, which has been facing steep tariffs in the United States.

The Finance Ministry said the facility, first announced on August 19 and scheduled to expire on September 30, will now continue for another three months.

"To augment the availability of cotton for the Indian textile sector, the Central Government had temporarily exempted the import duty on cotton from August 19 till September 30. In order to support exporters further, the exemption will remain in force till December 31," the ministry said in a statement yesterday.

India, the world's second-largest cotton producer after China, earlier levied 11 percent duty on cotton imports.

Its textile and gems and jewellery exports have been hit hard by a 50 percent US tariff, including a 25 percent penalty linked to oil imports from Russia.

Nvidia is AI, but only for so long

REUTERS, New York

Nvidia and artificial intelligence are practically synonymous. Its class-leading chips are essential: the more efficiently they can crunch bits, the better or cheaper models from the likes of OpenAI or Anthropic can run. That made the strong financial results it reported on Wednesday, including 56 percent year-over-year growth to \$47 billion in revenue, practically an inevitability. After all, when a fellow tech titan spends on AI, it's spending on Nvidia. The schism between the United States and China threatens that ubiquity.

It is hard to overstate the importance of the \$4 trillion company led by Jensen Huang. Technical papers detailing new AI models benchmark their training time in hours of processing expended on Nvidia's products. When an executive like Elon Musk talks about building gigantic computing hubs, he measures them in multiples of its H100 chip.

This translates to enormous profitability. Nvidia's gross margin, at around 73 percent, towers above rivals like AMD.

All of this, despite a big obstacle: the trade war. The Trump administration in April briefly banned sales of even a cut-down chip, purpose-made for the People's Republic, dubbed the H20. The company previously put the damage at \$8 billion of foregone revenue this quarter. As it is, the one blemish in Wednesday's numbers was that data center sales – the core of the AI boom – came in a hair lower than expected. A global boost

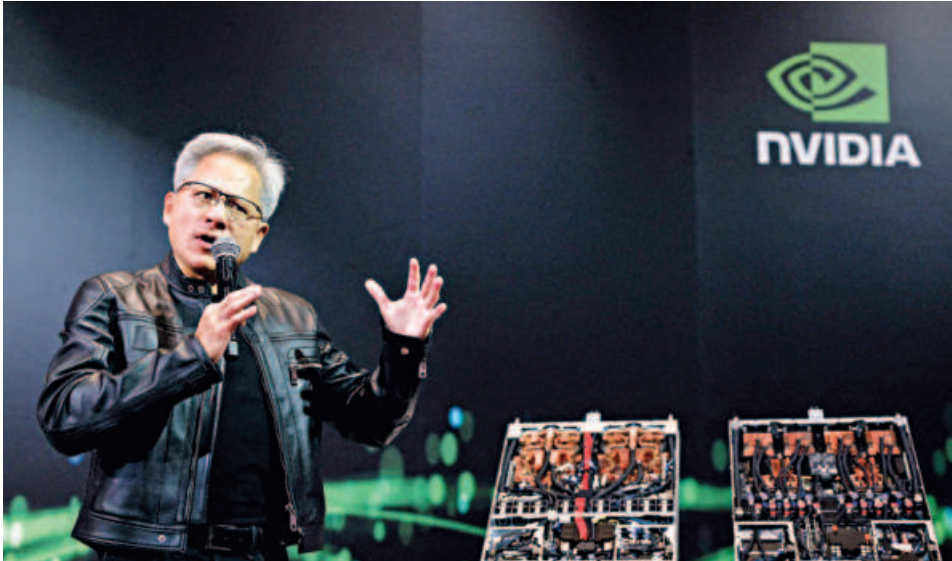


PHOTO: AFP/FILE

Jensen Huang, co-founder and CEO of Nvidia Corp, speaks during a news conference in Taipei. Nvidia's gross margin, at around 73 percent, towers above rivals like AMD.

would have helped.

Nvidia's forecast for the quarter to come nonetheless met analysts' expectations, per Visible Alpha, even while factoring in no H20 sales. That's probably safe: Beijing is urging domestic firms to shop local from the likes of Huawei or buzzy upstart Cambricon Technologies, according to media reports. Even if geopolitical issues subside, Nvidia

says it foresees up to \$5 billion in revenue from its made-for-China chip over the next three months, well below the previous implied run-rate.

It's still a lot of value resting on trans-Pacific disputes. Annualize that figure, put it on the roughly 18 times next-twelve-months' revenue at which Nvidia trades, and it's worth about \$366 billion.

Huang sets his sights even higher, estimating China to be a \$50 billion opportunity that will grow 50 percent annually. The risk, though, is that as the world's two largest economies separate, Nvidia and AI will no longer be quite so intertwined. Some amount of research effort will now be devoted to developing alternative chips and software, even if competing products from Huawei and peers aren't yet equivalent. Human intelligence, still a crucial input, will strive for breakthroughs elsewhere. The cost of losing those advances is far more difficult to calculate.

Chip designer Nvidia on August 27 reported \$46.7 billion in revenue for the quarter ending July 27, a 56 percent increase from the same period a year prior.

Sales in its data center segment rose to \$41.1 billion, narrowly missing analyst expectations, according to Visible Alpha data. The company forecasts sales in the current quarter of \$54 billion, above analyst estimates of \$53.8 billion.

On a call with analysts, CEO Jensen Huang said that the Chinese market would have represented a \$50 billion opportunity this year if the company were allowed to fully address it, and that this could grow by 50 percent annually. The Trump administration briefly restricted exports of the H20 chip, which Nvidia designed to meet restrictions on sales to China, before later reversing its decision. However, officials have "expressed an expectation" that the US government will receive 15 percent of any revenue generated from licensed sales of the chip.