



ILLUSTRATION: E. RAZA RONNY

Bangladesh's LDC graduation: Why readiness is the best strategy



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In recent times, the discourse around Bangladesh's upcoming LDC graduation has primarily hovered around the issues of deferment. Regrettably, discussion as regards ensuring sustainable graduation tends to get lost in the somewhat speculative assertions in view of this. However, for the discussion on LDC graduation to be impactful and meaningful, attention ought to focus on how to make LDC graduation smooth and sustainable, and not be deflected by issues of deferment.

INTERIM GOVERNMENT'S STANCE ON DEFERMENT

As may be recalled, the Interim Government (IG) initially took the decision to go ahead with the graduation timeline as stipulated by the UN General Assembly (UNGA) decision, to be effective on November 24, 2026. Some of the recent signals in this regard have been somewhat contradictory though. A number of policymakers and high-level government officials have been making the point that deferment of graduation would help Bangladesh to buy some additional time to prepare for LDC graduation. However, to note, no official announcement has yet been made by the Interim Government that indicates that it has changed its earlier stance and decided to go for a formal submission requesting for deferment of LDC graduation.

It will be pertinent to recall in connection with the above that in early November 2025 the government submitted the Bangladesh Country report to the UN Committee for Development Policy (UN-CDP) as part of the CDP's Enhanced Monitoring Mechanism (EMM) which has been put in place to assess the state of preparation of graduating LDCs (GLDCs). CDP makes an assessment about the state of preparedness of a particular GLDC based on the country report as also its own assessment. As is known, it is on the basis of the

recommendation of the CDP that countries are recommended for graduation to UN-ECOSOC and UNGA. Bangladesh was first recommended in 2018 and then in 2021 at CDP's triennial review meetings based on which the decision was taken by the UN GA at its meeting on 24 November 2021 as regards Bangladesh's LDC graduation (along with Nepal and Lao PDR).

The aforesaid Country Report provides an indication as to how the country itself assesses its state of preparation for LDC graduation. The country report, titled *Performance of Economy and Preparations for Sustainable Graduation from LDC Status During The Preparatory Period*, transmits three key messages: firstly, Bangladesh has continued to meet all the three graduation criteria based on which CDP recommended the country for graduation in the first place. Second, the government has been undertaking a number of steps in line with its *Smooth Transition Strategy* (STS) which Bangladesh has prepared in view of the upcoming LDC graduation. And, thirdly, whilst notable progress has been made, many challenges remain in implementing the STS. The report also mentions about the vulnerabilities inflicting the economy, and the difficulties that would originate from the loss of international support measures (ISMs) including Special and Differential Treatment (S&DT) as regards compliance with WTO obligations.

In the way forward section of the report, several measures are mentioned which are to be implemented specifically by the government, the private sector, development partners and by the international community and the UN. Indeed, these actions will need to be pursued in all earnest both during the run up to, and also following, Bangladesh's graduation from the group of the LDCs.

The overall vibe of the Country Report is that despite the formidable

challenges, Bangladesh is on course to graduate in November 2026. On the other hand, as was noted above, some high-level policymakers and government officials have come out publicly to say that deferment will give Bangladesh additional time to prepare for smooth and sustainable graduation.

One understands the *political economy* aspect of the decision as regards making a submission for deferment. The Interim Government would not like to be seen as the one which was responsible to put an *on-track to graduation Bangladesh* off the track. This could put under question the credibility of its performance and may be used against it by its detractors.

ARGUMENTS FAVOURING DEFERMENT

The private sector of Bangladesh, in one voice, but also sizeable sections of the country's media, civil society, activist community, think tank representatives and public opinion makers, have been arguing that Bangladesh needs more time to be ready for graduating out of the group of LDCs. For understandable reasons, the BGMEA, representing the apparels manufacturers and exporters of the country, has come out very strongly in favour of deferment.

Interestingly, some of the stakeholders who at the time hailed graduation as an outstanding achievement of the then government are at present the most vocal proponents of deferment of graduation!

No one can contest the fact that graduation will have serious implications on several fronts: global, in view of significant preference erosion and changes in trading environment, and domestic, in view of stringent compliance requirements, tariff rationalization, disciplines as regards subsidy and incentives management, more onerous standards and certification

requirements, stringent labour-gender environmental compliance regulations, more demanding IPR enforcement mechanism and in many other areas. If domestic policies violate WTO-mandated regulations and disciplines as applied for non-LDC developing country members, Bangladesh could be dragged to the *WTO Dispute Settlement Body* (WTO-DSB) with likely trade-related sanctions in response to any actual or perceived violation of WTO rules.

As is known, barring the United States, export of apparels originating from the LDCs are accorded duty-free access in almost all developed as also a number of developing country markets. Similar is the case with the country's pharmaceutical sector which enjoys benefits under TRIPS waiver in the form of ability to produce and export patented drugs without the need to comply with patent/license requirements. So, the concerns about loss of preferences, S&DT and ISMs in general is understandable.

To note, Bangladesh's political parties are yet to take a stance in view of the question of deferment, and are also not engaging in the relevant discussion. It is not clear whether in their respective election manifestos any political party will make a pledge or take a position in this context. One can anticipate that once an elected government will hopefully be in place in February 2026, it will be under a lot of pressure, from powerful stakeholders and business groups, to take a concrete position, without doubt favouring a deferment of graduation. If it so decides, the newly elected government will need to make a formal submission to the UN requesting for deferment for a specified period.

MAKING SUBMISSION FOR DEFERMENT

If Bangladesh is serious about deferment, it will need to make a formal request for deferment of the country's graduation from the group of LDCs.

This can be submitted to the CDP for consideration, or submitted directly to the UN. However, to note, the window of opportunity for making a submission for deferment, if Bangladesh so decides, is narrowing since November 2026 is approaching fast.

If there is no submission for deferment, it is highly unlikely that CDP will make any recommendation to this effect on its own. If there is a submission by Bangladesh, it will assess the request and give its opinion to the UN-ECOSOC (United Nations Economic and Social Council) for final decision by the UN GA.

As was noted earlier, Bangladesh also has the option of applying directly to the UN. It is the UN GA which is the final arbiter as regards the decision to defer the graduation of any LDC or not. A majority of members will need to vote in support of any submission for deferment.

If Bangladesh decides to apply for deferment, its application has to be well-substantiated, articulating the grounds on which such a request was being made. If Nepal and Lao PDR, the other two LDCs which are slated for graduation on the same day as Bangladesh, decide to go ahead with graduation, Bangladesh's case will no doubt be significantly weakened. Many UN members will be reluctant to support Bangladesh if that be the case.

This is not to say that Bangladesh does not have a good case. Amongst the LDCs, Bangladesh has been the one which was able to reap the most benefit originating from LDC specific ISMs including S&DTs under the various WTO Agreements. Consequently, it has the most to lose. This makes the task of sustainable graduation more challenging compared to other GLDCs. Also, the July-August 2024 uprising, the upcoming democratic transition and the resultant economic disruptions have added new challenges which could be put forward as accentuating factors.