

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



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Also, the case of Nepal is different from Bangladesh. The larger share of Nepal's exports will continue to enjoy duty-free treatment even after graduation since it has a *bilateral free-trade agreement* with India, its major trading partner. Also, no other LDC, including Nepal, has such a large domestic pharmaceutical industry as is the case with Bangladesh. One can expand and extend this line of argument further to emphasise the point that the Bangladesh case is

indeed unique and is of distinctive and different nature altogether compared to rest of the GLDCs.

PREPARATION AS PRIORITY

However, what should not be lost sight of in the discourse and dilemma concerning deferment is that the day of reckoning will come soon - if not in 2026, then may be with a delay of, under the best of scenarios, only a few years. The offer of extending preferential market access by the European Union (EU), United Kingdom (UK), and some

of the other major preference-offering countries, by an additional three years beyond the graduation timeline, will no doubt provide some extra time to prepare for graduation. However, this offer concerns only preferential market access. The loss of other LDC-specific S&DTs and ISMs in general will come into play immediately after Bangladesh has left the group of LDCs.

The most important question, however, is that in case graduation is deferred, will this be an excuse to kick

the can down the road, meaning yet another opportunity to delay taking the hard decisions? Or the additional time will be taken advantage of for doing the necessary homework and for taking preparation to make graduation smooth. This is what needs to be at the centre of the discussion on deferment of graduation.

The *Smooth Transition Strategy* (STS; February 2025), prepared by the Interim Government, is a well-prepared action-oriented document, successful implementation of which would go a long way in ensuring that Bangladesh's graduation is sustainable. STS has 5 pillars, 30 areas, and 157 concrete time-bound actions, with specific institutions and agencies responsible and accountable for implementation of the actions. The pillars are the followings: (a) Ensuring macroeconomic stability; (b) Exploring and securing trade preferences and transition measures; (c) Promoting export diversification and competitiveness; (d) Building productive capacity; and (e) Fostering partnerships and international cooperation. Priorly, attention must be given to strengthening the concrete actions under each of these pillars.

To recall, the interim government has set up a high-level *Steering Committee* to provide oversight to the process of preparing for graduation. It has also constituted a *High-Level Expert Group* to monitor the implementation of the STS. All relevant stakeholders -state, and private and other non-state actors- will need to work in partnership, and with due urgency, to ensure that STS deliverables are actually delivered during the run up to graduation, as also beyond.

Bangladesh's graduation will be taking place at a time when geo-economic and geo-strategic scenarios are evolving in a way that confront Bangladesh with many new challenges and difficult choices. To recall, developments such as US administration's so-called *reciprocal tariffs* and EU's *Carbon Border Adjustment Mechanism* (EU-CBAM)-induced *carbon emission taxes* will add

new dimensions to the global trade. This will add to the formidable challenges Bangladesh will need to deal with in making the LDC graduation sustainable.

Thus, the question that needs to be asked is how best to prepare Bangladesh for this newly emerging trading scenario. How to ensure that exporters, entrepreneurs and businesses are adequately compensated for the loss of LDC-specific ISMs and S&DTs which they have enjoyed for over five decades since Bangladesh became a member of the group of LDCs in December 1975. These are the questions that should disturb the policymakers and all concerned stakeholders.

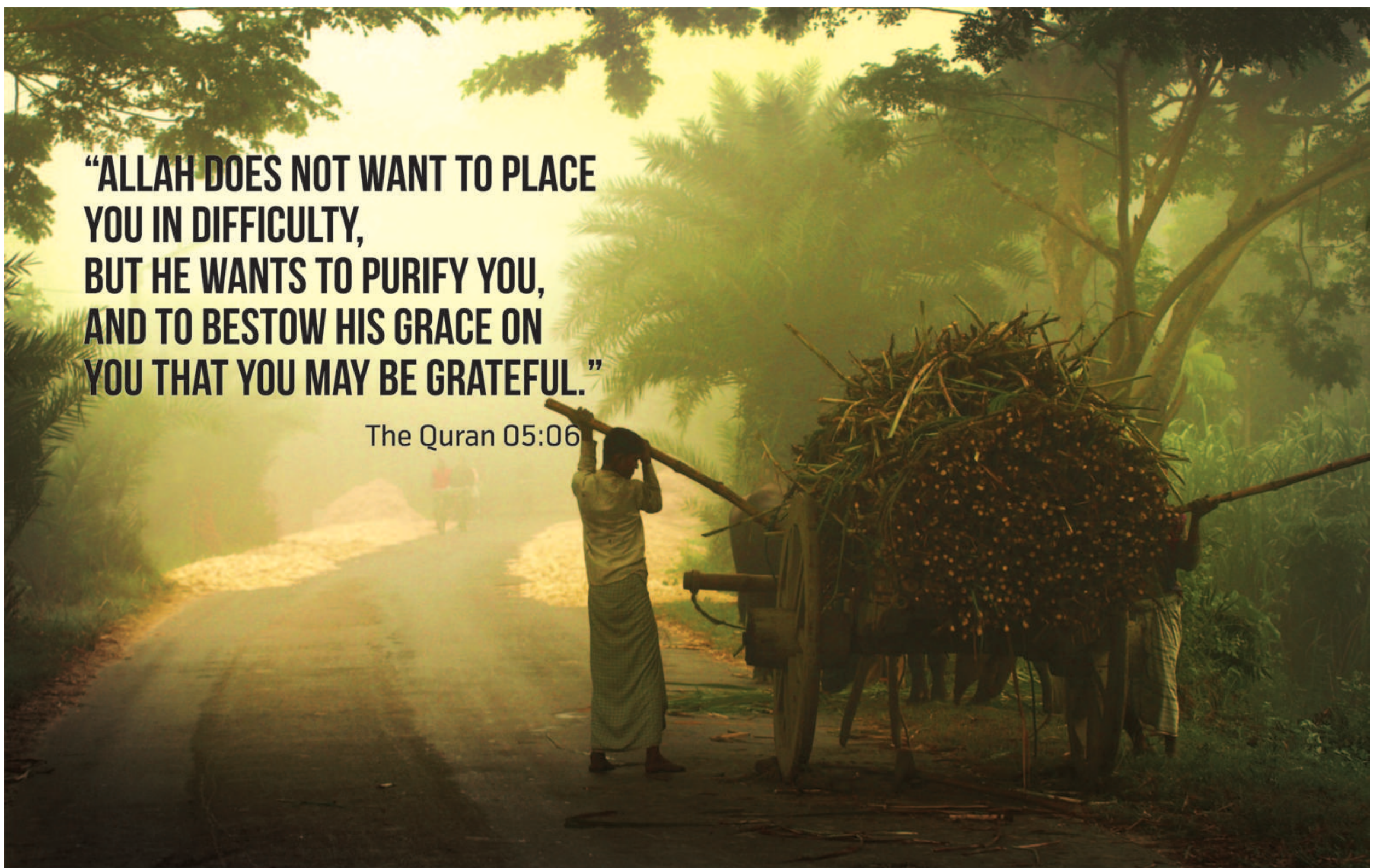
Entrepreneurs will need to have access to an effective single window and one stop service, the logistics policy will need to be implemented in full, and cost of doing business will need to be reduced significantly. Skills and productivity-based competitiveness will need to come into play in place of preference-driven and incentives induced competitiveness. A number of actions are being taken at present, however, many tasks remain unaddressed or have not been addressed adequately.

CONCLUDING REMARKS

The worst-case scenario for Bangladesh will be in not being able to do the needful to ensure sustainability of LDC graduation but graduation being effected on 24 November 2026 (whether a submission is made or not). In view of such a possibility, Bangladesh must take energetic and targeted steps to implement the STS in a time-bound manner, with due urgency. The debate and discussion on deferment must not deflect attention from what ought to be done to ensure that Bangladesh's graduation is smooth, takes place with momentum and is sustainable. The discussion on deferment should not serve as an excuse to defer hard choices and not doing what needs to be done, and merely as an opportunity for *kicking the can down the road*.

“ALLAH DOES NOT WANT TO PLACE YOU IN DIFFICULTY, BUT HE WANTS TO PURIFY YOU, AND TO BESTOW HIS GRACE ON YOU THAT YOU MAY BE GRATEFUL.”

The Quran 05:06



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