What happens after LDC graduation?

Past graduates saw mixed outcomes shaped by exports, trade preferences, diversification

REFAYET ULLAH MIRDHA

Bangladesh is seeking to defer its LDC graduation even as it prepares for the transition, amid concerns over export competitiveness and preferential market access. How have the eight countries that graduated before it fared, and what lessons do their experiences hold for Bangladesh?

A study by the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) found that post-graduation outcomes varied across the eight countries, depending largely on their economic structures, reliance on trade preferences and sources of development finance.

The loss of LDC status did not necessarily trigger a major economic shock. The impact was limited in countries whose exports relied little on LDC-specific preferences, particularly those exporting minerals, hydrocarbons and cocoa, or products already entering major markets at zero or low most favoured nation (MFN) tariffs.

Botswana and Equatorial Guinea, for instance, faced limited exposure to preference erosion because their exports were dominated by natural resources. Botswana had built domestic fiscal capacity through diamond revenues, while Equatorial Guinea's high hydrocarbon income had reduced its reliance on concessional finance and grant-based official development assistance (ODA).

However, both countries remained dependent on natural resources, highlighting the limits of graduation without economic diversification.

São Tomé and Príncipe, in Central Africa, was also expected to face little direct trade shock because cocoa already entered many markets duty-free. However, it remained reliant on cocoa, external finance and an emerging tourism sector.

By contrast, Cabo Verde and the Maldives faced greater risks from preference erosion because fish and processed fish products faced positive MFN tariffs in the European Union (EU) market.

Even in these countries, the overall impact was mitigated by the small share of merchandise exports in total external earnings and the dominance of services, particularly tourism. Transition periods, alternative preference schemes, flexible rules of origin, certification and market positioning also helped cushion the effects.

Nevertheless, both remained exposed to tourism-related risks. Cabo Verde was also vulnerable to disruptions in fisheries, remittances and climate shocks, while the Maldives remained heavily dependent on tourism.

Samoa and Vanuatu retained access to Australia and New Zealand through regional trade arrangements that were not conditional on LDC status. However, both remained exposed to changes in development finance, tourism, fisheries, remittances and climate shocks.

The study noted that the serious external disruptions Samoa and Vanuatu experienced after graduation stemmed mainly from natural disasters, the Covid-19 pandemic and the collapse of tourism, rather than the loss of trade preferences.

Bhutan's trade and development finance profile was anchored largely in its relationship with India, limiting its direct dependence on LDC-specific support. However, it continued to rely on hydropower and trade centred on India.

Changes in development finance did not generally lead to a sudden withdrawal of support, the study found. Cabo Verde, Samoa, Vanuatu and São Tomé and Príncipe remained more exposed to such changes, but graduation typically involved a longer transition in which some support measures were phased out, replaced or extended.

Overall, graduation mattered more where countries actively used LDC-specific support in sectors exposed to tariff preference erosion or in areas such as climate finance and Aid for Trade. Its effects were less pronounced where exports already entered markets duty-free, regional agreements preserved market access, or aid allocations depended mainly on income, vulnerability, bilateral ties or small island developing state considerations.

The study identified limited productive transformation before graduation as a more persistent challenge than the loss of LDC benefits alone.

It also cautioned against drawing direct parallels between past graduates and countries preparing to graduate now. Asian LDCs with manufacturing-led economies and deep integration into global production networks, such as Bangladesh and Cambodia, generally have much higher trade preference utilisation rates than small island economies dependent on services or countries driven by natural resources.

For countries heavily reliant on the Generalised System of Preferences (GSP) or duty-free market access, losing preferential access could create a significant competitiveness shock, particularly where labour-intensive textiles and garments underpin the economy.

The eventual outcomes will depend on the mitigation measures adopted before graduation, the quality of domestic reforms and the broader external environment, the study said.

Mohammad Abdur Razzaque, chairman of Dhaka-based think tank Research and Policy Integration for Development (RAPID), was one of the researchers involved in the study.

Speaking to The Daily Star, Razzaque said two of the eight countries were rich in natural resources but could not export those resources.

Bangladesh's situation is different, as it will need to sustain export growth after graduation, he said.

Razzaque said Bangladesh should follow the government's Smooth Transition Strategy (STS) for LDC graduation, which emphasises retaining preferential market access through trade agreements with major trading partners.

Life after LDC: Outcomes not uniform

Country	The impact of graduation
Botswana	Limited impact, resource exports
Equatorial Guinea	Limited impact, hydrocarbon exports
São Tomé and Príncipe	Little trade shock, cocoa duty-free
Cabo Verde	Greater risks, fish face EU tariffs
Maldives	Greater risks, fish face EU tariffs
Bhutan	Limited impact, India-centred trade
Samoa	Exposed to shocks, not trade loss
Vanuatu	Exposed to shocks, not trade loss



THE KEY LESSON
The loss of LDC status did not necessarily trigger a major economic shock

AI-ASSISTED INFOGRAPHIC

Pharma exports need stronger logistics to compete globally

SYED ERSHAD AHMED

The United States' decision to apply a zero additional tariff rate to specified specialty pharmaceutical products and associated ingredients from Bangladesh presents a significant opportunity. The US Department of Commerce's September 23 notice lists Bangladesh among the jurisdictions eligible for the zero Section 232 tariff rate on specified products, including orphan medicines, nuclear medicines, plasma-derived therapies, fertility drugs, cell and gene therapies, antibody-drug conjugates, certain medical countermeasures and animal health products.

This development should be viewed not simply as a tariff issue, but as an opportunity to strengthen Bangladesh's ability to serve a demanding global healthcare market. The exemption is product-specific and subject to US rules. Nevertheless, it reinforces the importance of developing a supply chain capable of protecting pharmaceutical quality from the factory to the final destination.

Pharmaceutical logistics is fundamentally different from ordinary cargo movement. Some products can tolerate delays; many medicines, vaccines, biological materials and other temperature-sensitive products cannot. Their quality may depend on maintaining specified conditions throughout transportation, storage, handling and delivery. A shipment can leave a modern manufacturing plant in perfect condition and still be compromised by a temperature excursion, excessive exposure on the airport apron, inadequate storage or a poorly controlled handover. This is why Bangladesh needs to treat pharmaceutical logistics as a high-integrity supply chain, not merely an airport cargo function. The International Air Transport Association's (IATA) pharmaceutical logistics standards emphasise temperature control, appropriate equipment and facilities, trained personnel, documentation, traceability, risk management and coordinated handling across the supply chain. Its CEIV Pharma programme provides a recognised framework covering infrastructure, equipment, quality management, training, warehousing, ground transportation and aircraft handling.



The next competitive advantage for Bangladesh's pharmaceutical exports will depend on how safely, quickly and reliably medicines reach patients

For Bangladesh, an immediate priority should be developing dedicated pharmaceutical logistics capabilities at the country's principal air cargo gateway. This should include validated temperature-controlled storage for different product requirements, rapid transfer between aircraft and storage, reliable backup power, temperature mapping and continuous monitoring, secure handling areas, calibrated sensors and clear procedures for temperature excursions.

The system should also support active and passive temperature-controlled packaging, data loggers, appropriate unit load device handling and specialised vehicles so cargo is not unnecessarily exposed to ambient conditions. Dedicated fast-track procedures for customs clearance would further reduce dwell time. High-value and sensitive medicines require strong physical security, controlled access, accurate documentation and end-to-end shipment visibility.

Training is equally important. Airlines, ground handlers, freight forwarders, customs personnel, warehouse operators and trucking companies should understand pharmaceutical handling procedures. Standard operating procedures and service-level agreements should define responsibilities at every handover. Digital tracking and electronic documentation can further strengthen traceability and reduce avoidable delays. IATA specifically identifies infrastructure, temperature monitoring, trained personnel, documentation, transportation and ground handling as important elements of pharmaceutical logistics. Singapore offers a useful benchmark. Its pharmaceutical and biomedical industries are supported by advanced manufacturing, global connectivity, regulatory capability and specialised logistics services. Bangladesh does not need to replicate Singapore, but it can learn from the principle that high-value healthcare manufacturing requires equally high-integrity logistics.

The US tariff development therefore presents Bangladesh with more than a market-access opportunity. It is a reminder that competitive pharmaceutical exports depend on the entire supply chain. Investment in cold-chain infrastructure, trained personnel, secure cargo facilities, reliable power, digital monitoring and internationally aligned operating standards can help Bangladesh protect product integrity and build confidence among global buyers.

For a country seeking to expand pharmaceutical exports, the next competitive advantage may not come only from what is manufactured inside the factory. It will also depend on how safely, quickly and reliably that product reaches the patient.

The writer is former president of FICCI and AmCham Bangladesh

Afghan trade halt hits Pakistan's pharma exports

ANN/DAWN

After contracting by 30.26 percent in FY26, Pakistan's pharmaceutical exports continued to decline, falling 25.53 percent in value in the first quarter of 2026-27.

The industry largely attributes the drop to disrupted trade with Afghanistan, once one of the country's main medicine markets.

Pakistan Bureau of Statistics data showed that pharmaceutical exports fell to $319.012 million in FY26 from $457.456 million in FY25, a drop of $138.444 million, while export volumes declined 26.14 percent to 83,104 tonnes from 112,517 tonnes.

Pharmaceutical exports remained under pressure in the first quarter of FY27, with proceeds falling 25.53 percent to $73.301 million from $98.428 million in the same period last year.

Export volumes fell 31.40 percent in the first quarter of FY27, dropping from 23,924 tonnes to 16,410 tonnes, a reduction of 7,514 tonnes, showing a sharper decline in quantity than in value in both periods; average export value per tonne rose about 8.6 percent in the first quarter, from around $4,115 to $4,469, but fell 5.6pc in FY26, from roughly $4,065 to $3,838, with these averages reflecting changes in the mix of products exported rather than necessarily changes in medicine prices.

Sri Lanka seeks faster green energy shift after oil shocks

AFP, *Colombo*

Sri Lanka is determined to accelerate its transition to renewable energy spurred by soaring oil prices, but faces major constraints, its energy minister told AFP.

"There are some wake-up calls... pushing us to move more to renewable energy," Anura Karunathilaka said.

"If we can get as much as possible from renewable energy, that would be our policy in the next few years."

The island nation, which imports all its oil and gas needs, has been hit hard since the US and Israel launched their war on Iran, which in turn choked off the strategically critical Strait of Hormuz.

Sharp increases in fuel, gas and electricity prices, rationing and inflation at its highest in three years have dealt a painful blow to an economy only just recovering from its worst-ever crisis in 2022.

The state and the public have paid a heavy price. The energy ministry says the government has at times spent up to 30 percent of its foreign exchange reserves in a single month to pay for fossil fuel imports.

Sri Lanka's energy transition targets were set before the war.

By 2030, the country aims to generate 70 percent of its electricity from renewable sources, up from around 60 percent currently, including about 40 percent from hydropower.

PROMISE TO THE PEOPLE

"We will probably have to go beyond 70 percent," Karunathilaka said.

But the transition is proving more complicated than expected.

Some communities oppose wind turbines.

The island has enormous potential for wind power -- estimated at 30 gigawatts-- but anger is growing on the northwestern Mannar peninsula, where residents blame turbines operating since 2020 for causing floods, driving fish away and threatening migratory birds.

The minister said he had listened to their concerns. "We have promised the people of Mannar... that only projects already approved or under construction will go ahead," he said, adding that future wind farms would be built elsewhere.

Another obstacle is technical.

"The problem is the constraint in the transmission lines, availability and also control of the grid, as well as fluctuations in supply and demand," Karunathilaka said.

"From next year onwards, we have planned to enhance our transmission capacity, adding five major transmission network lines."

But that will not be enough.

The success of solar power, particularly the installation of photovoltaic panels on homes and businesses, has created sharp fluctuations in electricity supply, which often exceeds demand during daylight hours.

PRICING CHANGES

This month a six-hour blackout struck across the island after the national grid tripped, possibly because solar power generation exceeded consumption.

"Sometimes we have to curtail certain solar power plants to maintain the stability of the system. That is why some people have the perception that the government is not encouraging solar power," Karunathilaka said.

"But that is not true."

By 2029, the government hopes to increase its solar power generation capacity to nearly 4,400 megawatts, a 388 percent jump from 2024, he said.

However, he added that the government would have to change how solar electricity was priced.

Under the existing system, private producers can feed electricity into the grid during the day, when generation is at its peak and demand is low, then draw back the same amount for free at night, when electricity is more expensive.

The arrangement is financially unsustainable for a fragile economy, the minister said.

"The additional cost is borne by the state," he said. "We think it is unfair to pass that burden on to the general public, so we will propose a new financial model that is fair to both solar producers and consumers."

The government also plans to expand electricity storage using batteries, Karunathilaka said.



Drivers and their auto-rickshaws queue at a Ceylon Petroleum Corporation fuel station in Colombo on March 11, 2022, as they wait to refuel. PHOTO: AFP/FILE

UK govt sets out $800m of AI security funding

REUTERS, *London*

Britain's government set out around £600 million ($800 million)of funding on Saturday largely geared towards defending against health and security threats from artificial intelligence.

The biggest chunk of funding will go to a new biosecurity initiative, including £100 million for a laboratory using AI to detect biological threats and £65 million to develop countermeasures against pathogens.

AI minister Kanishka Narayan said the aim was for the AI Biosecurity Lab to become a major global institution "bringing together world-leading scientific expertise to protect people from emerging biological threats".

Tech companies OpenAI and Anthropic will offer up to £200 million of model credits to the biosecurity initiative

Google Deepmind and London-based AI life sciences startup Basecamp Research will offer other assistance

Britain's government will give its existing AI Security Institute an extra £120 million.

£130 million will go towards new projects to improve cyber defences for critical infrastructure and the wider economy, known as the National Cyber Shield and the National Exposure and Real-Time Vulnerability Centre.

£60 million will go towards a fund that will invest in British companies using AI to advance robotics, autonomous systems and manufacturing.

£60 million will be used for AI research and procurement contracts.

An extra £23 million will go to research on the economic impact of AI.

£18 million will go to a new chip design academy.