

# Implications of LDC Graduation

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# Opportunities of the graduation

- Graduation from the LDC category will give us a new identity
  - It will enhance our image at the global level
- Graduation will enhance confidence global community on Bangladesh
  - It will enhance credit rating, attract more FDI
- More importantly, graduation will enhance self-esteem of the citizens particularly of the young generation
  - It will make positive contribution to our development journey

# Challenges of the graduation

- Challenges will be mainly due to termination of the LDC-specific International Support Measures (ISMs)
- ISMs are special facilities for LDCs
- ISMs can be grouped into three main categories:
  - International trade-related
  - Development assistance
  - General support and other forms of assistance

# Trade-related ISMs

- Among the ISMs, trade-related ISMs are the most important ones
- Trade-related ISMs are mainly:
  - 1) Preferential market access
    - Duty-free & quota-free (DFQF) market access
  - 2) Preferential Rules of Origin
  - 3) Special & Differential Treatments (S&DTs) in the WTO system
    - Export subsidies (Cash incentives)
    - TRIPS Exemptions

# Preferential Market Access

- Bangladesh enjoys DFQF market access in all developed countries, except USA and Russia, for almost all products
- Many developing countries also provide the DFQF market access for certain range of products
- According to a WTO Report, Bangladesh is the highest utilizer of preferential market access
  - Utilization rate of Bangladesh is 71% (1<sup>st</sup> position)
  - Utilization rate of Myanmar is 25% (2<sup>nd</sup> position)
- Bangladesh is also highest utilizer of EBA (Everything But Arms) scheme of EU GSP
  - Utilization rate is more than 96%

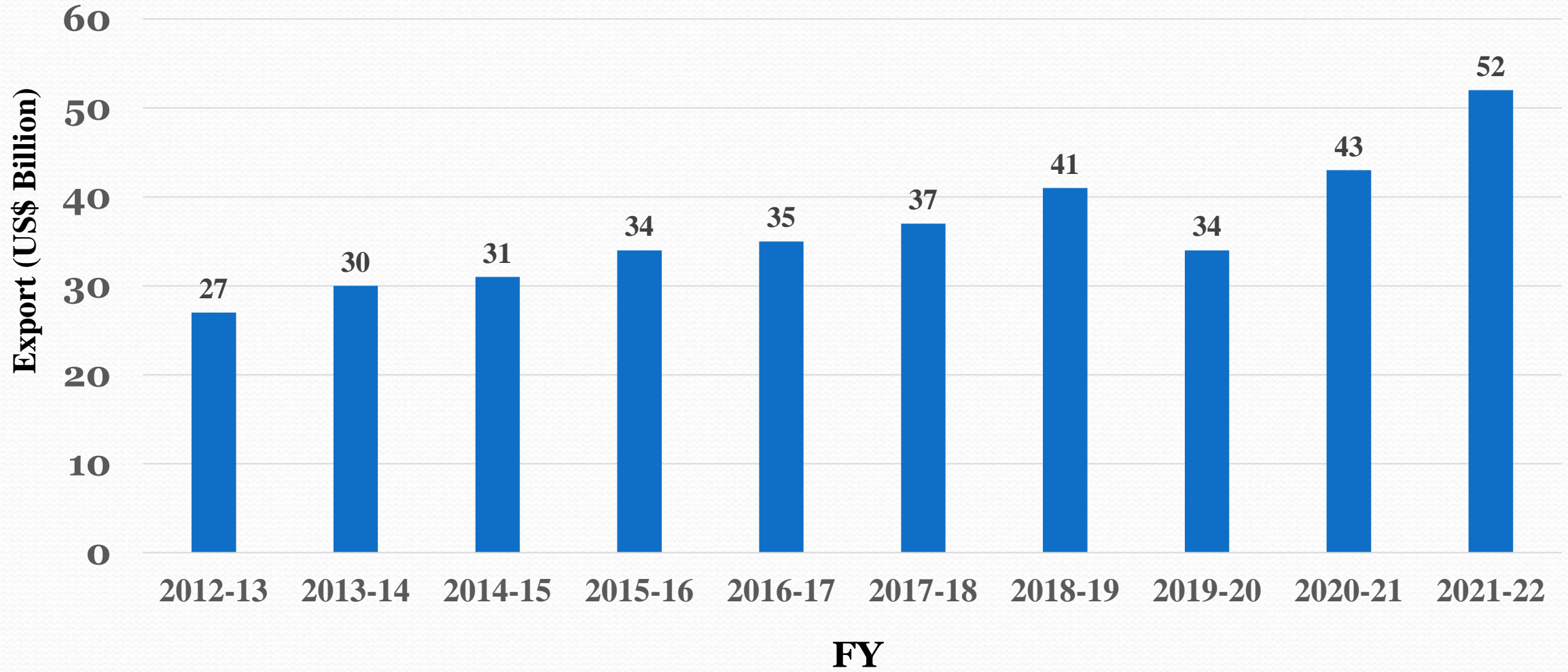
# Preferential Rules of Origin

- Preferential Rules of Origin (RoO) are the rules for identifying the country origin of a product for providing preferential market access
- There are several methods for defining RoO criteria
- Very known methods are: Value addition method, stage transformation method
- Bangladesh enjoys preferential or flexible RoO criteria
  - Single stage transformation in case of RMG and 30% value addition for other products in EU
  - 25% value addition in Canada

## Export subsidy (Cash incentives)

- Usually, export subsidy is prohibited
- However, under the Subsidies & Countervailing Agreement (SCM) of the WTO, LDCs are allowed to provide export subsidies
- Bangladesh provides cash incentives to around 40 products
  - Rate varies from product to product: 2-20%
- All these have been contributing to our exports

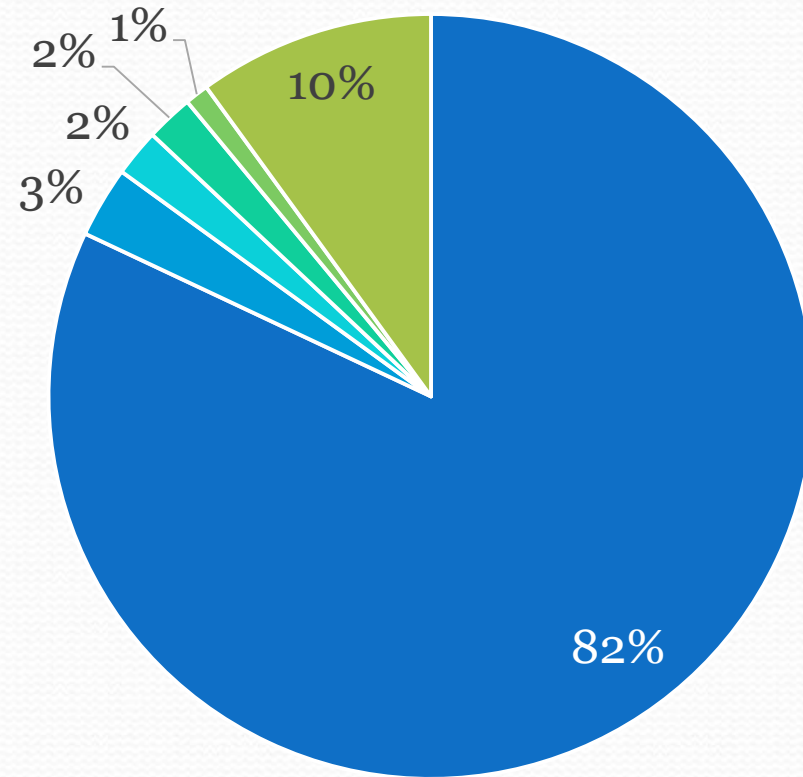
## Export performance of last 10 years



Source: EPB



## Product-wise Exports in 2021-22



■ RMG

■ Jut & Jute Goods

■ Home Textile

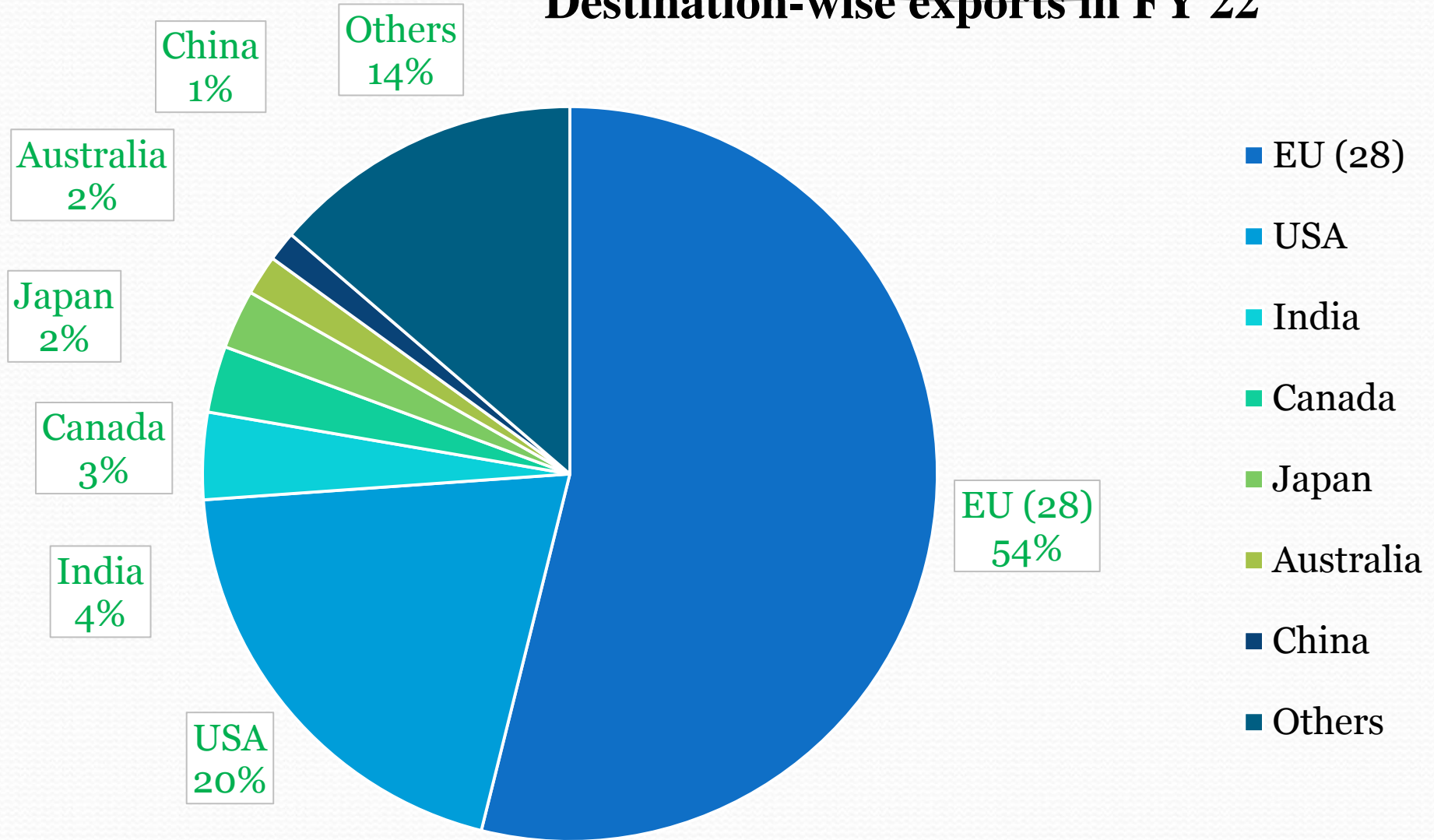
■ Shrimps

■ Leather & Leather Goods

■ Others

Source: EPB

## Destination-wise exports in FY 22



Source: EPB

# Impacts of LDC Graduation

- Termination of the DFQF market access
  - In 2026 in all export destinations, except EU
  - DFQF will continue until 2029 in EU and UK (*more than 75% of exports under the DFQF will remain unaffected*)
- Tariff (Customs duty) will be raised by around 9% on an average
- Double-stage transformation for RMG and 50% value addition for other goods
- Cash incentives will need to be withdrawn

# TRIPS Exemptions

- TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement of the WTO requires all members to provide proper IPRs
- However, IPR protection creates some kind monopoly and increases costs, which cannot be afforded by LDCs
- Recognizing this fact, TRIPS Agreement has provided two exemptions for the LDCs:
  - **General Exemption for all IPs – until 01 July 2034**
  - **Pharmaceutical Exemption – until 01 January 2033**

# TRIPS General Exemption

- General Exemption exempted LDCs from providing IPRs relating to all IPs
- However, Bangladesh, for its own necessity, has enacted several IP laws:
  - Copyright Act
  - Trademark Act
  - Patent Act
  - GI Law, etc.
- However, enforcement of these laws are still weak, partly due to TRIPs exemption
- We have been benefiting from the exemptions many ways, such as
  - Using copied books and pirated software
- After the graduation, this kind of activities will not be allowed

# TRIPS Pharma Exemption

- LDCs are exempted from providing patent protection to pharmaceuticals
- As a result, Bangladesh can produce products patented outside Bangladesh without license or permission from the patent holder
- Bangladesh pharma industry has made a remarkable success
  - Meets 98% of the local demand with a very affordable price
  - Exports medicines to more than 100 countries
  - One-third of our pharma exports goes to other LDCs, which have no production capacity
- But, after the graduation, patent protection will become mandatory
- Price of pharmaceuticals will increase

# Way Forward

- Pursuing for continuation of all ISMs for a certain period beyond the graduation
- Pursuing for EU GSP+, etc.
- Creating new market access through FTA and similar trade agreements
- Enhancing competitiveness
  - Increasing productivity and reducing cost of doing business
  - Improving logistics and trade facilitation system
  - Adopting new technologies
  - Developing human and institutional capacity
- Strengthening IP regime, particularly enforcement mechanism
- Formulating and implementing a Smooth Transition Strategy (STS)



Thank You