

**UNESCAP-WTO Regional Workshop on Graduation
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LDC Graduation – Looking Ahead

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Looking Ahead

- For most of the LDCs, graduation is a difficult & sensitive issue
- While it is an avowed developmental goal, yet when it is near there is apprehension about the implications
- Countries then try to push back graduation in spite of it being an avowed objective
- Why?
- And importantly what can be done to ensure that countries embrace graduation?
- Two main stages:
 - Pre-graduation phase; and
 - Post-graduation phase;



Pre-graduation phase: coordination and consultations

- Graduation will affect different sectors in different ways
- Its therefore important to constitute an inter-ministerial graduation task force;
- Consultations with key constituencies
- After the Government, it's the private sector which is the most important constituent
- After all it's the private sector that manufactures and trades
- Parliamentarians and press also important; necessary to keep them in the loop during every step



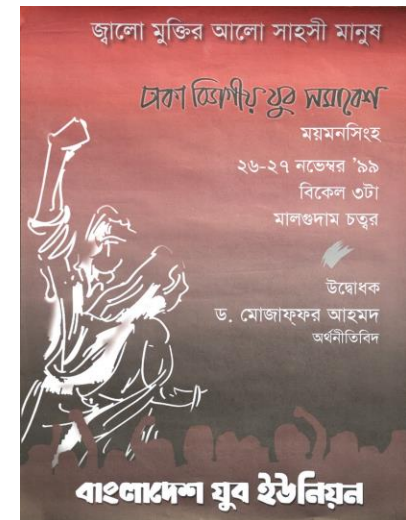
Pre-graduation phase: fear of unknown

- Very important to approach graduation in an analytical, clinical and quantitative manner
- We have to remove the ‘fear of the unknown’
- Must assess the implications of each sector individually
- For instance, many LDCs fear the implication of graduation on the flexibilities they have under the TRIPs Agreement
- But this would be critical only for those LDCs that have pharmaceutical manufacturing capacity and have benefitted from TRIPS flexibilities;
- Similarly many LDCs feel that their schedule of concessions in the WTO will change; again this is not the case



Pre-graduation phase: political buy-in

- But perhaps the most important issue is 'Political buy-in' and political support for graduation;
- Is it seen as a victory? Is it seen as a reflection of the trade and industrial policies followed by the Government?
- If so, then then the country would embrace graduation
- The political support for graduation in Bangladesh is an unique phenomenon, they have shown unprecedented enthusiasm in embracing graduation
- Bangladesh is even trying to graduate before the time set by the UN process!
- Clearly, incentivizing graduation is important



Pre-graduation phase: engagement at UN

- Another very important element in the pre-graduation phase is the need to strengthen New York mission
- Diplomacy plays a very important part in New York with graduating LDCs lobbying ECOSOC members, and attending the UN CDP meetings – the body that recommends graduation.
- For example, both Kiribati and Tuvalu – despite meeting the criteria twice got an ECOSOC resolution with temporary suspension of their graduation process, by suitably lobbying other countries. Nepal made a presentation at CDP explaining their vulnerabilities and asking for additional time.



Post-graduation phase: implementation of transition strategy

- This is a phase when the country no longer belongs to the LDC category
- International community is aware of this transition, and invites graduating LDCs to submit their transition strategies
- In fact, the LDCs on the path of transition are advised by the UN to prepare “smooth transition strategies”
- The objectives are to ensure that the graduated LDCs do not slide back the growth momentum that enabled their graduation and to ease the impact of graduation on their economies.
- These “smooth transition strategies” of graduated LDCs are reviewed in the UN CDP
- Hence, there are opportunities to present pitfalls of graduation during the post-graduation phase of the country

Post-graduation phase : implementation of transition strategy

- It is important to develop a roadmap, under the aegis of this “smooth transition strategy”
- Graduated LDCs often provide detailed reports to the CDP on where they stand with regard to their implementation of the roadmap;
- Regular feedback keeps the UN members informed of the development path of the country and builds the case for continuous support
- There could be different components in that roadmap
- The key is to ensure stability of country's export earnings, and continued access to concessional loans for productive capacity building.



Smooth transition strategy

Monitoring and Reporting Procedures

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| Preparation of transition strategy (3 years) | Pre-graduation reports | Graduating country Invited to report annually to the CDP on the preparation of the transition strategy |
| | | CDP Monitors development progress in its annual reports to ECOSOC |
| Graduation becomes effective | | |
| Implementation of transition strategy | Post-graduation reports (annually for 3 years) | Graduated country Reports annually to the CDP on the implementation of the transition strategy for 3 years |
| | | CDP Monitors development progress in consultation with graduated country for 3 years and reports results to ECOSOC |
| | Post-graduation reports (triennially thereafter) | Graduated country Reports to the CDP for 2 triennial reviews on the implementation of the transition strategy |
| | | CDP Monitors development progress in consultation with graduated country for 2 triennial reviews and reports results to ECOSOC |

Source: UN DESA website - <https://www.un.org/development/desa/dpad/least-developed-country-category/preparing-for-ldc-graduation-and-smooth-transition.html>



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Post-graduation phase: trade strategies

- Possible trade strategies could include:
 - Diversification of export base and expansion of market base
 - Increase competitiveness of export sectors, especially to cover the loss of preference margins
 - Continue to take trade facilitation measures to improve efficiency of trade operations
 - Continue to seek preferential access either under regional trade arrangements or at other fora



Post-graduation phase: sustainability

- For sustainable development, graduation must lead to qualitative economic transformation
- A graduated LDC most often makes another transition from low-income to lower-middle-income category
- This necessitates continued engagement with donors so that development assistance flows is not reduced.
- This transition therefore also requires LDCs to adopt proactive financial policies to attract FDI



Post-graduation phase: participation in WTO

- A graduated LDC need to strategize its participation in the WTO
- Support the proposals that are being made for graduated LDCs to continue to benefit from certain WTO flexibilities
- Pursue country's trade interests under different coalitions that are formed in the WTO (e.g. small economies, recently acceded members)
- Identify the challenges of post-graduation in the TPR exercise



Efforts by the international community

- International community is actively engaged in helping LDCs in graduation
- UN General Assembly Resolution A/RES/67/221 (2012) outlines elements of a smooth transition for countries graduating from the list of LDCs
 - *Importance of ensuring that the graduation of a country from LDC status does not cause disruption in the development progress which that country has achieved*
 - *Invites WTO Members to consider extending to a graduated country the existing special and differential treatment and exemptions available to LDCs for a period appropriate to the development situation of the country*



Efforts by the international community

- UN GA Resolution A/RES/67/221 (2012) continued
 - *Invites trading partners to clarify their position with regard to the extension of LDC-specific preferences, the number of years of the extension or the details concerning the gradual phasing out of the measures*
 - *Invites development and trading partners to consider the inclusion of trade-related technical assistance as part of the commitments to support each country's transition strategy to help graduating countries to adjust to the phasing out of trade preferences, including through the Enhanced Integrated Framework, Aid for Trade or other instruments*



Thank you!

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