

# **TRAINING ON SMOOTH TRANSITION STRATEGY (STS) FOR LDC GRADUATION OF BANGLADESH FOR GOVERNMENT OFFICIALS**

*Organized by the Support to Sustainable Graduation Project, Economic Relations Division*

**Date & Venue: 07 May 2025; NEC-II Conference Room, ERD**

## **Outcome Document**

A training program on 'Smooth Transition Strategy (STS) For LDC Graduation of Bangladesh for Government Officials' was organized by the Support to Sustainable Graduation Project (SSGP) of Economic Relations Division (ERD) on 07 May 2025 at the NEC II Conference Room of ERD. Additional Secretary of ERD and the Project Director of SSGP Mr. A. H. M. Jahangir chaired the event. Major discussions and recommendations coming from the event are documented below.

### **Welcome Remarks by the Chair: Mr. A. H. M. Jahangir, Additional Secretary and PD, SSGP, ERD**

Mr. Jahangir, in his welcome remarks, recalled that United Nations recommend a graduating LDC to prepare a national Smooth Transition Strategy (STS) during the preparatory period in cooperation with its development and trading partners and with targeted assistance from the UN system. He also recalled that Bangladesh had consequently prepared an STS with technical support from UN DESA and SSGP. He mentioned that the STS had incorporated a time-bound action plan - prioritising and expediting the implementation of necessary reforms to achieve sustainable graduation. Against this backdrop, he highlighted the need for active contribution of and close collaboration among the relevant government ministries, divisions and agencies for effective implementation of STS and its action plan. In this context, he said that the training program had been organized to sensitize the government officials about the impacts of LDC graduation, STS and its implementation modality.

### **Session 1**

**Session-1: An Overview on LDC Graduation, Process and Preparation of Smooth Transition Strategy (STS) by Dr. Md. Rezaul Bashar Siddique, Component Manager-2, SSGP:**

In the beginning of his presentation, Dr. Siddique explained the background and context of the concept of LDC category. Later, he highlighted some stylized facts about LDCs. He focused on the 'Decadal Programmes' undertaken for LDCs since 1981—including the Istanbul Program of Action (IPoA) and the Doha Program of



Action (DPoA). He then explained, in detail, the LDC graduation criteria. He also explained the eligibility rules and thresholds for inclusion and graduation from LDC category. Later, he explained the meaning and significance of the 'Preparatory Period' and 'Transition Period' in the context of LDC graduation. Afterwards, he explained the difference between the graduation from LDC category and graduation from low-income to lower-middle income country category. Subsequently, Dr. Siddique highlighted, step by step, on Bangladesh's LDC graduation timeline. Explaining the graduation threshold for various LDC graduation indicators, Dr. Siddique highlighted Bangladesh's latest scores in those indicators. He focused on the unique aspects of Bangladesh's LDC graduation journey. Highlighting the opportunities offered by LDC graduation, Dr. Siddique explained that graduation from LDC category can offer a virtual cycle of development. Later, he highlighted on the initiatives taken by the government for smooth transition from LDC. He also observed that Bangladesh currently stands at a point where it can simultaneously take advantages of being an LDC, a graduating LDC as well as a future non-LDC developing country. Reflecting on the country's strengths, he expressed his hope that Bangladesh would boldly face the graduation challenges and would secure a smooth transition from LDC category.

#### **Q&A:**

- Recalling that a draft STS M&E framework had been shared with the concerned government agencies for their inputs--it was observed that the concerned agencies have various queries or feedback about this M&E framework which should to be clarified through detailed discussions. In response, it was informed that one-to-one discussions will be held as required with the concerned ministries or agencies to clarify such issues.
- Noting that Bangladesh currently provides huge amount of subsidies in the power sector, it was queried that what impact LDC graduation may have on the power sector if the country no more remains eligible for providing subsidies. In response, it was informed that the government is carrying out various research and analyses for devising WTO compatible alternatives to subsidies for some vital sectors in light of the upcoming LDC graduation.
- It was quired that whether there is any linkage between DPoA and STS. In response, it was observed that there is no direct linkage between DPoA and STS. It was further pointed out that the while DPoA is a decadal program aimed at empowering all the LDCs. Meanwhile, only the graduating LDC are recommended to prepare a national Smooth Transition Strategy during their preparatory periods to expedite the implementation of necessary reforms for achieving sustainable graduation.





## **Potential Implications of LDC Graduation and Vision of STS by Mr. Nesar Ahmed, International Trade Expert, SSGP:**

Mr. Nesar Ahmed, in his presentation, highlighted that the challenges of LDC graduation will be generated mainly due to the termination of the LDC-specific International Support Measures (ISMs). Subsequently, he pointed out that such ISMs can be grouped into three main categories:

- International trade-related supports
- Development assistance
- General support and other forms of assistance

Noting that the trade related ISMs are the most important ones among the ISMs—he said that the trade-related ISMs utilized by Bangladesh could be categorized into the following:


- 1) Preferential market access - Duty-free & quota-free (DFQF) market access
- 2) Preferential/Flexible Rules of Origin
- 3) Export subsidies (Cash incentives)
- 4) TRIPS exemptions

Later, he reflected on the nature and extent of each of these trade related ISMs. He also expounded on the potential implications of the withdrawal of those ISMs after LDC graduation. These include:

- Termination of the DFQF market access in all export destinations after the graduation in 2026 (Only EU, UK and Turkey will continue DFQF for three more years, until 2029)
- Around 10 percent increase in Tariff (Customs duty) on average
- Double-stage transformation for RMG and 50% value addition for other goods
- Withdrawal of cash incentives

Later, he elaborated on the vision of STS which is 'To transform the country's economy from international support dependent one to a competitive, resilient, and sustainable economy'.

He identified the following policy approaches as crucial for structural transformation of the economy:

- Strengthening macroeconomic stability
  - Rationalizing tariffs to reduce anti-export bias
  - Improving trade logistics, customs and border procedures
  - Improving the business environment
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- Promoting export diversification
- Investment in infrastructure, education and skills
- Concluding FTAs

He also identified the following prerequisites for transitioning to a High-Road Economic Model:

- Enhancing productivity, creating quality jobs,
- Improving product standard and quality
- Strengthening compliance with international standards, on labour & environmental
- Moving towards high-value industries and services
- Participation in the global supply chain
- Ensuring environmental sustainability

#### **Q&A:**

- In response to a question about the steps taken to ensure that Bangladesh continues to benefit from the ASCM exemption after LDC graduation, it was clarified that Bangladesh currently provides various export subsidies, which may need to be withdrawn post-graduation unless the country remains listed in Annex VII of the WTO Agreement on Subsidies and Countervailing Measures (ASCM).
- It was informed that a proposal has been submitted on behalf of the LDC group to allow graduated LDCs with per capita GNP below \$1,000 at constant 1990 prices to continue benefiting from the exemption for export subsidies. It was also observed that Bangladesh should continue to engage with the WTO for inclusion in Annex VII (b) list under the ASCM to retain the flexibility of providing export subsidies for some additional years.
- Participants observed that there are scopes for conducting in depth and comprehensive studies to quantify and analyse the actual impact of LDC graduation on the pharmaceuticals sector as well as other areas of economy. It was also pointed out that apart from pharmaceuticals, a large portion of the software used in Bangladesh are pirated. Hence, it was observed that the price of various software might also increase in the local market after LDC graduation. In this context, it was pointed out that the software market of the country also needs to be prepared to face the challenges of the end of TRIPS exemptions in the aftermath of LDC graduation.
- In response to a question, it was affirmed that there is a dearth of studies related to the implications of the end of TRIPS related flexibilities in Bangladesh. However, it was recalled that a Geneva based think tank called South Center earlier conducted a study, under the auspices of SSGP, on the

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impact of the end of TRIPS flexibilities in the pharmaceuticals sector of Bangladesh. It was also informed that the World Intellectual Property Organization (WIPO) had been earlier requested to conduct a study on the impact of the end of TRIPS flexibilities in Bangladesh.

- Participants pointed out that the DPDT is likely to receive huge number of patent applications in the aftermath of LDC graduation. In this context, it was observed that the capacity of the DPDT needs to be significantly enhanced to handle such increase in patent applications.
- A query was raised regarding whether Bangladesh can continue to provide export-related subsidies—such as for air freight or handling charges—after LDC graduation, given that the WTO Agreement on Agriculture prohibits export subsidies for all members except LDCs and Net Food-Importing Developing Countries (NFIDCs). Additionally, clarification was sought on whether farmers would remain eligible for subsidies under social safety net programmes following graduation.
- In response, it was informed that as per the recent notification submitted by Bangladesh to the WTO Committee on Agriculture, the Aggregate Measurement of Support (AMS) provided to the agricultural sector is around 1.05 per cent, which is less than the de minimis level for developing countries. Hence, Bangladesh would not be required to reduce its domestic support measures in agriculture. Nevertheless, it was also pointed out that as per the Agreement on Agriculture, no WTO member, apart from LDCs and Net Food Importing Developing Countries (NFIDCs), can provide export subsidies for agricultural products. Pointing out that as per the recent trade data, agricultural goods exported from Bangladesh are less than those imported into the country, it was informed that the government had officially requested the WTO to include the country within the group of NFIDCs.

### Session-3

#### **Priorities and Implementation Mechanisms of STS by Dr. Mostafa Abid Khan, Component Manger-2, SSGP:**

At the outset, Dr. Khan highlighted the country's trends in various key economic indicators since it was recommended for LDC graduation in 2021. Reflecting on some major economic concerns faced by the country—he pointed out that apart from the loss of ISMs, none of these challenges are related to LDC graduation. He highlighted on some major preconditions the country had to fulfil to transition from LDC status towards a structurally transformed inclusive, resilient and competitive economy. Later, he elaborated on the strategic pillars of the STS which are as follows:

- (1) Ensure sustained macroeconomic stability to facilitate a smooth transition from LDC status





- (2) Exploring and securing trade preferences and favourable transition measures beyond LDC graduation
- (3) Enhance trade competitiveness through comprehensive reforms aimed at revitalising the economic environment, facilitating transformation, and fostering new sources of competitiveness
- (4) Building productive capacity to promote structural transformation and achieve the long-term vision of becoming a high-income country
- (5) Building partnerships and international cooperation for promoting sustainable development and improving resilience against global uncertainty

Lastly, he focused on the STS implementation framework and some major actions that need to be taken in the long and short term for its effective implementation. He also pointed at some major steps that had already been taken in this regard.

#### **Q&A:**

- Participants queried that whether there are scopes for receiving technical and financial support from development partners for projects or activities related to STS implementation. In response, it was informed that the STS Action Plan has identified areas where the development partners can provide their support.
- Participants also queried that whether there are scopes for categorizing the relevant ministries, divisions and agencies in terms of their progress in STS implementation.
- Noting that the local pharmaceutical companies are currently not investing enough in research and development (R&D)—representative from DPDT said that the government should incentivize the local drugmakers to invest more in R&D to prepare them for the post-LDC IP regime.
- Citing examples of other countries, the representative from DPDT also said that international airports of the country can be a good spot for promoting Bangladesh's GI products. He also observed that overseas diplomatic missions could also play a vital role in promoting the GI products of the country through showcasing them in various international trade fairs.
- Participants underscored the importance of signing FTAs with potential major trading partners in light of the upcoming LDC graduation. In response, it was informed that formal negotiations have already started with Japan for signing an Economic Partnership Agreement (EPA). In addition, initial discussions have taken place with a few other trading partners.

**Conclusion by the Chair: Mr. A H M Jahangir, Additional Secretary and PD, SSGP, ERD**

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The Chair, in his concluding remarks, thanked the participants for their queries and feedback. He observed that the training program would go a long way in sensitizing the government officials regarding STS. He hoped that this sensitization would also be vital in ensuring timely, effective and coordinated implementation of STS. Lastly, he concluded the event by thanking all the participants.

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