

# Chapter 2

## Key LDC International Support Measures

## 2.1. Overview

The official graduation from LDC status will certainly enhance Bangladesh's status in the global community of nations, but at the same time, Bangladesh will lose some benefits, inter alia, in the form of duty and quota free access to developed country markets and a number of preferential and favourable provisions as provided under World Trade Organisation rules and regulations. Accordingly, Bangladesh's challenge is to prepare itself fully as a middle-income developing country after the formal graduation expected in 2024, and sustain its march towards upper middle-income country along with achievement of SDG targets by 2030 and a high-income country by 2041.

While the achievement of economic progress leading to Bangladesh's graduation is clearly beneficial, the loss of LDC status at graduation may give rise to potentially important economic costs as a result of the loss of access to the International Support Measures (ISMs) associated with the LDC status. In the Bangladesh context, export success in RMG has, in large part, been driven by the existence of trade preferences, particularly in the EU market. Having very successfully utilized the benefits from ISMs (duty-free access, in particular) their absence post-graduation has the potential of leaving a major dent in the economy's internal and external balances, unless suitably addressed well ahead of the impending event.

The Support Measures Portal for Least Developed Countries of the United Nations Committee for Development Policy lists the ISMs in three categories<sup>6</sup>: (I) General Support related International Support Measures; (II) Development Assistance related International Support Measures; and (III) Trade related International Support Measures. The Annex to Chapter 2 provides a complete listing of these ISMs. The significant ISMs related to Bangladesh are discussed below.

## 2.2. General Support related ISMs

One of the major components of General Support ISMs for LDCs is the financial support in the form of scholarships and travel grants for research related purposes, which are provided to citizens from this group of countries. The organizations offering such opportunities to citizens to LDCs range from specialized agencies like the United Nations Educational, Scientific and Cultural Organization (UNESCO) to international organizations like the Intergovernmental Panel on Climate Change (IPCC). In addition, academic institutions like the Berkeley Law School and the Leipzig Graduate School of Management also provide scholarships to deserving students. Member states like the Republic of Korea, Japan and Israel have worked with UNESCO to cosponsor fellowships. Offering opportunities of education, research and training has far reaching impacts since they directly benefit a large number of people who can enhance their skills.

Financial support for travel is also available for (i) up to five representatives of every LDC member country attending a regular session of the General Assembly; (ii) one representative of every LDC attending a special or emergency session of the General Assembly; and (iii) one member of every LDC's Permanent Mission in New York designated as its representative or alternate to a session of the General Assembly. In recent years, very few LDCs have availed this opportunity – most of whom are island nations in the Pacific Ocean.

The most important institutional support is the assistance provided to prepare a strategy for a smooth transition after graduation from LDC status. This smooth transition is of vital importance since a country that is no longer an LDC will gradually stop enjoying trade related support measures like preferential market access to other countries.

<sup>6</sup> Support Measures Portal for Least Developed Countries. (n.d.). Retrieved January 21, 2019, from <https://www.un.org/ldcportal/>

Four of the countries who have graduated from LDC status (Cape Verde, Equatorial Guinea, Maldives and Samoa) have utilized this support measure. Another notable support measure is the cap on the contribution of an LDC member country' to the UN's total budget at 0.01% regardless of the country's GNI. For example, in 2015, the amount was capped at \$271,356. In 2018, eight LDCs used this measure to determine their contribution to the UN budget, including Bangladesh. At the same time, the countries have to make a minimum contribution of 0.001% to the UN – in 2015 it was \$27,136. The LDCs are entitled to a discount of 90% on their contributions to peacekeeping operations.

### 2.3. Development Assistance related ISMs

Official Development Assistance, or the ODA is integral component of the special support measures to the LDC economies. Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) uses the term ODA to measure aid. Since LDCs face numerous structural challenges, their economies are vulnerable and exposed to natural as well as man-made shocks, ODAs provide some degree of secured assistance to these countries. There is a longstanding commitment by developed countries, reiterated in the 2030 Agenda for Sustainable Development Goals and the Addis Ababa Action Agenda of the Third International Conference on Financing for Development and the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (Istanbul Programme of Action), to provide the equivalent of 0.15 to 0.20 percent of their gross national income (GNI) in the form of ODA to LDCs. This is in parallel to a commitment to provide the equivalent of 0.7 percent of GNI in ODA to developing countries.

Unfortunately, only six countries were able to fulfill their 0.7 percent ODA/GNI ratio, on the other hand, the target of 0.15-0.20 percent ODA/GNI ratio to LDCs has not been achieved. Global aid scenarios are often very tricky and depend on various and evolving geo-political political factors. This means the LDC criterion has hardly been used by donors in allocating foreign aid. However, there were provisions that aimed to make ODA more useful and less stringent for LDCs. For example, the 1978 Recommendation on the Terms and Conditions of Aid calls for the average grant element in the ODA to LDCs should be either 90 per cent of a given donor's annual commitment to all LDCs or at least 86 per cent of the donor's commitments to each individual LDCs over a period of three years. This has been done to lessen the burden of loans and interest repayment for LDCs. Data from the OECD's Creditor Reporting System show that in 2017 approximately 82% of ODA commitments and 90% of disbursements by DAC countries to LDCs were in the form of grants.

Another development with regard to ODA was that OECD countries in 2001 decided to untie aid for LDCs. Tied aid meant obliged official grants or loans were to be used for procuring goods and services from companies in the donor country or in a small group of countries. Untied aid removes these complications and helps recipient LDCs obtain good value for money for services, goods, or works in terms of ODA. Apart from South Korea and a few Eastern European countries, 22 DAC members have been able to untie their LDC specific ODA between 90%-100%, according to the OECD Development Co-operation Report, (2018), although there are questions regarding transparency of actual untied support measures as the Report on the Untying Recommendation (OECD, 2018) suggested 65 percent of contracts funded by ODA from LDCs went to donor countries in 2015 and 2016 <sup>7</sup>.

<sup>7</sup> Indeed, in 2001, there was an understanding between the largest bilateral donor countries and the international organizations that development assistance should gradually be untied – meaning that funds can be used to purchase goods as part of a project from any country, not just the country which provided the assistance in the first place. In line with this commitment, 83% of the development assistance provided by OECD member countries was untied in 2012.

In addition to bilateral assistance by the member countries, assistance is also provided to the LDCs through the UN's specialized agencies like the United Nations Development Programme (UNDP), *United Nations International Children's Emergency Fund* (UNICEF) and the *World Food Programme* (WFP). In fact, the UNDP and UNICEF target to provide at least 60% of their regular assistance to the LDCs while the WFP allocates 50% of their funds for the same. In 2010-11, the UNICEF allocated \$3.2 billion (51% of its resources) to LDCs, while the WFP contributed \$2.6 billion (i.e. 70% of its resources). Bangladesh is likely to have benefitted from such LDC targeted budgetary practices by UNDP, UNICEF and WFP, amongst others. Since these budgetary allocations are considered at an aggregate LDC-group level rather than the individual country level, it is difficult to ascertain the increased flow of ODA to individual LDCs due to these LDC-favourable allocation principles. For the same reason, it is not possible to provide an estimate on the potential impact of LDC graduation. One of the most important sources of funds is the World Bank, which provides loans on concessional terms such as lower interest rates and longer grace periods through its International Development Association (IDA) window to countries whose per-capita incomes fall below a certain threshold (\$1,175 in 2012). These are Low-Income Countries (LIC) under the World Bank classification, many of whom are classified as LDCs by the UN. However, it is important to note that the World Bank follows its own classification system rather than the UN criterion of LDCs as a guiding principle for allocating aid resources. Many donor agencies and bilateral partners often follow World Bank income classification of countries in providing development assistance.

*The United Nations Framework Convention on Climate change* (UNFCCC) had recognized the need of financial and technological support to LDCs for adapting to climate change. Keeping in mind the gradual and irreversible impacts of climate change on the nature of and livelihoods of people living in LDCs like Bangladesh, the *Least Developed Countries Fund* (LDCF) was established under the UNFCCC in order to assist these vulnerable countries in preparing and implementing the *National Adaptation Programmes of Action* (NAPA).

Operated by the *Global Environmental Facility* (GEF), the LDCF has provided more than \$1 billion to support 140 projects in 46 LDCs. *The European Union* (EU) has initiated the *Global Climate Change Alliance* (GCCA), aiming to strengthen cooperation and dialogue between developing countries which are most vulnerable to climate change, with focus on the LDCs and the Small Island Development States (SIDS). The GCCA also works to provide financial and technical support to the climate change vulnerable countries – having provided €316.5 million for 51 projects in 38 countries. Despite these attempts, the access of LDCs to climate finance remains limited. More than half of the climate funds approved in 2014 were concentrated in 10 countries, none of which were LDCs. Adaption finance is more positively skewed towards the LDCs, 69% of \$1.33 billion. That money however is concentrated in 10 LDCs, including Bangladesh. The estimated needs are more than \$5 billion, so there remains a scope for multilateral climate funds.

An UN agency working specifically for the LDCs and the developing countries is the United Nations Capital Development Fund (UNCDF). The UNCDF works to create new opportunities for people by promoting small businesses through schemes like microfinance. At present the UNCDF works in 39 countries, including 30 LDCs like Bangladesh. In addition to the IDA Scheme of the World Bank, several OECD member countries also provide grants and concessional loans to the LDCs – for example, Germany, Japan and the Republic of Korea.

The Federal Ministry for Economic Cooperation and Development (BMZ) of Germany provides grants and concessional loans to the LDCs, while the KfW Entwicklungsbank, an arm of the government-owned development bank for cooperating with developing countries, has been providing non-repayable grants for the LDCs since 1978. The *Japan International Cooperation Agency* (JICA) provides loans to countries with a per-capita income of less than \$1,025 at an interest rate of 0.01% with a repayment period of 40 years and an additional grace period of 10 years. Development assistance from the Republic of Korea to the LDCs have witnessed a steady increase, from more than \$85 million in 2004 to more than \$580 million in 2015 – in fact 40% of Korea’s ODA has been to the LDCs. More than half of development assistance from Seoul have been for four LDCs including Bangladesh.

Finally, we should not ignore the positive aspects of graduation as a process of progression towards an *Upper-Middle Income Country* (UMIC) leading to improved access to global capital markets. The fact that Bangladesh crossed the World Bank threshold of LIC in 2015 and is poised to graduate out of LDC group in 2024 does raise the confidence of global lenders in the creditworthiness of the country and its private firms, many of which are displaying world class competitive potential. Though we are yet to issue a sovereign bond with sovereign guarantee, IFC, the private sector arm of the World Bank Group, has played the facilitator for the recent floating of \$10 million Bangla Bond in the London Stock Exchange. In a global capital market of record low interest rates, lenders are seeking out bonafide borrowers in developing and emerging markets while Bangladeshi firms are looking for low-cost credit. In this instance, IFC played the catalyst to channel private capital to a local firm through this Taka Bond where the lender took the foreign exchange risk from any future exchange depreciation. Hopefully, this will lead to many more such instruments to access the global capital market of low interest rates as the country progresses to become a UMIC.

#### **2.4. Trade related ISMs: Preferential and Special Market Access for Bangladesh under Different Initiatives**

Most of the International Support Measures for the LDCs are trade related. This is of no surprise given the widely accepted notion that the most effective way of improving the level of economic and human development in a country and help it graduate from the LDC status is through international trade. Considering this, various trade preferences and concessional terms in international trade rules and regulations have been granted for LDCs.

The decision of differential and more favourable treatment and fuller participation of developing countries is the primary legal basis for developed country WTO members to grant preferential market access. Known as the enabling clause, it was adopted in 1979 by the members of the former *General Agreement on Tariffs and Trade* (GATT). Without imposing any time constraints, this agreement allowed developed countries to depart from their MFN obligation with respect to all developing countries, including LDCs. In developing country markets, trade preferences for LDCs are allowed under the waiver to the MFN obligation under the decision on preferential-tariff treatment for least developed countries, originally adopted in 1999. More recently, in the Hong Kong Ministerial conference of the WTO, the “Decision on Measures in Favour of Least-Developed Countries” was adopted outlining the commitments for developed and ‘developing countries in a position to do so’ to implement DFQF market access for products originating from LDCs. Failure to conclude the Doha Round means these commitments are not yet being implemented under the auspices of the WTO.

However, the GATT's "Enabling Clause" acts as the WTO's legal basis for the Generalized System of Preferences (GSP). Under the GSP, developed countries offer non-reciprocal preferential treatment (such as zero or low duties on imports) to products originating in developing countries. Preference-giving countries unilaterally determine which countries and which products are included in their schemes. The same Enabling Clause is also the legal basis for LDC specific preferential access in regional trade arrangements among developing countries and for the Global System of Trade Preferences (GSTP). A number of developing countries exchange trade concessions among themselves under GSTP in different trade negotiations.

**The trade related ISMs for LDCs are mainly based on three categories:** (i) preferential access to markets; (ii) special treatment regarding the *World Trade Organization* (WTO) obligations; and (iii) building of trade-related capacities. So far, sixteen countries and the European Union have granted LDCs preferential access to their markets: (i) Turkey; (ii) Switzerland; (iii) Japan; (iv) Iceland; (v) Morocco; (vi) China; (vii) Chile; (viii) the European Union; (ix) New Zealand; (x) Norway; (xi) Thailand; (xii) India; (xiii) the Eurasian Customs Union (consisting of Russia, Kazakhstan and Belarus); (xiv) Australia; (xv) Canada; (xvi) the United States; and (xvii) the Republic of Korea. This preferential access is given under two schemes: The Generalized System of Preferences (GSP) – under which the countries benefitting from it are not bound to reciprocate; and (ii) the Global System of Trade Preferences (GSTP) – under which the countries benefitting are supposed to reciprocate. In addition, regional trade agreements like the South Asian Free Trade Area (SAFTA) and the *Asia Pacific Trade Agreement* (APTA) also provide concessions on access to markets for the LDCs.

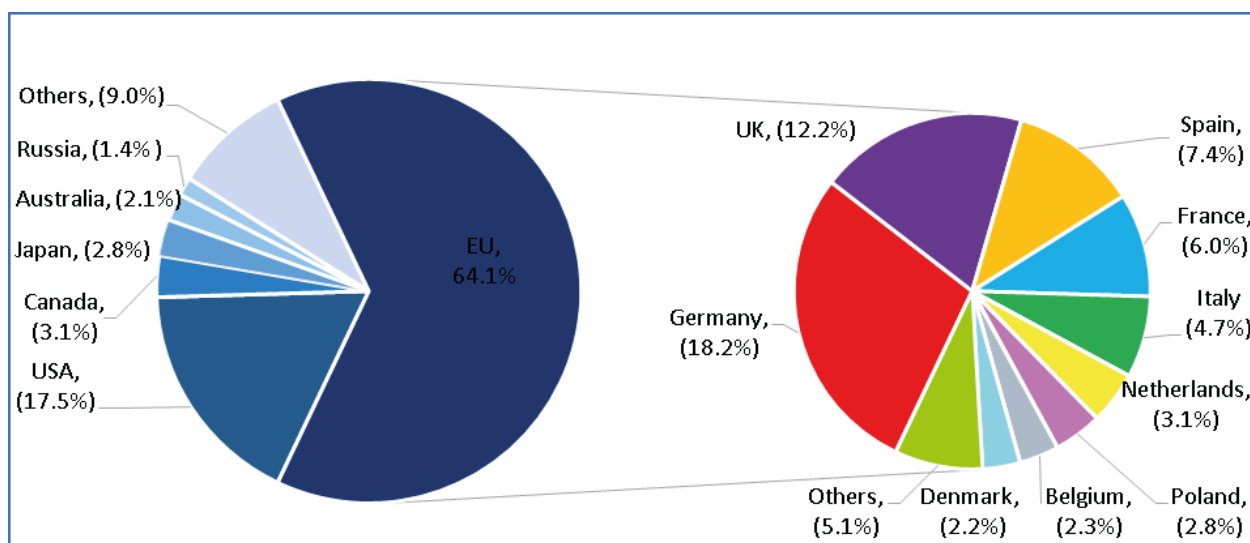
## Unilateral Schemes of Preferential Access

Because of the LDC status, Bangladesh enjoys preferential market access and tariff concessions in several developed and developing economies. While these emerged as part of multilateral trade negotiations between developed and developing-least developed countries in the WTO, the offered schemes do not require reciprocity from the preference receiving countries. Being unilateral trade preference schemes, these are regulated by donors and currently are not bound in the WTO. The coverage of different schemes differs significantly. Rules of origin criteria for accessing these preferential schemes also vary widely between preference-granting countries.

### Everything But Arms

In the European Union, Bangladesh enjoys a comprehensive duty-free and quota-free market access for its merchandise exports. This preference is provided to any LDCs under the EU’s “Everything But Arms” (EBA) scheme and is the most generous of among the three different GSP schemes provided by the EU for different groups of developing countries. Bangladesh is the largest beneficiary of the scheme; in 2017-18, it accounted for 64.1 percent of all EU imports under EBA, and 9.5 percent of the EU’s total imports under preferential treatment<sup>9</sup>. As discussed later in this chapter, Bangladesh enjoys on average a 9-12 percent preference margin under the EBA for its exports of apparels to EU. The current EBA scheme is likely to continue for three years after LDC graduation, i.e. until 2027<sup>10</sup>.

Figure 2.1: Export Destination of Bangladesh



Source: Based on ERD data

<sup>8</sup> However, not all donors provide the same benefits to all LDCs. For example, the United States has not provided GSP facilities to a number of Asian LDCs.

<sup>9</sup> Read more on Bangladesh-EU trade on:

<http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/>

<sup>10</sup> As a developing country, Bangladesh could be eligible for GSP status after graduation. This will cause a significant preference erosion.

## Other Non-reciprocal Preferential Access

Currently Bangladesh enjoys GSP facilities in 38 countries. Apart from the EU, the list includes preferential access in Australia, Belarus, Canada (98.6%; except: dairy, eggs and poultry), Liechtenstein, Japan (97.9%; except: rice, sugar, fishery products, articles of leather), New Zealand, Norway, Russian Federation (38.1%), Switzerland, and Turkey (79.7%; except: meat, fish, food, steel etc.). In addition, there are some special and partial DFQF facilities provided by a handful of developing countries including China (61.5%), Chile (99.5%), Korea Republic (90.4%), Chinese Taipei (31%). It is important to note that Bangladesh does not enjoy any type of GSP facilities in the world's largest developed economy market, the USA. Bangladesh used to receive some limited US GSP facilities, which remained suspended from 2013, but never had any preferential access for its apparel exports to the U.S. market. Table 2.1 lists Bangladesh's all export destinations with preferential accesses and amount of export in these countries during FY17.

**Table 2.1: General System of Preference on Bangladeshi Exports**

| Provider                        | Name of preferential access                            | Acronym      | Original date | FY 17 exports (\$billions) |
|---------------------------------|--|--------------|---------------|----------------------------|
| <b>Australia</b>                | Generalized System of Preferences – Australia          | GSP          | 1/1/1974      | <b>0.658</b>               |
| <b>Armenia</b>                  | Generalized System of Preferences – Armenia            | GSP          | 6/4/2016      | <b>0.002</b>               |
| <b>Canada</b>                   | Generalized System of Preferences – Canada             | GSP          | 7/1/1974      | <b>1.079</b>               |
| <b>European Union (EU) + UK</b> | Generalized System of Preferences (GSP)- EU            | GSP          | 7/1/1971      | <b>20.313</b>              |
| <b>Iceland</b>                  | Generalized System of Preferences – Iceland            | GSP          | 1/29/2002     | <b>0.0005</b>              |
| <b>Japan</b>                    | Generalized System of Preferences – Japan              | GSP          | 8/1/1971      | <b>1.013</b>               |
| <b>Kazakhstan</b>               | Generalized System of Preferences – Kazakhstan         | GSP          | 1/1/2010      | <b>0.008</b>               |
| <b>New Zealand</b>              | Generalized System of Preferences - New Zealand        | GSP          | 1/1/1972      | <b>0.068</b>               |
| <b>Norway</b>                   | Generalized System of Preferences – Norway             | GSP          | 10/1/1971     | <b>0.121</b>               |
| <b>Russian Federation</b>       | Generalized System of Preferences - Russian Federation | GSP          | 1/1/2010      | <b>0.465</b>               |
| <b>Switzerland</b>              | Generalized System of Preferences – Switzerland        | GSP          | 3/1/1972      | <b>0.120</b>               |
| <b>Turkey</b>                   | Generalized System of Preferences – Turkey             | GSP          | 1/1/2002      | <b>0.631</b>               |
| <b>India</b>                    | Duty-Free Tariff Preference Scheme for LDCs            | LDC-specific | 8/13/2008     | <b>0.672</b>               |
| <b>Chile</b>                    | Duty-free treatment for LDCs – Chile                   | LDC-specific | 2/28/2014     | <b>0.064</b>               |
| <b>China</b>                    | Duty-free treatment for LDCs – China                   | LDC-specific | 7/1/2010      | <b>0.949</b>               |
| <b>Chinese Taipei</b>           | Duty-free treatment for LDCs - Chinese Taipei          | LDC-specific | 12/7/2003     | <b>0.000</b>               |
| <b>Kyrgyz Republic</b>          | Duty-free treatment for LDCs - Kyrgyz Republic         | LDC-specific | 3/29/2006     | <b>0.000</b>               |
| <b>Thailand</b>                 | Duty-free treatment for LDCs – Thailand                | LDC-specific | 4/9/2015      | <b>0.049</b>               |
| <b>South Korea</b>              | Preferential Tariff for LDCs - Republic of Korea       | LDC-specific | 1/1/2000      | <b>0.238</b>               |

Source: UNCTAD Handbook of Generalized System of Preference and Export Promotion Bureau, 2016-2017



In FY 2017, about 75 percent of Bangladesh's total export earnings came from countries that provided some degree of preferential access. Of these, the EU market has been by far the most important destination. In fact, Bangladesh's share of export enjoying preferential access kept rising over the years. While this does not imply that all of these exports can be solely contributed to unilateral preferential accesses, they certainly played a crucial role in export growth over the years.

## **Regional Trade Agreements with LDC-specific Preferential Access**

Although WTO led multilateralism is the primary system of trade arrangement, it moves at a slow pace given that all 164 members require to be consulted for reaching an agreement, most often by consensus. Countries also aim to expand the scope of negotiations considering unexplored areas in multilateral engagements and deepening the scope of new trade opening. Furthermore, there are geopolitical issues in promoting greater economic and trade cooperation between certain countries. All this makes regional trade agreements (RTAs) quite appealing. RTAs contain many different types of agreements, from bilateral to sub-regional to pan-continental. The most common type is Free Trade Agreements (FTAs) but there are also Customs Unions where a group of countries agree on a common external tariff within a free trading area among them. As of October 2018, 288 physically active RTAs were in force, and WTO received notifications on a total 675 active/inactive RTAs.

Bangladesh is a signatory in different regional free trade agreements (RTA/FTA) or preferential trade agreements (PTA). Despite having several bilateral PTAs and MoUs, Bangladesh is yet to become a member of a fully operational bilateral FTA. Among the regional trade agreements, Bangladesh is a signatory to the South Asian Free Trade Agreement (SAFTA), Asia Pacific Regional Trading Agreement (APTA), Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and Trade Preferential System among the OIC Members (TPS-OIC). Amongst these, SAFTA and APTA are so far the most prominent for Bangladesh.

## **South Asian Free Trade Agreement (SAFTA)**

The SAFTA provides less-stringent rules of origin (ROO) for LDCs. The ROO criteria for SAFTA have two dimensions: general and the product specific rules (PSR). The general rule itself applies in two separate sections: a) single country items, b) SAARC cumulation. Under the general rule, for any single country items, the value addition requirement is Change of Tariff Heading (CTH)+30 percent for LDCs, CTH+40 percent for non-LDCs; and in the case of SAARC cumulation, along with CTH regional content requirement of 40 percent for LDCs, 50 percent for non-LDCs, 20 percent extra value addition is required from the exporting country. Again, under the PSR rules of origin, 191 HS Codes (at 6-digit level) are subject to PSRs for securing tariff preference. Some 189 HS codes out of 191 are subject to CTH+30 percent value addition and the rest 2 items are subject to only CTH.

SAFTA follows a sensitive list approach. This means members identify products that will not be considered for tariff concessions for partner country. LDCs are provided with more flexibility in terms of having more extensive sensitive lists. Table 2.2 provides a summary of the current SAFTA sensitive.

Trade flow progress under SAFTA has been very slow. Despite concessions, Bangladesh did not benefit much in expanding exports through SAFTA benefits. In 2016, Bangladesh imported more than \$5.66 billion worth of goods from India, while exporting to it \$677 million. Although trade with Pakistan and Sri Lanka is relatively small, both the countries' exports to Bangladesh are significantly more than their respective imports from Bangladesh. Bangladesh had a trade deficit of \$608 million against Pakistan and \$90 million against Sri Lanka.

**Table 2.2: Sensitive List for SAFTA**

| Member countries | Number of Products in the current Sensitive Lists |
|------------------|---|
| Afghanistan      | 850   |
| Bangladesh       | 987 (LDCs), 993 (NLDCs)                           |
| Bhutan           | 156   |
| India            | 25 (LDCs), 614 (NLDCs)                            |
| Maldives         | 154   |
| Nepal            | 998 (LDCs), 1,036 (NLDCs)                         |
| Pakistan         | 936   |
| Sri Lanka        | 837 (LDCs), 963 (NLDCs)                           |

Source: Ministry of Commerce, FTA wing, <https://www.bangladeshtradeportal.gov.bd/?r=site/display&id=121>

## Asia Pacific Regional Trade Agreement (APTA)

APTA is an important agreement for Bangladesh as it is the gateway to large East-Asian markets such as China, South Korea and new Asian markets such as Mongolia or Lao PDR. APTA provides differential treatment for countries with special needs, such as the LDCs and island nation of Sri Lanka. Bangladesh, being an LDC member, enjoys some degree of duty-free quota free (DFQF) market access to the member states. But, APTA's Rules of Origin are stricter than those of SAFTA. The general criterion of APTA rules of origin is 45 percent value addition for non-LDCs, while the value addition threshold for LDCs is 35 percent. Regional cumulation is allowed under APTA where the regional value addition requirement is 60 percent for non-LDCs and 50 percent for LDCs.

As LDC-APTA member, Bangladesh gets DFQF access on 876 items in South Korea. Bangladesh currently gets APTA's LDC-specific preferential access in Chinese market. But China provides a separate DFQF for all LDCs. To access that, Bangladesh will have to forgo current preferences in APTA. Since Bangladesh, Sri Lanka and India are also SAFTA members, they maintain SAFTA specific tariff concessions among them. Table 2.3 provides information regarding tariff concessions under APTA.

**Table 2.3: A Summary of Tariff Preferences under APTA**

| Countries          | To all member states |                      | To LDC members          |                             |
|--------------------|----------------------|----------------------|-------------------------|-----------------------------|
|                    | Number of products   | Margin of preference | Number of products      | Margin of preference        |
| <b>Bangladesh</b>  | 598                  | 10%-70% <sup>s</sup> | 4                       | 20%-50%                     |
| <b>China</b>       | 2,191                | 5%-100% (19 DF)      | 181                     | 0%-12.5%                    |
| <b>India</b>       | 3,334                | 5%- 100% (205 DF)    | 47                      | 14%-100%<br>(16 duty-free)  |
| <b>South Korea</b> | 2,796                | 10%-50%              | 961<br>(for Bangladesh) | 20%-100%<br>(876 duty-free) |
| <b>Sri Lanka</b>   | 585                  | 5%-62.5%             | 75                      | 10-50%                      |
| <b>Lao PDR</b>     | 999                  | 20%-37.5%            | Nil                     | Nil                         |
| <b>Mongolia</b>    | 333                  | 10%-30%              | Nil                     | Nil                         |

Source: Ministry of Commerce, FTA Wing

In 2016, Bangladesh's exports to APTA countries was \$1.83 billion where imports were a staggering \$21.24 billion (two-thirds of which were from China). Therefore, deeper future commitments in APTA and their implementation are extremely desirable for Bangladesh. Currently, Bangladesh enters into the Chinese market using APTA preferences. But China has recently started providing unilateral DFQF preferences to LDCs in for 97 percent tariff lines. Bangladesh is currently in the process of unveiling this support measure. But to do so, it may have to forgo APTA's LDC specific preferences from China.

## 2.5. Rules of Origin after LDC graduation

Discussions about favourable post-graduation ROOs are only applicable if i) a destination country provides transition schemes for developing countries; ii) If Bangladesh has an RTA with the country in question through which non-LDC preferences can be availed. Table 2.4 provides a summary of ROO requirements before and after LDC graduation in importing countries where Bangladesh has significant exports.

**Table 2.4: Rules of Origin requirements in prominent export destinations**

| Destination                  | Description  | FTA/RTA | Rules of Origin as LDC   | Rules of Origin Post-Graduation  |
|------------------------------|--|---------|--|--|
| China                        | LDC specific DFQF (95%-97% of tariff line)   | APTA    | VA: CTH+40%  |  |
|                              | APTA-LDC (61.5% of tariff line for Bangladesh); Non-LDC APTA preference on 1,697 products with 26.7% preference margin |         | VA 35% (APTA)  | VA 45% (APTA)  |
|                              |  |         | RC-VA 50% (APTA)   | RC-VA 60% (APTA)   |
| Republic of Korea            | LDC-DFQF for 95% of tariff line;   | APTA    | VA 40% (DFQF)  | -  |
|                              | Non-LDC APTA preference on 1,367 products with 35.4% preference margin   |         | VA 35% (APTA)  | VA 45% (APTA)  |
|                              |  |         | RC-VA 50% (APTA)   | RC-VA 60% (APTA)   |
| India                        | DFTPI-LDC on 98% of tariff line  | SAFTA   | VA 30% (DFTPI)   | MFN  |
|                              | SAFTA-LDC DFQF for all (except 25 products)  |         | VA: CTH+30% (SAFTA)  | VA: CTH+40% (SAFTA)  |
|                              | Non-LDC SAFTA preference (except 614 products)   |         | RC-VA: CTH+40% (SAFTA)   | RC-VA: CTH+50% (SAFTA)   |
| European Union <sup>11</sup> | EBA-DFQF for LDCs  | -       | Single transformation of textiles and RMG. For other goods VA is 30% | Double transformation for textiles and clothing. For all other goods, 40% value addition |
|                              | GSP+ and Standard GSP  | -       | -  | Double transformation of textiles and RMG. For other goods VA has to be 50%              |
| Canada <sup>12</sup>         | LDCT   | -       | VA 40%   | -  |
|                              | GPT for developing countries   | -       | -  | VA 60%   |
| Norway                       | DFQF   | -       | Substantial transformation <sup>13</sup>                             | -  |
|                              | GSP+ only for graduating LDCs with population less than 75 million   | -       | -  | Bangladesh ineligible  |

Abbreviations: VA= Value-Addition, RC VA=Regional Cumulation Value-Addition, CTH= Change in Tariff Heading

Source: Based on UNCTAD's Handbook on Duty-Free and Quota-Free Market Access and Rules of Origin for Least Developed Countries (part I and part II), EPB and official sources of GSP/DFQF providing countries.

<sup>11</sup> Regional cumulation laws in the EU states- for Bangladesh, if the final exported items use components from regional group III (Bhutan, India, Nepal, Pakistan and Sri Lanka) they can be considered as originating from Bangladesh under designated level of value addition. The same rule applies if the product incorporates raw materials from the EU countries.

<sup>12</sup> For Canadian LDCT, 60% value addition can include value of products from Canadian raw materials or raw materials imported from another LDCT recipient country. For GPT, 60% value addition can include value of products from Canadian raw materials or raw materials imported from another GPT recipient country.

<sup>13</sup> For Norway, a product is sufficiently transformed if the HS tariff heading (first four digits) of the non-originating material is different from the tariff heading of the finished product.

Among major GSP providing export destinations, only Canada (GPT), the EU (GSP+ and standard GSP) and Norway (GSP+) provide preferential market access for developing countries. But the ROOs will be stricter upon graduation. For example, in the case of EU, the principle of double transformation in textile and clothing is followed while for other products a minimum value addition of 40 per cent is need. Bangladesh will be ineligible for the GSP+ provision offered by Norway (Elliot, 2019) since the scheme is available for graduating LDCs with a population of less than 75 million. In China and South Korea, Bangladesh can avail some degree of preferential access after graduation through APTA, but the value addition requirement increases significantly. In India, post-graduation preferential access can be availed through SAFTA, but non-LDC developing countries have a more stringent provision of adding higher domestic value addition of 50 per cent. There are no explicit smooth transition provisions in the GSP/DFQF schemes of Australia, Japan, Russian Federation, New Zealand, and Switzerland.

## 2.6. Trade Related Aspects of Intellectual Property Rights

Concessions from Trade Related Aspects of Intellectual Property Rights, which are primarily known as the TRIPS waiver- is another significant support measure for LDCs. In today's world where intellectual property rights (IPR) are becoming a topic of heated debates and diplomatic contentions between the developed and developing economies, the TRIPS waiver exempts least developed countries from obliging certain strict regulations of intellectual property rights. TRIPS and its waiver to the least developed countries are binding legal agreement between all the member nations of the WTO. TRIPS was negotiated at the end of the Uruguay Round of the GATT negotiation. It includes flexibilities regarding IPR protection of pharmaceutical products, especially for ensuring access to affordable medicines for the developing and LDCs. The current TRIPS waiver regime will remain in place until January 01, 2033 or graduation from the LDC status, whichever comes first.

According to the original TRIPS agreement, LDCs were given the opportunity of making necessary changes to their national legal framework and issue compulsory licensing. When a government allows an external entity to produce a patented product or process without the consent of the right holder or plans to use the patent-protected invention itself, it is called compulsory licensing of the drug. Article 31(f) of the agreement stated the act of compulsory licensing is “predominantly for the supply of the domestic market” and included the term “national emergency or extreme urgency” to validate. But later in the Doha Declaration, it was declared that WTO members have full freedom to determine the context of using compulsory licensing, both for domestic consumption and exports. An Amended version of the TRIPS agreement which came into effect from 2017 also reassures this facility for the LDCs. No LDCs have ever used it for domestic production and exporting. Most LDCs report that they find it too difficult or cumbersome, or they simply lack capacity to utilize the facility (UNCDP, 2016).

Although Article 66.2 of the agreement emphasizes the need for transfer of technology to the developing world, and members undertook initiatives to cooperate in paying special attention to capacity building, the attention of donors have been on providing support that safeguards interests of right holders through improved IPR enforcement standards.

Therefore, despite the fact TRIPS agreement does allows a high degree of flexibility and concession for LDCs, materialising tangible benefits from them has been extremely difficult. As explained earlier, least developed economies have many structural deficiencies and making best use of high-end technologies is very challenging for them. As a result, the pharmaceutical aspects of the TRIPS waiver are substantially underutilised by LDCs.

Bangladesh, as an LDC has not received any significant support under the provision of the transfer of technology (Article 66.2) clause. It is difficult to conceive what constitutes “transfer of technology”. While private technology transfer can take place in some industries as aftermath of FDI inflows, it is also difficult capture them due to the absence of a proper reporting mechanism. In many cases, any transferred technology can be confined to one or a few firms thereby limiting the benefits. Moreover, the direct legal obligation in article 66.2 is on the governments of the signatory countries, not the private firms<sup>14</sup>. Bangladesh has taken part in WTO-arranged annual workshops, which helps for a better understanding of the operation of Article 66.2 and facilitates dialogue between LDC beneficiaries and donors. In more recent years, Bangladesh has received governance related support to strengthen property rights law or framework from the EU and the USA. WIPO also provides technical cooperation in these respects. While these supports can carry importance for the purpose they are meant to, in a broader sense, technology transfer received by any LDCs under Article 66.2 remains elusive. As Bangladesh suffers from significant gaps or capacity constraints in protecting IPRs, copyrights and trademarks, the government can ask for further assistance in preparing for graduation. It is expected that bilateral support as technical assistance will continue to improve IPR regime in the country.

## 2.7. Special and Differential Treatment of LDCs Regarding WTO-related Measures

The WTO is an intergovernmental regulatory body of the multilateral trading system with its fundamental objectives being: to achieve free trade through negotiation; trade without discrimination; promote fair competition with binding agreements and transparency; and encourage development and economic reforms via free trade. It brings its 164 member-states with different interests in one platform to formulate the terms of global trade. It also provides a mechanism for trade-related dispute settlement between members and enforce the outcomes.

Bangladesh’s participation in the multilateral trading system has generated enormous positive gains. The WTO’s “enabling clause” allowed developed country members to provide most generous preferential treatment to imports from LDCs, as discussed earlier. There are several WTO agreements that takes contextual realities of LDCs into account and offers some special and differential treatments (S&DT) for them. These special provisions include, for example, longer time periods for implementing Agreements and commitments or measures to increase trading opportunities for the LDCs. Some selected such S&DT are discussed below.

---

<sup>14</sup> The Article says: “Developed country members shall provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to LDC members in order to enable them to create a sound and viable technological base.”

## Agreement on Subsidies and Countervailing Measures

The agreement on Subsidies and Countervailing Measures (SCM) addresses two separate but closely related topics: multilateral disciplines regulating the provision of subsidies, and the use of countervailing measures to offset injury caused by subsidized imports. Multilateral disciplines are the rules regarding whether or not a subsidy may be provided by a Member. They are enforced through invocation of the WTO dispute settlement mechanism. Countervailing duties are a unilateral instrument, which may be applied by a Member after an investigation by that Member and a determination that the criteria set forth in the SCM Agreement are satisfied.

According to this agreement, a measure falls under the definition of subsidy if it contains the three following elements: (a) a financial contribution; (b) provided by a government or any public body within the territory of a member state; and (c) the contribution confers a benefit. In principle, the WTO-led multilateralism believes “specific” subsidies distort the allocation of resources in global economic system, and therefore should be subject to international regulatory discipline. Article 3 to 6 of SCM Agreement delineates about prohibited and actionable subsidies, and possible remedies to challenge them. Four kinds of subsidies can be considered distortionary: enterprise-specific, industry-specific, region-specific and subsidies that are completely prohibited by international agreements (such as export performance-based subsidies and subsidies that depend on local content bias).

The text of SCM agreement acknowledges three different types of damages which can allow a party to take legal retributions-either unilateral measures (countervailing duties on imports) or seek multilateral support through WTO’s dispute settlement system. First, if a domestic industry complains about subsidized imports in the territory of the complaining Member. This is the sole basis for countervailing action. Second, there is “serious prejudice”, which usually arises as a result of adverse effects (e.g., export displacement) in the market of the subsidizing Member or in a third country market. Thus, unlike injury, it can serve as the basis for a complaint related to harm to a Member's export interests. Finally, there is nullification or impairment of benefits accruing under the GATT 1994. Nullification or impairment arises most typically where the improved market access presumed to flow from a bound tariff reduction is undercut by subsidization.

The Article 27 provides S&DT to developing signatories of the WTO. This part of the agreement acknowledges that subsidies (especially export oriented) can play crucial role in economic development and trade expansion in developing countries. Therefore, the Agreement on SCM exempts any LDCs and developing countries (Annex VII countries) with GNP per capita lower than \$1,000 at 1990 prices from abiding by prohibitive subsidies unless the product is globally competitive (has 3.25% share of global export). When an Annex VII country has reached export competitiveness in one or more products, export subsidies on such products shall be gradually phased out over a period of eight years. Bangladesh has already gained global competitiveness in RMG and continues to provide export subsidies.

Apart from LDCs, pre-defined and original members of Annex VII countries are: Bolivia, Cameroon, Congo, Côte d'Ivoire, Dominican Republic, Egypt, Ghana, Guatemala, Guyana, India, Indonesia, Kenya, Morocco, Nicaragua, Nigeria, Pakistan, Philippines, Senegal, Sri Lanka and Zimbabwe. But only Côte d'Ivoire; Ghana; Honduras; Kenya; Nicaragua; Nigeria; Pakistan; Senegal; and Zimbabwe are now considered de-facto members of Annex VII group along with LDCs. Because other countries have crossed the income threshold with GNI per capita of \$1,000 for three consecutive years.

Bangladesh, as an LDC, enjoys several of these benefits under SCM concessions. The agreement contains a grey area about what happens when a country eventually graduates out of LDC status. Given the current provisions, it is not clear if a graduating LDCs (with per capita income less than \$1,000 in 1990 prices) will be automatically considered as a member of Annex VII country group. Bangladesh has already raised the issue in WTO for clarification and a further extension as Annex VII developing country after graduation. It needs to be pointed out that given the current growth trajectory, Bangladesh will cross the per capita income threshold of \$1,000 in 1990 prices by the time it graduates out in 2024. Therefore, automatic consideration of graduating LDCs as Annex VII countries may not provide any benefits for Bangladesh. Another issue is that, according to paragraph 27.8, serious prejudice falls under S&DT exemption. Therefore, these Annex VII member countries can still face repercussions for violating SCMs under serious prejudice. While no developed or developing country has ever acted against any LDC based on this particular ground, that favourable consideration is likely to change with a country's graduation. Therefore, Bangladesh will have to carefully consider its export support policy options in the post- graduation period.

## Agreement on Agriculture

The WTO's Agreement on Agriculture or AoA is the primary multilateral framework for global trade of agricultural items and products. The terms of agreement were negotiated at the Uruguay round of multilateral trade negotiations and it entered into force with the establishment of the WTO on January 1, 1995. As a founding member of the WTO, Bangladesh has been a partner of the AoA from the very beginning. With help of this agreement, the WTO seeks to minimise distortions in global trade in agricultural and food products. These distortions took place in numerous ways including tariff restrictions or export incentives in the form of cash, market-access barriers, or giving undue advantages by offering massive levels of subsidies to the producers for their agricultural products. Through AoA, the WTO provided a framework for the long-term reform of agricultural trade and domestic policies. In a sense that was a move towards the objective of increased market orientation in agricultural trade.

The AoA has three primary pillars. The first one is the Market Access, which refers to the reduction of tariffs or NTBs (non-tariff barriers) to trade by WTO members. Developed countries were given a goal to cut down tariffs by 36 percent, while developing countries were to cut it down by 24 percent. LDCs did not have to make any commitments on tariff cuts. Market access provision also include the elements of tariffication and special safeguard measures. Tariffication is the process whereby NTBs are converted into trade tariff equivalents. Some of the NTBs have been excluded from the AoA, such as general safeguard measures (Article XIX of GATT), Sanitary and Phyto-sanitary measures (SPS) and Technical Barriers to Trade (TBT) for health and other concerns. All members are obliged to follow this provision.

The second pillar is domestic support in agriculture. AoA uses a traffic light approach to define domestic supports. The supports that fall into amber box are directly linked with production levels, hence considered distortionary and thus actionable. The blue box of supports is production limiting programmes that still distort trade, but not actionable because members could not agree upon them. And finally, the green box of support measures improves productivity, contains assistance for development purposes with minimal distortionary impacts.

While payments in the amber box had to be reduced, those in the green box were exempt from reduction commitments. And according to Annex 2 of AoA, all members must abide by the fundamental requirement of not using government-funded programme involving transfers from consumers or any format of price support to producers.



The third pillar is export subsidies. Initially in 1995, the AoA required developed countries to reduce export subsidies by at least 36 percent (by value) or by 21 percent (by volume) over six years. For developing countries, the agreement required cuts were 14 percent (by volume) and 24 percent (by value) over ten years. But in the Nairobi package of 2015 (10th Ministerial Conference), all members finally agreed upon termination of export subsidies. The Nairobi package stated “developed country members shall immediately eliminate their remaining scheduled export subsidy entitlements as of the date of adoption of this decision” and “developing country members shall eliminate their export subsidy entitlements by the end of 2018.” LDCs are exempt from making on cuts on export subsidies. But all WTO members also agreed upon “undertake not to provide export credit, export credit guarantees, or insurance programs” for agricultural products.

The Nairobi package is important for LDCs for several reasons. First, on market access, the decision calls for cotton from LDCs to be given DFQF access to the markets of developed countries and to those of developing countries declaring that they are capable of accepting it (from 1 January 2016). Second, the domestic support part of the cotton decision acknowledges members' reforms in their domestic cotton policies and stresses that more efforts remain to be made. Third, on export competition for cotton, the decision mandates that developed countries prohibit cotton export subsidies immediately and developing countries do so at a later date.

The Nairobi package allowed LDCs and Net Food Importing Developing Countries (NFIDCs) to provide certain forms of agricultural export subsidies until 2030. Apart from 48 LDCs, countries in that list are: Barbados, Côte d'Ivoire, Dominican Republic, Egypt, Honduras, Jamaica, Kenya, Mauritius, Morocco, Peru, Saint Lucia, Senegal, Sri Lanka, Trinidad and Tobago, Tunisia and Venezuela. Bangladesh can apply to be included in that group after graduation.

As it stands, apart from subsidies on agro-processing, agricultural support (subsidies) provided by the government is within the limits of AoA for any developed or developing country members. Domestic support measures, such as subsidies provided in fuel for irrigation, fertilizers are well below the accepted minimal level of 10%. In fact, the value of such domestic support measures is estimated to be less than 5 percent of the value of total agricultural production of the country. Therefore, Bangladesh will only have to deal with agro-processing export subsidies after graduation to remain consistent with AoA.

## Trade-Related Investment Measures

The Agreement on *Trade Related Investment Measures* or TRIMs is another WTO agreement which was negotiated during the Uruguay round, and applies to measures that affects trade in goods. As different kinds of investment activities may end up creating trade-restrictive and distortionary impacts on global economy, TRIMs attempt to avoid negative impacts by following a unified guideline by the WTO. Signatories of this agreement have decided upon avoiding measures that are prohibited by the provisions of GATT Article III (national treatment) or Article XI (quantitative restrictions).

During 1980s, some recipients of foreign investments imposed numerous restrictions to protect and foster domestic industries and to prevent the outflow of foreign exchange reserves. Examples of these restrictions include local content requirements (forcing locally-produced goods be purchased or used with investment), manufacturing requirements (certain components be domestically manufactured), trade balancing requirements, domestic sales requirements, technology transfer requirements, export performance requirements (requiring a specified percentage of production volume be exported), local equity restrictions, foreign exchange restrictions, remittance restrictions, licensing requirements, and employment restrictions. These restrictions are glaring violations of Article III and XI.

To combat these issues, an illustrative list of TRIMs agreed to be inconsistent with these articles is appended to the agreement. The list includes measures which require particular levels of local procurement by an enterprise (local content requirements), or which restrict the volume or value of imports such an enterprise can purchase or use to an amount related to the level of products it exports (trade balancing requirements). The agreement requires mandatory notification of all non-conforming TRIMs and their elimination within two years for developed countries, within five years for developing countries and within seven years for LDCs. Like any other core WTO agreement, it offers a system of dispute settlement where members can act against violators. And LDCs are provided with all necessary technical support in such dispute settlements with low or no cost.

**Table 2.4: Explicitly prohibited measures as defined by TRIMS**

| <b>Local content requirement (Violation of GATT Article III:4)</b>    | <b>Trade balancing requirement (Violation of GATT Article III:4 and XI:1)</b>   | <b>Foreign exchange restrictions (Violation of GATT Article XI:1)</b>                        | <b>Export restrictions/domestic sales requirement (Violation of GATT Article XI:1)</b>   |
|---|---|--|--|
| <b>Including terms that forces investor to use domestic products.</b> | i. Forcing to buy imported products/raw materials used in production.<br>ii. Imposing restriction on imported items used in production. | Restricting access or imposing limits to use of foreign exchange for importing raw materials | Forcing enterprise to sell products in domestic markets, have quota to sell in domestic market, or imposing restriction on export of products. |

*Source: Agreement on TRIMS*

As per the decisions of the Hong Kong Ministerial Conference (2005), LDCs were asked to notify the WTO of their TRIMS-inconsistent measures. This unveiled extended period of exemptions for the TRIMS-inconsistent measures until 2020. Bangladesh did not notify WTO about any such inconsistent or prohibited measures. Bangladesh needs to carefully evaluate any current trade-related investment measures and address any WTO-inconsistent practices as part of the preparation for LDC graduation.

## General Agreement on Trade in Services

The General Agreement on Trade in Services or GATS is WTO led multilateral agreement for all service-related international trade. This agreement is also a result of negotiations from the Uruguay round. GATS agreement contains three main themes. The first is a framework Agreement containing basic obligations which apply to all member countries. The second concerns national schedules of commitments containing specific further national commitments which will be the subject of a continuing process of liberalization. The third is a number of annexes addressing the special situations of individual services sectors.

The GATS agreement covers four modes of supply for the delivery of services in cross-border trade based on kind of service provided and presence of suppliers, as shown in Table 2.5. There are 12 sectors of services which are negotiated under GATS. They are business; communication; construction and engineering; distribution; education; environment; financial; health; tourism and travel; recreation, cultural, and sporting; transport and others (MTN.GNS/W/120).

**Table 2.5: The Mode of Supplies for Services According to GATS**

| Mode                                 | Criteria   | Supplier Presence   |
|--------------------------------------|--|---|
| Mode 1: Cross-border supply          | Service delivered within the territory of the Member, from the territory of another Member                                     | Service supplier not present within the territory of the member |
| Mode 2: Consumption abroad           | Service delivered outside the territory of the Member, in the territory of another Member, to a service consumer of the Member |   |
| Mode 3: Commercial presence          | Service delivered within the territory of the Member, through the commercial presence of the supplier                          | Service supplier present within the territory of the Member     |
| Mode 4: Presence of a natural person | Service delivered within the territory of the Member, with supplier present as a natural person                                |   |

Source: *The General Agreement of Trade in Services, WTO*

In 2011 Members reached an agreement to allow preferential treatment for services and service suppliers from LDCs, which effectively operates as a new LDC-specific “Enabling Clause for services”.

In 2014, LDCs submitted a collective request for ensuring preferential commitments from members in service modalities. Although WTO members opposed the process in beginning, after a high-committee meeting in 2015, over 25 developed and developing countries indicated sectors and modes of supply where they intend to provide preferential treatment to LDC services and service suppliers. The preferences provided under this shall continue till 2030.

Since LDCs face difficulties for commercial presence under Mode 3 and movement of service providers under Mode 4, the collective request provides more emphasis on them. Four main themes of this requests are i) market access and national treatment; ii) Visa, work or residence permit measures, iii) Recognition, qualifications and accreditation matters; iv) LDC specific professions of interest to be considered for preference. Unfortunately, until now no LDCs have been able to obtain any tangible benefits of the services waiver. Almost all services waiver provided by developed countries are dealt on a bilateral basis, and not open to all LDCs.

The model of operation of these preferences are not clearly defined. Since the waiver could not be operationalized, Bangladesh will not face much any erosion of preferences or adjustment-related difficulties after graduation.

## Trade Facilitation Agreement

In the 2013 Bali ministerial conference, a plurilateral agreement was negotiated among member nations regarding trade facilitation. The Trade Facilitation Agreement or TFA entered into force on 22 February 2017 following its ratification by two-thirds of the WTO membership. Bangladesh is one of the signatories of this agreement. Bureaucratic delays or red tape barriers pose a substantial burden for moving goods across borders all over the world. This creates significant distortion in the global trading system. TFA seeks to address these issues for simplification, modernization and harmonization of global trade. The agreement contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues.

TFA is especially important for LDCs and developing countries. WTO estimates show that the full implementation of the TFA could reduce trade costs by an average of 14.3% and boost global trade by up to \$1 trillion per year, with some of the significant gains to be accrued to the poorest countries.

The TFA contains approximately a large number of (35 in total) technical measures for implementation. These provisions have been included to achieve the core objectives of the agreement, namely to expedite movement, release and clearance of goods; to improve governance through disciplines, rules and decision-making processes; to implement streamlined border procedures; and to enhance the movement of goods in transit. The requirement of implementing the Agreement is directly linked to the capacity of the country to do so. A Trade Facilitation Agreement Facility (TFAF) has been created to help ensure developing and least-developed countries obtain the assistance needed to reap the full benefits of the TFA. The agreement contains the Special and Differential Treatment (S&DT) provision based on the understanding that, without external financial and technical assistance, developing and least-developed countries may not be able to implement some or all of the technical measures. Also, members themselves determine what support they require and when they will be able to implement the measures.

In implementation, developed countries have committed to apply the substantive portions of the TFA from the date it takes effect. Developing countries and LDCs made their own commitments about provisions of TFA based on their own country specific capacities. They also announced timelines for implementations when TFA came into effect. LDCs were given an additional year to do so. These commitments are set out in the submitted Category A notifications.

Category B notifications from developing countries and LDCs list the provisions that these WTO members will implement after a transitional period following the entry into force of the TFA. Category C notifications contain provisions that a developing country or LDC designates for implementation on a date after a transition period and requiring the acquisition of implementation capacity through the provision and assistance of capacity building. LDCs can also unveil any technical support or expertise to implement any items in Category C notifications from WTO.

Graduating from the group of LDCs itself should not be major concern for obtaining assistance for trade facilitation support. However, the main issue is that the support for trade facilitation remain at a low level. The financial assistance from development partners for implementing TFA remains a part of the overall ODA budget and the OECD data show that just about \$1 billion per year is being spent on trade facilitation support in developing countries (including LDCs). This is quite small against the needs of the developing countries.

## 2.8. LDC-related Technical Assistance and Other Support Measures

### Aid for Trade

Since its inception in 2005, the Aid-for Trade (AfT) initiative has achieved a great deal of attention in developing and least developed economies. It has raised global awareness about the positive role that trade can play in economic growth and development, which in turn has contributed to an increase in the mainstreaming of trade-related priorities in partner countries' national development strategies. The AfT initiative duly emphasized on addressing supply-side capacities in in LDCs and other capacity-constrained developing countries. Estimates suggests that an increase in the volume of trade of 10 percent raises per capita income by over 5 percent on average for a country (Feyrer, 2009). But LDCs and developing countries are constrained by lack of supply capacity including weak and inadequate hard and soft infrastructure, weakening trade response. Given AfT's receiving ever-increasing global attention, bilateral and multilateral donors prioritised concessional and non-concessional financing for trade-related infrastructure or other facilities. Until 2017, more than \$300 billion has been disbursed for aid-for-trade programmes and projects with 27 percent of this support going to least-developed countries (WTO, 2017).

The main components of AfT support include trade policy and regulation; trade-related infrastructure; productive capacity; and trade-related adjustment (TRA). The WTO conducts the biennial Global Review of Aid for Trade with the purpose of strengthening the monitoring and evaluation of the support provided.

There is evidence to suggest that in certain cases AfT has been effective in reducing cost of trading thereby improving competitiveness of some recipient countries (Razzaque and Te Velde, 2013). It has been found that a one dollar in aid for trade is associated with an increase of nearly 8 dollars in additional exports (WTO, 2013). However, the AfT impact for achieving structural transformation and export diversification remains weak (Cirera and Winters, 2015). Although global trade has experienced sluggish growth since the Global Financial Crisis of 2008 and more recently since 2012, the attention to Aid for Trade support remains prominent. As regards the issue of the prospects of benefiting from the AfT in the future, it is unlikely that any adverse implications would be borne because of LDC graduation. The fact is that AfT is part of ODA, allocation of which is not explicitly linked to the LDC status. Effective implementation of aid-funded projects is also a critical challenge in most LDCs and their graduation would not automatically imply improved implementation capacity.

One important issue is to be noted here that one critical component of the Aid for Trade was supposed to be the assistance provided for trade-related adjustment support to developing countries. However, until today AfT support has not provided much attention to this, as less than 0.5 percent of AfT budget is allocated to adjustment assistance. Graduation means LDCs will have to go through significant adjustments because of forgone preferential market access and loss of policy space, as highlighted above. Therefore, it would be important for graduating LDCs including Bangladesh to proactively engage with the WTO process so that more AfT assistance can be secured considering the need for trade-related adjustments in the run up to graduation and beyond.

**Istanbul Programme of Action for the LDCs:** The Istanbul Programme of Action (IPoA) for LDCs was adopted in the fourth UN conference on LDCs in 2011. To help LDCs confront the challenges associated with their socio-economic vulnerability, the United Nations has since 1981 hosted once-a-decade such conferences on LDCs. Like its predecessor, held in Brussels in 2001, the Istanbul Conference also adopted a Programme of Action, the IPoA, for the decade 2011–20 to be implemented by LDCs themselves and development partners.

The IPOA acknowledges LDCs’ limited productive and governance capacities, and their severe need for improving human and social development. It represents enhanced commitments of the LDCs and their development partners to a renewed and strengthened global partnership. It specifically aims to enable half of the LDCs to meet the criteria for graduation. The IPoA identified eight (as in Table 2.6) interlinked priority areas where LDCs and their development partner should undertake coordinated actions/measures to ameliorate the situation. Overall, the IPoA calls for more integrated actions from all parties, including development partners; renewed and strengthened North-South and South-South partnerships to step up efforts in improving socio-economic conditions of LDCs; setting up an overarching goal of achieving the structural transformation of LDCs.

**Table 2.6: Announced Priority Working Areas in the Istanbul Programme of Action**

|  |  |
|--|--|
| <p><b>A. Productive capacity</b><br/>           Infrastructure<br/>           Energy<br/>           Science, technology and innovation<br/>           Private sector development</p> <p><b>B. Agriculture, food security and rural development</b></p> <p><b>C. Human and social development</b><br/>           Education and training<br/>           Population and primary health<br/>           Youth development<br/>           Shelter<br/>           Water and sanitation<br/>           Gender equality and empowerment of women<br/>           Social protection</p> | <p><b>D. Trade</b></p> <p><b>E. Commodities</b></p> <p><b>F. Multiple crises and other emerging challenges</b><br/>           Economic shocks<br/>           Climate change and environmental sustainability<br/>           Disaster risk reduction</p> <p><b>G. Mobilizing financial resources for development and capacity-building</b><br/>           Domestic resource mobilization<br/>           Official development assistance<br/>           External debt<br/>           Foreign direct investment<br/>           Remittances</p> <p><b>H. Good governance at all levels</b></p> |
|--|--|

Source: UNCTAD, 2018

Bangladesh remains an active party of IPoA, which will come to the end in 2020, and the UN, will undertake the fifth LDC conference in 2021 to consider an appraisal of the implementation of the IPoA and perhaps launch a new round of support measures. As Bangladesh is to graduate in 2024, it will not remain as a target country of support for the entire period of the next Action Programme for LDCs. It however should not be a cause for concern. To begin with many actions stated in the document were largely ‘best endeavours’ in nature rather than explicit commitments by development partners. In some cases, there has been serious failure in meeting certain targets, For example, despite Bangladesh’s doing well, the IPoA target (subsequently adopted in SDGs as well) of Doubling the share of LDC exports in global exports by 2020 and the commitment to ensure timely implementation of duty-free, quota-free (DFQF) market access on a lasting basis for all LDCs have not materialized. Then, the target of enhancing the share of assistance to LDCs by the development partners for Aid for Trade has also been missed for most individual LDCs. Furthermore, a large number of actions programmes remain vaguely defined; therefore, measuring the actual implementation progress on them is almost impossible. Besides, the IPOA has also so far failed to secure the longstanding commitment by developed countries – reiterated in the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda of the Third International Conference on Financing for Development – to provide the equivalent of 0.15 to 0.20 percent of their gross national income (GNI) in the form of ODA to LDCs (in parallel to a commitment to provide the equivalent of 0.7 per cent of GNI in ODA to developing countries). Currently, the ODA from the Development Assistance Committee (DAC) countries – that provide the largest share of ODA – to LDCs expressed as a percentage of provider countries’ gross national income stands at just 0.09 percent (OECD Development Co-operation Report, 2018).

In one of the perhaps most innovative measures, the IPoA called for the establishment of a “Technology Bank and Science, Technology and Information supporting mechanism”, dedicated to LDCs. This would have helped improve the beneficiary countries’ scientific research and innovation base, promote networking among researchers and research institutions, access and utilize critical technologies, and draw together bilateral initiatives and support by multilateral institutions and the private sector, building on the existing international initiatives. The full operationalization of the Technology Bank was included as part of target 17.8 of the Sustainable Development Goals.

The Technology Bank was established by the General Assembly in December 2015 with its premises being officially inaugurated in 2018 in Gebze, Turkey. It is supposed to implement projects and activities in the LDCs and serve as a knowledge hub connecting LDCs’ Science, Technology and Innovation (STI) needs, available resources, and actors who can respond to these needs. The first stage of operations includes activities aimed at improving the access of scientists and researchers to publications, data, research and technical knowledge (TBLDC, 2018). It is still early days to assess the facility’s effectiveness. As per the agreed provision, after graduation from the LDC category, countries will continue to have access to the LDC Technology Bank for a period of five years.

## **LDC Policy and Global Advocacy-Related Technical Assistance**

Under this category of assistance schemes for LDCs, the Enhanced Integrated Framework (EIF) for Trade-Related Assistance for the Least Developed Countries (commonly abbreviated as EIF) should be considered as an important one. Its objective is to support LDCs to better integrate into the global trading system and to make trade a driver for development. The second phase of this the multi donor multilateral technical cooperation programme as currently in operation will continue until 2023. EIF helps to mainstream trade into national development strategies, establish national structure to coordinate trade-related technical support and improve capacity building for trade by addressing supply side constraints.

With help of EIF, LDCs can make a solid case for more aid for trade. In Bangladesh, EIF has supported the preparation of the Diagnostic Trade Integration Study (DITS) in 2015. EIF is also assisting to produce the analytical work necessary to support sectoral strategies, including in leather, fisheries and agriculture.

A significant source of other LDC policy-related technical assistance and support measures is due to UNCTAD. It provides research and extensive technical cooperation assistance to LDCs in policy development including assessing impact and developing recommendations on such issues as Aid for Trade, market access, trade in services, devising and developing capacities on trade-related standards, supporting policy analysis using integrated database and quantitative tools. As UNCTAD also undertakes an elaborate work programme for developing countries, LDC graduation is unlikely to cause any major change in terms of the benefits received from its technical assistance. Finally, The United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLLS) oversees the implementation of the IPoA and undertakes some global advocacy work for LDCs. LDC graduation means its work programme in the future might not be relevant to Bangladesh. However, given its currently not-very-significant and tangible assistance, this should not be a major issue for Bangladesh in the post-graduation period.

Since UNCTAD also supports developing countries, it is unlikely that Bangladesh will lose the above-mentioned support significantly.