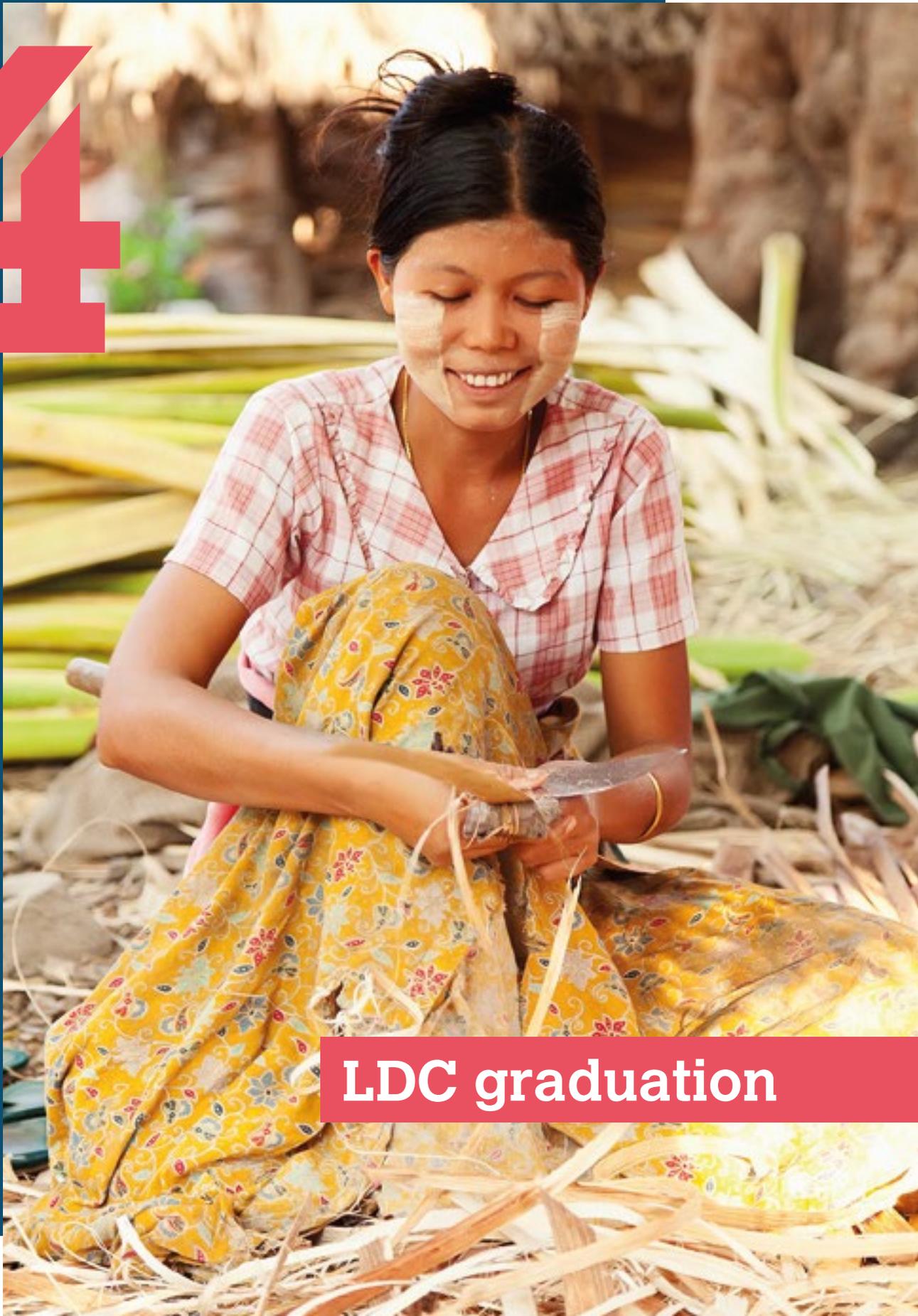


4



LDC graduation

Weaving of rattan baskets in Mandalay, Myanmar.

Graduation from LDC status marks an important milestone in the development path of an LDC. However, the phasing-out of international support measures associated with LDC status could present challenges for graduating LDCs in their efforts to continue to integrate into the global economy. An overarching goal of the IPoA (2011-20) was to enable half of the LDCs to meet graduation thresholds (see Table 1) by the end of the decade. Between 2011 and 2020, four LDCs graduated from LDC status (see Figure 6). Currently there are 16 LDCs at the different stage of the graduation process. They include Angola, Bangladesh, Bhutan, Cambodia, Comoros, Djibouti, Kiribati, Lao PDR, Myanmar, Nepal, Sao Tomé and Príncipe, Senegal, Solomon Islands, Timor-Leste, Tuvalu and Zambia.

The topic of LDC graduation has also been gaining momentum in the WTO in recent years. In 2017 at the 11th WTO Ministerial Conference, the LDC Ministerial Declaration called for positive actions on graduation.¹ Thereafter the WTO LDC Group tabled several graduation-related proposals in different WTO bodies. LDC graduation is one of the key priorities for the WTO LDC group at the 12th WTO Ministerial Conference.

In November 2020, the WTO LDC Group put forward a draft ministerial decision on trade-related challenges and a way forward in order to set forth a smooth

transition mechanism in the WTO.² The main elements included a 12-year extension of LDC-specific special and differential treatment (S&D) provisions and a phasing-out of LDC-specific trade preferences over a 12-year period.

The WTO LDC group made a submission in October 2021 taking into account the views expressed by members on different aspects of its 2020 proposal. The latest submission represents an interim arrangement, whereby the LDCs encourage their trading partners to extend LDC preferences to graduated LDCs for a certain time period. LDCs are actively engaged with WTO members to draw up an outcome on LDC graduation, including with a view to supporting smooth and sustainable graduation.

The WTO Secretariat, in cooperation with the EIF, has been helping LDCs to gain the best understanding possible concerning trade-related challenges

16

Currently there are 16 LDCs at the different stages of the process of graduation from LDC status.

Table 1 LDC graduation criteria, 2021

Gross national income per capita (GNI)	Human assets index (HAI)	Economic vulnerability index (EVI)
US\$ 1,222		
Income-only: US\$ 2,444	66 or above	32 or below

Source: United Nations Department of Economic and Social Affairs (UN DESA) (2021).

Note: An LDC can be eligible for graduation, if: i) it meets two of the three graduation criteria, or ii) its income per capita doubles the income graduation threshold. The graduation criteria should be met at two consecutive reviews for a country to be recommended for graduation.

Figure 6 Countries graduating from LDC status from 2011 to 2020



Source: United Nations Committee for Development Policy (UN CDP) and WTO.

Note: Countries that graduated from LDC status prior to 2011 include Botswana (1994) and Cabo Verde (2007).

of LDC graduation, in response to a specific request by the WTO LDC Group. The findings of this work have been summarized in two reports on the trade impacts of LDC graduation. The reports found that the trade impacts of graduation differ for each LDC, depending on a variety of factors, including the export structure, use of LDC-specific trade preferences, and terms of entry into the WTO.

The reports also found that the trade-related challenges of graduation have been linked, among other things, to the loss of LDC-specific trade preferences and reduced flexibilities in implementing WTO rules, especially in areas such as trade-related aspects of intellectual property rights (TRIPS), non-agricultural export subsidies and agriculture.

Garment-making
in Dhaka,
Bangladesh.



At the same time, the reports also highlighted that the WTO contains mechanisms that could be used by graduating LDCs to manage implementation challenges.

The topic of LDC graduation has been gaining momentum in the WTO in recent years.

In addition, the reports showed that graduation from LDC status would not significantly affect the outlook for official development assistance to LDCs, since development partners take into account a range of different considerations, and not solely LDC status, when determining aid allocations.

Following the outbreak of the COVID-19 pandemic, the trade and health impacts of COVID-19 on graduating LDCs have also been analysed. These assessments found that several key factors influenced the economic performance of LDCs during the pandemic, i.e., high dependence on few commodities and on tourism, limited digital readiness, and supply-chain rigidity.

The WTO has also been collaborating with UN entities to support the graduating LDCs, including by participating in the United Nations Inter-Agency Task Force (IATF) on LDC Graduation Support, chaired by the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), and by undertaking joint sectoral studies to assess impacts of graduation.

In partnership with other UN entities, the WTO Secretariat is organizing a dedicated event on LDC graduation at LDC5 to disseminate the latest evidence-based analysis on LDC graduation, in order to offer better support to LDCs in taking informed policy decisions.

¹ LDC trade ministers asked their trading partners to extend LDC-specific preferences to the recently graduated countries and LDC-specific S&D treatment to LDCs for a period appropriate to the development situation of that country. LDC trade ministers also asked for the inclusion of a transition period for LDCs and graduated countries in the WTO negotiations on fisheries subsidies. In addition, they also requested that WTO members include LDC graduates among the members featuring in Annex VII(b) of the WTO Agreement on Subsidies and Countervailing Measures.

² See WTO official document number WT/GC/W/807.