Advancing LDCs' Trade Interests

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Research Report 1
The Emerging New Trade Alliance Scenario
Why the LDCs Should be Concerned?

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Acronyms

Aft	Aid for Trade
AGOA	African Growth and Opportunity Act
AIFTA	ASEAN-India Free Trade Agreement
APEC	Asia-Pacific Economic Cooperation
APTA	Asia and Pacific Trade Area
ASEAN	Association of Southeast Asian Nations
BIMSTEC	Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation
BIT	Bilateral Investment Treaty
BoP	Balance of payments
BTA	Bilateral trade agreement
BTIA	Broad-based Investment and Trade Agreement
CBTPA	Caribbean Basin Trade Partnership Act
CCCT	the Commonwealth Caribbean Countries tariff
CEPA	Comprehensive economic partnership agreement
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CUs	Customs Unions
DDA	Doha Development Agenda
DF-QF	Duty-free and quota-free
EBA	Everything but Arms
EIF	Enhanced Integrated Framework
EU	European Union
EVFTA	EU-Vietnam FTA
FDI	Foreign direct investment
FTAAP	Free Trade Area of the Asia-Pacific
FTAs	Free Trade Agreements
GATS	General Agreement on Trade in Services
GDP	gross domestic product
GPT	Generalized Preferential Tariff
GSP	Generalized System of Preferences
GSTP	Global System of Trade Preferences
IF	Integrated Framework for Trade-related Technical Assistance to Least Developed Countries
IPoA	Istanbul Programme of Action
IPR	Intellectual Property Rights
ISMs	International support measures
LDCs	Least Developed Countries

LDCT	Least Developed Country Tariff
MC	Ministerial Conference
Mega-RTAs	Mega regional trade agreements
NTR	Normal trade relations
PNTR	Permanent normal trade relations
PTAs	Preferential Trade Agreements
R&D	Research and Development
RCEP	Regional Comprehensive Economic Partnership
RMG	Ready-made garment
RoO	Rules of origin
RTAs	Regional trade agreements
S&D	Special and differential treatment
SAFTA	South Asian Free Trade Area
SDGs	Sustainable Development Goals
SMEs	Small and medium-sized enterprises
SOEs	State-owned enterprises
SSC	South-South Cooperation
TIFA	Trade and Investment Agreement
TPP	Trans-Pacific Partnership
TTIP	Transatlantic Trade and Investment Partnership
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

Section 1. Introduction

1.1 Background

In recent times, a number of mega regional trade agreements (mega-RTAs) are being negotiated which may shape a new era of global trade architecture independent of the scopes of multilateral trading system under the World Trade Organization (WTO). From the early 1990s, the world has witnessed rising number of regional trade agreements (RTAs). Many of these were initiated by the developed and industrialised countries to safeguard their perceived trade related interests. They were subsequently joined by many developing countries. Over time, these agreements have widened in scope and coverage. In more recent period, a number of developed countries and a few developing countries have started discussion on a number of new and deeper issues as part of negotiations to operationalise different mega-RTAs. It is argued that, if successful, these mega-RTAs have the potential to shift the world trade regime through introduction of new global standards, norms and regulations (Drapper et al., 2004). The flip side of all this is that, other developing countries, including the Least Developed Countries (LDCs), which are not party to such negotiations, could be seriously and adversely affected by the change in regulatory landscape. The consequences may pose a significant challenges in terms of their participation in future global trade regime. Indeed, the LDCs are the most vulnerable in this context because of their structural bottlenecks, limited productive capacities, technological backwardness, and unskilled human capital, not to mention their limited bargaining/negotiating capacities.

The recent emergence of mega-RTAs could significantly undermine LDCs' export to the larger economies (Palit, 2015). The traditional Quad members, namely European Union (EU), the United States of America (USA), Canada, and Japan, along with several other advanced economies and large developing countries are the key players in the evolving mega-RTAs. These countries have traditionally provided preferential market access to the LDCs through the Generalized System of Preferences (GSP) schemes as well as unilateral and preferential tariff preferences. Elimination of import tariffs on a wide range of items among the participating countries in the mega-RTAs may result in LDCs facing comparatively higher tariffs on their exports while similar export items from the RTA participants are likely to enjoy reduced or duty-free and quota-free (DF-QF) market access. Since the LDCs lack diversification in their exports, the adverse implications of preference erosion are likely to be highly significant both in terms of exports as also the overall economy. It may be noted that a number of participating countries in mega-RTA are also major export destinations for many LDCs. For example, the US and EU are major destinations for ready-made garment (RMG) exports from Bangladesh and Cambodia. The emerging situation is all the more challenging also because LDCs, by and large, remain outside the ambit of mega regional negotiations.

In addition, trade diversion as a result of mega-RTAs is also a major concern for the LDCs. According to Elliott (2016a), new preferential market access tends to always lead to some degree of trade diversion for the non-participating countries. For example, in case of the Trans-Pacific Partnership (TPP) agreement, the preferential access for Vietnam poses risks for major RMG-driven LDC exporters such as Bangladesh and Cambodia, in the form of high tariffs on textiles and apparels export items.

1.2 Rationale of the study

The overwhelming majority of the LDCs are 'characterised by low income level and structural impediments to growth' (UN, 2008: iii). There is a growing recognition that LDCs require special and differential treatment (S&D) from developed and developing countries. As may be recalled, S&D for LDCs was first initiated by the United Nations Conference on Trade and Development (UNCTAD) in the mid-1960s. Following the carving out of the LDC category in 1971, as a special sub-strata among the developing countries, four rounds of programmes of action have been designed in support of the LDCs, since 1981.[1] While the LDCs are responsible to take the challenge to achieve the targets of PoAs, the international community is committed to provide the needed financial, institutional and technical support and a higher degree of preferential trade-related treatment, popularly known as international support measures (ISM)[2], as coined by the United Nations (UN) agencies.

As is well known, the WTO plays a fundamental role in setting the rules that guide and inform international trade. These rules and regulations are designed through negotiations that cover a wide range of issues including market access in both agriculture and manufacturing goods, tariff liberalisation, food security, non-tariff issues, liberalisation of environmental goods, trade facilitation, liberalisation of services market and modalities of dispute settlement. All these are key to defining whether LDCs will be able to participate in the process of globalisation from a position of strength. The recently adopted Agenda 2030, also known as the Sustainable Development Goals (SDGs), obligates the global community and individual countries to work towards creation of decent jobs, implementation of the S&D favouring the LDCs, and ensuring greater representation of LDCs in global decision-making bodies. The SDGs consider trade as a critically important *means of implementation*. The document has called for making global partnership work for attaining the SDGs. A review of national development strategies and national development plans of the LDCs reveals that trade is considered to be one of the key enablers and driving force of national economic development.

Since multilateral trading system plays a critically important role in defining whether LDCs are able to take advantage of trade and make it work for their development, advancing the cause of their trade-related interests has assumed heightened relevance under the prevailing global trading scenario. There is, thus, a strong case to identify appropriate modalities to secure the interests of the LDCs in the WTO — the key driving force steering the multilateral trading system.

[1] The first LDC Programme of Action, LDC I, in Paris in 1981 put focus on poverty alleviation and food security issue while the LDC II in 1990s emphasised on market liberalisation, appropriate allocation of resources and and enhanced market access and export diversification for the LDCs. LDC III Brussels programme of action was in adopted in 2001 where issues related to trade, finance and investment were central, which was aligned with the MDGs. LDC III also spoke of good governance and rule of law and participation of civil society in political and economic activities. The ongoing fourth PoA for the period 2011-2020, popularly known as Istanbul Programme of Action (IPoA) aimed at achieving sustainable development in LDCs with a focus on developing productive capacity and promoting structural transformation.

[2] The term, 'international support measures' extended to LDCs was promoted by the international community through decisions taken at a series of UN conferences. ISMs include commitments on aid, trade preferences and S&D in WTO agreements, and special financial and technical support through the UN system. Currently, there are 136 different types of ISMs available for the LDCs (UNCTAD, 2016).

In spite of the increasing importance of trade for the economies of LDCs, dedicated evidence-based analysis on issues of *offensive* and *defensive* interests[3] to the LDCs in the context of WTO negotiations continue to remain limited. This is true particularly in view of the changing dynamics of the global market – the increasing importance of cross-border value and supply-chains, proposed systemic changes in the decision-making process in the WTO, the emergence of mega-trading blocs such as the proposed Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the envisaged Transatlantic Trade and Investment Partnership (TTIP). All these could lead to erosion of preferences through loss of market access. Potential implications of all these newly emerging factors and scenarios are likely to affect the relative competitiveness of the LDCs in a significant way, both in domestic and global markets.

The present paper seeks to contribute towards strengthening the participation of the LDCs in the multilateral trading system by capturing the implications of the emerging global trading scenario with the ascendancy of mega-RTAs. It is hoped that the study will contribute towards identifying modalities and implementing activities to attain the objective of strengthened global integration of the LDCs including Bangladesh. The CPD study takes as its reference point the implications of some selected RTAs for the trade interests of Bangladesh and other LDCs. Following questions are investigated as part of the study:

- What are the reasons for proliferation of RTAs?
- What are the implications of the mega-RTAs for market access of the LDCs?
- What these mega-RTAs mean for the WTO and multilateral trading system?
- How should LDCs strategise in view of the above?

An extensive literature review was carried out to establish the benchmark in the above connection. Analysis was undertaken to identify how the mega-RTAs are likely to impact on LDC trade interests. For the descriptive analysis, data has been obtained from Trademap, UN COMTRADE, ITC, World Bank and UNCTAD.

1.3 Outline of the Study

The rest of the paper is as follows. Section 2 revisits the underlying factors influencing the emergence of mega-RTAs. Section 3 introduces some stylised facts as regards LDCs participation in global trade along with a review of ISMs enjoyed by the LDCs. Section 4 investigates the core features of mega-RTAs and other influential trade agreements being negotiated. The penultimate Section 5 highlights the challenges, in view of above, for the LDCs and the strategies that need to be pursued in this regard. Section 6 closes the paper with a summary of the analysis and closing remarks.

[3] The offensive interests of the LDCs include improved market access in the markets of their trading partners and the defensive interests of the LDCs include protectionist measures to safeguard the interests of their affected industries.

Section 2. Reasons behind Emergence of Mega-RTAs

2.1 Factors concerning the emergence of mega-RTAs

In general, the reasons behind establishing PTAs or FTAs include, *inter alia,* serving political and strategic objectives of concerned countries, going further and faster in the direction of integration compared to what could be achieved in the multilateral trading arrangements, fear of exclusion as competing countries secure market access to markets of their interest, as insurance policy against future protectionism and as an signaling device to attracting foreign direct investments (FDIs) etc. The reasons for establishing the mega-trading blocs include not only the above but also go beyond.

Proliferation of mega-RTAs has also largely been driven by both economic interests and geo-political strategies pursued by partner economies. Recent rise of mega-RTAs may be attributed to achieve a number specific objectives: (i) failure of developed countries to secure favourable trade deal in the multilateral trading system under the ambit of the WTO; (ii) focus on securing a regional deal that guarantees enhanced market access and conducive environment that would serve the interests of developed countries; (iii) responding to the ever increasing influence of China in global trade and particularly in Asia; (iv) growing interest to safeguard economic interest of the involved country by not being left out.

As is known, the establishment of the WTO in 1995 formed a basis for multilateral trade negotiations by producing comprehensive trade agreements to reduce tariffs on manufactured goods and also ease regulatory processes on agricultural goods, trade in services, and intellectual property rights among the member countries. However, negotiations have always been difficult with varying interests of participating countries with different levels of economic development.[4] This complexity became particularly evident in the context of the Doha Development Agenda (DDA), agreed in the 4th WTO Ministerial Conference (WTO MC4) in Doha in 2001. The 9th WTO Ministerial Conference (WTO MC9) in Bali in 2013 reinforced the agenda through the LDC package. However, many members were not happy with the pace of progress as regards the agendas on the negotiating table. Many members have taken recourse to negotiating mega deals, with broad ambit and deeper liberalisation. The result was the rise of the mega-RTAs.

At present, negotiations on three sets of mega-RTAs have seen notable progress – the CPTPP among Australia, Canada, Japan, Mexico, and seven other Pacific Rim countries[5]; the TTIP agreement between the USA and the EU; and China's pursuit of the Regional Comprehensive Economic Partnership (RCEP) negotiations. Whilst these mega-RTAs may be justified on several grounds, these have come under close scrutiny because of their possible adverse implications for the rule-based multilateral trading system as envisaged under the WTO. Their possible impact on interests of the LDCs is also another line of query.

In light of the above, several factors can help explain the recent emergence of mega-RTAs.

First, one may observe that rationale of mega-RTAs originated from economic realities. Mega-RTAs expanded the scope of discussion beyond the traditional negotiations regarding tariff barriers. For example, TTIP has prioritised removal of non-tariff barriers, harmonisation of

[4] Members who were signatories to the establishment of the WTO numbered 123.
[5] CPTPP has replaced the earlier proposed TPP agreement once the USA withdrew from the initiative.

regulations and standards governing trade in services, investment and public procurement. Tariffs, for trade between the EU and the USA, are no longer considered as major barriers.

Second, the objective of stimulating economic growth through speedy recovery from global financial and economic crises is a key driver for emergence of the mega-RTAs. It is felt that the negotiated mega-RTAs could present an opportunity for stimulating industrial growth in advanced economies facing significant constraints including the ability to underwrite the large financial resources needed to boost production. For example, in case of TTIP, one expectation was that in addition to low tariffs and significant FDI, removing trade barriers at the border and eliminating regulatory impediments would help generate additional revenues for small, medium-sized and large importing and exporting enterprises.

Third, growing prominence of global value chains over recent decades is one of the key drivers leading to the emergence of mega-trading blocs. A large part of the manufacturing products currently passes through various stages of production in different locations, i.e. these are assembled with inputs from many countries. Indeed, trade in intermediate goods, which indicates the extent of global value chain production, now account for close to 60 per cent of total trade in goods. It needs to be noted here that, major impediments facing the expanding global value chains are not related to tariff measures, rather these are caused by behind the border obstacles. It is these constraining factors that are at the centre of the ongoing mega-RTA negotiations. Increasing power of multinational firms in global supply chains also contributed to this renewed attention. The firms lobby for new types of trade agreements that would benefit their production processes across countries with comparatively cheaper costs of production. For example, the firms often seek legal protection for their foreign investment in addition to deductions in the costs of shipping goods across multiple countries (Bown, 2016).

Fourth, the countries involved in mega-RTAs also seek to deepen market access gains by going beyond WTO's multilateral tariff agreements with help of targeted policies and regulations that influence cross-border movement of services, capital, and labour (Palit, 2015; Bertelsmann, 2016). In other words, the WTO's rigid institutional framework and rules, which have by and large remained unchanged since 1995, are considered as inadequate in terms of serving the evolving interests of some of the major actors within the trading system. An additional factor often cited relate to the lack of progress as regards the majority of the so-called 'Singapore issues'. Of the four, investment, competition policy, government procurement, and trade facilitations[6], there was progress only with respect to the latter.

Fifth, advanced and developing countries (including LDCs) were not able to come to an agreement on issues of market access for agricultural and manufacturing goods and services as also a number of other issues. The difficulties in reaching a consensus during the Doha Round have without doubt caused a shift towards mega-RTAs (Bertelsmann, 2016). Rising importance of emerging economies as global powers is now a reality on the ground. The recent dramatic shifts in the balance of power in international trade negotiations, with more prominent role being played by emerging economies such as Brazil, China, India and South Africa, is an important part of contemporary reality. The emergence of the G20 involving the aforesaid countries has neutralised the ability of the traditional trading superpowers to determine the agendas and

[6] The Trade Facilitation Agreement (TFA) was signed at the WTO MC10 in Nairobi in 2015 and ratified by two-third of the WTO members in February 2017 to come into effect.

decisions of the WTO negotiations through exercise of exclusive dominance. The multilateral trading system is having to come to terms with this new reality.

Finally, geopolitical interest has often led countries to go for economic cooperation including through signing of PTAs, and negotiating for mega-RTAs. It also depends on the time, and leadership in member countries. For example, as the US Congressional Research Service report (published in March 2015) candidly states, in view of growing Chinese assertiveness and influence in Asia, the USA needed to engage in TPP negotiations in order to maintain influence in the region. Indeed, one cannot ignore that, there is a political dimension which has contributed to the push towards the mega-RTAs. The rise of China in world trade has been particularly disconcerting to the US and other Western countries. China's ascendance was perceived by some of the developed countries to have undermined their geopolitical and national security interests (Bown, 2016).Not surprisingly, most of these regional trade agreements involve countries in the Asia-Pacific region which could emerge as the most important region from the perspective of shaping the world trade order of the future. To be true, while 'political' or 'strategic' motives could be the driving force for going for the mega-RTAs in the first place, in the end, without strong economic rationale these may not be viable in the long run (Schwab and Bhatia, 2014).

The recent push toward the mega-RTAs involves a number of political and economic forces among the developed as well as several emerging developing economies. Clearly, most of the LDCs are not strategically important enough to be considered for inclusion in these regional agreements. The size of the economy plays a significant role in the decision-making process in mega-RTAs, since larger economies with higher shares in world trade have higher bargaining power in the negotiations. Indeed, even without being involved in the RTAs, the emerging economic powers such as China, India and Brazil are large enough to attract foreign investment and technology. This is not the case for the LDCs, and their being left out, and their competitors being members of mega-RTAs, have serious implications for LDC interests.

The emergence of mega-RTAs being forums for the most significant trade negotiation has important systemic implications for the WTO. The mega-RTAs may undermine the relevance of the WTO as multilateral rules-setting body, and in the process may weaken the WTO as an institution. Baldwin (2014), for example, finds that mega-RTAs could cut both ways as far as the global trading system was concerned. However, experts are not in agreement in this connection. He is optimistic that these mega-RTAs could energise the multilateral trading system to get on with meaningful negotiations on issues needing urgent attention and help strengthen the WTO as an institution. He, however, also cautioned that these negotiations, resulting in agreements on important trade issues, could undermine trade governance under the ambit of the WTO.

As the major economic powers pursue trade liberalisation agendas outside the multilateral system of the WTO, the LDCs continue to remain out of the mega-RTAs processes. LDCs have neither the economic clout nor the negotiating prowess to pursue and take part in discussions that aim at deepening trade liberalisation. Some of the trade related issues discussed in mega-RTAs include stringent rules of origin requirements and non-trade barriers such as SPS and TBT, government procurement, e-commerce, labour and environmental standards as well as intellectual property rights standards. Without the S&Ds provided under the various WTO Agreements, it is difficult for the LDCs to safeguard their offensive and defensive interests. Mega-RTAs do not encourage such derogation for countries in special needs. Any weakening of the WTO as an institution would, thus, be a setback for the LDCs.

Section 3. LDCs in the Global Trade Regime

The LDCs constitute the weakest economies in the world, by definition. Whilst their degree of openness to the global economy has been on the rise, strengthened global integration of their economies continue to remain an endemic challenge. Accounting for 13 per cent of world's population in 2015, the 47 LDCs account for only one per cent of world's gross domestic product (GDP) (UNOHRLLS, n.d.).[7] After notable rise, aggregate real economic growth in the LDCs has declined in recent years, to 3.8 per cent in 2015, reaching a 20-years low (UNCTAD, n.d.). 13 LDCs have experienced a decline in GDP per capita in 2015 (UNCTAD, 2015). This performance was strongly influenced by sharp decline in the commodity prices. Indeed, aggregate GDP growth of LDCs started to fall since 2011[8] with an average growth of 4.6 per cent for the last six years (2011-2016) which was well below the target of at least 7 per cent per annum growth envisaged under the 2011 Istanbul Programme of Action (IPoA) for the LDCs for the Decade 2011–2020. The weak economic growth since 2011 is seen to be a serious obstacle to generating and mobilising domestic resources for structural transformation and investment in the development of productive capacities in the LDCs (UNCTAD, 2015).

In recent years, the role of trade as a key driver of development of economies of LDCs has gained increasing recognition, both in theory and praxis. Indeed, in the recent past LDCs have been opening up their economies, through domestic reforms and also as part of regional and multilateral commitments, at a fast pace. This is manifested in their current high degree of openness, with exports and imports at present being equivalent to more than 50 per cent of combined GDP of the LDCs. However, LDCs remain marginalised players in the global trading scenario demonstrating only insignificant improvement in their share in total global trade. Combined share of LDCs as a group still hover around 1 per cent of the global trade. In this backdrop, graduation of LDCs through strengthened participation in the process of globalisation has assumed critical importance in the current development discourse. It is worth mentioning that while globalisation effect has lifted billions of marginalised out from poverty in the developing economies, trade openness has also hurt sectors which failed to withstand competition. Indeed, relatively less skilled workers had suffered both in rich and poor countries (Harrison, 2018).

3.1 Stylised facts on LDCs' global trade

Trade has played an important role in developing LDCs' productive capacities and ensuring their sustainable development. Historically, trade has grown faster than GDP particularly for developing countries which exported manufactured goods (UNCTAD, 2008a). LDC exports have experienced favourable and preferential treatment in many developed and also in developing markets since the inception of the GATT negotiations, and establishment WTO in 1995. However, LDC exportables have not expanded much in the global market as anticipated. In 2016, LDCs export of goods stood at about USD 144 billion; the amount was about USD 184 billion in 2011.

[7] Equatorial Guinea has graduated from the LDCs on 4 June 2017. The number of LDCs now stands at 47 as of now. For near-term comparison purposes, Equatorial Guinea has been included in the LDC group for purposes of analysis provided in this report.

[8] Average LDC growth in 2001-2010 was about 6.8 per cent which was quite in line with the target set of the IPoA (UNCTAD, n.d.).

LDCs' share in the world export is stagnating. LDCs' export share in the world had increased from 0.5 per cent in 1995 to only 1.0 per cent in 2015 (Table 3.1). In comparison, the other developing countries (excluding LDCs) have raised their share in global export from 27.2 per cent to 43.8 per cent during the same period. This weak performance belies the promise made by developed countries to help LDCs increase their share significantly. Indeed, LDCs' export share in 2015 has declined from what it was in 2010. This decline is largely due to the fact that the African LDCs, which are primarily exporters of commodities, were not able to keep the pace in face of declining global commodity prices as well as falling demand in the developed world.

Table 3.1: Share of LDCs in global export

Economies	1995	2000	2005	2010	2015
LDCs	0.5	0.6	0.8	1.1	1.0
LDCs: Africa and Haiti	0.3	0.3	0.6	0.8	0.6
LDCs: Asia	0.2	0.2	0.2	0.3	0.4
LDCs: Islands	0.0	0.0	0.0	0.0	0.0
Other developing economies (excl. LDCs)	27.2	31.4	35.5	41.0	43.8
World	100.0	100.0	100.0	100.0	100.0

Source: Authors' estimation based on UNCTADstat data.

A number of factors has limited LDC export potential and growth. Inadequate infrastructure, lack of human capital and skills, technological backwardness and limited financing options had limited LDC capacities in taking advantage of the various market access initiatives and special and differential treatments accorded under WTO initiatives. The share of manufacturing value added in LDC economies was found to be only 12 per cent when compared to 20 per cent for all developing countries (UNOHRLLS, n.d.). Moreover, frequent policy changes including price volatility, market restriction, high tariffs on export items of LDC interest, complex rules of origin have contributed to the slow pace of expansion of LDC export in the global market.

A structural shift of LDC exports has been evident over the last two decades. The LDCs are net exporters of raw materials and primary products. Their participation in global value chains has been rather limited. Major exports from LDCs are mineral fuels, agricultural commodities and basic products. Only some LDCs such as Bangladesh and Cambodia are exporters of manufactured goods. LDCs were primarily food and fuel exporters in the mid-90s; mineral fuel export dominated their export basket during the decade of 2000-2010 (About 53 per cent of total LDCs export in 2010). As a consequence of recent oil price fall, share of mineral exports declined to only a-fourth of total LDC export in 2016; the share was about half of LDCs' total aggregate export during 2011-15 (Table 3.2).

Share of fuel exports from LDCs has continued to decline since 2011, in part due to excess supply of fuel in the global market, and fall in fuel prices. The share has been replaced by manufacturing sector exports (with about 37 per cent share of total LDC export in 2015). Ready-made garments (RMG) exports from some leading LDCs such as Bangladesh and Cambodia is driving the LDC exports in recent time. Indeed, RMG export from the LDCs has surpassed the value of fuel exports in 2016 (Table 3.2). Top 10 export items (HS chapter-wise) from the LDCs account for about 80 per cent of total LDC exports. However, in recent years, some sign of product diversification is also in evidence, albeit at a slow pace.

Table 3.2: Major exportables from LDCs and their shares

HS Code	Product label	Average share (2011-15)	Share in 2016
	All products	**100.0**	**100.0**
27	Mineral fuels, mineral oils and products of their distillation	49.0	26.0
61	Knit wear	8.3	16.9
62	Woven garments	5.6	13.5
71	Pearls and precious or semi-precious stones and metals	6.1	5.9
74	Copper and articles thereof	6.2	5.2
26	Ores	3.7	3.3
03	Fish and other aquatic invertebrates	1.3	2.2
07	Edible vegetables	0.7	1.9
09	Coffee, tea, 9pec and spices	1.4	1.8
64	Footwear, gaiters and the like	0.5	1.3
Share of top 10 products		***82.9***	***78.1***

Source: ITC calculations based on UN COMTRADE and ITC statistics.

LDC exports are concentrated within a few LDCs. Global export of LDCs is dominated by only a few large exporters. Angola and Bangladesh are two major LDC exporters which accounted for about one half of the total LDC exports on an average. Angola is an exporter of mineral fuel and precious metals, whereas Bangladesh is mainly a manufacturing exporter with specialisation in ready-made garments (RMG) exports. Leading 10 LDC exporters cover about 80 per cent of total exports from the LDCs (Table 3.3).

Table 3.3: Major exporters from the LDCs in 2016

Exporters	Average Share (2011-15)	Share in 2016
Bangladesh	15.6	26.9
Angola	35.2	19.0
Myanmar	N/A	8.1
Cambodia	4.1	7.0
Zambia	5.4	3.7
Equatorial Guinea	7.5	3.2
Congo	4.4	3.2
Tanzania	3.1	3.1
Mozambique	2.3	2.3
Lao PDR	1.5	2.2
Top 10 LDC exporters	**79.1**	**78.6**
LDC exports as % share of world export	***0.93***	***0.91***

Source: ITC calculations based on UN COMTRADE and ITC statistics.

Top developed and developing countries are major destinations of LDC exports. During 2011-15, top 10 LDC export destinations, on an average, absorbed about 90 per cent of total LDC exports. In 2016, the share came down to 82.2 per cent which is indicative of some market diversification. Apart from the EU and South Korea, top LDC destinations have lost their share in 2016 when compared to their average share during 2011-2015 period (Table 3.4).

Table 3.4: Major export markets

Export markets	Average share (2011-15)	Share in 2016	Change
China	27.5	20.8	↓Decrease
European Union (EU 28)	25.5	29.6	↑Increase
of which: United Kingdom	*3.6*	*3.9*	↑*Increase*
United States of America	11.6	10.6	↓Decrease
India	6.9	6.5	↓Decrease
Thailand	3.8	3.1	↓Decrease
Switzerland	4.8	3.0	↓Decrease
Japan	2.8	2.6	↓Decrease
South Africa	3.4	2.5	↓Decrease
South Korea	1.3	2.0	↑Increase
Canada	2.6	1.5	↓Decrease
Top 10 LDC export destinations	***90.2***	***82.2***	↓***Decrease***

Source: ITC calculations based on UN COMTRADE and ITC statistics.

LDC imports. Share of LDC import from the world has increased from 0.6 per cent of global import to 1.5 per cent of global import during 1995-2015 while import from other developing countries has expanded from 28.1 per cent to 40.5 per cent during the same period (Table 3.5).

Table 3.5: Share of LDC import from the world

Economies	1995	2000	2005	2010	2015
Developing economies excluding LDCs	28.1	28.2	31.0	37.9	40.5
LDCs (Least developed countries)	0.6	0.7	0.8	1.1	1.5
LDCs: Africa and Haiti	0.4	0.4	0.5	0.7	0.9
LDCs: Asia	0.3	0.3	0.3	0.4	0.6
LDCs: Islands	0.0	0.0	0.0	0.0	0.0
World	100	100	100	100	100

Source: Authors' estimation based on UNCTADstat data.

3.2 Preferential market access initiatives for LDCs

Access to developed and developing country markets are seen as an important opportunity for the LDCs. Preferential market access entitles an LDC exporter to pay lower tariffs or to secure DF-QF access to markets of developed or developing countries. Main categories of special support measures in connection with international trade available to the LDCs are (a) preferential market access, (b) special and differential treatment regarding (WTO) obligations, (c) bilateral FTAs and RTAs and (d) trade-related capacity building support.

These trade preferences are granted under two general preferential schemes: the *Generalized System of Preferences* (GSP), which is of non-reciprocal nature offered by both developed and developing countries to the LDCs or emerging vulnerable economies; and the *Global System of Trade Preferences* (GSTP)[9] among the developing countries which is a reciprocal scheme available to the signatories. Under the WTO mandate, the initiative to improve DF-QF market access for the LDCs was first initiated in the 1996 Singapore Ministerial Declaration. WTO members agreed to

[9] The Global System of Trade Preferences among Developing Countries (GSTP) aims at promoting trade among the developing countries. There are 42 members participating in the GSTP, including 7 LDCs (Bangladesh, Benin, Guinea, Mozambique, Myanmar, Sudan, and Tanzania). The small number of concessions currently in place limits the utilisation of the GSTP by the LDCs.

a Plan of Action in favour of LDCs to keep them remain competitive in the global markets (UNCTAD, 2001). Market access concessions to LDCs are also offered through regional or bilateral trade agreements and/or non-reciprocal market access schemes.

GSP offered by the developed countries. Preferential trade treatments are granted by the QUAD countries, namely the EU, the US, Canada and Japan and also by the other developed countries such as Australia, New Zealand, Norway, among others. All these preferences are provided on a non-reciprocal basis under the GSP programmes to serve the interests of smaller and vulnerable economies. Whereas general GSP preferences are open to most developing countries, these schemes typically have more generous sub-schemes exclusively for the LDCs. These schemes have been in place since the early 2000s as a response to the call on developed countries to provide DF-QF access to the LDCs. Going beyond the general GSP and its sub-schemes for LDCs, many developed countries have extended their preferential access to other developing countries, either within the GSP or as part of separate schemes.[10] In a way, these schemes are geared to promote competitiveness of non-LDC developing countries and as a consequence lead to preference erosion for the LDCs, and often result in market substitution favouring the developing countries.

Table 3.6: Selected GSP Schemes offered by major advanced countries

Export Market	Preference Scheme	Beneficiary	Coverage	Rules of origin (RoO)
European Union (EU)	EU GSP Scheme (EBA)	All LDCs	All products except arms	Product-specific rules with maximum imported inputs between 5 per cent and 50 per cent where used in the single list
United States	US GSP scheme – AGOA	36 African countries including some African LDCs	All major items except textiles and apparel	One single percentage rule for all products with a minimum of 35 per cent
Canada	Canadian GSP	Eligible developing countries including all LDCs	All items except eggs, poultry, dairy and refined sugar	One single rule except textiles and apparel with minimum of 40 per cent for LDCs
Japan	Japanese GSP scheme	Eligible developing countries including all LDCs	All items except selected agricultural, fishery, and industrial products	CTH and a single list of product-specific rules and same percentages as EU

Source: Compiled from various databases and information sources.

[10] For example, while the EU offered 'Everything but Arms' (EBA) initiative provides 'zero' tariff to almost all the products from the LDCs, it also offers a less preferential GDP plus scheme to vulnerable developing countries meeting certain criteria. The USA also provides similar other preferential market access schemes designed for African (the African Growth and Opportunity Act (AGOA)), Caribbean (the Caribbean Basin Trade Partnership Act (CBTPA)) and four Latin American (the Andean Trade Preferences Act) countries. While duty-free access for oil, certain textiles and apparels and some leather goods are not covered under the US GSP and its sub-schemes, under AGOA scheme, footwear, luggage, handbacks and some textiles items get duty-free access to US market. On part from Canada, two further non-reciprocal regimes are the Commonwealth Caribbean Countries tariff (CCCT) and the Least Developed Country Tariff (LDCT) that are provided apart from the Generalized Preferential Tariff (GPT). All the textile and apparels get from LDCs get DF-QF access to Japanese markets since 2001. However, as part of their graduation policy, a particular country or a particular product may lose/limit its GSP preference when deemed internationally competitive (Klasen et. al. 2016).

GSP offered by the developing countries. Trade preferences given by emerging countries such as China, Chile, Brazil, India, Republic of Korea, Thailand and Turkey demand attention as trade with emerging countries and LDCs is quite significant and has been on the rise in recent years.[11] With potentials to increase trade significantly between the emerging economies and the LDCs and possibilities to further tariff cuts, it is expected that LDCs would benefit significantly from the preferences provided (Klasen et al. 2016).

S&D for LDCs under WTO. Apart from GSP schemes, the LDCs receive preferential treatment through various WTO provisions, as well as various RTAs and bilateral trade initiatives. In addition, there are various S&D provisions offered by the WTO to the developing countries and the LDCs towards greater market access and better trade facilitation. There are various waivers granted by the General Council that allow the developing countries to provide preferential tariff treatment to LDC exports (GATT Article XXIV) and services export (GATS enabling clause). For example, the LDCs have the right to restrict imports for protecting their domestic industries and to address the balance of payments (BoP) difficulties. The General Agreement on Trade in Services (GATS) aims to make the LDC services more competitive allowing them to restrict trade in services during BoP difficulties. This type of special provisions fall into five categories: (a) increased market access, (b) safeguarding of the interests of LDCs, (c) increased flexibility for LDCs in rules and disciplines governing trade measures, (d) extension of longer transitional periods to LDCs, and (v) provision of technical assistance.

Bangladesh enjoys preferential market access as part of various RTAs that have special provisions for the LDCs, such as the South Asian Free Trade Area (SAFTA), the Asia and Pacific Trade Area (APTA) and Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Area (Rahman, 2014). In addition, Bangladesh benefits from a number of bilateral trade initiatives with developing countries, notably those accorded by India and China.

Support measures related to capacity-building in trade. An important initiative in support of the LDCs is the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries (IF). The IF was first mandated by the WTO in 1996, as a multi-agency, multi-donor programme to assist the LDCs in developing necessary capacities in the area of trade, including improvements in supply response to trade opportunities and strengthened global integration.

The Enhanced Integrated Framework (EIF) was adopted by the IF governing body in 2007. The EIF strengthens the original Integrated Framework, by focusing on three elements in particular: (a) increased, predictable financial resources to implement Action Matrices; (b) strengthened in-country capacities to manage, implement and monitor the IF process; and (c) enhanced IF governance. In addition to the EIF, trade capacity-building activities for LDCs are also provided by a number of international organisations, funds and programmes.

3.3 Effectiveness of preferential market access

Taking full advantage of preferential schemes remained a key challenge for the LDCs. Limited productive capacities, lack of physical, human and financial capitals and weak competitive strength were major concerns in this regard. Rahman (2011) argues that problems ranged from inherent weaknesses in the design of particular schemes to LDCs' own weaknesses in building the supply-side capacities required for export diversification, productivity enhancement and enhanced competitiveness. Moreover, the actual amount of trade liberalisation that has been

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[11] For a comprehensive list of preferential trade arrangements notified to the WTO, see: http://ptadb.wto.org/ptaList.aspx

achieved through preferential agreements was actually quite limited (Krishna, 2007). Vanzetti and Peters (2012) found that the remaining 3 per cent DF-QF access covers a significant part of LDC export tariff lines. They estimated that the extent of benefits could increase by additional USD 4.2 billion of export from the LDCs particularly from Bangladesh, Cambodia and West African LDCs, if LDCs could get DF-QF access for 100 per cent of their exportables.

No doubt, Bangladesh had been able to take commendable advantage accruing from the aforementioned scheme offered to the LDCs (Rahman, 2014). Lower-duty and duty-free entry has given Bangladesh's exportables competitive edge to access the markets of offering countries. Thanks to the preferential market access Bangladesh gained the opportunity to emerge as the second-largest apparels exporter following China. Export-oriented sectors in Bangladesh account for about two-fifths of manufacturing investment and employment in the country. From macroeconomic perspective the contribution and importance of external trade in Bangladesh's employment generation, income augmentation and economic growth cannot be overemphasised (Rahman, 2014).

Section 4. Mega-Regional Trade Agreements and their Implications on LDCs

It may be argued that the ongoing negotiations pertaining to the mega-RTAs reflects the demand for deeper integration going beyond the achievements of the current multilateral agreements (OECD, 2015). The mega-RTAs aspire to go beyond what is covered by multilateral rules mandated in the WTO. In general, the RTAs are defined to include a set of countries, which are formed with the objective of reducing trade barriers among the participating countries (Virag-Neumann, 2009). According to Virag-Neumann (2009), the RTAs can be caterorised in five groups: Preferential Trade Agreements (PTAs), Free Trade Agreements (FTAs), Customs Unions (CUs), Common Markets and Economic Unions. A large majority of RTAs are PTAs or FTAs with Customs Unions, Common Markets and Economic Union being few in number.

4.1 Defining a mega-RTA

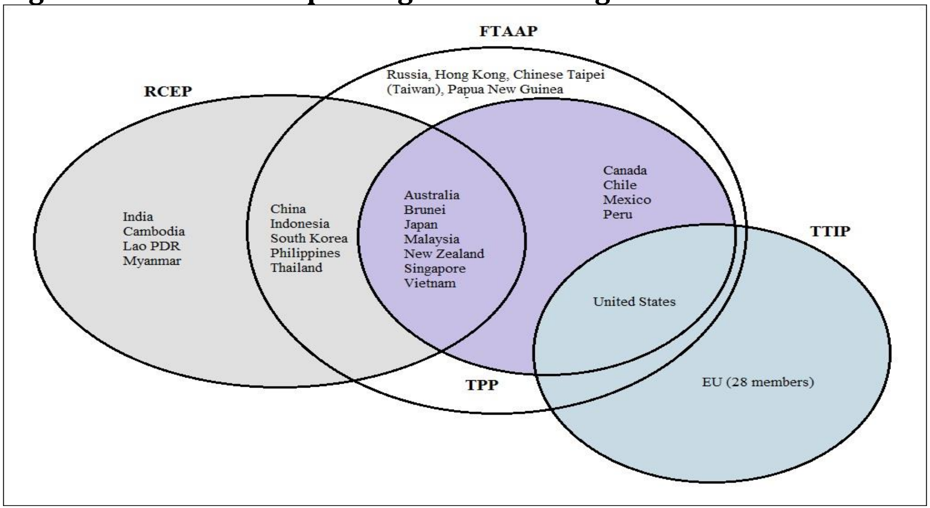
Though there is no consensus regarding a universal definition for mega-RTAs or mega trading blocs, the term could mean significantly different than what is referred to as traditional FTAs/RTAs. These mega blocs involved some of the most dynamic economies in the world including the industrialist developed countries and emerging developing countries and a number of established regional trade bloc members. Some identical underlying assumptions for defining an ongoing mega-RTA are: (i) involvement of more than two parties, (ii) the negotiating parties account for a significant share of global trade, GDP and investment, (iii) the combined potential effect of the deal is significant to change the landscape of future trade negotiations and (iv) include provisions that go beyond the ambit of the WTO-endorsed RTAs/FTAs.

4.2 Core features of ongoing mega-RTAs

Four of the most prominent mega-RTAs – the CPTPP, the TTIP, the RCEP, and the FTAAP – represent over three-quarters of the world GDP and two-thirds of world trade (OECD, 2016). Some of the areas covered by these RTAs are investment, movement of capital and labour, competition and state-owned enterprises (SOEs), government procurement, e-commerce, intellectual property rights as well as provisions as regards environment and labour (Bown, 2016 and OECD, 2016). Some of the key and distinctive features of mega-RTAs are provided below:

***A club of developed and emerging economies*.** Ongoing mega-RTAs include as members some of the major economies of the world which play important role in defining the future trajectory of global trade. Estimates show that, together the CPTPP, the TTIP and the RCEP involve 49 economies, which share more than 90 per cent of total global export as also total global GDP. As is shown in Figure 4.1, there are some overlaps among countries participating in the four mega RTAs. China is leading two of the major RTAs – RCEP and FTAAP – which are currently under negotiation; Japan is a major industrialised country that is involved in the TPP, RCEP, and FTAAP, along with Australia, Brunei, New Zealand, Singapore, and Vietnam. The USA had been the driving force behind the TPP negotiations until its withdrawal at the behest of President Donald Trump.

Figure 4.1: Membership configuration of mega-RTAs[12]



Source: Authors' elaboration.

One this to note is the under-representation of the LDCs in the mega-RTAs. Without the exception of Cambodia, Lao PDR, and Myanmar (anticipated to graduate from LDC status by 2024), 44 of the 47 LDCs are excluded from these large regional trade blocs. Particular interests of the LDCs in general tend to remain outside the ambit of the discussions as regards Mega-RTAs. Only the RCEP includes three LDCs. It is to be noted in this connection that these three LDCs are there in RCEP thanks to their belonging to RCEP.

The following sub-section deals with some of the core features of the mega-RTAs and their potential impact on interests of the LDCs. It is argued that integrating LDCs with emerging plurilaterals like TPP may not be achieved merely through technical assistance, and capacity building support (RIS, 2015). Mega-regional agreements need to devise provisions of special concessions and technical assistance if interests of weaker economies are to be factored into the discussion.

New WTO-Plus and WTO-Extra Provisions. A newly published database of PTAs by the World Bank observed that, the ongoing mega-RTAs included 52 different policy areas. These are further divided into two groups of 14 WTO 'plus' (WTO+) and 38 WTO 'extra' (WTO-X) areas (Table 4.1). WTO+ provisions in PTAs reconfirm existing commitments and, in some cases, provide for further additional obligations. WTO-X provisions, on the contrary, refer to policy areas that are not yet regulated by the WTO. A policy area is considered as being 'covered' by an agreement if the agreement contains an article, chapter, or provision that provide for some form of undertaking in this field.

[12] US has opted out of the TPP negotiation in January 2017.

Table 4.1 Extended and new issues in Mega-RTAs

WTO plus issues	WTO extra issues	
• Tariffs Industrial goods	• Anti-corruption	• Health
• Tariffs agricultural goods	• Competition policy	• Human Rights
• Customs administration	• Environmental laws	• Illegal immigration
• Export taxes	• IPR	• Illicit drugs
• SPS measures	• Investment measures	• Industrial cooperation
• State trading enterprises	• Labour market regulation	• Information society
• TBT measures	• Movement of capital	• Mining
• Countervailing measures	• Consumer protection	• Money laundering
• Anti-dumping	• Data protection	• Nuclear safety
• State aid	• Agriculture	• Political dialogue
• Public procurement	• Approximation of legislation	• Public administration
• TRIMS measures	• Audiovisual	• Regional cooperation
• GATS	• Civil protection	• Research and technology
• TRIPS	• Innovation policies	• SMEs
	• Cultural cooperation	• Social Matters
	• Economic policy dialogue	• Statistics
	• Education and training	• Taxation
	• Energy	• Terrorism
	• Financial assistance	• Visa and asylum

Source: Hofmann et al (2017).

4.3 A review of selected mega-RTAs and their implications

Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP). The CPTPP is a mega trade agreement between eleven Pacific Rim countries, namely Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. The agreement would account for approximately 13.5 per cent of world GDP. It is aimed at reducing tariff and non-tariff barriers to trade in goods, services, and agriculture items among the participating countries. The CPTPP includes 30 chapters, as had been the case for the TPP, covering a wide range of issues including market access for goods and services, investment, intellectual property rights, government procurement, customs and trade facilitation, SPS, TBT, and trade disputes. The CPTPP also contains regulations in new areas such as competition with SOEs digital commerce and the protection of cross-border data flows. The CPTPP emerged from the TPP agreement. According to Ferguson et al. (2015), the TPP was negotiated over a period of seven years with numerous ad-hoc meetings between 2008 and 2015. The negotiated proposal was signed on 4 February 2016. However, the TPP did not see the light of ratification as the US had withdrawn from the agreement in January 2017. The reason mentioned by President Donald Trump for the pull-out from the TPP was that USA would lose jobs if it joined the deal. While the pact was a landmark pillar of Trump's predecessor Barack Obama's "pivot to Asia" policy, candidate Trump had promised during his election campaign that he would withdraw from TPP if he were to be elected.

Even though the USA has come out of the TPP, the trade deal lives on, with the other eleven member states going ahead to implement their own version of the pact.

A study by World Bank (2016) finds that the TPP (with 12 members including the USA) could raise the GDP of the member countries by an average of 1.1 per cent by 2030, with Malaysia and Vietnam receiving the largest gains in GDP terms (8.0 per cent and 10.0 per cent respectively). In addition, the TPP could increase the trade of member countries by 11.0 per cent by 2030. Importantly for the LDCs, the study argues that the positive spillovers, as a result of the TPP, would outweigh the negative effects of trade diversion and preference erosion for the non-member countries. However, on the contrary, Petri and Plummer (2016) find that TPP could lead to trade diversion and preference erosion for non-members, although the negative effect was found to be rather insignificant. The authors found that the USA would be the biggest winner of the TPP in absolute term followed by Japan, Malaysia, and Vietnam. The TPP members would experience export gains, whereas the non-members would have mixed results.

In a somewhat different vein, Faruqui, Ara and ACMA (2015) found that Bangladesh and India could face severe economic losses as a result of tariff elimination under the TPP. The authors recommend that Bangladesh and India should explore opportunities to be included in the TPP as they would gain significantly in terms of welfare, real GDP and exports. According to Elliott (2016a), TPP could have negative effects for major LDC RMG exporters such as - Bangladesh and Cambodia. This is because Vietnam is able to adapt to the strict rules of origin (RoO) requirements and gain significant markets access to the US and Japanese markets at the expense of Bangladesh and Cambodia. Similar arguments of negative spillover effects on non-member countries were also put forth by Ciuriak and Singh (2015), Ciuriak and Xiao (2015), and Elliott (2016b).

Transatlantic Trade and Investment Partnership (TTIP). The TTIP is a proposed bilateral trade agreement between the EU and the US aimed at fostering closer economic cooperation. The objective is to deepen and expand trade, harness competitiveness, faster growth and promote the cause of job creation. The economic and financial of crises 2008 appears to have been the motivating force driving to have the proposed FTA with participation of an already highly integrated pair of economies (Birchfield, 2015). In addition, the stalled negotiations of the WTO Doha Round may have contributed to the idea of such FTAs as a response to the shift in the global economy from the two economies, especially considering the rise of the BRICS economies such as China and India[13,14]. Negotiations between the two were officially launched on 13 February 2013 (European Commission, 2014). Since then there have been fifteen rounds of negotiations, covering all the components of the future agreement.

The TTIP would represent one of the largest FTAs in the world accounting for nearly half of world GDP and 42 per cent of world exports. According to Birchfield (2015), the TTIP is also the most ambitious RTA in terms of scope and coverage. The TTIP is intended to go beyond the WTO provisions by covering a wide range of issues in a number of areas: market access in goods and services, regulatory provisions (SPS and TBT), intellectual property rights, and government procurement (European Parliament, 2016). In addition, the TTIP will cover areas on sustainable development, competition, state-owned enterprises, small and medium-sized enterprises (SMEs), investment and regulatory cooperation (European Parliament, 2016). To date, there are 17 consolidated documents as well as textual proposals submitted by both the concerned parties (Table 2). However, which negotiations have been ongoing for more than three years and now, the deal is unlikely be finalised anytime soon. Furthermore, in view of the change in the US presidency the TTIP negotiations are going through a period of uncertainty.

A number of studies have shown mixed results regarding the potential economic impact of TTIP on non-participating countries. The Centre for European Policy Research (CEPR) (2013) study has deployed a traditional CGE model to estimate the overall gains for non-participating countries

[13] Source: http://www.spiegel.de/international/trans-atlantic-free-trade-merkel-for-eu-agreement-with-us-a-440335.html.
[14] Source: https://web.archive.org/web/20100116094133/http://www.ecipe.org/blog/a-transatlantic-free-trade-area.

under an "almost full" elimination of tariffs scenario. Under this scenario, the gains for non-participants would be slightly higher; however, albeit the gains are unevenly distributed among these countries. Studies carried by Bertelsmann (2013) and the Felbermayr et al. (2015) find that there are overall gains for all together; however, the studies show a significant degree of variation among countries with some of the non-participating countries losing out in the process.

According to Felbermayr et al. (2013), some of the low-income countries could face significant losses in their market share as a result of increased competition in the EU or US markets under the pure tariff-elimination scenario. On the other hand, under the deep liberalization scenario, the economic losses to be incurred by the low-income countries are somewhat mixed. Rollo et al. (2013) investigate the effects of TTIP on low-income countries and conclude that the overall export losses from trade diversion and preference erosion are likely to be small for this group. In the case of Bangladesh, Cambodia, and Pakistan, there is a risk of trade diversion, as their top twenty export products are represented by textiles and apparel, and footwear. However, within the textiles and apparel sector, Bangladesh and the US serve different segments of the EU market, and hence are not engaged in direct competition.

In addition to potential losses in exports, the TTIP could also lead to a diversion of investment resulting in a reduction in FDI inflows to the low-income countries (Freytag et al., 2014). This is because foreign investors outside the TTIP would have an incentive to invest within the US and EU markets to avoid the tariffs. Bréville and Bulard (2014) also emphasise that the LDCs could be negatively affected by preferential treatment of investment within the FTA.

Regional Comprehensive Economic Partnership (RCEP). The RCEP is a mega trade deal that aims to cover goods, services, investments, economic and technical co-operation, competition and intellectual property rights. Members have agreed to a single-tier system of tariff relaxation. Issues related to services and investment would also be come under negotiation.

The emergence of RCEP can be traced back to the regional rivalry between China and Japan. Both the countries had been pursuing their own strategic agendas for regional economic cooperation with the Association of Southeast Asian Nations (ASEAN) (Hamanaka, 2014). After several years of dispute, Japan and China had found a common ground and made a joint proposal on East Asian economic cooperation in August 2011. Their proposal emphasised on keeping participation limited to ASEAN and ASEAN's FTA partners, and that ASEAN would remain the leader of this initiative (Hamanaka, 2014). Consequently, ASEAN endorsed RCEP at the 19th ASEAN Summit in Bali on 17 November 2011.

Currently, there are sixteen participants in the RCEP – ten ASEAN countries (Brunei, Myanmar, Cambodia, Indonesia, Lao PDR, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) and their six FTA partners, Australia, New Zealand, India, China, South Korea and Japan[15]. The RCEP would account for 48 per cent of the world's population, 31 per cent of world GDP and approximately 31 per cent of world export. Since the number of RCEP participants are large with a diverse range of interests, negotiations are complex and still continuing. Similar to other mega agreements, RCEP is expected to follow accession rules for new members although these are likely to be more flexible.

Unlike TPP, RCEP includes clauses that will offer preferential treatment to its developing and ASEAN LDC members such as Cambodia, Lao PDR, and Myanmar in the form of reduced tariff

[15] Also twelve RCEP participants are APEC members.

rates on products of interest to these countries. In addition there are elimination of non-tariff barriers, such as more flexibility on trade in services, facilitation of investment opportunities, and support to resolve trade disputes.

If the RCEP deal comes into fruition, then other non-ASEAN LDC competitors are very likely to be adversely affected in terms of trade and investment diversion by reducing uncertainty of market access and reducing costs within the mega regional zones (Ciuriak and Singh, 2015; Ciuriak and Xiao, 2015). Using a standard CGE model, Rahman and Ara (2015) find that the excluded LDCs would face significant economic losses as a consequence of the RCEP. Specifically, they find that Bangladesh, Pakistan, Sri Lanka and Nepal would face significant losses in terms of welfare and exports. In addition, Lee and Itakura (2014) find that among the member Asian countries, output of textiles, apparel, machinery, electronic equipment and other transport equipment would increase, thus favouring member countries over non-member ones. By contrast, the Bertelsmann (2016) study finds positive effects on the real income of non-member countries (includes LDCs from the Asia-Pacific). Although, participating countries from the LDCs, such as Cambodia, would gain significantly compared with non-participating countries from the LDCs such as Bangladesh and Nepal.

In particular, the RMG export of Vietnam and Cambodia (both included in RCEP) is expected to increase in the future, whereas other RMG-driven LDC exporters such as Bangladesh could lose their competitiveness as a result of not being a part of the RCEP. This loss could also be manifested in the service sector through reduced share of service exports in the world market, as well as diminished access to capital markets undermining the interest of medium to long term investment.

Free Trade Area of the Asia-Pacific (FTAAP). The idea of the FTAAP can be traced back to the Bogor Goals proposed by Asia-Pacific Economic Cooperation (APEC) in 1994. The APEC Business Advisory Council agreed to the idea of a comprehensive free trade agreement in the form of an FTAAP in 2006, and in 2010 "Pathways to FTAAP" was released by the APEC Leaders. The latter proposal focused on building a comprehensive free trade agreement through regional undertakings, such as ASEAN+3, ASEAN+6, and the TPP. At the 2014 APEC meeting in Beijing, the prospects for a future FTAAP deal was renewed under the leadership of China's President Xi Jinping.

Even though APEC will play a pivotal role in the FTAAP deal, the FTAAP will be achieved outside of the APEC. The two mega-RTAs – the TPP and the RCEP – are expected to play a significant role in the future development of the FTAAP. According to Tran and Heal (2014) and Petri and Abdul-Raheem (2014), the FTAAP could combine some of the elements of the TPP with some of the elements of the RCEP through deeper economic integration.

The FTAAP would account for 39 per cent of the world's population, 58 per cent of world GDP and roughly 51 per cent of world export. With 21 APEC members, the FTAAP is on course to become the largest RTA in the world in terms of population size and world trade. The FTAAP is expected to overcome the oft-mentioned "noodle bowl"[16] problem by benefiting the exporters of the participating countries through simplification of various provisions and reduced trade diversion.

[16] The noodle problem arises when a plethora of FTAs create overlapping deals and lead to complex RoO requirements, thereby raising the costs of production for firms.

The FTAAP will cover many diverse areas such as investment, services, customs procedures, government procurement, competition policy, regulatory reform, intellectual property rights and labour mobility, and other traditional areas such as tariffs, non-tariff measures, and compliance standards. Contrary to other mega-RTAs, the FTAAP members are committed to the implementation of the 2030 Agenda for Sustainable Development by supporting women entrepreneurship, improving infrastructure and access to ICT for human development, among others.

Petri et al. (2014) pointed out that a region-wide FTAAP was expected to benefit China and the US. Using a CGE model of global trade with GTAP database, Kawasaki (2010) finds that the developing countries would enjoy significantly larger gains from trade liberalization compared with the developed countries. However, Kawasaki's study excludes some of the major RMG exporters from the LDCs – Bangladesh and Cambodia – that are not covered by the FTAAP. On the contrary, the Bertelsmann (2016) study includes some of the leading RMG exporters from the LDCs, such as Bangladesh, Cambodia, and Nepal. In the deep scenario, the authors find that Bangladesh (a non-member LDC) would experience the lowest welfare gain out of all the included countries, whereas, Malaysia (a member) could benefit from an almost a tenfold increase in its welfare gain. Furthermore, in the pure tariff-elimination scenario, the non-participating LDCs would experience the highest welfare losses.

4.4 Other bilateral and regional FTAs

Besides the aforementioned mega-RTAs, the LDCs should also take cognisance of the other ongoing bilateral and regional FTAs involving emerging developing economies that are their competitors in terms of exports of common goods and services. The LDCs will likely lose market access if these countries are able to expand their market share in the markets of developed countries at the cost of the LDCs. The focus of the next few sections is on Bangladesh and the RMG sector. Other ongoing bilateral negotiations are examined with a view to assess the implications for Bangladesh arising from participation of Bangladesh's competitors such as Vietnam and India in various RTAs with developed countries.

EU-Vietnam Bilateral FTA. The EU and Vietnam started negotiating a bilateral FTA in June 2012. Following fourteen rounds of negotiations, an agreement was reached and negotiations on FTA were concluded in December 2015. This FTA is the most comprehensive agreement that the EU has ever negotiated with a developing economy. The EU-Vietnam FTA (EVFTA) envisages tariff elimination for over 99 per cent of goods traded between the two parties. For example, almost all EU exports of machinery and appliances will be liberalised after five years; Vietnam will provide greater market access to EU food products as also a number of other items (European Parliament, 2016). Most importantly, the EU will remove a part of the tariffs on textiles and apparels items, as also footwear products, of Vietnam. However, the removal of tariffs will come at a cost to Vietnam – the RoOs are rather stringent, as Vietnam will be required to produce its own fabrics or use imported fabrics from South Korea for its RMG exports.

Vietnam has agreed to meet SPS requirements of the EU to facilitate trade in plant and animal products. The GIs of both parties will be recognised and protected; this would facilitate trade in wine and spirits for the EU, and tea for Vietnam (European Commission, 2015). In addition, Vietnam has committed to a high level of protection on Intellectual Property Rights (IPR), even going beyond the WTO TRIPs agreement. This could facilitate trade in EU's pharmaceutical products as a result of improved data protection and patent term extension. The EVFTA is also significant because of its strong commitment towards sustainable development. This would strengthen Vietnam's efforts to further enhance economic growth and development in the future. Other agreements such as allowing EU firms to bid for Vietnamese public contracts, facilitation of trade in services, promoting and protecting investment for both parties, and a number of others have also been finalised.

Vietnam has received preferential treatments for a large number of commodities from the EU's GSP scheme for many years. The FTA could potentially benefit Vietnam further particularly to gain a strong foothold for textiles and apparel sector in the EU market. At present, Vietnam is behind Bangladesh in terms of export share in the EU's apparels market. This implies that, in future Vietnam is expected to increase its market share in the EU for not only RMG exports, but also in other products such as footwear, seafood, coffee, etc. Thus, some of the major exports of the LDCs such as Bangladesh, Nepal, and Cambodia are going to face increasing competition from Vietnam in the EU market. The FTA, combined with Vietnam's involvement in some of the mega RTAs such as TPP, RCEP, and FTAAP, could potentially lead to trade diversion and preference erosion for the excluded LDCs.

EU-India Bilateral FTA. India and the EU started negotiating a bilateral FTA, formally known as the Broad-based Investment and Trade Agreement (BTIA) in 2007. The negotiations are continuing for more than ten years now. The India-EU FTA would include 20 per cent of the world population, which is significant. The FTA is intended to reduce tariffs on goods, facilitate trade in services, and foster investment between the two parties (Nataraj, 2016). To date twelve rounds of negotiations have been conducted in which both sides have agreed to eliminate tariffs on 90 per cent of goods traded and facilitate trade in services consistent with the GATS. However, finalisation of the India-EU FTA deal is uncertain, since many issues of importance to both the parties remain unresolved.

Interests of both parties are not well-aligned, and there are some contentious issues which will need to be addressed. Some of the issues from the EU's perspectives are as follows. The EU wants India to give it greater market access in the banking and financial sectors. For instance, the EU wants flexible regulations with regard to foreign ownership, bank branches, numerical quotas, equity ceilings, voting rights and a number of others (Nataraj, 2015). In addition, the European firms are keen to have greater access to India's government procurement markets, which the Indian government is unwilling to liberalize as yet. The EU also wants India to drastically reduce tariffs on automobiles, wines and spirits, and dairy products, but India is unwilling to agree to such demands. Furthermore, the proposal of stringent intellectual property rights is another contentious issue, as India has not accepted the TRIPS-plus provisions that were proposed by the EU. India is also unwilling to include labour and environmental standards as part of the proposed FTA.

Some of the issues from India's perspectives are as follows. India wants flexible regulations and liberal visa regime for Mode 4 services. India is willing to go for single visa for Indian professionals on short-term contractual visits (Nataraj, 2015). However, the EU is wary of meeting these demands as there is an increasing political pressure to protect local jobs as a result of high unemployment among some of the 28 member states. India also wants greater market access in the EU for its pharmaceutical products. Negotiations on this, however, were halted in August 2015 when the EU imposed a ban on the sale of an Indian drug company. President Juncker of the European Commission has come up with his support for taking the negotiations forward (Singh, 2015).

In the twelve rounds of negotiations held thus far, both the parties have managed to reach consensus as regards a number of important areas such as rice, sugar, and textiles. As a result, India is expected to have a competitive edge over other LDC exporters of such products. The LDCs may not be able to fully take advantage of EU's GSP scheme currently offered under the EBA initiative, if the FTA is fully realised.

The total export share of India in the EU was 0.5 percent higher than that of Bangladesh in 2015. Bangladesh, also at present, has a higher market share in the EU apparels market compared to India. However, if the bilateral FTA is implemented this could lead to a significant loss of preferential market access in the EU for Bangladesh. Preference erosion is likely to arise as a result of tariff elimination of competing textiles and apparel products from India; thus, offsetting the gains from the preferential treatment received by Bangladesh from the EU's EBA scheme. This loss of competition would not only be manifested in Bangladesh's RMG sector, but also in pharmaceuticals and IT-related sectors as most of these goods and services are destined for the EU markets.

US-Vietnam Bilateral FTA. The US and Vietnam had signed a bilateral FTA that went into force on 10 December 2001. As part of this bilateral trade agreement (BTA), the US offers to Vietnam conditional MFN tariff rates via normal trade relations (NTR). Before this BTA, Vietnam's market access in the US was rather limited, Vietnam used to face the US general tariff rate, which was much higher than the US average MFN tariff rate of approximately 5 per cent (Fukase and Martin, 2000). Thanks to the BFTA, Vietnam's exports to the US in labour-intensive manufacturing goods had increased considerably (Fukase, 2012). Economic and trade relations further improved when the US granted Vietnam permanent normal trade relations (PNTR) status on December 29, 2006 as part of Vietnam's accession to the WTO.

The two concerned economies have set up a Ministerial level Trade and Investment Agreement (TIFA) Council to discuss issues related to implementation of the Bilateral Investment Treaty (BIT) and WTO agreements, as well as trade and investment policies (Martin, 2016). Vietnam also aims to strengthen trade relations with the US by applying for acceptance into the US GSP program and negotiating a BIT (Martin, 2016).

ASEAN-India Bilateral FTA. Motivated by India's "look east" policy, the ASEAN-India Free Trade Agreement (AIFTA) was signed at the ASEAN Economic Ministers Meeting on 13 August 2009 in Bangkok. The AIFTA came into effect on 1 January 2010 with Malaysia, Singapore and Thailand coming on board. For the remaining ASEAN members, the bilateral FTA will come into force after they have met respective domestic prerequisites. The tariff liberalisation under the bilateral FTA would cover 75 per cent of bilateral trade between India and the ASEAN member countries. The FTA will lead to the elimination of tariffs on almost 4000 products; by the end of 2016, duties on 800 of these products will be reduced to almost zero (Sikdar and Nag, 2011). Primary exports of India to the ASEAN members include meat, edible vegetables and fruit, cotton, organic chemicals, pharmaceutical products, iron and steel, copper, electrical and electronic equipment. The primary exports of the ASEAN members to India include mineral fuels, animal and vegetable fats, chemicals, pharmaceutical products, rubber products, wood products, and iron and steel. Implementation of this bilateral FTA will increase market access for most of these products thanks to the duty-free access of the respective partner countries.

The AIFTA provided for a phased reduction of import duties on Indian and ASEAN member countries' agricultural and non-agricultural goods, between January 2010 and January 2016. These duties will come down from the MFN tariff rates applied in 2007. Nearly 70 per cent of

India's tariff lines fell under Normal Track-1 for which tariffs declined to zero by 2013. Nearly 9 per cent of India's tariff lines fall under Normal Track-2 for which tariffs were planned to come down to zero by 2016. The 496 products excluded from tariff reduction commitments and included in the *exclusion list* constitute 9.8 per cent of India's total tariff lines, while 11.1 per cent of its total tariff lines come under the Sensitive Track. Special Products constitute just 0.1 per cent of India's total tariff lines. According to Sikdar and Nag (2011), the vast majority of products was to come under the lists for tariff rate eliminations by 2013 or 2016.

Bangladesh's RMG exports to India and the ASEAN member countries account for only a miniscule share of its total RMG exports in the world market (Trade map). In addition, textile and apparel products are not major traded good between these economies. Since this is the case, the AIFTA is unlikely to play an important role in reducing Bangladesh's overall RMG exports in the world market. However, because of tariff elimination for the majority of the traded goods between India and ASEAN members, Bangladesh's defining could merge as a competitive edge in its pharmaceutical exports may be undermined. Lack of diversification issue in the medium to long-term. Even though Bangladesh is engaged in bilateral and regional trade initiatives with India under SAFTA, and partly with Thailand under the BIMSTEC, the tariff elimination of the competing products – except textile and apparels – under AIFTA could lead to some preference erosion for Bangladesh.

Section 5. Potential Challenges and Available Strategies for LDCs

5.1 Potential challenges for the LDCs

Initially, the WTO encouraged the growth of RTAs as a step forward towards a global free-trade regime. More than six hundred RTAs of various types have been notified in the WTO till now. The question has been raised as to whether RTAs are building blocs or stumbling blocs as far as the multilateral trading system was concerned. The emergence of mega-RTAs has in recent times led to a resurgence of this debate. This is because of the risks posed by the mega-RTAs: trade diversion; preference erosion; implications for those who are left out, the possible impacts for the WTO as the global institution guiding multilateral trade. All these have important relevance for the economic interests of the LDCs. Generally speaking, the RTAs can trade among themselves using preferential tariffs with greater market access than what is allowed under the multilateral trading system of the WTO. WTO member countries that are not part of such RTAs will lose out in these markets. Herein lies the worries on the part of the LDCs.

The participating countries in the mega-RTAs will receive new preferential access at the expense of LDCs paying high tariffs. For the LDC exports with high tariff peaks such as agricultural products and textiles and clothing, preferential tariff liberalisation in the member countries, particularly in the emerging developing economies, has the potential to divert trade from the LDCs. This is more so in case of common exports. For example, Vietnam could gain significant access to Japanese markets at the expense of Bangladesh and Cambodia for textiles and apparels. In addition, the restrictive rules of origin could disrupt the supply chains and reduce the trade of intermediate goods of the member countries with the raw material suppliers from the LDCs (Elliott, 2016a). Another example – Vietnam will have to develop an upstream textile industry to generate its own inputs (fabrics) for the textile and apparels exports in order to be eligible for tariff reduction, by meeting the yarn-forward rule of the CPTPP. This implies that Vietnam will have to reduce its imports of cheaper inputs from the LDCs. Furthermore, the denial of market access to the LDCs could indeed make the participating countries less uncompetitive, as the LDCs could have offered cheaper export prices. In other words, the price of domestic goods of the member countries could rise due to reduced competition from cheaper LDC exports. Producers (importing inputs) and consumers would suffer as a consequence. There was a possibility that less efficient RTA member countries would displace relatively more cost-effective LDC exporters by way of trade diversion.

As is known, preference erosion is defined as the decrease in the margin between a preferential tariff rate and the MFN tariff rates originating from multilateral tariff liberalization (Rahman and Shadat, 2006). The ongoing mega-RTAs could result in preference erosion for the LDCs as deductions in MFN tariffs by the member countries (more particularly the developed countries) would lead to a reduction in the preferential margins that are offered to the LDCs under the various GSP schemes operated by the developed and developing member countries belonging to the RTAs. This will likely reduce the export gains currently enjoyed by the LDCs as a result of preferential treatment offered by the developed countries. Moreover, the preferential tariff regime put in place by the developed countries are often lower than the MFN rates and cover a limited range of goods (Bhattacharya and Khan, 2014). The resultant lower benefits, together with the DFQF benefits to be enjoyed by emerging developing economies in the markets of developed countries, has the potential to make LDC exports less competitive in the global market

(UNCTAD, 2010). Involvement of major advanced economies such as the United States, Canada, the EU, and Japan, along with other emerging developing countries such as India, Vietnam, Indonesia and others, in the mega-RTA, are thus likely to significantly reduce the benefits accruing from trade preferences for LDCs. As a consequence, GDP growth along with other socio-economic indicators such as poverty reduction, industrialization, and employment generation, concerning LDCs, could be adversely affected (Rahman and Bari, 2017).

Quantitative economic research on mega-RTAs and their implications for low-income countries has been fairly limited. The Bertelsmann (2016) study by Jungbluth et al. look at the economic effects of two parallel scenarios for the TPP, RCEP, and TTIP. First, the authors assume that the RCEP and TPP are realized under the shallow scenario. They find that Malaysia and Vietnam (both included in the RCEP and TPP) stand to gain the largest in terms of welfare. On the other hand, Bangladesh and Taiwan (both non-members) would suffer welfare losses. Second, the authors combine a shallow RCEP and TPP with a deep TTIP. Once again, non-member LDCs such as Bangladesh would suffer welfare losses as a result of trade diversion and preference erosion, whereas the member-countries – the Philippines – would experience welfare gains.

5.2 Strategies for the LDCs

In the context of the recent proliferation of the mega-RTAs and the risks originating from those, the LDCs ought to take appropriate steps to ensure that they are not adversely affected. LDCs should pursue a number of parallel strategies in view of this: (a) building their own supply-side capacities and raising their competitive strength; (b) consider options to join the RTAs; (c) work towards making WTO an effective multilateral system that is capable of address the concerns and advancing the interests of the WTO.

Clearly, the WTO has failed to deliver on its promise to maintain an equitable, non-discriminatory, inclusive and open multilateral world trade regime. The failure of the WTO is reflected in the emergence of the mega-RTAs reflecting an unequal balance of power in world trade order without any discernible sensitivity to special needs of the poorer countries. The LDCs need to develop their own productive capacities to remain competitive in the rapidly evolving global market. To achieve this, the LDCs should negotiate more aggressively with the WTO, as a group. The WTO should do more to improve the supply-side capacity of the LDCs, state of trade facilitation, and provide meaningful DFQF market access for the LDCs, to help their development process (Bhattacharya and Khan, 2014). Moreover, the WTO disciplines are not entirely compatible with the current stage of development in LDCs (UNCTAD, 2010). The preferential tariff treatment is not an effective support measure for LDCs which have limited supply-side capacities. Supply-side constraints not only reduce the exporting capacity of the LDCs but also impede their capacity to expand domestic production base. The problem relating to productive capacities is further magnified because of weak economic and political institutions in the LDCs. In addition, preference is not extended to all the tariff lines of export interests to the LDCs. Therefore, the DFQF product coverage should include all the exports originating in the LDCs in light of the Hong Kong Ministerial Conference of the WTO.

Lack of export diversification remains an important obstacle for LDCs, particularly in view of coping with the adverse impact of the mega-RTAs. Apart from the manufacturing sector, the service sector has been experiencing fast growth in the LDCs in recent times. Indeed, services has emerged as a significant aspect of the development process in the LDCs. Preferential treatment should also be in the form of trade in services and not only goods-related. The WTO should enact measures that would support the growth of services trade in the LDCs by providing their services exports with preferential treatment in light of the services waiver decision of the WTO. LDCs have already submitted request list; the offer list the members have come up with is rather disappointing. Offering member countries must take adequate initiatives to improve their offer including 'quota for LDCs' in sectors of their export interests. LDCs should examine the implications of mega-RTAs closely, and strongly lobby WTO to multilateralise the RTAs and take initiative to provide the LDSC members the same preferential treatment as is the case for RTA-members. WTO should also provide *technical assistance*[17] to enhance LDCs services export capacity.

Capacity-building support is a must if the LDCs are to take advantage of global market opportunities. The Aid for Trade (AfT) initiatives was launched at the 2005 Hong Kong Ministerial Conference to help build the trade capacity and infrastructure of the LDCs. However, the AfT to LDCs accounts for only 3 per cent of total AfT disbursement. WTO has also not been able to address the issue adequately (Ancharaz et al., 2014). The poorest LDCs have received very little in per capita terms between 2006 and 2011[18]. This dearth of AfT funding clearly implies that the needs of the LDCs have not been met. Therefore, the case for AfT to help build and enhance export competitiveness of LDCs should receive due attention in the WTO. Also, the AfT projects must address local supply-side constraints and institutional weaknesses of the individual LDCs.

The LDCs should aim to enhance South-South Cooperation (SSC) as a way to strategise against the growing RTAs. The high economic growth of India and China over the last decade has presented the LDCs with opportunities in the areas of trade, FDI, and technology. Reduction of high tariffs on imports by emerging developing economies should facilitate exports from the LDCs and provide enhanced market access in those countries. The FDI flows can be facilitated by providing tax breaks as well as harmonisation of banks from LDCs and emerging developing economies. Transfer of technology could be incentivised by promoting local Research and Development (R&D) capacities and setting reasonable IPR regimes for LDCs at different stages of economic development. The path to cooperation could be improved by developing common regulatory practices at the regional level, supported by regional and BTAs and regional production and value chains networks. Indeed, LDCs should negotiate comprehensive economic partnership agreements (CEPAs) instead of just FTAs with southern countries in order to reap the benefits of closer economic cooperation.

One obvious option available to the LDCs is for them to join the mega-RTAs. The LDCs could lobby for getting market access enjoyed by mega-RTA member countries. LDCs can of course think of entering into bilateral negotiations with developed countries such as the US, the EU, Canada, and Japan, to avail of greater market access. However, their bargaining power will be weak in such deals. In all likelihood they will be compelled to comply with stringent compliance and IPR regimes if they go into membership/partnership with RTAs. There is a danger that the negotiations with larger developed countries will be unbalanced (World Economic Forum, 2014).

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[17] For more details, see https://www.wto.org/english/tratop_e/devel_e/teccop_e/tct_e.htm.
[18] This includes Bangladesh and Nepal who received less than USD 10 per capita between 2006 and 2011.

Section 6. Concluding Remarks

The recent emergence of mega-RTAs will have far-reaching implications for both the participating and non-participating countries. As is borne out by relevant literature, overall, the mega-RTAs are expected to benefit the participating countries in terms of economic welfare gains at the expense of economic development of the excluded LDCs. Steps must be taken to address the LDC concerns as regards trade diversion and preference erosion originating from the exclusionary policies pursued by the member countries involved in such mega-RTAs. This paper, in the preceding sections, has come up with a number of policy suggestions which concern several areas: initiatives within WTO, capacity building to raise competitiveness of domestic producers, multilateralization of RTA benefits, going for deeper integration in the context of South-South cooperation.

Although the WTO has taken a few initiatives to respond to the recent rise of mega-RTAs including deeper studies on mega-RTA provisions. It has devoted its annual flagship publication to discussion on the risks emanating from mega-RTAs on the non-participating countries. A growing concern is that the RTA members may be getting around the technical rules of the WTO by imposing new non-tariff barriers on the excluded countries. This issue should be addressed by the WTO by highlighting the potential conflicts posed by the mega-RTAs in the backdrop of multilateral WTO commitments. The WTO should do more to build trade capacity of the LDCs to enable these countries to raise export competitiveness and trade effectively. Indeed both IPoA and SDG 17 talks of doubling share of the LDCs in global trade by 2020. This target must be achieved through negotiations.

Cooperation of the LDCs with southern emerging countries, particularly under the rubric of SSC, could be an important way to address the negative implications of mega-RTAs. LDCs should take steps to improve innovation capabilities to strengthen their intellectual property rights (IPR) regime. This could help them meet the ambitious IPR requirements proposed by the RTA members. No smooth transition policy currently exists in the WTO in the context of LDC graduation. A number of LDCs will lose preferential market access following their graduation. WTO must devise a plan to help graduating LDCs (15 of them in 2018) by putting in place appropriate international support measures to service the new needs of graduated LDCs. Mega-RTAs should not lose sight of this, particularly in terms preference erosion and trade diversion. If and when mega-RTAs provisions are multilateralised in the WTO, the interests of graduating LDCs will need to be recognised and concrete steps must be taken to address the attendant concerns.

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