



WTO-MC12 Outcomes Next Steps for Bangladesh as a Graduating LDC

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Section 1: Context of Discussion

- □ The twelfth WTO Ministerial Conference (WTO-MC12), held in Geneva on 12-17 June, 2022 took place **after five years following the WTO-MC11** held in Buenos Aires, Argentina on 10-13 December, 2017.
- That the 12th Ministerial was at all able to craft a Ministerial Outcome Document was seen by many as a modicum of success, as a restoration of faith in the multilateral trading system:
 - At MC11 members were **not able to agree to a consensus-based outcome document**.
 - **The rise of protectionism** during the Covid-19 (2020-2021) had severely weakened the enforcement of WTO's mandate as a rule-based institution.
 - The existential threat WTO was facing because of stance of some powerful members appears to have given way to **some understanding that WTO was still needed**, but that reforms in a number of areas were necessary.
 - However, **the ambition level at MC12 had to be significantly watered down** to reach a consensus-based outcome in spite of the extension of the Conference by two days.

- Following the earlier recommendations by the CDP and ECOSOC and the November 24th resolution of last year adopted by the UNGA, Bangladesh (as also Lao PDR and Nepal) are set **to graduate out of the LDC group on November 24, 2026**.
- As part of its smooth and sustainable graduation strategy, the GoB is undertaking a number of initiatives, including setting up at the PMO a **high level National Committee on Graduation** with 7 Sub-Committees, to look into particular issues and come up with specific recommendations.
- ☐ In the backdrop of MC12, this presentation looks at the implications of MC12 decisions and the ongoing discussions in the WTO for Bangladesh:
 - What were the expectations from WTO-MC12?
 - What actually transpired at WTO-MC12?
 - What are the post-MC12 developments in the WTO?
 - ➤ What implications will these have for Bangladesh in going forward in the context of the WTO?

Table: Selected data on Bangladesh and other graduating LDCs (billion USD)

Countries	GDP	Total export of	Total export of	Total import of	Total import of
		goods	services	goods	services
World	84705.43	17347.77	5041.74	16995.23	4706.09
All LDCs*	1108.69	170.55	41.86	237.73	60.14
(including 16 graduating					
LDCs)					
LDCs recommended for	443.77 (100%)	61.15 (100%)	8.68 (100%)	75.74 (100%)	16.74 (100%)
graduation (7)					
Bangladesh	324.24 (73.1%)	32.47 (53.1%)	6.31 (71.2%)	48.85 (64.5%)	8.41 (50.2%)
Bhutan	2.41	0.65	0.13	0.96	0.23
Nepal	33.66	0.89	0.90	9.59	1.09
Angola	62.31	20.94	0.07	9.54	5.58
Lao PDR	19.14	5.81	1.18	6.27	1.25
São Tomé and Principe	0.47	0.01	0.04	0.12	0.04
Solomon Islands		0.38	0.05	0.40	0.15
Other graduating LDCs (9)		44.24	11.92	51.84	9.73
Other LDCs (26)	512.53	65.16	21.26	110.16	33.66

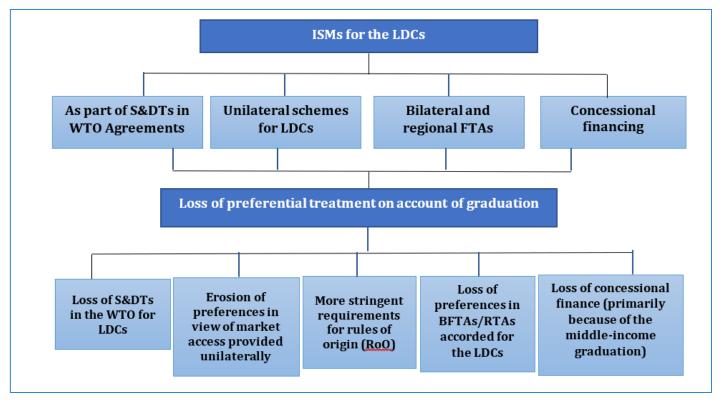
Source: Rahman, M. (2021)

Note: Respective shares of seven LDCs in the LDC group in view of the five indicators are: 40.1 per cent, 35.9 per cent, 20.7 per cent, 31.9 per cent and 27.8 per cent.

- Figures in parentheses show Bangladesh's share in graduating LDC group
- Bangladesh is the first major LDC to graduate. The six previously graduated LDCs are mostly small island economies (with a combined population of about 5.0 million).
- Bangladesh's graduation journey will be watched closely by the global community.

■ Bangladesh is one LDC that was able to take **most advantage of LDC-specific S&DTs**. Consequently, it has most to lose from loss of LDC-specific ISMs.

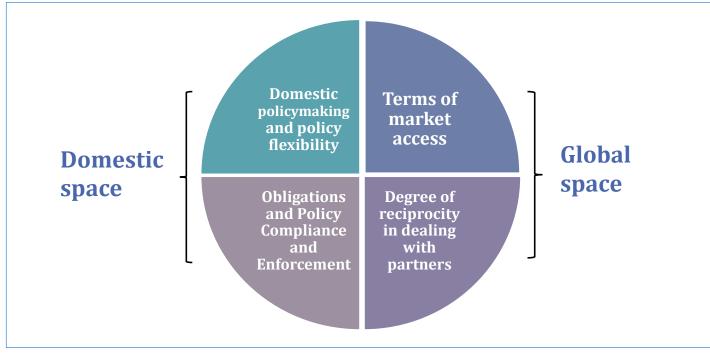
Figure: Graduation and Loss of International Support Measures (ISMs)



Source: Developed by the author

It is reckoned that the impacts on Bangladesh will be felt at both **Domestic Space** and **Global Space**, as depicted in the Figure. These will likely concern four areas: (a) policy-making and policy flexibilities; (b) obligations, compliance and enforcement relating to various WTO Agreements; (c) terms of market access; and (d) degree of reciprocity in dealing with partners.

Figure: Impact of LDC graduation on policy space



Source: Author's elaboration

Table: Impact of loss of preferences and tariff changes

Graduating LDCs	Initial export (billion US\$)	Change in export (billion US\$)	Change in export (in per cent)	Effective tariff change (per cent)	
Bangladesh	37.63	- 5.37	-14.3	573.0	
12 Graduating LDCs	94.52	-6.02	-6.4	258.0	
Bangladesh as % of total for all 12 LDCs	39.8 %	89.2%	More than double	More than double	

Source: Based on WTO (2020)

- According to WTO Secretariat estimates, almost **90.0 per cent of all export losses** of 12 graduating LDCs will be on account of Bangladesh.
- Bangladesh's export loss due to loss of preferential market access could be equivalent to **about 14.3 per cent of the country's global export** (other things remaining the same).
- Hence the importance of shifting from preference-driven competitiveness to skills and productivity-driven competitiveness if export performance is to be sustained and enhanced.

- ☐ Erosion of preferential market access, TRIPS flexibilities and LDC-specific ISMs will have adverse implications for Bangladesh's export-oriented sectors and also domestic market-oriented industries and businesses.
- As per Agreement on Subsidies and Countervailing Measures (ASCM), after LDC graduation, Bangladesh will **not be able to provide cash incentives** that are currently provided directly on exports.
- As per Agreement on Subsidies and Countervailing Measures and Agreement on Trade-related Investment Measures (TRIMS), measures aimed at encouraging local value addition by way of cash incentives will not be allowed.
- ☐ Cash incentives will have to be phased out gradually.

The proposal for new ISMs for Graduating LDCs

Elements of a Possible Graduation Support Package that was proposed by LDCs, CDP, and others

- Extend LDC-specific S&DTs for a time-bound period.
- **Design a Debt Relief Initiative** for graduating LDCs to incentivise graduation and release funds to undertake activities in support of sustainable graduation (CDP).
- Put in place a Graduation Support Fund.
- **Support the proposal floated** to provide preferential access to the extent of **Domestic Value Addition** in graduating LDCs.
- **Embed concerns of graduating LDCs** in ongoing negotiations where decisions may be taken at MC12, keeping in the purview the perspectives as both **graduating LDC** and **future (non-LDC) developing country.**

- ☐ In view of the new ISMs *following arguments were put forward*:
 - Graduation of current slot of LDCs is taking place under the long **shadow of the pandemic**, adverse implications of which will take many years to overcome.
- There is an argument that there is no group called 'Graduating LDCs' in the WTO. And there is no justification to create another new group in the WTO.
 - The answer to this is that the proposal is being submitted not by 'Graduated LDCs' but LDCs, a recognised group in the WTO, which are going to make a transition.
- Some members are arguing that not all graduating LDCs need same type of support; so any support that will be needed following graduation should be calibrated to specific needs.
 - The answer to this is that support for LDCs was agreed as a set of common measures precisely because of the difficulties in identifying and implementing specific needs-based support measures. Once the new support measures are in place, graduating LDCs can make use of those accordingly to their demands.
- There is already support **measures in place within the ambit of the WTO** (EIF, Technology Bank) which extend support to LDCs following their graduation. These allow LDCs to enjoy benefits for additional periods (for an additional five years in both the aforesaid cases, following graduation).

LDC Proposal at WTO-GC

At the General Council (GC) Meeting of the WTO, LDCs floated a proposal asking that they be allowed to enjoy LDC-specific ISMs (S&DT and preferential market access) for 12 years after an LDC has graduated from the group. Bangladesh was a key driver of the proposal.

Proposal Submitted by LDCs at October, 2021 meeting of the WTO for inclusion in MC12 Outcome Document

- Unilateral trade preferences in favour of LDCs.
- Members granting unilateral trade preferences to LDCs shall seek to have procedures in place to extend and gradually phase out their preferential market access scheme over a period of **six to nine years** after the entry into force of a decision of the UN General Assembly to exclude a country from the least developed countries category.

Section 2.1: MC12 and ISMs for Graduating LDCs

- **■** WTO-MC12 Decision
 - The proposal of the LDCs pertaining to a new ISM for Graduating LDCs **did not get any tangible traction at MC12.**
 - > The Green Room discussions were also not helpful in pursuing the agendas.
- What MC12 did come up with in view of concrete measures in support of graduating LDCs was rather discouraging. Para 5 of the MC12 Outcome Document stated, "We...acknowledge the particular challenges that graduation presents, including the loss of trade-related international support measures, as they leave the LDC category. We recognise the role that certain measures in the WTO can play in facilitating smooth and sustainable transition for these Members after graduation from the LDC category."
- □ The Outcome Document in Para 8 did recall earlier decisions in support of the LDCs: DF-QF market access; LDC-friendly RoO; TRIPS waiver; operationalisation of services waiver and preferential treatment in favour of services and service suppliers from the LDCs; support to LDCs for implementing commitments as regards Category C in view of Trade Facilitation Agreement and others.

Section 2.1: MC12 and ISMs for Graduating LDCs (contd.)

- ☐ However, there was **no time-bound commitment for implementation** and operationalisation of these WTO Decisions which were adopted several years before at various WTO Ministerial Conferences.
- From the perspective of the graduating LDCs, the MC12 Decision in connection with the above **had little or no practical significance**. A number of LDCs currently slated for graduation such as Bangladesh were **likely to graduate before most of these commitments are realised** on the ground, if that be the case at all.
- A reading of the text leaves nothing to imagination the Outcome Document acknowledged the challenges associated with graduating out of the LDC group, but **did not make any concrete commitment** as to what will be done to address and mitigate the attendant concerns of the graduating LDCs.
- No Ministerial Decision was taken or Work Programme was launched to take forward the spirit of Para 5.

Section 2: MC12 Outcomes and Developments (contd.) Section 2.1: MC12 and ISMs for Graduating LDCs (contd.)

Post MC12 Developments

- Following MC12, the discussions on follow-ups and unfinished agendas have been rather muted.
- Some members are arguing that **there is no group in the WTO called 'Graduating LDCs'.**LDCs are arguing that the proposal is being submitted not by 'Graduating LDCs' but by 'LDCs who will be graduating and anticipate facing challenges' in view of loss of ISMs.
- Which platform will discuss the issues is not clear. It can not be the GC where members generally tend to make only statements. It has to be discussed in some issue-specific platform which then can place the proposal at the WTO-GC.
 - A **dedicated working group** could be set up.
 - It can be discussed at the standing forum at CTD.
 - LDC are not asking for any new flexibilities but for continuation of S&DTs.
 - This can be in the form of a **Peace Clause** whereby Members agree that violation of WTO rules will not be taken to the DSB.

Section 2.1: MC12 and ISMs for Graduating LDCs (contd.)

In view of the stance taken by powerful members, LDCs have submitted a revised version of the proposal

The revised submission by the LDC Group (Rev. 1) in support of Graduating LDCs

- Revised submission proposes the contours of a comprehensive and effective smooth transition package in the WTO to support Members when they leave the LDC category.
- A first element of such a package should consist of extending and gradually phasing out unilateral trade preferences granted to LDCs over a period of six years corresponding to two triennial reviews by the UN CDP, or a period determined by the preference providing Member, after the entry into force of a decision of the UN General Assembly to exclude a country from the LDC category. Annex 1 to the submission provides a draft General Council decision to that effect.

Section 2.1: MC12 and ISMs for Graduating LDCs (contd.)

The revised submission by the LDC Group (Rev. 1) in support of Graduating LDCs (contd.)

- As part of the WTO smooth transition package, the LDC group further proposes the following principles to extend treatment to a Member after graduation from the LDC category:
- The special and differential treatment (SDT) measures and exemption listed in Annex 2 to the submission in accordance with the modalities included therein.
- SDT measures and exemptions incorporated in future WTO Agreement, Understanding, Ministerial, General Council or other relevant Decisions in accordance with modalities to be defined in such instruments.
- All LDC-specific technical assistance and capacity building programs and facilities provided under the WTO system to be provided in a time-bound manner.
- If a decision of the UN General Assembly to exclude a WTO Member from the LDC category enters into force during a transition period for LDCs provided under any existing or future WTO Agreement, Understanding, Ministerial, General Council or other relevant Decision, the Member after graduation is entitled to utilize the remaining period of delay provided for LDCs.
- The package of support measures referred to in paragraphs 5 and 6 is to apply to all Members after graduation from the LDC category.

Section 2.1: MC12 and ISMs for Graduating LDCs (contd.)

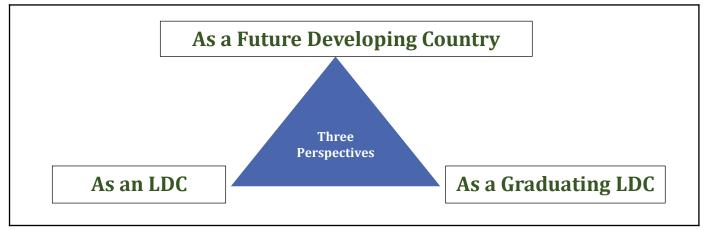
- ☐ In the Annex to Rev. 1, the new submission has significantly watered down the demand, by not mentioning any time period as regards extension of LDC-specific ISMs:
 - (a) DF-QF MA: DF-QF market access to be extended for graduating LDCs for a period of 'x' years after graduation.
 - (b) Export Subsidies: Extension of transition period for export subsidies (for 'x' years).
 - (c) TRIPS: Extension of TRIPS for 'x' years or until the end of final extension period granted to LDCs, whichever is earlier.
 - (d) Trade Facilitation: Shifting of Category A, B, C in Trade Facilitation Agreement.
 - (e) DSB: Special procedures for LDCs to be extended for 'x' years.

Section 2.1: MC12 and ISMs for Graduating LDCs (contd.)

- ☐ There is a need for a major shift in terms of our thinking, approach, participation and strategies.
 - From LDC Member-centric to (non-LDC) Developing Country Member-centric mindset.
 - While participating in negotiations and discussions in the WTO, take cognisance of the future interests as a developing country. Prepare strategies and join coalitions of members in the WTO in keeping with Bangladesh's post-LDC future, keeping LDC solidarity intact.

Section 2.1: MC12 and ISMs for Graduating LDCs (contd.)

- ☐ It is important that Bangladesh draws the lessons from WTO-MC12, and the subsequent developments. We need to design appropriate strategies in view of post-MC12 developments in preparation of MC13 to be held in about one and half years.
- Bangladesh's strategies in this regard will have to be informed by three identities:



Source: Author's elaboration

Bangladesh will need to (a) take advantage of its status as an LDC **over the next four years**, (b) continue its efforts to secure **a new set of ISMs as a graduating LDC** and, (c) most critically important of all, it must take adequate preparation towards Sustainable Graduation by undertaking the needed homework and by implementing its LDC graduation strategy, **for its journey as a developing country member of the WTO.**

Section 2.2: Developments following MC12

As regards new ISMs

- USA is arguing that it understands the challenges that graduating LDCs will face to ensure smooth and sustainable graduation. However, their reasoning is that not all graduating LDCs face same type of challenges. So they have introduced the word 'horizontal differentiation' arguing that support needs to be calibrated based on country-specific needs.
- This stance is not consistent with Para 16 of General Assembly Resolution A/RES/67/221 adopted on 21 December, 2012 WTO members should extend to graduated countries existing Special and Differential Treatment Measures available to LDCs, and with the statement that Graduation is not a destination but a milestone in LDC journey.
 - Bangladesh and other LDCs are contesting the US position.
 - Their point is that there should be **one decision in support of graduating LDCs**. Concerned members can ask for the support they require in view of their particular needs. This stance has been reflected in Rev. 1.

Section 2.2: Developments following MC12

Reform Agendas

- **MC12 mandate (Para 4):** Members are to come up with reform proposals before MC13.
- MC12 has mandated that the DSM issue will need to be settled by 2024.
- Some members led by the USA have been **proposing significant reforms in the WTO**, in the areas of decision-making process, the functioning of the DSB and by bringing new issues such as climate change under the ambit of the WTO.
- LDCs are contesting this:
- The single undertaking modality (nothing is agreed unless everything is agreed) has worked well for developing country members and LDCs.
- ➤ WTO is trade rule-making body. Bringing new issues such as climate change impacts to traderelated negotiations, without supportive measures will burden LDCs and developing countries with compliance enforcement costs. Rather, they are asking that developed countries should make and keep commitment at forums such as COP where financial/technical assistance are contingent on undertaking nationally determined obligations.
- LDCs and some other developing countries are calling for reform discussions to be carried out in a **participatory manner** before bringing the proposals onboard at GC meeting.

Section 2.2: Developments following MC12

- Open Plurilaterals are increasingly becoming the dominating modality of discussion in the WTO. Bangladesh will need to decide whether to take an active part in these. It is highly possible that such Plurilaterals, with participation of members in large numbers will have significant traction once these are placed before WTO-GC.
- Some powerful members are trying to **involve private sector in a 'deliberative role'** in the informal meetings on E-commerce, Investment Facilitation etc.
 - LDCs and other members are contesting this modality since this would further strengthen the hands of those members with particular interests. It will be in Bangladesh's interest to be alert to this.
- ☐ GATS: USA is asking that developing countries, LDCs and countries in accession submit 'Improved schedules of offer list'.
 - LDCs and developing countries are contesting this. Some developed country members have strong offensive interests in some services. However, they will not allow accreditation or accept certification issued by LDCs and developing countries.

Section 2.2: Developments following MC12

- Some members are pursuing discussions on Investment for Development Initiative.
 - Without adequate support, this may be onerous for countries such as Bangladesh to comply with the investment-supporting facilities that will need to be put in place.
- Some members are arguing for bringing climate issues.
 - COP speaks of **nationally determined commitments** and climate issues should not be brought under the ambit of the WTO.
- USA is demanding more **transparency in notification**.
 - ➤ Bangladesh will need to be more careful as regards maintaining communication with the WTO concerning various notifications about traderelated measures and changes.

■ Take advantage of support measures for Graduating LDCs in Various Traderelated Areas.

Programme	Area of support and the provider	Extension period after graduation
EU's Everything but Arms scheme (EBA)	Trade related LDC-specific market access support by the European Union	3 years
Enhanced Integrated Framework (EIF)	Trade related capacity building multi-donor support managed by United Nations Office for Project Services (UNOPS)	5 years
UN Capital Development Fund (UNCDF)	Finance related support for the LDCs	3 years + 2 years on an equal cost sharing basis
Least Developed Countries Fund (LDCF)	Climate fund operated by Global Environment Facility (GEF)	Projects approved before graduation would be funded
UN Technology Bank for LDCs	ICT and knowledge sharing platform	5 years
International Development Law Organization (IDLO) pro- bono legal support	On-demand legal and professional assistance to LDC governments	5 years
UN travel support for GA sessions	Travel support fund extended by UN agencies	3 years

Source: Rahman, M. (2021)

Stance as regards built-in mandate

- Agreement on Fisheries Subsidies: The Fisheries Agreement was a compromise with low ambition level. Now more discussion will take place on other unresolved issues. Bangladesh will need to strategise in view of embedding concerns and interests in the discussions. Ensure concerns of graduating LDCs as regards safeguarding the interests of fisheries sectors and livelihood of small-scale fish folks are protected Territorial Waters, Exclusive Economic Zones and High Seas; actionable subsidies, general exceptions and S&DT. The revised text that was introduced at MC12 by the Chair was opposed by India and other developing countries since an appropriate time frame for transition have not been incorporated in the text (asking the developed country members to follow the principle of 'Polluter Pays' and 'common but differentiated responsibilities').
- **Agreement on Agriculture**: A number of issues will come up for discussion Domestic Support; Cotton Subsidies; SSMs; Public stock holding; Export Restriction; Exemption for humanitarian food purchases under World Food Programme Improved Transparency.
- ☐ Graduating LDCs must pursue their issues of interest in the discussions to be held.

- Food Security: The Agreement was that there will be no restriction on procurement by World Food Programme. Some countries are violating this.
- Bangladesh has not yet listed itself as Net-food Importing Country (NFIDC) which would keep open flexibilities even following graduation.
- □ Flexibilities as regards **prohibition of export subsidies** (Annex VII). This could enable Bangladesh to take advantage of flexibilities if per capita GNI is less than 1000 USD (in 1990 terms).
- □ Flexibilities for the developing country members will be discussed in these negotiations. Bangladesh should take active part in these negotiations **keeping in the purview its interests as a developing country.**
- Bangladesh should try to be included in the WTO list of **Net Food Importing Developing Countries (NFIDC)** by 2026 so that it can continue with export incentives/cash subsidy to exporters of agricultural products until 2030.

Decision as regards Moratorium on e-Commerce taxation

- > Since 1998, as per WTO Ministerial Decision, a moratorium has been in place on customs duties on e-commerce.
- Many developing countries (led by India, China and others) have been arguing that it is the developed countries which gain the most from the moratorium on taxing e-commerce (since they are the major exporters). Developing countries (since they are the major importers) are incurring significant losses in terms of revenue foregone. This became a highly debatable issue at WTO-MC12 held in June, 2022.

Table: Revenue Loss Due to the 1998 Moratorium*

Country	Total tariff revenue loss from moratorium using bound duties (USD mn)	Total tariff revenue loss from moratorium using effectively applied duties (USD mn)	Total tariff revenue loss from moratorium using MFN duties (USD mn)	Loss relative to custom revenue - applied duties	Loss relative to custom revenue - MFN duties	Loss relative to tax revenue - applied duties	Loss relative to tax revenue - MFN duties
India	497.189	467.476	497.189	1.87%	1.68%	0.16%	0.17%
Pakistan	367.24	48.88	51.043	1%	0.94%	0.17%	0.17%
Singapore	30.584	0	0	0.00%	0.00%	0.00%	0.00%
Thailand	1744.0	300.77	365.2	4.31%	2.76%	0.45%	0.54%
China	492.999	453.205	492.999	0.71%	0.61%	0.04%	0.04%

^{*} Banga, R. (2019) estimates the loss for the period 2011-2017.

Source: OECD Trade Policy 233, OECD 2019

Moratorium 1998 impact on revenue

- According to OECD Trade Policy Paper No. 233, owing to different methods and assumptions, the revenue implication of moratorium ranges between **USD 280 million and USD 8.2 billion**, underscoring wide disagreement on measurement. However, WTO Members failed to reach any mutually-agreed decision at the MC12.
- In the end, a decision was taken to extend the moratorium on e-commerce taxation till the **next MC (MC13) or March 31, 2024, whichever is earlier.** If no agreement can be reached, the moratorium will cease to exist and countries will be allowed to impose customs duties on cross-border e-commerce.
- Bangladesh should closely follow the developments in this connection in the WTO and calibrate domestic policies in view of this.

- ☐ In view of the preceding discussion Bangladesh as a graduating LDCs should:
- ➤ Work for maintaining LDC-graduating LDC solidarity arguing that all LDCs are future graduating LDCs.
- Strive to build coalitions of supporting members.
- > Argue against a differentiated approach.
- Pursue issues of interest at other relevant fora including bilateral fora and RTAs as regards preferential market access and other issues.
- Make best use of LDC-specific ISMs to ensure graduation with momentum.
- Make best use of WTO measures in place in support of graduation.
- ☐ Approach to RTA negotiation
- > Argue for Two-track liberalisation (similar to the ones for the CMLV in the ASEAN).
- □ Develop legal capacities to deal with cases in the WTO-DSB.
- Establish a Negotiation Cell (similar to the WTO Cell in the Ministry of Commerce) to be equipped with adequate human-analytical-technical resources and capacities.

- Bangladesh should argue for policy coherence in the WTO discussions (SDGs POA, WIPO, WHO, and others) in line with earlier 1994 decision.
- □ LDC V is going to take place in Doha (March 2023) with participation of Heads of Governments. A large part of IPOA and SDG targets were not met (e.g. 2020 target of doubling the share of LDCs in global exports). Doha Programme of Action (2022-2031) Draft accepted at delegate level. The Summit should be seen as an opportunity to pursue the case of graduating LDCs.
- ☐ Initiate bilateral discussions as regards extension of preferences: Canada, Japan, China, India, Others.
- □ Undertake the needed domestic homework in all earnest in the backdrop of muted response on the part of the WTO, but at the same time actively pursue the cause of graduating LDCs in the WTO, keeping in the perspective Bangladesh's future as a (non-LDC) Developing Country Member of the WTO.

Thank You