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POLICY PAPER

GRADUATION FROM LDC STATUS:

TRADE PREFERENCE AND DEVELOPMENT FINANCING IMPLICATIONS FOR ASIA-PACIFIC COUNTRIES

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Brief description of the publication

Least Developed Countries (LDCs) in the Asia-Pacific region have generally demonstrated socioeconomic progress over the past decades, despite being among the most vulnerable and structurally disadvantaged countries. Among the seven LDCs scheduled to graduate by 2026, five (Bhutan in 2023, the Solomon Islands in 2024, and Bangladesh, Lao People's Democratic Republic and Nepal in 2026) are from the Asia-Pacific region (UNCDP, 2021). Although graduation is a development milestone, the transition gives rise to concerns that these countries may lose access to various international support measures (ISMs) associated with LDC status. The paper finds that because AP LDCs rely more on tariff preferences for their competitive strength and have less financial support and compliance capacity, graduation and the associated loss of LDC-specific preferential tariffs and financing could pose challenges for their firms' ability to invest in ESG-related issues. Although bilateral and multilateral donors more often do not consider LDC status a precondition for development assistance, post-graduation, AP LDCs may face challenges accessing some LDC-specific funds unless the terms of engagement are adjusted as the number of graduates grows and the LDC club shrinks. Overall, graduation may not impose major constraints on trade and financial flows for most AP LDCs. Apart from Bangladesh, the impact of graduation is likely to be limited. The paper suggest that there are ways to extend ISMs to graduating AP LDCs for graduation-related adjustments. These should include, among others, continuing any market access preferences; improved terms for preferential schemes for non-LDC and/or graduated developing countries; more concessional financing backed by an improved absorption capacity; and external support and internal actions to confront development challenges that persist beyond graduation.

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GRADUATION FROM LDC STATUS: TRADE PREFERENCE AND DEVELOPMENT FINANCING IMPLICATIONS FOR ASIA-PACIFIC COUNTRIES

MOHAMMAD A. RAZZAQUE

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ABBREVIATIONS AND ACRONYMS

AANZFTA	ASEAN-Australia-New Zealand Free Trade Area
ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
AP LDCs	Asia-Pacific least developed countries
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
ASTP	Australian System of Tariff Preferences
BDCs	Beneficiary developing countries
BMZ	Federal Republic of Germany Ministry for Economic Cooperation and Development
CEPA	Comprehensive Economic Partnership Agreement
CMT	Cut, make and trim
CTC	Change of tariff classification
CTH	Change of tariff heading
CTSH	Change of tariff sub-heading
DAC	Development Assistance Committee
DFQF	Duty-free quota-free
EBA	Everything but Arms
ECOSOC	Economic and Social Council
EF	Enhanced Framework
EIF	Enhanced Integrated Framework
EPA	Economic Partnership Agreement
ESG	Environmental, social and governance
EU	European Union
EVI	Environmental Vulnerability Index
FCDO	United Kingdom Foreign, Commonwealth & Development Office
FDI	Foreign direct investment
FOB	Free on board
FTA	Free trade agreement
GATS	General Agreement on Trade in Services
GCF	Green Climate Fund
GDP	Gross domestic product
GEF	Global Environment Facility
GF	General Framework
GNI	Gross national Income
GPT	Generalized Preferential Tariff
GSP	Generalized System of Preferences
GVCs	Global value chains
HAI	Human Assets Indicator
HS	Harmonized System
HTS	Harmonized Tariff Schedule
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Integrated database
IDES	Inclusive digital-economy scorecard
IMF	International Monetary Fund
IPoA	Istanbul Programme of Action
ISMs	International support measures
LDBDCs	Least-developed beneficiary developing countries
LDCs	Least developed countries
LDCF	Least Developed Countries Fund
LFCF	LDC Framework
LIBOR	London Interbank Offered Rate

LMIC	Lower-middle-income country
LoCAL	Local Climate Adaptive Living Facility
MFN	Most Favoured Nation
MSG	Melanesian Spearhead Group
nes	Not elsewhere specified
ODA	Official development assistance
OECD	Organisation for Economic Cooperation and Development
PACER Plus	Pacific Agreement on Closer Economic Relations Plus
PICTA	Pacific Island Countries Trade Agreement
PTA	Preferential trade agreement
RCEP	Regional Comprehensive Economic Partnership
RoO	Rules of origin
RTA	Regional trade agreement
RVC	Regional value content
SAFTA	South Asian Free Trade Area
SAPTA	South Asian Preferential Trade Arrangement
SDGs	Sustainable Development Goals
SIDS	Small island developing states
SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCDP	United Nations Committee for Development Policy
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
US	United States of America
WTO	World Trade Organization
$	US dollar

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EXECUTIVE SUMMARY

Asia-Pacific least developed countries (AP LDCs) have generally demonstrated socioeconomic progress over the past decades, despite being among the most vulnerable and structurally disadvantaged countries. The resilience demonstrated by these countries is remarkable, particularly those now approaching LDC graduation. Among the seven LDCs scheduled to graduate by 2026, five (Bhutan in 2023, the Solomon Islands in 2024, and Bangladesh, Lao People's Democratic Republic and Nepal in 2026) are from the Asia-Pacific region (UNCDP, 2021).

Although graduation is a development milestone, the transition gives rise to concerns that these countries may lose access to various international support measures (ISMs) associated with LDC status. Once graduated, they could lose access to LDC-specific trade preferences, including unilateral duty-free market access and less stringent rules of origin requirements in major importing countries. In some cases, LDC graduation can also affect concessional development financing provisions. However, the implications of discontinuing these and other ISMs are hugely dependent on individual country contexts and likely consequences cannot be generalized.

IMPLICATIONS FOR ASIA-PACIFIC LDC TRADE PREFERENCE

While the loss of LDC-specific tariff preferences is of concern, the actual impact on each graduating AP LDC will be determined by various factors, including but not limited to the country's export structure, export market composition, varying trade preference arrangements (including those not conditioned on LDC status), and the extent existing preferences can be used. If graduating AP LDCs cannot use currently available preferences and/or export items are not covered by an LDC-specific treatment, graduation will have no implication.[1] A World Trade Organization (WTO) and Enhanced Integrated Framework (EIF) study estimates that graduation could lead to, on average, a weighted-tariff increment of 4.2 percentage points for the ten countries studied. However, because tariff hikes translate into a loss of competitiveness, the study's ex-ante analysis using a partial equilibrium model suggests that graduating AP LDCs may experience as much as a 14.3 percent increase (WTO and EIF, 2020).

Graduation could potentially interact with other issues: Limited participation in global value chains and various bilateral and multilateral trade agreements could exert further competitive pressure on graduating AP LDCs, causing trade and investment diversion. The environmental, social, and governance (ESG) issues of workplace safety, working conditions, and environmental compliance are also increasingly prominent. Because AP LDCs rely more on tariff preferences for their competitive strength and have less financial support and compliance capacity, graduation and the associated loss of LDC-specific preferential tariffs and financing could pose challenges for their firms' ability to invest in ESG-related issues.

IMPLICATIONS FOR ASIA-PACIFIC LDC DEVELOPMENT FINANCE

Over the past two decades, official finance from all external partners to the 11 Asia-Pacific LDCs increased from less than $3 billion in 2002 to $17.6 billion in 2019 (OECD, n.d.a). Official development assistance (ODA) constitutes 80-90 percent of all official flows in AP LDCs. Graduation is widely perceived to pose a risk to ODA inflows; however, top ODA beneficiaries include many non-LDCs. Key criteria for aid allocations include multiple factors, beyond LDC status, such as ongoing civil wars and unrest, natural catastrophes, epidemics, and refugee crises.

Bilateral and multilateral donors more often do not consider LDC status a precondition for development assistance, but, in some cases, graduation could result in a change from grants to loans with less favourable but still concessional terms. Several development organizations, including United Nations (UN) agencies,

[1] Impacts can be further mediated by alternative trade arrangements. For example, upon graduation, LDCs can still enjoy duty-free access in the European Union and the United Kingdom for fewer products contingent upon fulfilling certain preconditions. Furthermore, AP LDC graduates may also be entitled to a variety of benefits under several other country-specific Generalised System of Preference (GSP) schemes, regional trading arrangements (RTAs), or free trade agreements (FTAs), including the United Kingdom's General Framework (GF); the United States' preferential treatment based on a list of GSP-eligible beneficiaries; Canada's Generalised Preferential Tariff (GPT); Japan's preferential market access for Southeast Asian Graduating LDCs under the ASEAN-Japan Comprehensive Economic Partnership Agreement (CEPA) and the Regional Comprehensive Economic Partnership (RCEP); China's ASEAN-China FTA and RCEP; India's bilateral trade agreements with several AP LDC graduates; Austria's tariff preferences under a RCEP; GSP facilities for Forum Island Countries; preferential access under the Pacific Agreement on Closer Economic Relations Plus (PACER Plus); and the Republic of Korea's bilateral or multilateral engagements with graduating AP LDCs.

dedicate a portion of their resources to LDCs; this is rarely solely due to the LDC category itself, but rather in consideration of other criteria that coincide with or correlate to LDC criteria. The World Bank does not take LDC status into account for loans or grants; instead, all countries with per capita income below a certain threshold are eligible for concessionary financing from its International Development Association (IDA). The International Monetary Fund (IMF) considers per capita income and other criteria when determining the terms of its assistance to countries. LDC status may have some influence on the type of assistance provided by the Asian Development Bank (ADB), and graduation may have a role in a country's reclassification to a different group, depending on the country's creditworthiness.

Post-graduation, AP LDCs may face challenges accessing some LDC-specific funds unless the terms of engagement are adjusted as the number of graduates grows and the LDC club shrinks. At present, the Least Developed Countries Fund (LDCF), which supports programs under the UN Framework Convention on Climate Change (UNFCCC), is available only to LDCs. Access to financial flows from the LDC Technology Bank and the Enhanced Integrated Framework (EIF) will continue for five years after graduation. The UN Capital Development Fund (UNCDF) can continue to fund programmes for three years after graduation under pre-graduation terms, and, if development progresses as expected, financing for the following two years can be granted on a 50/50 cost-sharing basis with the government or a third party.

WAY FORWARD FOR ASIA-PACIFIC LDCS

Overall, graduation may not impose major constraints on trade and financial flows for most AP LDCs. Apart from Bangladesh, the impact of graduation is likely to be limited. Furthermore, there are ways to extend ISMs to graduating AP LDCs for graduation-related adjustments. These should include, among others, continuing any market access preferences; improved terms for preferential schemes for non-LDC and/or graduated developing countries; more concessional financing backed by an improved absorption capacity; and external support and internal actions to confront development challenges that persist beyond graduation.

Most graduating AP LDCs have several more years to exploit existing trade preferences before they graduate. This is a critical transition period when countries can develop their trade and industrial competencies on the supply-side. Graduating AP LDCs could therefore prepare to do the following:

- Explore post-graduation preferential trade regimes with partners to retain LDC-type benefits as much as possible, for example, by requesting that preference-granting countries, such as Australia, Canada, China, Japan, and the Republic of Korea, offer an extended transition period for graduating LDCs similar to that granted by the European Union, and by urging the European Union to extend Everything But Arms (EBA)-type liberal rules of origin (RoO) terms for a longer transition period.
- Plan to comply with the pre-specified 32 international conventions required to access the European Union's most generous preferential trade regime, GSP+, after the expiry of LDC-specific EBA provisions.
- Develop strategies to build trade policy design and negotiation capacity. Destination market governments and private sector enterprises can assist graduating AP LDCs in establishing trade and commercial linkages between traders.
- Explore the options for bilateral and regional free trade agreements to secure and/or maintain duty-free market access for export items.
- Make a collective effort with other LDCs to retain the WTO's LDC Services Waiver preferences for a post-graduation transition period of ten years or more.
- Improve administrative and project management efficiency to speed up development fund release processes and increase the effectiveness of funds utilization.
- Seek more extensive use of LDC-related development financing mechanisms that aid firm-level preparedness and overall economic competitiveness.
- Prioritize debt management, including through debt swaps, to provide fiscal space for a smooth graduation.
- Attract foreign direct investment (FDI) to stimulate investment and ensure export success, which can benefit local businesses and facilitate enhanced participation in global value chains (GVCs) while addressing environmental, social, and governance (ESG) issues.
- Improve capacities to mobilize domestic resources, which should play a bigger role in financing development.
- Continue developing productive capacity, which is crucial for structural transformation.

I. INTRODUCTION

Despite structural disadvantages and multifaceted challenges, the 11 Asia-Pacific least developed countries (AP LDCs)[2] generally made solid socioeconomic progress in the 2010s, coincidentally with the implementation of the Istanbul Programme of Action (IPoA), the international community's 2011-2020 strategy for sustainably developing LDCs' productive capacities (Razzaque et al., 2021). Eight AP LDCs – namely four landlocked countries (Afghanistan, Bhutan, Nepal and Lao People's Democratic Republic [PDR]) and four water-locked small island states (Kiribati, the Solomon Islands, Timor-Leste, and Tuvalu) – have geographical characteristics that particularly hinder economic development, as reflected in high trading costs. Another major development disadvantage shared by many AP LDCs is their susceptibility to natural disasters, such as earthquakes, tropical cyclones, and the consequences of climate change. Some AP LDCs have also been impacted by military conflicts and political instability. In addition, the COVID-19 pandemic has inflicted significant economic and social costs on all AP LDCs and exposed their vulnerability to external shocks due to their limited fiscal space and technological and human resource constraints.

Nevertheless, the resilience demonstrated by most of these countries has been quite remarkable, as reflected in their peers' and their own record of qualifying for LDC graduation.[3] During the IPoA period (2011-2020), the Asia-Pacific region saw three least-developed members graduate: Maldives in 2011, Samoa in 2014, and Vanuatu in 2020.[4] Globally, of the seven LDCs scheduled to graduate by 2026, five are from the Asia-Pacific region: Bhutan in 2023, the Solomon Islands in 2024, and Bangladesh, Lao PDR, and Nepal in 2026. The 2021 triennial review by the United Nations Committee for Development Policy (UNCDP) shows 16 LDCs worldwide at various stages of LDC graduation (UNCDP, 2021). Ten are from the Asia-Pacific region – all AP LDCs except for Afghanistan.

The impressive progress towards graduation however comes with certain concerns, including the potential loss of access to various international support measures (ISMs) that the global community has provided for several decades. Under the ISMs, LDCs enjoy certain privileges and receive differential treatments through development partners' special attention and commitments to support them via trade preferences, development finance, and technical assistance. AP LDCs particularly benefit from trade preferences granted by World Trade Organization (WTO) members and concessional development finance offered by various bilateral and multilateral partners. These two areas are regarded as the most significant and readily accessed ISMs for LDCs.

Therefore, graduation could result in (i) preference erosion in international trade, potentially affecting export competitiveness, and (ii) unfavourable impacts on a country's prospects for concessional development financing. In other words, when a country depends on certain trade preferences and can make use of the concessional finance available, losing such privileges could hamper economic development prospects. Conversely, when preferences and privileges remain unutilized due to various factors, such as supply-side constraints, LDC graduation would only imply forgone future opportunities without causing any actual consequences.

This policy paper aims to assess the implications of graduation for AP LDCs in two broad areas: trade preference and development finance. It draws on secondary data and information, reports published by United Nations organizations and other institutes, and country-specific government documents to gauge the

2 The 11 AP LDCs include Afghanistan, Bangladesh, Bhutan, Cambodia, Kiribati, Lao People's Democratic Republic (PDR), Myanmar, Nepal, the Solomon Islands, Timor-Leste, and Tuvalu.

3 According to the United Nations (UN, 1971), the least developed countries (LDCs) are low-income countries with severe structural impediments to sustainable development. They are highly vulnerable to economic and environmental shocks and have low levels of human assets. Countries in the LDC group are determined by UN assessments, as explained later in this paper. On the other hand, there are no specific definitions of 'developing' and 'developed' countries as used by the World Trade Organization (WTO). WTO members themselves recognize whether they are developing or developed. WTO members consider the UN-denominated LDCs as a special group of countries within the developing country category. In another widely used country groupings, the World Bank classifies countries into low income, lower-middle-income, upper-middle-income, and high-income countries, based on gross national income (GNI) per capita. For 2020, GNI per capital for low income countries was $1,045 or less; $1,046 to $4,095 for lower-middle income; $4,096 to $12,695 for upper-middle income; and $12,696 or more for high income countries (World Bank, 2021a).

4 Since the initiation of the least developed country (LDC) category in 1971, only six countries have graduated from the LDC category: the three from the Asia-Pacific region and three African countries (Botswana graduated in 1994, Cape Verde in 2007, and Equatorial Guinea in 2017).

extent of preference erosion and the potential loss of concessional development finance arising from individual AP LDC's graduation. This assessment will inform United Nations Development Programme (UNDP) advocacy and engagement in relation to the 5th United Nations Conference on LDCs (LDC5) in March 2023 in Doha, Qatar. It will also inform each AP LDC about the likely implications of its graduation.

Understanding regional and individual country contexts is extremely important in assessing how each country can make LDC graduation sustainable. Studying a group of countries with similar LDC-related ISMs should generate important insights to formulate practical policy actions to support countries transition from the LDC group, with momentum for setting and achieving further development milestones.

The next section provides an overview of economic progress made in the AP LDCs, highlighting various stages of their graduation to developed-country status. Section three assesses the extent of trade preference utilization, the best options for preferential access alternatives after graduation, and the potential impacts of preference erosion on exports. Section four analyses the implications of graduation for concessionary development finance. Finally, section five provides policy options and recommendations for AP LDCs to deal with the challenges of graduation and to continue striving toward development goal achievements.

2. OVERVIEW OF ASIA-PACIFIC LDCS

2.1 ASIA-PACIFIC LDC ECONOMIES FROM 2010 TO 2020

Over the previous decade, the economic growth of Asia-Pacific LDCs has varied widely. During 2011-2019, the estimated weighted-average GDP growth of the group was 6.45 percent, while the simple average GDP growth was 5.2 percent. Of the 11 AP LDCs, three – Bangladesh, Cambodia and Lao PDR – saw high growth of around 7 percent during the decade, while Afghanistan and two small island states, Kiribati and the Solomon Islands, achieved only modest growth rates of less than 4 percent (Table 2.1). Overall, the period's 4 percent average growth rate in the four Asia-Pacific small island states was lower than the global LDC average of 4.5 percent. Limited productive capacity, lack of economic diversification, inherent vulnerability, and the high cost of trade, among other factors, perennially contribute to the subdued economic performance of small island states.

In 2020, the last year of the Istanbul Programme of Action (IPoA), the global COVD-19 pandemic dealt a severe blow to the economic performance of most AP LDCs. Bangladesh, Myanmar, and Tuvalu recorded low yet still-positive growth rates, while Bhutan and the Solomon Islands recorded negative 10 percent and minus 4.3 percent growth, respectively. During the initial waves of the pandemic and while the world economy contracted by 3.3 percent, several Asia-Pacific LDCs remained resilient. In fact, Timor-Leste experienced a staggering 10.4 percent growth rate in 2020, while Bangladesh, Myanmar, and Tuvalu grew 3.5 percent, 3.2 percent, and 4.4 percent, respectively. On the other hand, Bhutan's economy sharply contracted by 10.8 percent, while the Solomon Islands, Cambodia, Afghanistan, and Nepal suffered lesser economic contractions (Table 2.1).

During 2011-2019, the per capita GDP of the 11 Asia-Pacific LDCs grew 3.6 percent annually, higher than the global LDC annual average of 2.1 percent. Bangladesh, Lao PDR, and Myanmar recorded especially impressive per capita income growth of around 5 percent during this time. On the other hand, Afghanistan and Nepal recorded only about 1 percent annual growth. As COVID-19 struck in 2020, average per capita GDP of Asia-Pacific LDCs contracted by 1.7 percent, compared to a 1.6 percent decline for all LDCs (World Bank, n.d.a).

Exports, remittances, foreign direct investment (FDI) and official development assistance (ODA) are important determinants of development finance flows. Goods and services exports from the 11 Asia-Pacific LDCs grew annually at 9.1 percent on average during 2011-2019

Table 2.1: Asia-Pacific LDC major economic indicators, 2017-2020

Country	GDP, 2019 (billion $)	Average growth, 2011-2019 (%)	GDP growth, 2020 (%)	Population, 2020 (million)	GDP per capita, 2020 (current $)	GDP per capita PPP, 2020 (current $)	Merchandise exports, 2019 (million $)	Services exports, 2019 (million $)	ODA % of GNI (2017-2019 average)	Remittances received % of GDP (2017-2019 average)	Net FDI inflows % of GDP (2017-2019 average)
Afghanistan	19.8	3.7	-2.35	38.9	508.8	2,087.6	864	651.9	20.7	4.3	0.3
Bangladesh	324.2	6.9	3.51	164.7	1,968.8	5,082.7	39,337	6,213.7	1.3	5.7	0.7
Bhutan	2.4	5.4	-10.08	0.8	3,122.4	11,508.2	594	168.2	6.0	2.1	0.0
Cambodia	25.3	7.1	-3.15	16.7	1,512.7	4,422.0	14,825	6,086.3	3.8	5.8	13.1
Kiribati	0.2	3.4	-1.95	0.12	1,670.8	2,417.8	12	20.2	19.0	10.0	-0.1
Lao PDR	19.1	7.2	0.50	7.3	2,630.2	8,234.5	5,806	1,179.2	3.4	1.5	7.3
Myanmar	76.2	6.3	3.17	54.4	1,400.2	4,793.6	18,118	6,682.5	2.5	3.6	4.0
Nepal	33.7	5.0	-2.09	29.1	1,155.1	4,008.7	968	1,621.0	4.2	24.4	0.5
Solomon Islands	1.6	3.7	-4.32	0.7	2,258.4	2,619.2	461	130.4	13.3	1.3	2.2
Timor-Leste	1.8	4.2	10.37	1.3	1,381.2	3,355.8	154	91.5	9.4	5.5	2.4
Tuvalu	0.054	4.2	4.40	0.01	4,143.1	4,653.2	0	9.8	45.5	2.2	0.7
LDCs	1,132.7	4.5	0.7	1057.4	1,071.1	3,094.8	194,217	50,184.4	4.9	4.3	1.9
World	84,578.0	3.0	-3.29	7752.8	10,909.3	17,061.8	19,107,474	6,234,638.5	0.2	0.7	1.8

Note: PPP stands for purchasing power parity.

Source: World Bank, n.d.a.

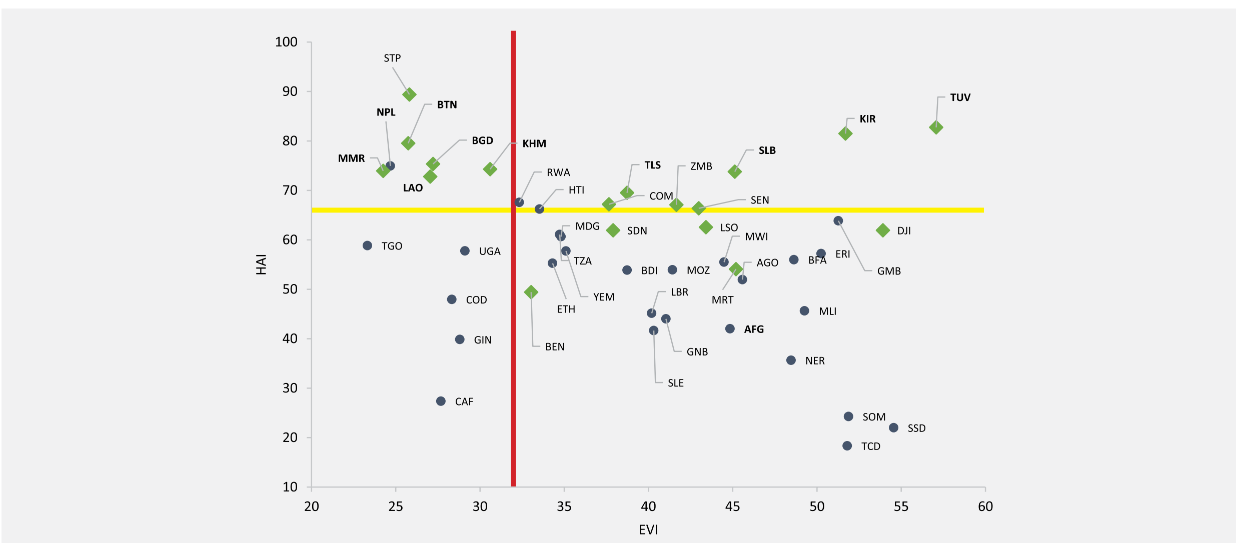
before declining drastically in 2020. Land-locked and small island states in the Asia and Pacific region are generally more dependent on development assistance than on exports. Net inflows of ODA to Afghanistan, Kiribati, and Tuvalu amounted to 20.7 percent, 19 percent, and 45.5 percent of their respective gross national income (GNI) during 2017-2019 (Table 2.1). Cambodia, Lao PDR, and Myanmar received much higher FDI inflows (as a proportion of GDP) than the global LDC average.

2.2 PROGRESS TOWARDS GRADUATION

Despite the IPoA's goal to enable half of the LDCs to meet the graduation criteria by 2020, only three countries actually graduated, all from the Asia-Pacific region: Maldives in 2011, Samoa in 2014, and Vanuatu in 2020. Nevertheless, significant progress was made; 16 countries now stand at different stages of graduation. As determined by the United Nations Economic and Social Council (ECOSOC), graduation requires that a country meet at least two of three pre-defined development threshold criteria in two consecutive ECOSOC Committee for Policy Development (UNCDP) triennial reviews. The three thresholds are determined by per capita gross national income (GNI), Human Asset Indicators (HAI), and an Environmental Vulnerability Index (EVI). For example, in 2021, the thresholds were $1,222 per capita GNI, 66 HAI, and 32 EVI (Figure 2.1). Another provision, the 'income-only' graduation rule states that when the three-year average per capita GNI of an LDC has risen to at least double the graduation threshold, the country could be eligible for graduation regardless of its situation under the other two criteria. According to the latest triennial review (UNCDP, 2021a), Bangladesh, Bhutan, Cambodia, Lao PDR, and Myanmar met all three criteria for graduation; only Nepal did not yet meet the GNI per capita threshold (Figure 2.1). Furthermore, in 2021, Bhutan, Kiribati, Lao PDR, and Tuvalu satisfied the double-the-per-capita-income threshold. None of the Pacific Island LDCs could meet the economic vulnerability threshold.

Therefore, 10 out of 11 Asia-Pacific LDCs are on the path towards graduation (Table 2.2). The only AP LDC that is not approaching graduation is Afghanistan (UN, 2021a). Five countries are scheduled to graduate by 2026: Bhutan in 2023, the Solomon Islands in 2024, and Bangladesh and Lao PDR and Nepal in 2026 (UN, 2021a; 2021b).

Figure 2.1: LDC graduation thresholds by various indicators, 2021



Note: Green diamonds denote countries with per capita GNI above the graduation threshold. The vertical red line represents the Environmental Vulnerability Index (EVI) threshold value of 32 (countries need to have a value of less than or equal to 32 to achieve this graduation threshold). The horizontal yellow line indicates the Human Assets Indicators (HAI) threshold value of 66 (countries will have to score a value of more than or equal to 66 to achieve the relevant graduation threshold). The threshold levels for EVI and HAI are provided as per the UNCDP's Triennial Review 2021. Countries are indicated as AFG = Afghanistan, AGO = Angola, BGD = Bangladesh, BEN = Benin, BTN = Bhutan, BFA = Burkina Faso, BDI = Burundi, KHM = Cambodia, CAF = Central African Republic, TCD = Chad, COM = Comoros, COD = Democratic Republic of the Congo, DJI = Djibouti, ERI = Eritrea, ETH = Ethiopia, GMB – Gambia, GIN = Guinea, GNB = Guinea-Bissau, HTI = Haiti, KIR = Kiribati, LAO = Lao People's Democratic Republic, LSO = Lesotho, LBR – Liberia, MDG = Madagascar, MWI = Malawi, MLI = Mali, MRT = Mauritania, MOZ = Mozambique, MMR = Myanmar, NPL = Nepal, NER = Niger, RWA = Rwanda, STP = Sao Tomé and Principe, SEN = Senegal, SLE = Sierra Leone, SLB = Solomon Islands, SOM = Somalia, SSD = South Sudan, SDN = Sudan, TLS = Timor-Leste, TGO = Togo, TUV = Tuvalu, UGA = Uganda, TZA = United Republic of Tanzania, YEM = Yemen, and ZMB - Zambia

Source: UNDESA, n.d.

Cambodia became eligible for graduation for the first time in the 2021 triennial review, meeting all three criteria. If it satisfies the criteria again in the 2024 review, it will be able to schedule a graduation date.

Myanmar, Kiribati, Timor-Leste, and Tuvalu have met graduation thresholds in at least two consecutive triennial reviews, but have deferred their graduations for various reasons. Although Myanmar met all criteria for the second consecutive time in the 2021 triennial review, its graduation decision was postponed until the 2024 triennial review because of political instability. Kiribati has met graduation criteria since 2012, but its graduation decision has been deferred to 2024 because of the country's severe vulnerability to climate change and other environmental shocks (UNCDP, 2021; ECOSOC, 2021). Timor-Leste's graduation decision recommendation was rescheduled over concerns about the sustainability of graduation since the country is vulnerable to economic shocks and climate change. Similarly, Tuvalu was recommended for graduation in 2021, but due to its extreme environmental vulnerability, its decision has also been deferred to the 2024 triennial review (ECOSOC, 2021).

Thus, the development dynamics in many Asia-Pacific LDCs appear to show a paradoxical trend where countries can meet predetermined graduation thresholds even though their overall economic condition does not assure

Table 2.2: Asia-Pacific LDC graduation eligibility level and status, 2021

Country	EVI	HAI	GNI per capita ($)	Eligibility criteria status	Graduation status
Afghanistan	44.8	42.0	513	Afghanistan did not meet any criteria until the 2021 triennial review.	Not under consideration for graduation.
Bangladesh	27.2	75.3	1,827	Bangladesh met the graduation criteria for the first time in 2018 triennial review and again in the 2021 review.	Recommended for graduation with two additional years for transition. Graduation will take place in November 2026.
Bhutan	25.7	79.5	2,982	Bhutan met the graduation criteria for the first time in 2015 and again in 2018 and 2021.	Graduation is scheduled for December 2023
Cambodia	30.6	74.3	1,377	Cambodia met the graduation criteria in 2021 triennial review for the first time.	Graduation recommendation will depend on the outcome of the next review in 2024.
Kiribati	51.7	81.5	3,183	Kiribati has met the graduation criteria since 2012.	Recommended for graduation by UNCDP. However, ECOSOC will reconsider its recommendation in 2024.
Lao PDR	27.0	72.8	2,449	Lao PDR met the graduation criteria at the 2018 and 2021 triennial reviews.	Recommended for graduation, which will take place in 2026.
Myanmar	24.3	73.9	1,263	Myanmar met the graduation criteria for the first time at the 2018 triennial review and again in 2021.	Eligible for graduation, but the decision on graduation was deferred until the 2024 triennial review.
Nepal	24.7	74.9	1,027	Nepal has met the graduation criteria since 2015.	Recommended for graduation, which will take place in 2026.
Solomon Islands	45.1	73.8	1,843	Solomon Islands has met the graduation criteria since 2015.	Scheduled to graduate in 2024.
Timor-Leste	38.7	69.5	1,867	Timor-Leste has met the graduation criteria since 2015.	Decision on graduation recommendation was deferred until the 2024 triennial review.
Tuvalu	57.1	82.8	6,657	Tuvalu has met the graduation criteria since 2006.	Graduation recommendation will be reviewed in 2024.

Note: Green highlights signal that the country meets graduation criterion threshold. In 2021, the thresholds were: gross national income (GNI) per capita of $1,222 or above, HAI of 66 or above, and EVI of 32 or below.

Source: UNDESA, n.d.

sustainable development progress, resulting in graduation schedule deferments. This perplexing circumstance may be related to the use of specific quantitative indicators for graduation assessments. It can be difficult to capture any country's environmental or social vulnerability, long-term progress, and productive-capacity development through specific indicators. Performing accurate assessments for landlocked and remote small island LDCs could be even more complicated.

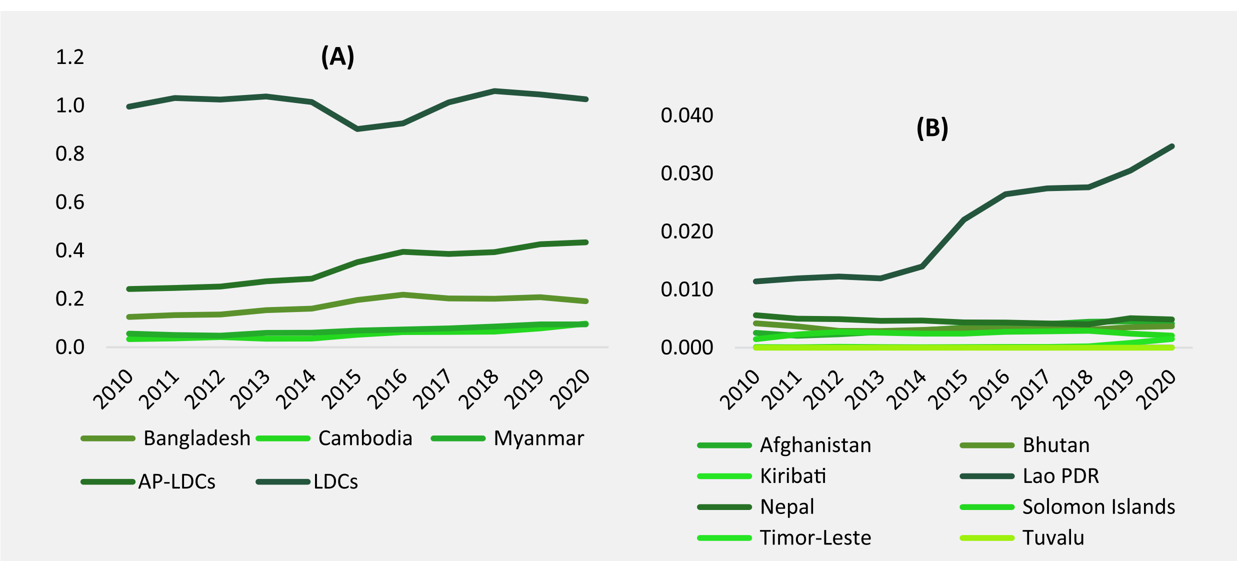
2.3 EXPORT TRENDS AND COMPOSITIONS

The past decade witnessed an unprecedented slowdown in global exports. A trade policy reversal by the United States, trade wars between the United States and China, a prolonged period of uncertainty after the United Kingdom left the European Union, and other events resulted in a dismal state of trade. The global economic crisis because of COVID-19 further restricted trade growth. Between 2000 and 2010, global merchandise exports increased nearly $9 trillion, from $6.4 trillion to $15.3 trillion. In contrast, during the IPoA period of 2010-2020, merchandise exports increased $3 trillion in 2011, to $18.5 trillion, and grew to just over $19 trillion by 2014 before severe trade shocks caused global exports to decline to $16 trillion in 2016. By 2019, global merchandise exports had recovered to 2014 levels, only to fall to $17.6 trillion in 2020 because of COVID-19. The combined exports of all LDCs during the IPoA decade grew by just $28 billion, far less than $108 billion increase seen during 2000-2010 (World Bank, n.d.a).

In the 2010s, the AP LDCs, however, fared comparatively better thanks to Bangladesh, Cambodia, and Myanmar: their combined exports more than doubled from $36.9 billion in 2010 to $81 billion in 2019, before the pandemic hit. During the past decade, the global LDC share of merchandise exports remained almost stagnant, at around 1 percent (Figure 2.2 A), below the IPoA target of 2 percent. During the same period, the 11 Asia-Pacific LDCs nearly doubled their merchandise exports, from 0.24 percent to 0.43 percent (Figure 2.2). Among the AP LDCs, Bangladesh alone captured around 0.20 percent of global merchandise exports in 2020, followed by Cambodia (0.098 percent), Myanmar (0.095 percent), and Lao PDR (0.035 percent) (Figure 2.2 A), while the export shares of other AP LDCs remain negligible (Figure 2.2 B).

At the individual level, AP LDCs' export performances vary wildly. Bangladesh is the largest exporter of all global LDCs, shipping around 20 percent of all LDC exports over the past five years. Its export volume rose to $39.3 billion in 2019, before COVID-19 caused volume to fall to $33.6 billion in 2020 (Table 2.3). During 2010-2019, Bangladesh's merchandise exports grew 8.6 percent per year on average, while Myanmar's grew 8.9 percent, Afghanistan's grew 9.7 percent, and Cambodia and Lao PDR saw very sharp export expansion at 13.2 percent and 14.8 percent, respectively (Figure 2.3). Merchandise exports from the four AP LDC small island states, Kiribati, the Solomon Islands, Timor-Leste, and Tuvalu, suffered instability, although their annual average growth can appear high (Figure 2.3). Their combined export volumes stood at less than $700 million in 2020.

Figure 2.2: Asia-Pacific LDC share of global LDC merchandise exports (%)



Source: UNCTAD, n.d.a

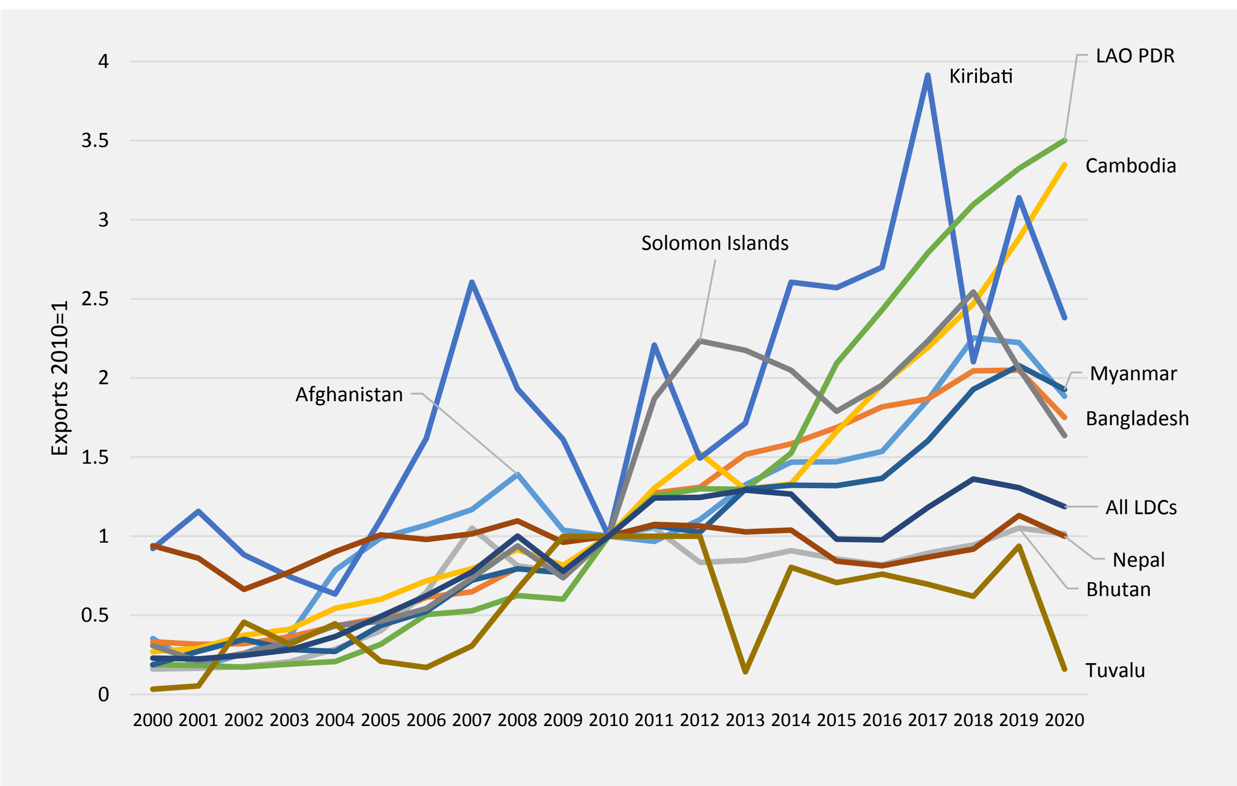
Table 2.3: Asia-Pacific LDC merchandise exports performance, 1990-2020

	Exports (million $)					Export growth (%)			
	1990	2000	2010	2019	2020	1991-2000	2001-2010	2011-2020	1991-2020
Afghanistan	235.1	137.3	388.5	863.8	732.0	21.7	18.6	7.2	15.8
Bangladesh	1,671.3	6,389.0	19,194.4	39,337.4	33,605.4	14.7	12.2	6.3	11.0
Bhutan	69.8	103.0	641.3	674.3	651.2	5.4	23.1	0.6	9.7
Cambodia	86.0	1,389.5	5,143.2	14,824.7	17,215.0	38.9	14.6	13.5	22.3
Kiribati	2.9	3.6	3.9	12.2	9.3	12.7	7.3	18.3	12.8
Lao PDR	78.7	330.3	1,746.4	5,805.9	6,114.9	17.8	20.8	13.8	17.5
Myanmar	324.9	1,620.2	8,661.1	17,996.9	16,691.5	18.5	20.6	7.3	15.5
Nepal	204.0	804.0	855.8	967.8	855.9	15.8	1.4	0.6	5.9
Solomon Islands	70.4	69.0	223.7	460.9	366.0	2.6	15.2	8.3	8.7
Timor-Leste	0.0	0.0	16.4	153.7	263.6	--	17.0	50.7	36.9
Tuvalu	0.2	0.0	0.3	0.3	0.0	23.3	100.2	31.9	51.8
LDCs	18,192.5	34,958.9	152,322.6	198,940.7	180,842.6	7.4	17.3	2.6	9.1
World	3,495,675.4	6,452,629.9	15,300,200.6	19,019,101.7	17,619,005.0	6.5	9.9	1.8	6.1

Note: Export values for 2020 reflect the COVID-19 impact for many countries.

Source: UNCTAD, n.d.a.

Figure 2.3: Asia-Pacific LDC exports (2010=1), 2010-2020



Note: Country merchandise exports normalised for 2010.
Source: UNCTAD, n.d.a.

Most AP LDC exports depend on primary commodities (Figure 2.4). Agricultural products account for around 80 percent of exports from Afghanistan, Kiribati, and Tuvalu. Bhutan, Lao PDR, and Timor-Leste rely on extractive sector products, such as precious stones, minerals, and metals, which account for 50 percent to 80 percent of their exports. Myanmar, Nepal, and the Solomon Islands rely moderately on primary exports, which comprise a 50 percent or less share. Bangladesh Cambodia, Myanmar and Nepal, have a moderate to heavy reliance on manufactured products for export. The Solomon Islands primarily exports wood and wood products; Myanmar exports a range of manufactured products; and Nepal, Bangladesh, and Cambodia export a large share of textiles and clothing products.

In fact, Bangladesh is overwhelmingly dependent on textiles and clothing: apparel represents more than 80 percent of its exports (Figure 2.4). In 2019, clothing items accounted for up to 19 of its top 20 export products at the Harmonized System (HS) 6-digit level.[5] Its top 20 exports at the 6-digit level accounted for more than two-thirds of Bangladesh's total merchandise exports. Apparel items in the most important HS codes include T-shirts, singlets, and other vests made of knitted or crocheted cotton (HS 610910), the largest export code at around 13 percent of the total, followed by men's or boys' trousers (HS 620342), women's or girls' trousers (HS 620462), and jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted (HS 611020) (Figure 2.5). Bangladesh ships nearly half of all exports to the European Union, 17 percent to the United States, around 10 percent to the United Kingdom, 3 percent each to Canada, India, and Japan, and 2 percent to China (Figure 2.6).

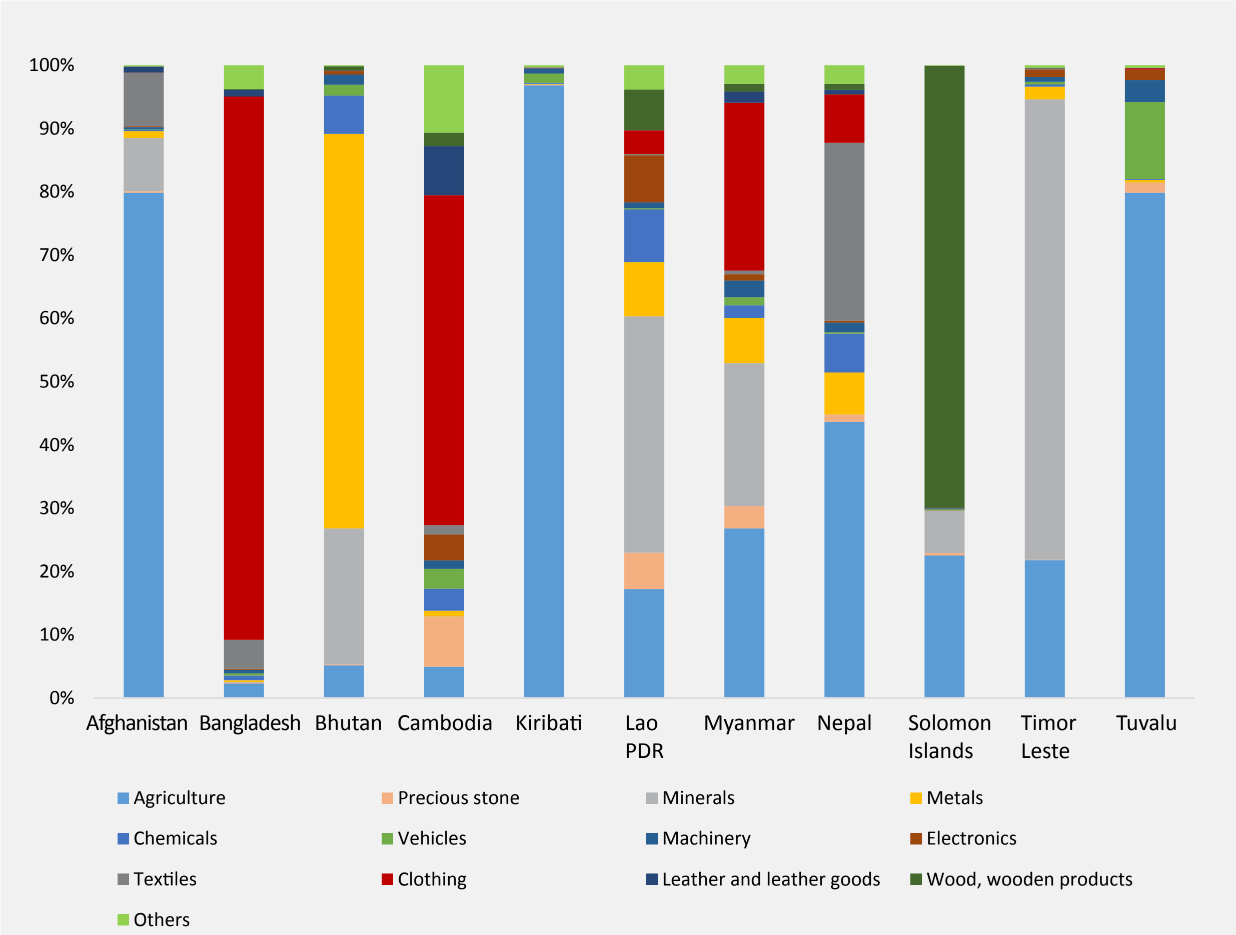
When global exports contracted by around 7 percent during the first waves of the 2020 pandemic, Cambodia instead recorded a robust 20 percent growth in export volumes, which exceeded $17 billion (Table 2.3) (UNCTAD, n.d.a). This was largely attributed to exports of gold, including gold plated with platinum (HS 710812). Clothing accounted for more than half of all Cambodian exports, followed by precious stones (7.9 percent), leather and leather goods (7.7 percent), and agricultural products (5 percent) (Figure 2.4). Cambodia's export mix is the most diversified of the Asia-Pacific LDCs. Its top 20 codes at the HS 6-digit level comprise 45 percent of total exports, and include apparel items, such as tee-shirts, singlets and other vests of cotton, knitted (HS 610910), jerseys, pullovers, cardigans, waistcoats and similar articles (HS 611020), and women's or girls' trousers (HS 610469), followed by semi- or wholly-milled rice (HS 100630), and bicycles and other cycles (HS 871200) (Figure 2.5). The United States is the largest destination of Cambodia's exports, receiving around 30 percent of merchandise, followed by 18 percent to the European Union, 14 percent to Singapore, 6 percent each to China and Japan, and about 5 percent to the United Kingdom (Figure 2.6).

Bhutan's merchandise exports (including electricity) reached $650 million in 2020 (Table 2.3). Electricity constituted one-third of all Bhutanese exports during the past decade. The country's other most important exports include metals (HS 72), including iron and steel (62 percent), followed by minerals (21 percent), inorganic chemicals (6 percent), and agricultural items, such as tea, coffee, and maté (5 percent) (Figure 2.4). Bhutan's high export concentration is evident from its products' composition. At the HS 6-digit level, the top ten 6-digit-level codes account for 88 percent of total exports. Ferrosilicon (HS 720221) is the largest export item, accounting for nearly half of Bhutan's non-electricity exports (Figure 2.5). India is Bhutan's largest export destination, receiving more than 90 percent of Bhutanese merchandise exports (Figure 2.6).

In 2020, Nepal's exports stood at $855 million, having declined from $960 million the previous year (Table 2.3). Agricultural items (43.4 percent) compose its largest exports, followed by textiles (28 percent), clothing (7.6 percent), and metals (6.6 percent). Unlike other LDCs that export both textiles and clothing, Nepal concentrates on textiles, which make up almost 80 percent of its textile and apparel exports (Figure 2.4). At the disaggregated product level, items in the next most important HS codes include palm oil and its fractions (HS 151190), which comprise 20 percent of total exports, followed by carpets and other textile floor coverings (HS 570110), soya-bean oil and its fractions (HS 150790), and yarn containing predominantly synthetic staple fibres (HS 550951). The top 20 HS 6-digit codes together comprise more than 65 percent of exports (Figure 2.5). India is the largest export destination of Nepal, accounting for more than two-thirds of total exports, followed by the United States (10 percent), the European Union (7 percent), and the United Kingdom (2.3 percent) (Figure 2.6).

[5] The Harmonized System (HS) refers to the Harmonized Commodity Description and Coding System, a product nomenclature developed by the World Customs Organization (WCO). It comprises more than 5,000 commodity groups, each identified by a six-digit code, arranged in a legal and logical structure, and covers over 98 percent of the merchandise in international trade. The HS is used by more than 200 countries and economies as a basis for their customs tariffs and for the collection of international trade statistics (World Customs Organization, n.d.)

Figure 2.4: Asia-Pacific LDC merchandise export composition, 2018-2020 average



Note: Product categories are defined as agriculture (HS 01-24), precious stone (HS 68-71), minerals (HS 25-27), metals (HS 72-83), chemicals (HS 28-40), vehicles (HS 86-89), machinery (HS 84, HS 90-93, HS 95-96), electronics (HS 85), textiles (HS 50-60, HS 63), clothing (HS 61-62), leather and leather products (HS 42-43), and wood and wooden products (HS 44-49).

Source: ITC Trademap, n.d.a.

War-torn Afghanistan has experienced significant growth in exports since 2011, with volumes reaching $732 million in 2020 (Table 2.3). Agricultural products comprise around 80 percent of export receipts (Figure 2.4). Vegetable saps, extracts, and pectic substances (HS 130212) compose the largest HS 6-digit code items, followed by dried grapes (HS 080620), and figs (HS 080420) (Figure 2.5). Like Nepal and Bhutan, India is the largest importer of Afghanistan's products, accounting for 47 percent of exports, followed by Pakistan at 33 percent (Figure 2.6).

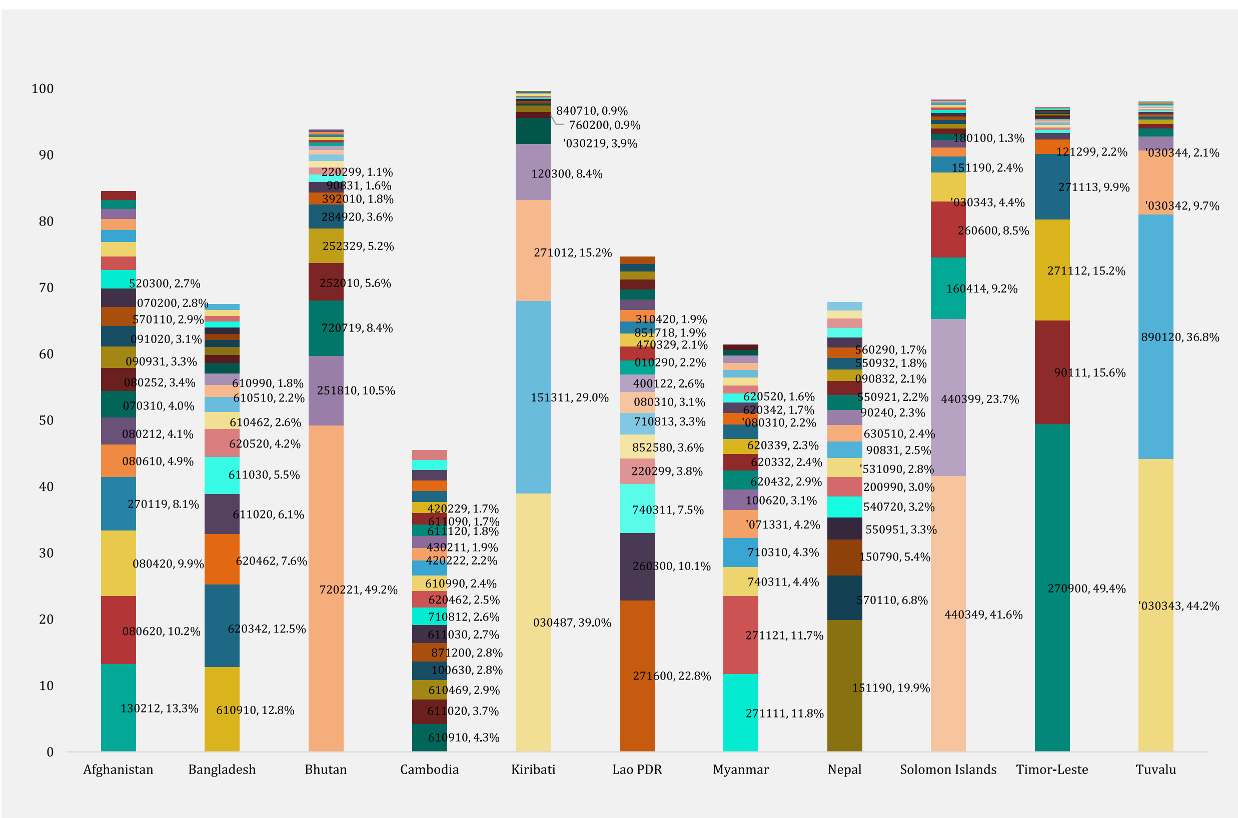
Myanmar recorded merchandise export receipts of $16.7 billion in 2020, a 6.5 percent decline from the previous year (Table 2.3). Textiles and clothing (about 31 percent of export earnings), agricultural goods (about 27 percent), and mineral products (22.6 percent) constitute the country's major export products (Figure 2.4). It recorded a staggering yearly average clothing export growth of 40 percent during the past decade, until the early 2021 military coup triggered political instability. Liquefied natural gas (HS 271111), natural gas in gaseous state (HS 271121), and copper (HS 740311) constitute major individual items at the HS 6-digit level (Figure 2.5). Items in Myanmar's top 20 6-digitHS codes make up more than 60 percent of exports. China is Myanmar's single largest export destination (31.7 percent), followed by Thailand (17.8 percent), the European Union (15.5 percent), Japan (7.3 percent), the United States (5.1 percent), and India and Singapore (4.1 percent each) (Figure 2.6).

In recent years, Lao PDR has exhibited robust export performance, exceeding $6 billion in 2020 (Table 2.3). It has a fairly diversified export basket: major product categories include minerals (37.3 percent), agricultural products (17.2 percent), metals (8.6 percent), chemicals (8.3 percent), electronic appliances (7.4 percent), wood and wooden products (6.4 percent), precious stones (5.3 percent), and clothing (3.7 percent). Electrical energy (HS 271600) accounted for 22.8 percent of exports in 2019 (Figure 2.5). Items in the top 20 HS 6-digit codes comprise around three-quarters of export earnings. Thailand is the single largest export destination, accounting for more than 40 percent of Lao exports, followed by China (21 percent), and the European Union (3.7 percent) (Figure 2.6).

Island LDCs are prone to excessive export volatility, which can be a major problem for macroeconomic management. Their small export bases mean changes in export volumes can be quite drastic (Figure 2.3). The combined export volume of the four Pacific Island AP LDCs was close to $650 million in 2020. Of this, Kiribati contributed only $9.3 million (Table 2.3). Its export trends show high volatility. It is dependent on agricultural items for more than 90 percent of its exports (Figure 2.4). Frozen yellowfin tuna (HS 030342) is the largest export item at the HS 6-digit level, followed by crude coconut oil (HS 151311), and light oils and preparations (HS 271012). Items in the top five 6-digit HS codes account more than 95 percent of Kiribati's exports (Figure 2.5). Thailand is the largest export destination, capturing more than 70 percent of exports, followed by the Philippines (12 percent), Japan (4.6 percent), Republic of Korea (3.3 percent), and the United States (1.2 percent) (Figure 2.6).

In 2019, the Solomon Islands exported $366 million worth of goods (Table 2.3), which were concentrated in wood and wood products (70 percent of export receipts) followed by agricultural items (22.5 percent), and minerals (6.6 percent) (Figure 2.4). Tropical wood (HS 440349) is the single largest export product at the HS 6-digit level, accounting more than 40 percent of exports. Other export items include wood in the rough (HS 440399) for 23.7 percent, prepared or preserved tuna (HS 160414) for 9.2 percent, and aluminium ores and concentrates (HS 260600) for 8.5 percent (Figure 2.5). China is the largest export destination, receiving almost two-thirds of the Solomon Islands' exports (Figure 2.6), followed by the European Union (14 percent), India (3.7 percent), Thailand (3 percent), and the Republic of Korea (2 percent).

Figure 2.5: Asia-Pacific LDC top 20 products' export shares at the HS 6-digit level, 2019



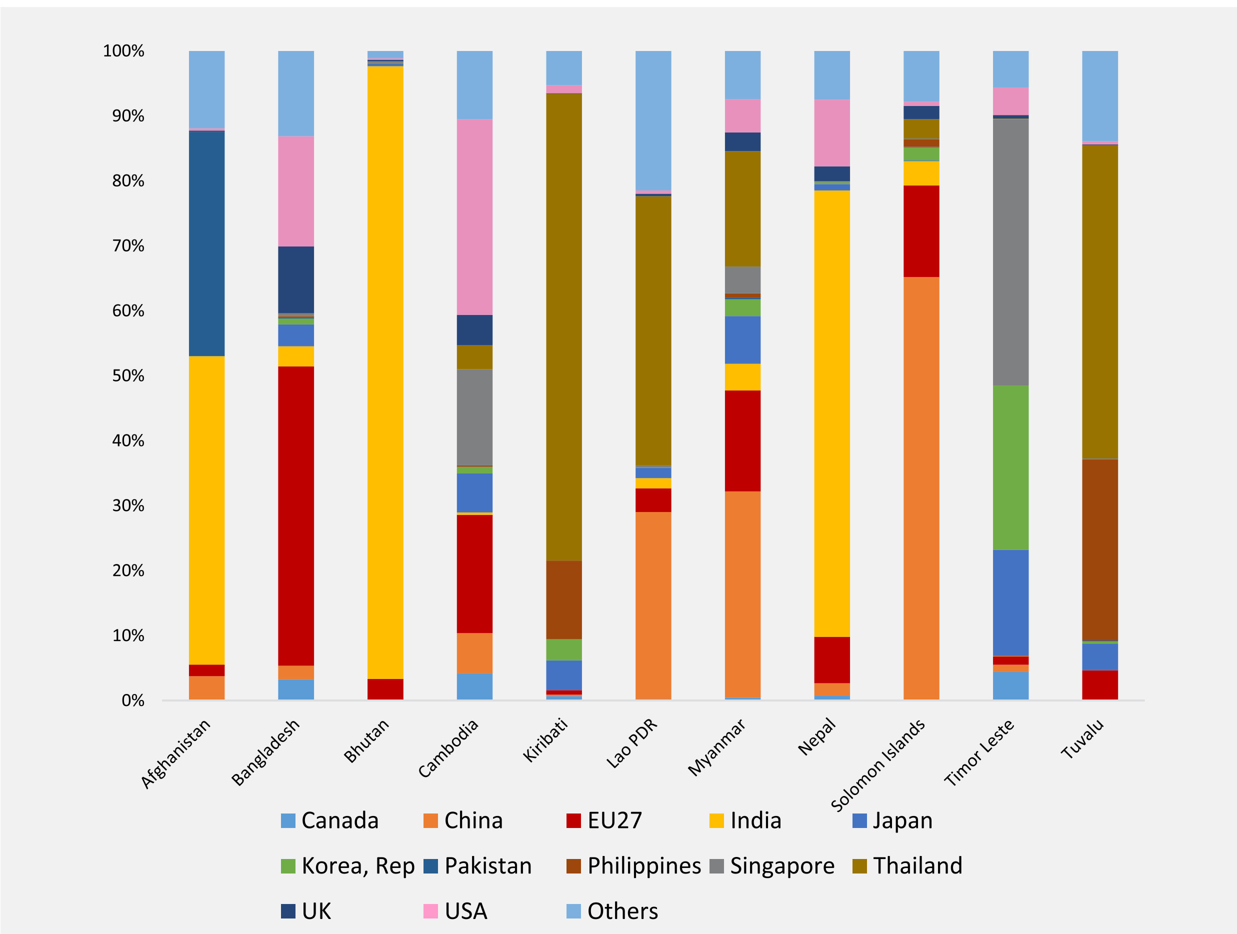
Source: ITC Trademap, n.d.a

Timor-Leste's export volume in 2020 was $263.6 million (Table 2.3). It exports mainly commodities, including minerals (72.8 percent) and agricultural products (21.8 percent). At the HS 6-digit level, its top five products account for more than 90 percent of exports. Major export destinations are Singapore (41 percent), Republic of Korea (25.3 percent), Japan (16.4 percent), Canada (4.4 percent), and the United States (4.2 percent). The smallest economy of the AP island LDCs, Tuvalu, had an export volume of $48,000 in 2020. The country is primarily dependent on its fisheries, with major export items of frozen skipjack or stripe-bellied bonito (HS 030343) and frozen yellowfin tuna (HS 030342). Thailand is Tuvalu's largest export destination, receiving almost half of Tuvalu's exports, followed by the Philippines (27.8 percent), the European Union (4.6 percent), and Japan (4.1 percent).

Because of LDCs' structural, geographic, and economic constraints, their exports are likely less complex or less knowledge intensive than goods exported by more advanced countries. The Economic Complexity Index (ECI) of the Observatory of Economic Complexity (OEC) includes information for Bangladesh, Cambodia, Lao PDR, and Myanmar and ranks them among the lowest of all economies, and much lower than Viet Nam, India, and China,[6] despite the four countries' apparel manufacturing capacity. The other AP LDCs would likely rank even lower if they were included in the ECI.

The AP LDCs' lack of productive capacity and minimal product diversification are also revealed through 'product space analysis' (Hidalgo, et. al., 2007), which depicts the locations of individual AP LDC's export items relative to all possible export products.

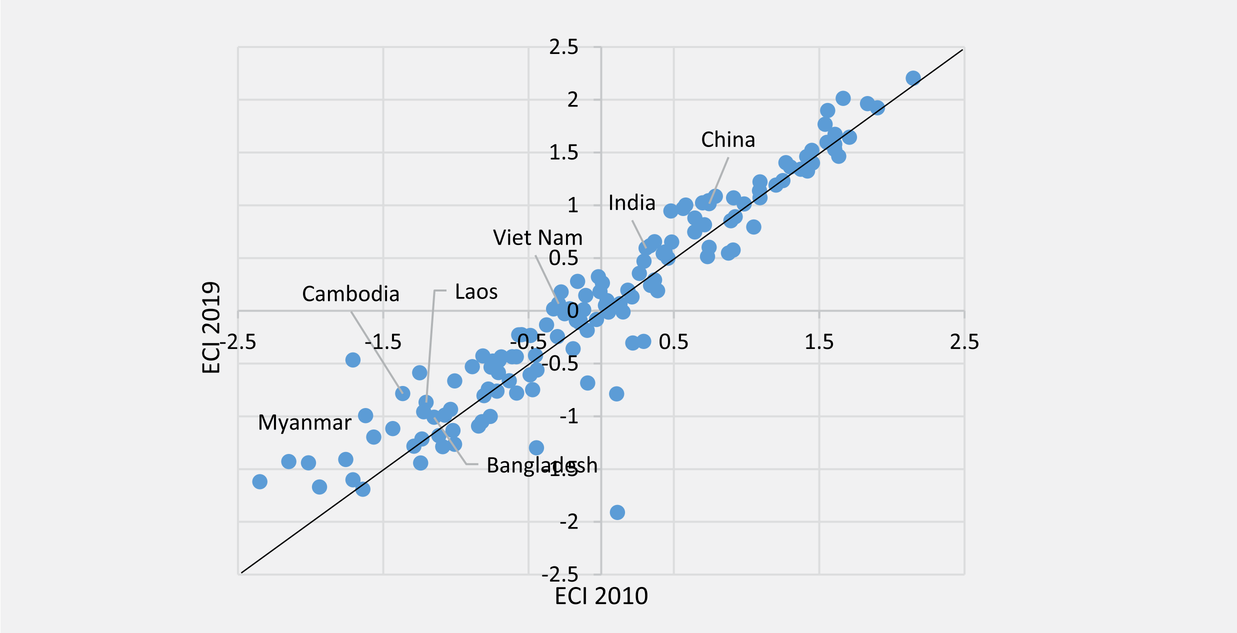
Figure 2.6: Primary export destinations for Asia-Pacific LDC merchandise and commodities



Source: ITC Trademap, n.d.a

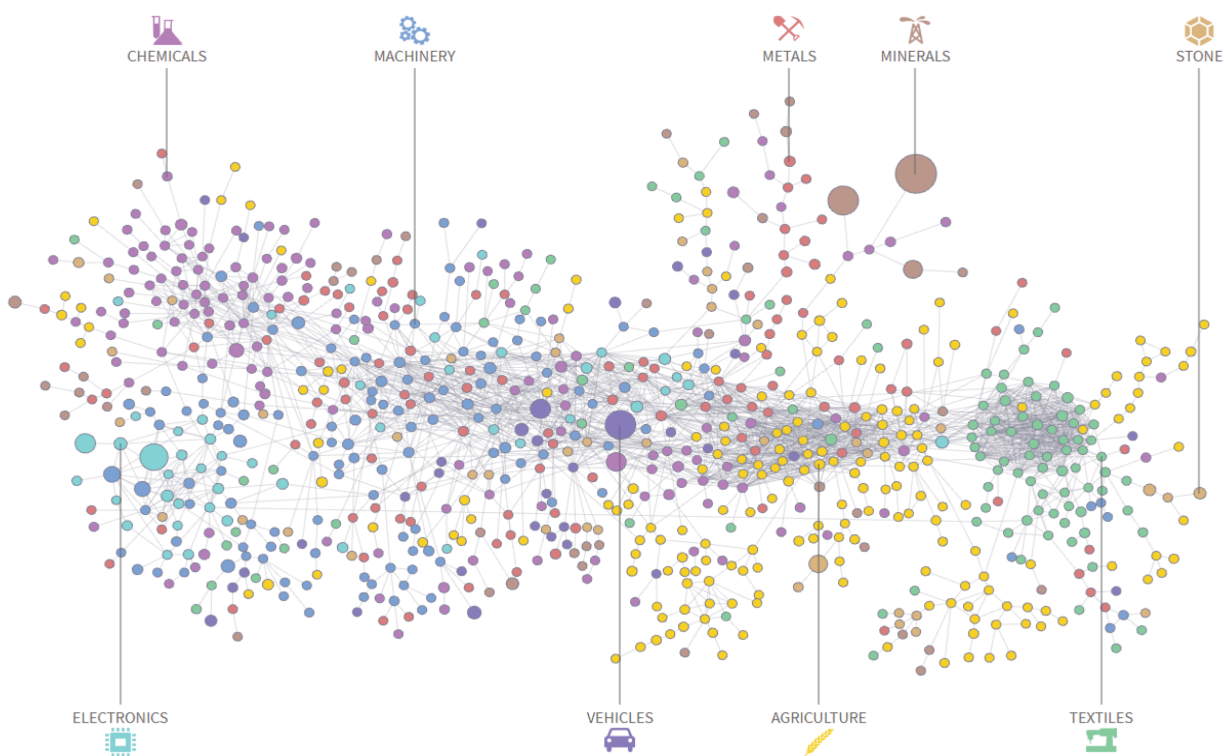
6 The ECI measures and ranks an economy's capacity as inferred from data that connects locations to activities present in them. The ECI is based on several macroeconomic outcomes, including countries' levels of income, economic growth, income inequality, and greenhouse gas emissions, and draws on trade, employment, stock market, and patent data, amongst others (OEC, n.d.b).

Figure 2.7: Economic Complexity Index rankings for Bangladesh, Cambodia, Lao PDR and Myanmar versus China, India and Viet Nam, 2010 and 2019



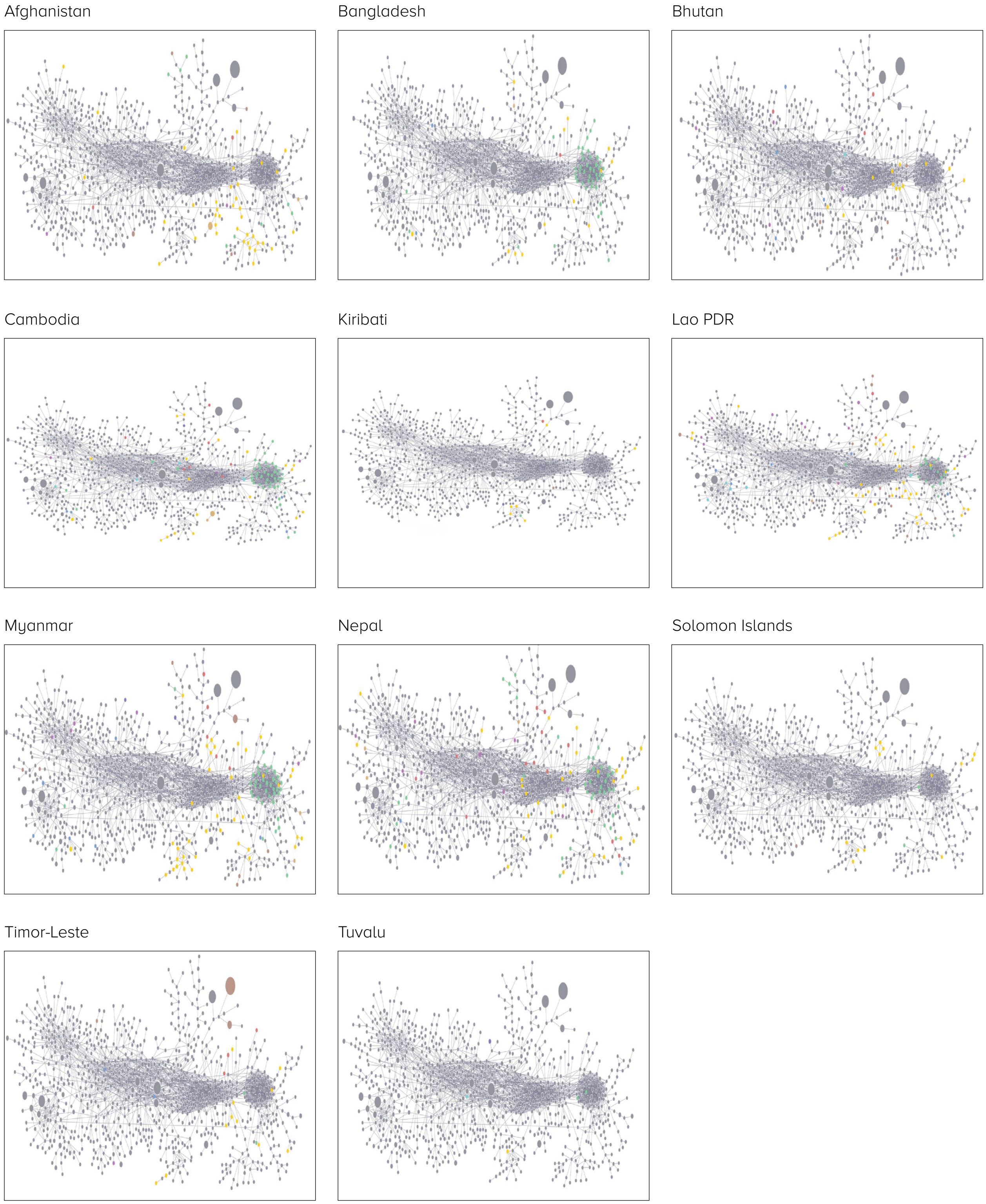
Source: OEC, n.d.a.

Figure 2.8: Global product spaces and locations of major product categories



Source: The Growth Lab at Harvard University, 2019

Figure 2.9: Maps of Asia-Pacific LDC product spaces



Note: The coloured dots represent the items that a country exports. Coloured dots towards the centre imply that the country has potential for venturing into the production of new products with similar capability requirements and thus diversifying its export product mix. Export products on the periphery tend to imply fewer opportunities for export diversification. In each square, the large round cluster on the right represents textile and apparel items. The two large ovals in the upper right periphery represent mineral products and the large oval at the centre of the chart represents vehicles.

Source: The Growth Lab at Harvard University, 2019.

A product space analysis assesses prospects for export expansion and diversification. In simple terms, the product space depicts a map of all export items (known as an economic complexity atlas) to indicate how individual products are linked to one another. Towards the centre of the product space, product linkages are dense (Figure 2.8). If a country's products lie at or close to the centre, the analysis implies that it is easier to expand exports through related products. Conversely, when products are located on the peripheries of a product space – for example, minerals as shown in Figure 2.8 — counties exporting these items will find it very difficult to move into other sectors. Therefore, the location of a country's products can depict its potential for diversification. Many primary exports are located on the periphery. Figure 2.9 shows that AP LDCs produce only limited export items, which concentrate far from the centre. A close look at Figure 2.8 reveals that Bangladesh, Cambodia, Lao PDR, and Myanmar have a noticeable presence in the textiles cluster of the product space. Afghanistan, Lao PDR, Myanmar, and Nepal also have various product clusters, albeit somewhat far away from the centre of the space. In all other AP LDCs, individual export products and diversification opportunities appear limited.[7]

2.4 SERVICES EXPORTS

The global LDC share of services exports nearly doubled between 2005 and 2019, increasing from 0.45 percent to 0.8 percent. During the same period, the share of AP LDC services exports nearly tripled, rising from 0.13 percent to 0.37 percent when their overall services export volumes registered a more than five-fold increase, rising from $3.6 billion to $22.9 billion (Table 2.4). Myanmar is the largest services exporter among the AP LDCs, exporting $6.7 billion worth in 2019, followed by Bangladesh ($6.2 billion), Cambodia ($6.1 billion), and Nepal ($1.6 billion). Myanmar expanded its services exports at an annual average rate of 30 percent during 2005-2019, which makes up 13.6 percent of all services exports from LDCs. Travel services comprise more than one-third of its services exports. During the same period, services exports from Bangladesh, Bhutan, Cambodia, Lao PDR, Nepal, Timor-Leste, and Tuvalu saw more than 10 percent average annual growth.

However, the COVID-19 pandemic hit the services exports hard. All AP LDCs, except Afghanistan and Bangladesh, experienced an absolute decline in services exports in 2020 due to border closures and lockdown measures. Overall services exports from AP LDCs slumped by 35 percent, exceeding the global average decline of 20 percent (UNCTAD, n.d.a).

Table 2.4: Asia-Pacific LDC services exports performances, 2005-2019

	Services exports (million $)				Country share of services exports of global LDCs services exports, 2019 (%)
	2005	2010	2015	2019	
Afghanistan		2,130.2	839.4	651.9	1.3
Bangladesh	1,496.9	2,445.1	3,233.2	6,213.7	12.7
Bhutan	42.5	68.8	125.4	168.2	0.3
Cambodia	1,118.1	2,028.5	3,954.7	6,086.3	12.4
Kiribati	11.4	12.5	15.7	20.2	0.04
Lao PDR	204.2	511.0	844.1	1,179.2	2.4
Myanmar	280.8	369.2	3,748.6	6,682.5	13.6
Nepal	380.3	670.9	1,430.5	1,621.0	3.3
Solomon Islands	41.4	91.7	105.2	130.4	0.3
Timor-Leste		67.8	73.0	91.5	0.2
Tuvalu	2.3	4.0	6.6	9.8	0.02
LDCs	12,106.1	24,099.2	37,516.6	48,982.8	100.0
World	2,685,807.6	3,971,178.2	4,999,459.6	6,226,801.9	

Source: UNCTAD, n.d.a

7 The location of products on the periphery is usually associated with a lack of nearby products that require similar capabilities, which implies a limited scope of and inherent difficulties for export diversification.

3. LDC GRADUATION AND ITS IMPLICATIONS FOR TRADE PREFERENCE

3.1 STATE OF TRADE PREFERENCES FOR GOODS EXPORTS

Almost all developed and some developing countries unilaterally offer preferential market access for LDC merchandise exports under the importer's Generalized System of Preferences (GSP) regime. LDCs enjoy duty-free market access and less stringent rules of origin (RoO) requirements for their export products. Prominent export markets with LDC-specific trade preference schemes include Australia, Canada, China, the European Union, Japan, India, the Republic of Korea, Turkey, the United Kingdom, and the United States, among others. These LDC trade preference schemes supersede the World Trade Organization (WTO) most-favoured-nation (MFN) principle, which gives equal access to all WTO members' markets and guarantees equal – not lower or higher – tariffs for all other member-countries (WTO, 2022). LDCs also benefit from tariff liberalization when they are signatories to bilateral or regional trade agreements.

USE OF LDC-SPECIFIC TRADE PREFERENCES

However, LDCs do not uniformly or automatically benefit from trade preferences that are exclusively extended to LDCs. Low use of preferences stems from weak supply-side capacity, limited product diversification, and high trading costs, among other important determinants. Some countries cannot utilize preferences because of their inability to meet minimum RoO requirements, which results from inadequate backward and forward linkages. Graduation to developing country status will therefore have no effect on a country's current exports if it did not use LDC-specific preferences prior to graduation.[8]

A LDC export product enters an importing market under one of the following conditions:

(i) The product obtains an LDC-specific trade preference for duty-free market access to a preference-granting country.
(ii) The product enjoys preferential treatment under a free trade agreement (FTA) or a preferential trade agreement (PTA), irrespective of the exporting country's LDC status.
(iii) The product is not eligible for trade preference because the LDC exporter fails to comply with RoO requirements and therefore must pay the MFN tariff rate.
(iv) The product is not covered by either an LDC-specific or other preferential arrangement; thus, no trade preference is available and the LDC exporter must pay the MFN tariff rate.
(v) The product does not attract any duties on an MFN basis (i.e., the product has an MFN zero-duty rate); therefore, the LDC exporter cannot receive trade preference.

Figure 3.1 provides the breakdown of graduating AP LDC export products by country and by duty type based on the imports of 12 major preference-granting WTO members (WTO, 2020) and Tables A1-A11 provide the export composition of each AP LDC (including non-graduate Afghanistan) by major product categories and destination markets. Apart from Bangladesh, graduating AP LDCs have limited dependence on LDC-specific preferential treatments. About 70 percent of Bangladesh's export products use LDC-specific preferences. Another 20 percent attract positive MFN tariffs, mostly attributed to exports bound for the United States. The second largest LDC-specific preference-dependent country is Myanmar: one-quarter of its exports make use of LDC preferences. For Bhutan, Nepal and the Solomon Islands, such dependence is 10-20 percent; for Lao PDR 5-10 percent; and slightly less than 5 percent for Kiribati, Timor-Leste, and Tuvalu. More than 85 percent of Kiribati and Timor-Leste exports enter importing countries under an MFN zero-duty rate, and thus have no scope for tariff preference. The corresponding figures for Lao PDR and Myanmar are in the range of 40-50 percent, and 20-30 percent for Nepal and Tuvalu. Bhutan and Nepal have bilateral trade agreements with India, their main trading partner.[9] As much as 85 percent of Bhutan's and 58 percent of Nepal's merchandise exports go to India and receive trade preference ('other preference') through the bilateral agreements without reference to their LDC status. The Solomon Islands does not have a preferential LDC scheme with China, its most important export market, and all their exports with China are subject to MFN tariffs.

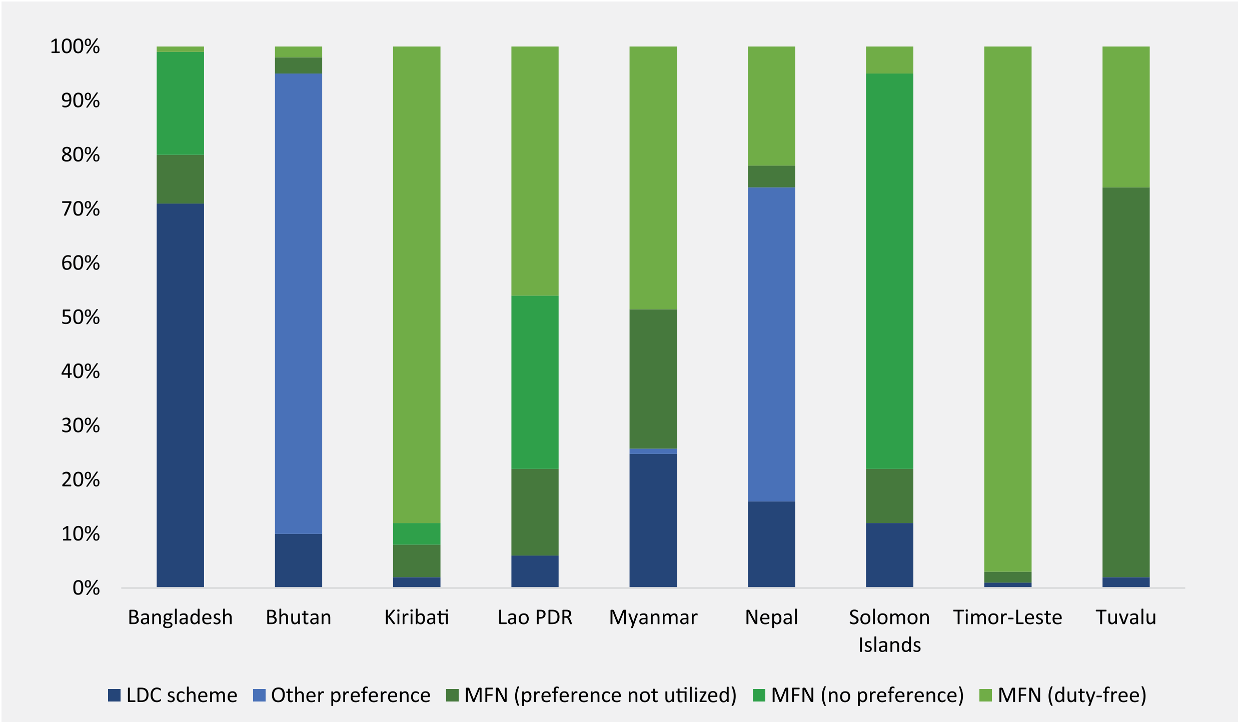
PREFERENCE UTILIZATION

Some importing countries report the so-called 'preference utilization rate' for LDCs and other

[8] However, graduation implies forgoing future export trade preferences. Graduation impact assessments usually analyse how a LDC's current exports would be affected by changes to trade preferences.

[9] Bilateral agreements with India are not included in the WTO database. The author has approximated preference utilization rates for the Indian market.

Figure 3.1: Asia-Pacific LDC export products by country and duty type



Note: 'Other preference' utilization values have been approximated for Bhutan and Nepal.

Source: Author's estimates; WTO and EIF, 2020.

developing countries. The preference utilization rate is defined as the percentage of GSP-eligible exports that actually realize trade preferences. For example, while nearly 100 percent of Bangladesh's exports to the European Union are GSP-eligible, only 97 percent of goods can make use of duty-free market access; the remaining 3 percent are subject to MFN tariffs because the goods do not fulfil RoO conditions. Therefore, Bangladesh's preference utilization rate in the European Union is 97 percent. In another example, Tuvalu exported €430 million worth of goods to the European Union in 2019. Of this, €290 million had zero MFN duty and the rest (€140 million) was GSP eligible. Within these GSP-eligible exports, Tuvalu had a preference utilization rate of 98 percent. The preference utilization rate calculation does not consider supply-side capacity; for this reason, it should be interpreted with caution. A high utilization rate may not be meaningful when the overall size of GSP-eligible exports is small.

It is important to note that, given their export-product composition, individual countries' GSP-eligible exports will vary. For instance, in the European Union (including the United Kingdom),[10] 90-99 percent of exports from Bangladesh, Cambodia, and Myanmar are GSP-eligible for tariff preference (Table 3.1). This is because these three countries have concentrated exports in clothing and footwear items that attract European Union MFN tariffs. On the other hand, proportionately much higher shares of export products from Afghanistan, Timor-Leste, and Tuvalu have zero MFN duty in the European Union market, and thus no scope for tariff preference. However, preference utilization rates are high for their remaining GSP-eligible exports (Table 3.1).

Table 3.2 shows the preference utilization rates for major export products to the European Union at the HS 6-digit level. As noted above, apparel products constitute the top ten items exported from Bangladesh to the European Union, with a GSP utilization rate more than 97 percent. Similarly, more than 97 percent of Bhutanese exports to the European Union are GSP eligible; different types of ferrosilicon, the most important items, and the preference utilization rate is more than 95 percent. However, the European Union accounts for less than 5 percent of Bhutan's exports and its weak supply-side capacity

[10] Data from 2017-2019, when the United Kingdom was part of the European Union.

Table 3.1: Asia-Pacific LDC GSP utilization rates in the European Union market, 2017-2019 (%)

	GSP-eligible exports (% of total exports)			GSP utilization rate (%)		
	2017	2018	2019	2017	2018	2019
Afghanistan	32.9	46.0	39.7	53.0	57.2	75.9
Bangladesh	98.0	98.0	99.7	97.0	96.8	97.2
Bhutan	99.3	97.1	97.8	98.7	98.0	95.7
Cambodia	98.9	98.7	97.2	95.8	95.6	94.6
Kiribati	70.3	59.7	98.5	66.4	88.6	17.8
Lao PDR	69.1	78.2	85.2	94.5	92.8	89.0
Myanmar	92.0	91.4	94.8	94.0	95.4	95.5
Nepal	88.2	87.1	89.9	91.3	90.6	91.6
Solomon Islands	99.4	99.1	99.8	...	99.7	99.8
Timor-Leste	26.5	30.0	8.8	91.7	94.3	92.6
Tuvalu	28.0	28.4	33.0	98.4	98.1	97.9

Source: European Commission, 2020a.

means that the high preference utilization rate did not have much impact on Bhutan's export performance. While Cambodia's clothing exports to the European Union generally have high preference utilization rates (Table 3.2), it has the least preference utilization rate among its top ten export items: less than 10 percent for semi-milled or wholly milled rice (HS 100630), leaving around 85 percent of preference unutilized. Another 6 percent of this item has zero MFN duty. Nearly 30 percent of export earnings from bicycles (871200) cannot use preferences.

Kiribati's European Union GSP-eligible exports and preference utilization rate greatly fluctuates. For example, it vacillated from a high of 88.6 percent to a low of 17.8 percent over the course of one year (Table 3.1). However, the European Union accounts for less than 1 percent of Kiribati's exports. Besides, the high proportion of duty-free exports implies that graduation will not impose major challenge to Kiribati in the European Union market. For Lao PDR, a significant share of exports to the European Union is duty free. For its GSP-eligible exports, around 90 percent can access duty-free under the Everything but Arms (EBA) scheme, which removes tariffs and quotas for all imports of goods (except arms and ammunition) coming into the European Union from LDCs. Among major Lao export items at the 6-digit level, more than 10 percent of preference for footwear with rubber (640391) and men's or boys' cotton shirts (620520) remains unutilized.

About 5-8 percent of Myanmar's exports to the European Union have zero MFN duty, and the rest are eligible for LDC preference under the EBA. In 2020, the overall preference utilization rate for Myanmar in this market was 95.5 percent. Major export items at the 6-digit level, mostly clothing and broken and semi-milled rice, exhibited high utilization rates. In 2020, Nepal and the Solomon Islands had European Union GSP utilization rates of 91.6 percent and 99.8 percent, respectively (Table 3.1). Nepal mainly exports carpets and clothing to this market. The Solomon Islands exports preserved tuna and crude palm oil; its disaggregated export data by duty type also show high LDC preference utilization rates (Table 3.2). Timor-Leste and Tuvalu have low export volumes with high instability. Less than one-third of their exports to the European Union market are GSP-eligible (Table 3.1), with the rest having zero MFN duty. Among eligible exports, both countries have high preference utilization rates of more than 90 percent.

Canada applies the MFN zero-duty rate to more than 70 percent of imports from Afghanistan, Kiribati, Lao PDR, and the Solomon Islands, which implies that LDC graduation will have a negligible implication on these countries' exports. Around two-thirds of exports from Afghanistan are shipped to Canada under the MFN zero-duty rate. On the other hand, Bangladesh and Cambodia export less than 10 percent of goods to Canada at the MFN zero-duty rate. Instead, they have preference utilization rates of around 90 percent, mostly due to their concentration in clothing and footwear exports. Overall, their major exports to Canada have preference utilization rates in the range of 70-99 percent (Table 3.3). More than 70 percent of GSP-eligible exports from Lao PDR, Myanmar, and Nepal to Canada enjoy LDC tariff preferences, but it is not a major market for those countries, accounting for less than one percent of total

Table 3.2: Top HS 6-digit level Asia-Pacific LDC export products to the European Union by duty type, 2020 (%)

	HS code	Product description	LDC scheme	Other preference	MFN (preference not utilized)	MFN (duty-free)
Afghanistan	080620	Dried grapes	74.9	0	25.1	0
	080290	Other nuts, fresh or dried, nes	98	0	2	0
	570110	Carpets and other textile floor coverings, of wool..., knotted	70.4	0	29.6	0
	080212	Almonds without shells, fresh or dried	46.1	0	18.6	35.3
	630790	Made up articles (incl. dress patterns), nes	0	0	100	0
	80252	Nuts, edible; pistachios, fresh or dried, shelled	63.7	0	36.3	0
	81310	Dried apricots	91.5	0	8.5	0
	81340	Other dried fruit, nes	87.3	0	12.3	0.38
	Other	Other	6	0	11.8	82.2
Bangladesh	610910	T-shirts, singlets and other vests, of cotton, knitted or crocheted	96.9	0	3.1	0
	620342	Men's or boys' trousers, breeches, etc, of cotton	97.2	0	2.8	0
	611020	Jerseys, pullovers, etc, of cotton, knitted or crocheted	97.8	0	2.2	0
	620462	Women's or girls' trousers, breeches, etc, of cotton	97.4	0	2.6	0
	611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	97.9	0	2.1	0
	610462	Women's or girls' trousers, etc, of cotton, knitted or crocheted	96.9	0	3.1	0
	620520	Men's or boys' shirts of cotton	97.4	0	2.6	0
	610510	Men's or boys' shirts of cotton, knitted or crocheted	98	0	2	0
	611120	Babies' garments, etc, of cotton, knitted or crocheted	97.6	0	2.4	0
	610990	T-shirts, singlets, etc, of other textiles, nes, knitted or crocheted	97	0	3	0
	Other	Other	94.9	0	3.9	1.20
Bhutan	720221	Ferrosilicon, containing by weight more than 55% of silicon	100	0	0	0
	720229	Ferrosilicon, nes	99.8	0	0.17	0
	720299	Ferroalloys, nes	67.2	0	0.11	32.6
	Other	Other	2.5	0	15.8	81.6
Cambodia	871200	Bicycles and other cycles (including delivery tricycles), not motorised	71.1	0	28.9	0
	611020	Jerseys, pullovers, etc, of cotton, knitted or crocheted	94.5	0	5.5	0
	611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	96.7	0	3.3	0
	620462	Women's or girls' trousers, breeches, etc, of cotton	98	0	2	0
	640419	Sports footwear, with rubber or plastic soles and textile uppers	94.9	0	5.1	0
	610990	T-shirts, singlets, etc, of other textiles, nes, knitted or crocheted	84.5	0	15.5	0
	610463	Women's or girls' trousers, etc, of synthetic, knitted or crocheted	95	0	5	0
	610462	Women's or girls' trousers, etc, of cotton, knitted or crocheted	94.1	0	5.9	0
	640399	Footwear with rubber... soles, leather uppers, not covering the ankle	85.1	0	14.9	0
	100630	Semi-milled or wholly milled rice	7.5	0	85.9	6.6
	Other	Other	87.5	0	11	1.5
Kiribati	151311	Crude coconut (copra) oil and fractions	100	0	0	0
	900211	Objective lenses for cameras, projectors or photographic enlargers/reducers	0	0	100	0
	853950	Lamps; light-emitting diode (LED) lamps	0	0	100	0
	30119	Fish; live, ornamental, other than freshwater	0	0	100	0
	840999	Parts for diesel and semi-diesel engines	0	0	100	0
	392620	Articles of apparel and clothing accessories of plastics	0	0	100	0
	610990	T-shirts, singlets, etc, of other textiles, nes, knitted or crocheted	0	0	100	0
	392330	Carboys, bottles, flasks and similar articles of plastics	0	0	100	0
	610899	Women's or girls' dressing gowns of other textiles, knitted or crocheted	0	0	100	0
	442199	Wood; not of bamboo, articles n.e.c. in heading no. 4414 to 4420 (excluding clothes hangers)	0	0	0	100
	Other	Other	0	0	0	100

Table 3.2: Top HS 6-digit level Asia-Pacific LDC export products to the European Union by duty type, 2020 (%), cont.

	HS code	Product description	LDC scheme	Other preference	MFN (preference not utilized)	MFN (duty-free)
Lao People's Democratic Republic	620343	Men's or boys' trousers, breeches of synthetic fibres	99.1	0	0.9	0
Lao People's Democratic Republic	170114	Sugars; cane sugar, raw, in solid form, other than as specified in Subheading Note 2 to this chapter, not containing added flavouring or colouring matter	100	0	0	0
Lao People's Democratic Republic	640391	Footwear with rubber... soles and leather uppers, covering the ankle	88.4	0	11.6	0
Lao People's Democratic Republic	170199	Cane or beet sugar, in solid form, nes	99.7	0	0.3	0
Lao People's Democratic Republic	620520	Men's or boys' shirts of cotton	86.3	0	13.7	0
Lao People's Democratic Republic	610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	99.9	0	0.1	0
Lao People's Democratic Republic	620333	Men's or boys' jackets and blazers of synthetic fibres	98.1	0	1.9	0
Lao People's Democratic Republic	100630	Semi-milled or wholly milled rice	99.4	0	0.6	0
Lao People's Democratic Republic	611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	96.9	0	3.1	0
Lao People's Democratic Republic	620342	Men's or boys' trousers, breeches, etc, of cotton	98.5	0	1.5	0
Lao People's Democratic Republic	Other	Other	56	0	7.5	36.4
Myanmar	620293	Woman's or girls' anoraks, wind-cheaters, etc, of man-made fibres	98	0	2	0
Myanmar	620193	Men's or boys' anoraks, wind-cheaters, etc, of man-made fibres	98	0	2	0
Myanmar	611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	95.6	0	4.4	0
Myanmar	620213	Woman's or girls' overcoats, etc, of man-made fibres	98	0	2	0
Myanmar	100640	Broken rice	99.8	0	0.2	0
Myanmar	621050	Women's or girls' garments made up of fabrics of 59.03, 59.06 or 59.07	97.6	0	2.4	0
Myanmar	611020	Jerseys, pullovers, etc, of cotton, knitted or crocheted	96.2	0	3.8	0
Myanmar	621210	Brassieres	95.9	0	4.1	0
Myanmar	610230	Woman's or girls' coats, etc, of man-made fibres, knitted or crocheted	99.5	0	0.5	0
Myanmar	100630	Semi-milled or wholly milled rice	99.7	0.36	0.3	0
Myanmar	Other	Other	91.4	0	3.1	5.5
Nepal	570110	Carpets and other textile floor coverings, of wool..., knotted	90.9	0	9.1	0
Nepal	621420	Shawls, scarves, mufflers, mantillas, veils, etc, of wool...	94.6	0	5.4	0
Nepal	611012	Of Kashmir (cashmere) goats	96.1	0	3.9	0
Nepal	570190	Carpets and other textile floor coverings, of other textiles, knotted	83.5	0	16.5	0
Nepal	611710	Shawls, scarves, mufflers, mantillas, veils, etc, knitted or crocheted	94.1	0	5.9	0
Nepal	611011	Of wool	98.2	0	1.8	0
Nepal	630120	Blankets (excl. electric blankets) and travelling rugs, of wool...	95.4	0	4.6	0
Nepal	560290	Felt, nes	90.5	0	9.5	0
Nepal	650500	Hats and other headgear; knitted or crocheted, or made up from lace, felt or other textile fabric, in the piece (but not in strips), whether or not lined or trimmed; hair-nets of any material	97.4	0	2.6	0
Nepal	620442	Dresses of cotton	99	0	1	0
Nepal	Other	Other	63.1	0	8.5	28.4

Table 3.2: Top HS 6-digit level Asia-Pacific LDC export products to the European Union by duty type, 2020 (%), cont.

	HS code	Product description	LDC scheme	Other preference	MFN (preference not utilized)	MFN (duty-free)
Solomon Islands	160414	Prepared or preserved tuna, skipjack and Atlantic bonito	100	4.63	0	0
	151110	Crude palm oil	95.3	0	0	4.7
	151321	Crude palm kernel or babassu oil and fractions	100	0	0	0
	151190	Palm oil (excl. crude) and liquid fractions	100	0	0	0
	160420	Other prepared or preserved fish, nes	100	0	0	0
	902580	Hydrometers and similar floating instruments, barometers, hygrometers and psychrometers	0	0	100	0
	151311	Crude coconut (copra) oil and fractions	100	0	0	0
	30342	Frozen yellowfin tunas (excl. livers and roes)	100	0	0	0
	841191	Parts of turbo-jets or turbo-propellers	0	0	100	0
	820590	Sets of articles of two or more of the foregoing subheadings	0	0	100	0
	Other	Other	0	0	19.8	80.2
Tuvalu	854370	- Other machines and apparatus	0	0	100	0
	732010	Springs, leaf and leaves thereof, iron or steel	0	0	100	0
	902511	Thermometers and pyrometers, not combined with other instruments, liquid-filled, for direct reading	0	0	100	0
	840991	Parts for spark-ignition type engines (excl. aircraft engines)	0	0	100	0
	848071	Moulds, injection or compression types, for rubber or plastics	0	0	100	0
	732690	Articles of iron or steel, nes	0	0	100	0
	960390	Hand-operated mechanical floor sweepers; prepared knot/ tuft for broom	0	0	100	0
	830160	Lock parts, including parts of clasps or frames with clasps, of base metal, nes	0	0	100	0
	910221	Wristwatches with automatic winding nes	0	0	100	0
	960899	Duplicating stylos; pen/pencil holders; parts of pens, markers, pencils, nes	0	0	100	0
	Other	Other	0	0	0	100

Source: UNCTAD, n.d.b.

Table 3.3: Asia-Pacific LDC GSP utilization and share of MFN duty-free in the Canadian market, 2017-2018 (%)

	2017		2018	
	GSP Utilization	Share of MFN duty-free exports	GSP Utilization	Share of MFN duty-free exports
Afghanistan	23.3	81.3	20.8	72.6
Bangladesh	89.2	3.8	90.0	3.5
Bhutan		99.0		53.3
Cambodia	90.3	3.5	89.4	3.1
Kiribati		97.4		97.7
Lao PDR	80.8	72.0	81.4	85.2
Myanmar	79.7	12.8	72.1	9.1
Nepal	74.1	15.7	73.7	15.6
Solomon Islands		29.5		70.2

Source: UNCTAD, n.d.b.

Table 3.4: Top HS 6-digit level Asia-Pacific LDC exports to Canada by duty type and preference utilization rate (%)

	HS code	Product description	LDC scheme	MFN (no preference)	MFN (duty-free)	GSP utilization rate
Afghanistan	570110	Carpets and other textile floor coverings, of wool, knitted	22.1	0	0	22.11%
	830140	Locks of base metal, nes	0.0	0	0	0.00%
	830110	Padlocks of base metal	0.0	0	0	0.00%
	570210	Kelem, Schumacks, Karamanie and other similar hand-woven rugs	0.0	0	0	0.00%
	570241	Pile floor coverings of wool..., woven, made up	0.0	0	0	0.00%
	761510	Aluminium; table, kitchen or other household articles and parts thereof; pot scourers and scouring or polishing pads, gloves and the like	96.3	0	0	96.30%
	200819	Nuts and seeds including mixtures, preserved	95.0	0	5	100.00%
	620343	Men's or boys' trousers, breeches of synthetic fibres	0.0	0	0	0.00%
	621210	Brassieres	0.0	0	0	0.00%
	630120	Blankets (excl. electric blankets) and travelling rugs, of wool...	100.0	0	0	100.00%
	Other	Other	1.5	0	93.4	22.34%
Bangladesh	620342	Men's or boys' trousers, breeches, etc, of cotton	91.1	0	0	91.09%
	620462	Women's or girls' trousers, breeches, etc, of cotton	91.9	0	0	91.90%
	610910	T-shirts, singlets and other vests, of cotton, knitted or crocheted	93.8	0	0	93.83%
	611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	94.2	0	0	94.15%
	611020	Jerseys, pullovers, etc, of cotton, knitted or crocheted	94.2	0	0	94.21%
	620520	Men's or boys' shirts of cotton	91.2	0	0	91.23%
	630260	Toilet linen and kitchen linen, of terry fabrics, of cotton	97.0	0	0	96.99%
	620343	Men's or boys' trousers, breeches of synthetic fibres	84.6	0	0	84.56%
	620193	Men's or boys' anoraks, wind-cheaters, etc, of man-made fibres	71.2	0	0	71.24%
	640391	Footwear with rubber... soles and leather uppers, covering the ankle	92.9	0	0	92.92%
	Other	Other	81.0	0	7.7	87.83%
Bhutan	903289	Automatic regulating or controlling instruments and apparatus, nes	0.0	0	100	0.00%
	680223	Monumental/building stone, cut/sawn flat or even, granite	0.0	0	0	0.00%
	320890	Paints and varnishes, in a non-aqueous medium, nes	0.0	0	0	0.00%
	490700	New stamps; stamp-impressed paper; cheque forms; banknotes, etc	0.0	0	100	0.00%
	848210	Bearings, ball	0.0	0	100	0.00%
	850440	Static converters, nes	0.0	0	100	0.00%
	851830	Headphones, earphones and combined microphone/speaker sets	0.0	0	100	0.00%
	854442	*-- Fitted with connectors	0.0	0	100	0.00%
	900311	Frames and mountings for spectacles, goggles or the like, of plastic	0.0	0	100	0.00%
	900319	Frames and mountings for spectacles, goggles or the like, of other materials	0.0	0	100	0.00%
	Other	Other	0.0	0	100	0.00%
Cambodia	611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	94.5	0	0	94.50%
	611020	Jerseys, pullovers, etc, of cotton, knitted or crocheted	95.3	0	0	95.31%
	610910	T-shirts, singlets and other vests, of cotton, knitted or crocheted	96.0	0	0	96.00%
	610462	Women's or girls' trousers, etc, of cotton, knitted or crocheted	96.1	0	0	96.12%
	620462	Women's or girls' trousers, breeches, etc, of cotton	95.9	0	0	95.85%
	610463	Women's or girls' trousers, etc, of synthetic, knitted or crocheted	65.2	0	0	65.20%
	610832	Women's or girls' pyjamas, etc, of man-made fibres, knitted or crocheted	98.2	0	0	98.23%
	640391	Footwear with rubber... soles and leather uppers, covering the ankle	83.0	0	0	83.01%
	610990	T-shirts, singlets, etc, of other textiles, nes, knitted or crocheted	75.6	0	0	75.58%
	640340	Footwear, with a metal toecap, leather uppers	98.9	0	0	98.86%
	Other	Other	82.7	0	5.6	87.56%

Table 3.4: Top HS 6-digit level Asia-Pacific LDC exports to Canada by duty type and preference utilization rate (%), cont.

	HS code	Product description	LDC scheme	MFN (no preference)	MFN (duty-free)	GSP utilization rate
Kiribati	841191	Parts of turbojets or turbo-propellers	0.0	0	100	0.00%
	841199	Parts of gas turbines, nes	0.0	0	100	0.00%
	842290	Parts of dish washing, cleaning or drying containers, packing or wrapping machinery	0.0	0	100	0.00%
	842123	Oil or petrol-filters for internal combustion engines	0.0	0	100	0.00%
	750890	Articles of nickel, nes	0.0	0	0	0.00%
	841950	Heat exchange units, non-domestic, non-electric	0.0	0	100	0.00%
	841360	Rotary positive displacement pumps, nes	0.0	0	100	0.00%
	732690	Articles of iron or steel, nes	0.0	0	0	0.00%
	831000	Sign-plates, nameplates, address-plates and similar plates, numbers, letters and other symbols, of base metal, excluding those of heading No. 94.05.	0.0	0	0	0.00%
	841480	Air or gas compressors, hoods	0.0	0	100	0.00%
	Other	Other	0.0	0	100	0.00%
Lao PDR	610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	100.0	0	0	99.97%
	620520	Men's or boys' shirts of cotton	92.2	0	0	92.24%
	620343	Men's or boys' trousers, breeches of synthetic fibres	52.2	0	0	52.21%
	621210	Brassieres	74.4	0	0	74.36%
	620630	Women's or girls' blouses, shirts, etc, of cotton	100.0	0	0	100.00%
	640391	Footwear with rubber... soles and leather uppers, covering the ankle	7.8	0	0	7.81%
	711319	Art. of jewellery and pts thereof of/o prec mtl w/n plated/clad w prec mtl	0.0	0	0	0.00%
	640399	Footwear with rubber... soles, leather uppers, not covering the ankle	85.2	0	0	85.24%
	851769	Apparatus for the transmission or reception of voice	0.0	0	73.7	0.00%
	611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	92.9	0	0	92.93%
	Other	Other	0.5	0	99.0	51.81%
Myanmar	620520	Men's or boys' shirts of cotton	99.4	0	0	99.43%
	620293	Woman's or girls' anoraks, wind-cheaters, etc, of man-made fibres	71.0	0	0	70.98%
	620193	Men's or boys' anoraks, wind-cheaters, etc, of man-made fibres	66.6	0	0	66.56%
	630720	Life-jackets and life-belts	96.2	0	0	96.24%
	392690	Other articles of plastics, nes	98.9	0	0	98.94%
	621210	Brassieres	94.8	0	0	94.85%
	621040	Men's or boys' garments made up of fabrics of 59.03, 59.06 or 59.07	44.9	0	1.0	45.38%
	420222	Handbags with outer surface of plastic sheeting or textile materials	8.7	0	0	8.70%
	392321	Sacks and bags (incl. cones) of polymers of ethylene	78.1	0	0	78.07%
	621050	Women's or girls' garments made up of fabrics of 59.03, 59.06 or 59.07	39.5	0	0	39.47%
	Other	Other	52.8	0	19.9	65.86%
Nepal	570110	Carpets and other textile floor coverings, of wool..., knotted	68.5	0	0	68.47%
	570190	Carpets and other textile floor coverings, of other textiles, knotted	46.8	0	0	46.79%
	230910	Dog or cat food, put up for retail sale	85.2	0	0	85.19%
	630790	Made up articles (incl. dress patterns), nes	61.6	0	0	61.63%
	621142	Women's or girls' garments of cotton, nes	99.1	0	0	99.15%
	620520	Men's or boys' shirts of cotton	87.4	0	0	87.36%
	621420	Shawls, scarves, mufflers, mantillas, veils, etc, of wool...	51.3	0	0.4	51.49%
	650500	Hats and other headgear; knitted or crocheted, or made up from lace, felt or other textile fabric, in the piece (but not in strips), whether or not lined or trimmed; hair-nets of any material, whether	81.3	0	13.1	93.58%
	611011	Of wool	96.6	0	0	96.62%
	621600	Gloves, mittens and mitts	100.0	0	0	100.00%
	Other	Other	47.8	0	37.2	76.20%

Table 3.4: Top HS 6-digit level Asia-Pacific LDC exports to Canada by duty type and preference utilization rate (%), cont.

	HS code	Product description	LDC scheme	MFN (no preference)	MFN (duty-free)	GSP utilization rate
Solomon Islands	843149	Parts of cranes, work-trucks, shovels, and other construction machinery	0.0	0	100	0.00%
	151311	Crude coconut (copra) oil and fractions	0.0	0	0	0.00%
	711890	Coin nes	0.0	0	100	0.00%
	842542	Hydraulic jacks and hoists of a kind used for raising vehicles, nes	0.0	0	100	0.00%
	843110	Parts of machinery of heading No 84.25	0.0	0	100	0.00%
	902300	Instruments, apparatus and models, designed for demonstrational purposes	0.0	0	100	0.00%
	442110	Clothes hangers of wood	0.0	0	0	0.00%
	382200	Composite diagnostic or laboratory reagents, nes	0.0	0	100	0.00%
	930400	Arms nes, excluding those of heading No 93.07	0.0	0	0	0.00%
	903040	Instruments and apparatus, specially designed for telecommunications nes	0.0	0	100	0.00%

Source: UNCTAD, n.d.b.

merchandise exports. Bhutan and Kiribati send a lower share of their exports to Canada, goods with a higher portion of zero MFN duties, so graduation may not change their export preference terms (Table 3.4).[11]

AP LDCs do not rely heavily on LDC tariff abatement schemes for exports to the United States, because of the high proportion of exports traded at MFN zero-duty rates (Table 3.5) or MFN tariff bases. More than 70 percent exports from Afghanistan, Bhutan and Kiribati ship to the United States under MFN zero-duty rates. The share of such exports is volatile for Afghanistan, due to its low export base and export instability. Its low preference utilization is evident from its ten major export items (Table 3.6). Bhutan can use 100 percent preference for ferro-alloys (HS 720299) and 74 percent for other food preparations (HS 210690), two of its most important export products. Bangladesh has no preferential access to the United States market since 2013, when GSP preference was suspended over concerns about labour standards. Prior to that, the significance of United States GSP was extremely limited for Bangladesh since textiles and apparel are excluded from the scheme. Similarly, because clothing products are not included in the United States GSP for LDCs, Cambodia, too, ends up paying MFN tariff rates for its textile and clothing exports: only one-third of preferences are being materialised for its GSP-eligible exports. Myanmar also pays the MFN duty for clothing items and thus its share of MFN zero-duty-rate exports is only around 20 percent.

In addition to LDC scheme, Nepal enjoys preferential access for several items under the United States Trade Facilitation and Trade Enforcement Act of 2015 (US-Nepal Trade Preferences Act) (US Government, 2015). In particular, shawls, scarves, mufflers, mantillas, veils,

Table 3.5: Asia-Pacific LDC GSP utilization and share of MFN duty-free in the United States market, 2019-2020 (%)

	2019		2020	
	GSP Utilization	Share of MFN duty-free exports	GSP Utilization	Share of MFN duty-free exports
Afghanistan	16.9	82.7	17.5	59.5
Bhutan	69.5	72.3	69.5	72.3
Cambodia	32.2	6.7	34.8	11.6
Kiribati		90.5		93.4
Myanmar	43.5	22.7	43.9	19.5
Nepal	37.7	63.3	35.4	66.7
Solomon Islands	98.7	37.9	96.7	33.1
Tuvalu		59.8		63.9

Source: UNCTAD, n.d.b.

[11] Information on Timor-Leste and Tuvalu exports to the Canadian market was unavailable in the UNCTAD GSP utilization database.

Table 3.6: Top HS 6-digit level Asia-Pacific LDC exports to the United States by duty type and preference (%)

	HS code	Product description	LDC scheme	Other preference	MFN (duty-free)	GSP utilization rate
Afghanistan	80620	Dried grapes	14.1	0	0	13.99%
	999995	Product beyond standard HS classification – no description available	0.0	0	0	0.00%
	200819	Nuts and seeds including mixtures, preserved	5.1	0	0	5.13%
	81340	Other dried fruit, nes	13.5	0	0	13.47%
	80420	Figs, fresh or dried	44.3	0	0	44.13%
	853620	Automatic circuit breakers for a voltage not exceeding 1,000 volts	0.0	0	0	0.00%
	81310	Dried apricots	39.5	0	0	39.50%
	81320	Dried prunes	55.6	0	0	55.15%
	91099	Other spices, nes	21.1	0	2.2	21.34%
	570110	Carpets and other textile floor coverings, of wool, knitted	0.0	0	96.6	0.00%
	Other	Other	6.9	0	80.8	39.75%
Bhutan	850231	Wind-powered electric generating sets	0.0	0	0	0.00%
	210690	Other food preparations, nes	74.1	0	0	73.81%
	720299	Ferro-alloys, nes	100.0	0	0	100.00%
	999995	Product beyond standard HS classification – no description available	0.0	0	0	0.00%
	841199	Parts of gas turbines, nes	0.0	0	0	0.00%
	340319	Other lubricating preparations, with <70% petroleum oil, nes	0.0	0	0	0.00%
	621410	Shawls, scarves, mufflers, mantillas, veils, etc, of silk or silk waste	0.0	0	0	0.00%
	710399	Precious or semi-precious stones nes further wkd than sawn or rough shod	0.0	0	0	0.00%
	680293	Worked monumental/building stone nes, granite	0.0	0	0	0.00%
	401110	New pneumatic tyres, of rubber of a kind used on motor cars	0.0	0	0	0.00%
	Other	Other	0.0	0	100	0.00%
Cambodia	611020	Jerseys, pullovers, etc, of cotton, knitted or crocheted	0.0	0	0	0.00%
	420292	Cases and containers, nes, with outer surface of plastic or textiles	90.8	0	0	95.02%
	940530	Lighting sets of a kind used for Christmas trees	74.6	0	0	74.64%
	392530	Shutters, blinds and similar articles and parts, of plastics	95.0	0	0	95.02%
	420222	Handbags with outer surface of plastic sheeting or textile materials	97.1	0	0	98.20%
	611120	Babies' garments, etc, of cotton, knitted or crocheted	0.0	0	0	0.00%
	620462	Women's or girls' trousers, breeches, etc, of cotton	0.0	0	0	0.00%
	940540	Electric lamps and lighting fittings, nes	67.5	0	0.00	67.53%
	611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	0.0	0	0	0.00%
	441233	Plywood; with sheets of wood only; not bamboo; each ply 6mm or less, with at least one outer ply of alder, ash, beech, birch, cherry, chestnut, elm, eucalyptus, hickory, horse chestnut, lime, maple, o	91.8	0	6.3	98.05%
	Other	Other	17.6	0	18.9	80.62%

Table 3.6: Top HS 6-digit level Asia-Pacific LDC exports to the United States by duty type and preference (%), cont.

	HS code	Product description	LDC scheme	Other preference	MFN (duty-free)	GSP utilization rate
Kiribati	999995	Product beyond standard HS classification – no description available	0.0	0	0	0.00%
	392690	Other articles of plastics, nes	0.0	0	0	0.00%
	401693	Gaskets, washers and other seals, of vulcanized rubber	0.0	0	0	0.00%
	840890	Engines, diesel, nes	0.0	0	100	0.00%
	852990	Parts suitable for use solely or princ with the app of heading 85.25 to 28	0.0	0	100	0.00%
	900190	Prisms, mirrors & other optical elements of any material, unmounted, nes	0.0	0	100	0.00%
	903040	Instruments and apparatus, specially designed for telecommunications nes	0.0	0	100	0.00%
	30111	Fish; live, ornamental, freshwater	0.0	0	100	0.00%
	30487	Fish fillets; frozen, tunas (of the genus Thunnus), skipjack or stripe-bellied bonito (Euthynnus (Katsuwonus) pelamis)	0.0	0	100	0.00%
	Other	Other				0.00%
Myanmar	420292	Cases and containers, nes, with outer surface of plastic or textiles	91.6	0	0	93.02%
	420222	Handbags with outer surface of plastic sheeting or textile materials	97.1	0	0	97.57%
	640419	Sports footwear, with rubber or plastic soles and textile uppers	0.0	0	0	0.00%
	392321	Sacks and bags (incl. cones) of polymers of ethylene	92.0	0	0	92.04%
	420212	Trunks, suit-cases..., etc, with outer surface of plastic or textiles	94.3	0	0	96.66%
	420221	Handbags with outer surface of leather, or composition or patent leather	97.7	0	0	97.68%
	640399	Footwear with rubber... soles, leather uppers, not covering the ankle	0.0	0	0	0.00%
	420232	Articles normally carried in pocket or handbag, of plastics or textiles	99.3	0	0	99.26%
	620443	Dresses of synthetic fibres	0.0	0	0	0.00%
	620193	'en's or b'ys' anoraks, wind-cheaters, etc, of man-made fibres	0.0	0	0	0.00%
	Other	Other	12.7	0	31.4	80.70%

Table 3.6: Top HS 6-digit level Asia-Pacific LDC exports to the United States by duty type and preference (%), cont.

	HS code	Product description	LDC scheme	Other preference	MFN (duty-free)	GSP utilization rate
Nepal	630790	Made up articles (incl. dress patterns), nes	55.5	0	0	55.88%
	999995	Product beyond standard HS classification - no description available	0.0	0	0	0.00%
	621420	Shawls, scarves, mufflers, mantillas, veils, etc, of wool...	30.9	30.9	0	0.00%
	630499	Furnishing articles of other textiles (excl. knitted or crocheted)	0.0	0	0	0.00%
	650500	Hats and other headgear; knitted or crocheted, or made up from lace, felt or other textile fabric, in the piece (but not in strips), whether or not lined or trimmed; hair-nets of any material, whether	76.7	76.7	0.7	0.00%
	570110	Carpets and other textile floor coverings, of wool..., knotted	1.7	1.65	96.3	0.00%
	420292	Cases and containers, nes, with outer surface of plastic or textiles	95.8	73.4	0	23.12%
	711319	Articles of jewellery and parts thereof of/o prec mtl w/n plated/clad w prec mtl	97.2	0	0	97.31%
	620520	Men's or boys' shirts of cotton	0.0	0	0	0.00%
	741999	Articles of copper, nes	68.6	0	31.4	100.00%
	Other	Other	8.0	1.27	76.6	70.56%
Solomon Islands	160414	Prepared or preserved tuna, skipjack and Atlantic bonito	100.0	0	0	100.00%
	210690	Other food preparations, nes	50.3	0	0	50.00%
	999995	Product beyond standard HS classification - no description available	0.0	0	0	0.00%
	620520	Men's or boys' shirts of cotton	0.0	0	0	0.00%
	853710	Boards, panels, including numerical control panels, for a voltage =<1,000V	0.0	0	0	0.00%
	854790	Insulating fittings for electrical machines, appliances or equipment, nes	0.0	0	0	0.00%
	711411	Art. of gold or silversmiths and parts of silver w/n plated/clad w/o prec mtl	0.0	0	0	0.00%
	854430	Ignition wiring set and other wiring sets of a kind used in vehicles, aircraft	0.0	0	0	0.00%
	960190	Animal carving material (o/t ivory), and articles of these materials	0.0	0	90.9	0.00%
	841330	Fuel, lubricating or cooling medium pumps for internal combustion piston engines	0.0	0	0	0.00%
	Other	Other	0.0	0	99.1	0.00%
Tuvalu	999995	Product beyond standard HS classification - no description available	0.0	0	0	0.00%
	711620	Art. of precious or semi-precious stones, natural, syn or reconstructed	0.0	0	0	0.00%
	711890	Coin nes	0.0	0	100	0.00%
	840310	Central heating boilers other than those of heading 84.02	0.0	0	100	0.00%
	841191	Parts of turbo-jets or turbo-propellers	0.0	0	100	0.00%
	850450	Inductors, electric	0.0	0	100	0.00%
	853650	Electrical switches for a voltage not exceeding 1,000 volts, nes	0.0	0	100	0.00%
	970400	Used postage or revenue stamps and like or unused not of current or new issue	0.0	0	100	0.00%
	711039	Rhodium in other semi-manufactured forms	0.0	0	100	0.00%

Source: UNCTAD, n.d.b

etc. (HS 621420); knitted or crocheted hats and other headgear, (HS 650500); and cases and containers with outer surface of plastic or textiles (HS 420292) enjoy tariff-free access under the US-Nepal Trade Preferences Act, with substantial preference utilization. However, preference utilization varies for Nepal's major products eligible for the LDC duty free scheme. The overall utilization rate of Nepal in the United States market is less than 40 percent. Although the significance of the United States in Solomon Islands' exports is low, its preference utilization rate is the highest among AP LDCs. Around one-third of Solomon Islands' exports are shipped into the United States market under the MFN zero-duty rate, and more than 95 percent of its GSP-eligible exports can utilize LDC preferential tariffs.

Like other GSP preference-granting countries, Japan offers AP LDCs varying degrees of MFN zero- and low-duty tariffs, and the countries have various preference utilization rates (Table 3.7). Afghanistan has the highest share of MFN zero-duty rate exports to the Japanese market: five of its top ten items fall into the category. Afghanistan also has the lowest preference utilization rate for other GSP-eligible products, perhaps due to an inability to meet rules of origin requirements. Bangladesh and Bhutan have more than 90 percent preference utilization rates in this market, with high rates for major export items at the 6-digit level (Table 3.8).

In the case of Japan, as with the other preference-granting countries, post-graduation impacts on AP LDC exports will depend on any non-LDC preferential tariffs available to graduating AP LDCs. For example, since Bangladesh exports mostly clothing, and many apparel items are not included under Japan's GSP for developing countries, graduation will cause significant preference erosion for its Japan-bound exports while the low significance of the Japanese market for Bhutan means preference erosion may not have major consequences for its Japan-bound exports.

Slightly more than 10 percent of Cambodia's and Myanmar's exports to Japan come under MFN zero-duty rates. The preference utilization rates of these two countries range from 80 percent to 90 percent. As shown in Table 3.8, Cambodia and Myanmar can make the most of preference utilization for major exports at the HS 6-digit level. Graduation may not impose major preference erosion or changes to trade terms because these countries have regional trade agreements (RTAs) in place with Japan. Post-graduation, the same RTA benefits will also apply to Lao PDR, which has much lower preference utilization rates of less than 70 percent, and more than 40 percent of its exports are under MFN zero-duty rates.

The Pacific Island States of Kiribati, the Solomon Islands, and Tuvalu have very low preference utilization rates for their exports to Japan, from zero to 50 percent (Table 3.7). In most cases, they would end up paying MFN tariffs because of their low share of MFN duty-zero-exports and their inability to comply with rules of origin requirements.

Relevant data on preference utilization in the Chinese market are not available. However, the study by WTO

Table 3.7: AP LDC GSP utilization and share of MFN duty-free in the Japanese market, 2019-2020 (%)

	2019		2020	
	GSP Utilization	Share of MFN zero exports	GSP Utilization	Share of MFN zero exports
Afghanistan	17.0	91.2	0.0	60.8
Bangladesh	94.6	7.1	94.0	6.8
Bhutan	99.6	6.8	93.6	59.4
Cambodia	84.4	8.3	83.4	11.4
Kiribati	32.5	0.4	50.1	0.0
Lao PDR	68.6	47.4	69.9	44.1
Myanmar	89.8	9.2	88.9	10.5
Nepal	76.4	20.6	78.9	16.2
Solomon Islands	9.3	1.0	14.4	5.8
Tuvalu	0.0	0.3	0.0	0.0

Source: UNCTAD, n.d.b.

Table 3.8: Asia-Pacific LDC top HS 6-digit level exports to Japan by duty type and preference utilization rate, 2020 (%)

	HS code	Product description	LDC scheme	MFN (duty-free)	GSP utilization rate
Afghanistan	570241	Pile floor coverings of wool..., woven, made up	0.0	0	0.00%
	821193	Pocket and pen knives and other knives with folding blades	0.0	0	0.00%
	711311	Art. of jewellery and pts thereof of silver w/n plated or clad w/o prec mt	0.0	0	0.00%
	570110	Carpets and other textile floor coverings, of wool..., knotted	0.0	0	0.00%
	570210	Kelem, Schumacks, Karamanie and other similar hand-woven rugs	0.0	0	0.00%
	710399	Precious or semi-precious stones nes further worked than sawn or rough shod	0.0	100	0.00%
	840910	Parts for spark-ignition type aircraft engines	0.0	100	0.00%
	844331	Machines which perform two or more of the functions of printing, copying or facsimile transmission, capable of connecting to an automatic data processing machine or to a network	0.0	100	0.00%
	850780	Electric accumulators, nes	0.0	100	0.00%
	851890	Parts of microphones, loudspeakers , headphones, earphones and electric sound amplifiers	0.0	100	0.00%
	Other	Other	0.0	100	0.00%
Bangladesh	620342	Men's or boys' trousers, breeches, etc, of cotton	98.1	0	98.08%
	610910	T-shirts, singlets and other vests, of cotton, knitted or crocheted	92.1	0	92.08%
	611020	Jerseys, pullovers, etc, of cotton, knitted or crocheted	95.8	0	95.79%
	620462	Women's or girls' trousers, breeches, etc, of cotton	94.2	0	94.19%
	611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	98.1	0	98.10%
	610990	T-shirts, singlets, etc, of other textiles, nes, knitted or crocheted	99.7	0	99.75%
	620520	Men's or boys' shirts of cotton	97.2	0	97.21%
	610610	Women's or girls' blouses, etc, of cotton, knitted or crocheted	98.4	0	98.44%
	640399	Footwear with rubber... soles, leather uppers, not covering the ankle	95.7	0	95.69%
	620343	Men's or boys' trousers, breeches of synthetic fibres	98.7	0	98.68%
	Other	Other	75.0	16.8	92.93%
Bhutan	70959	Other	100.0	0	100.00%
	390720	Other polyethers, in primary forms, nes	0.0	0	0.00%
	630120	Blankets (excl. electric blankets) and travelling rugs, of wool...	0.0	0	0.00%
	830629	Statuettes and other ornaments not plated with precious metal	0.0	0	0.00%
	970500	Coll & coll pce of zoo, bot, mineral, hist, anatom, archaeo, palaeont, ethno etc	0.0	100	0.00%
	120991	Vegetable seed, of a kind used for sowing	0.0	100	0.00%
	121190	Other plants or parts, of a kind used in perfumery, pharmacy...etc, nes	0.0	100	0.00%
	Other	Other			0.00%
Cambodia	620462	Women's or girls' trousers, breeches, etc, of cotton	99.5	0	99.53%
	611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	97.1	0	96.90%
	640399	Footwear with rubber... soles, leather uppers, not covering the ankle	95.2	0	90.46%
	610910	T-shirts, singlets and other vests, of cotton, knitted or crocheted	94.1	0	91.29%
	420292	Cases and containers, nes, with outer surface of plastic or textiles	79.1	0	65.13%
	610990	T-shirts, singlets, etc, of other textiles, nes, knitted or crocheted	98.2	0	98.09%
	620342	Men's or boys' trousers, breeches, etc, of cotton	99.2	0	99.14%
	620343	Men's or boys' trousers, breeches of synthetic fibres	99.1	0	98.84%
	640419	Sports footwear, with rubber or plastic soles and textile uppers	95.2	0	43.87%
	610463	Women's or girls' trousers, etc, of synthetic, knitted or crocheted	97.8	0	97.58%
	Other	Other	76.3	18.1	83.33%
Kiribati	30487	Fish fillets; frozen, tunas (of the genus Thunnus), skipjack or stripe-bellied bonito (Euthynnus (Katsuwonus) pelamis)	88.9	0	88.92%
	30342	Frozen yellowfin tunas (excl. livers and roes)	0.0	0	0.00%
	30119	Fish; live, ornamental, other than freshwater	0.0	0	0.00%
	Other	Other			0.00%

Table 3.8: Asia-Pacific LDC top HS 6-digit level exports to Japan by duty type and preference utilization rate, 2020 (%), cont.

	HS code	Product description	LDC scheme	MFN (duty-free)	GSP utilization rate
Lao PDR	640399	Footwear with rubber... soles, leather uppers, not covering the ankle	97.7	0	94.90%
	330730	Perfumed bath salts and other bath preparations	100.0	0	0.00%
	620463	Women's or girls' trousers, breeches, etc, of synthetic fibres	100.0	0	100.00%
	620312	Men's or boys' suits of synthetic fibres	100.0	0	99.95%
	610463	Women's or girls' trousers, etc, of synthetic, knitted or crocheted	100.0	0	99.86%
	620343	Men's or boys' trousers, breeches of synthetic fibres	99.4	0	99.40%
	640391	Footwear with rubber... soles and leather uppers, covering the ankle	89.3	0	82.72%
	620530	Men's or boys' shirts of man-made fibres	99.9	0	99.91%
	630790	Made up articles (incl. dress patterns), nes	98.8	0	64.99%
	640610	Uppers and parts thereof (excl. stiffeners)	0.0	0	0.00%
	Other	Other	22.3	73.0	59.84%
Myanmar	620343	Men's or boys' trousers, breeches of synthetic fibres	99.0	0	98.95%
	620193	Men's or boys' anoraks, wind-cheaters, etc, of man-made fibres	98.8	0	98.72%
	611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	99.1	0	99.13%
	620293	Woman's or girls' anoraks, wind-cheaters, etc, of man-made fibres	94.2	0	94.22%
	621133	Men's or boys' garments of man-made fibres, nes	98.2	0	95.38%
	620530	Men's or boys' shirts of man-made fibres	99.9	0	99.94%
	640399	Footwear with rubber... soles, leather uppers, not covering the ankle	99.7	0	13.53%
	620213	Woman's or girls' overcoats, etc, of man-made fibres	94.6	0	94.53%
	621040	Men's or boys' garments made up of fabrics of 59.03, 59.06 or 59.07	99.0	0	94.44%
	30617	Crustaceans, frozen, shrimps and prawns, excluding cold-water varieties, in shell or not, smoked, cooked or not before or during smoking; in shell, cooked by steaming or by boiling in water	100.0	0	99.61%
	Other	Other	79.4	16.7	91.98%
Nepal	621420	Shawls, scarves, mufflers, mantillas, veils, etc, of wool...	46.4	0	46.42%
	611011	Of wool	100.0	0	100.00%
	140490	Vegetable products, nes	100.0	0	100.00%
	190230	Other pasta, nes	98.3	0	98.22%
	630790	Made up articles (incl. dress patterns), nes	70.0	0	70.09%
	110100	Wheat or meslin flour	100.0	0	100.00%
	420292	Cases and containers, nes, with outer surface of plastic or textiles	85.5	0	85.41%
	40690	Cheese, nes	93.9	0	93.90%
	40590	Fats and oils derived from milk (excl. butter and dairy spreads)	100.0	0	100.00%
	711311	Art. of jewellery and pts thereof of silver w/n plated or clad w/o prec mt	88.0	0	88.20%
	Other	Other	51.0	30.2	74.62%
Solomon Islands	30342	Frozen yellowfin tunas (excl. livers and roes)	0.0	0	0.00%
	30343	Frozen skipjack or stripe-bellied bonito (excl. livers and roes)	100.0	0	100.00%
	30487	Fish fillets; frozen, tunas (of the genus Thunnus), skipjack or stripe-bellied bonito (Euthynnus (Katsuwonus) pelamis)	0.0	0	0.00%
	30344	Bigeye tuna (Thunnus obesus)	0.0	0	0.00%
	970500	Coll & coll pce of zoo, bot, mineral, hist, anatom, archaeo, palaeont, ethno etc	0.0	100	0.00%
	10620	Reptiles (including snakes and turtles)	0.0	100	0.00%
	Other	Other			0.00%
	30341	Frozen albacore or long-finned tuna (excl. livers and roes)	0.0	0	0.00%
	30342	Frozen yellowfin tuna (excl. livers and roes)	0.0	0	0.00%
	30344	Bigeye tuna (Thunnus obesus)	0.0	0	0.00%
	30357	Fish; frozen, swordfish (Xiphias gladius), excluding fillets, fish meat of 0304, and edible fish offal of subheadings 0303.91 to 0303.99	0.0	0	0.00%
	Other	Other			0.00%

Source: UNCTAD, n.d.b.

and EIF (2020) provides information on LDC exports to China by duty type. Bhutan, Kiribati, Lao PDR, the Solomon Islands, and Tuvalu are currently ineligible for LDC-specific preferences; therefore, LDC graduation will not affect their tariffs. Cambodia, Myanmar, and Lao PDR enjoy tariff preferences under the Association of Southeast Asian Nations (ASEAN)-China FTA, which will continue after these countries' LDC graduation. In 2020, China expanded LDC duty-free coverage for Bangladesh to 97 percent of its tariff lines.[12] Nepal and Timor-Leste cannot make use of Chinese LDC preferences due to their inability to satisfy RoO requirements (WTO and EIF, 2020).

3.2 PREFERENTIAL TRADE REGIMES AFTER LDC GRADUATION AND IMPLICATIONS FOR PREFERENCE EROSION

After graduation, AP LDCs will no longer benefit from LDC-specific trade preferences. The likely impact will depend on destination-country market access provisions for non-LDC developing countries. Several issues need to be taken into consideration prior to graduation.

- Graduation from LDC status will have no implications if the AP LDC export products are not covered by an LDC-specific treatment.
- Similarly, graduation will have no effect if the importing countries do not allow preferential access for LDCs a priori.
- Where graduating countries have made use of LDC-specific preferences, the major impact of graduation will be from changes in tariff preferences and rules of origin requirements.
- In some cases, AP LDCs have other bilateral and regional trade agreements that give them preferential market access. These preferences will continue irrespective of LDC status.
- Importing countries have different LDC-specific preferential schemes, and they provide different preferential market-access conditions for non-LDC developing countries.

Since Afghanistan did not qualify for graduation, it will continue to access LDC benefits in all preference-granting countries. The other ten AP LDCs, in different stages of graduation, have met the graduation criteria in at least one UNCDP triennial review. They will face the likely changes in market-access conditions as summarized above. In this context, all major importing nations' preferential market-access schemes available to non-LDC developing countries are relevant to assessing graduation implications.

THE EUROPEAN UNION

As discussed earlier, the European Union is a major destination for textile and clothing exports from Bangladesh, Cambodia, and Myanmar. It provides extremely generous market access to all LDCs in the Everything But Arms (EBA) preferential mechanism under its GSP, which also offers two types of trade preferences to various non-LDC developing countries: the Special Incentive Arrangement for Sustainable Development and Good Governance (popularly known as GSP+) and the Standard GSP. The LDC-specific EBA is the most generous scheme providing duty-free access for all items – except arms and ammunition, followed by the GSP+ and the Standard GSP. The GSP+ scheme provides duty-free access for 66 percent of all tariff line products, including textile and clothing items, imported into the European Union. The Standard GSP provides fewer tariff concessions. While the European Union relaxes rules of origin requirements for LDC EBA beneficiaries, they remain more stringent for GSP+ and Standard GSP countries. The current European Union Standard GSP regime will end in December 2023, and will be replaced by another regime for 2024-2034, which will set out market access conditions for graduating LDCs (Table 3.9). Proposed provisions will continue allowing newly graduated LDCs to access EBA benefits for a three-year transition period. They will also allow newly graduated AP LDCs to qualify for GSP+ trade preferences contingent on two criteria:

(1) Vulnerability: The country has a non-diversified economy, defined when the seven largest GSP sections of its imports into the European Union represent more than 75 percent in value of its total GSP-covered imports during the last three-consecutive years (European Commission, 2021).
(2) Sustainable development: A beneficiary country must ratify and effectively implement 32 international agreements and conventions on human rights, labour rights, environmental protection and climate change, and good governance (European Commission, 2021).

Among the graduating AP LDCs, only Tuvalu is currently categorized as an upper-middle income country, which, according to the proposed European Union GSP rules, will disqualify it for the GSP+ scheme.[13] As of spring 2022, all other graduating AP LDCs meet the vulnerability criterion, as the seven largest sections of GSP-covered imports in each represent more than 75 percent in value of total GSP-covered imports to the European Union (Figure 3.2). Therefore, GSP+ inclusion depends on the graduating

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[12] In January 2022, China decided to expand duty-free coverage to 383 new items. This implies that around 99 percent of Bangladesh's exports are covered by zero-duty rate facilities (*The Business Standard*, n.d.).

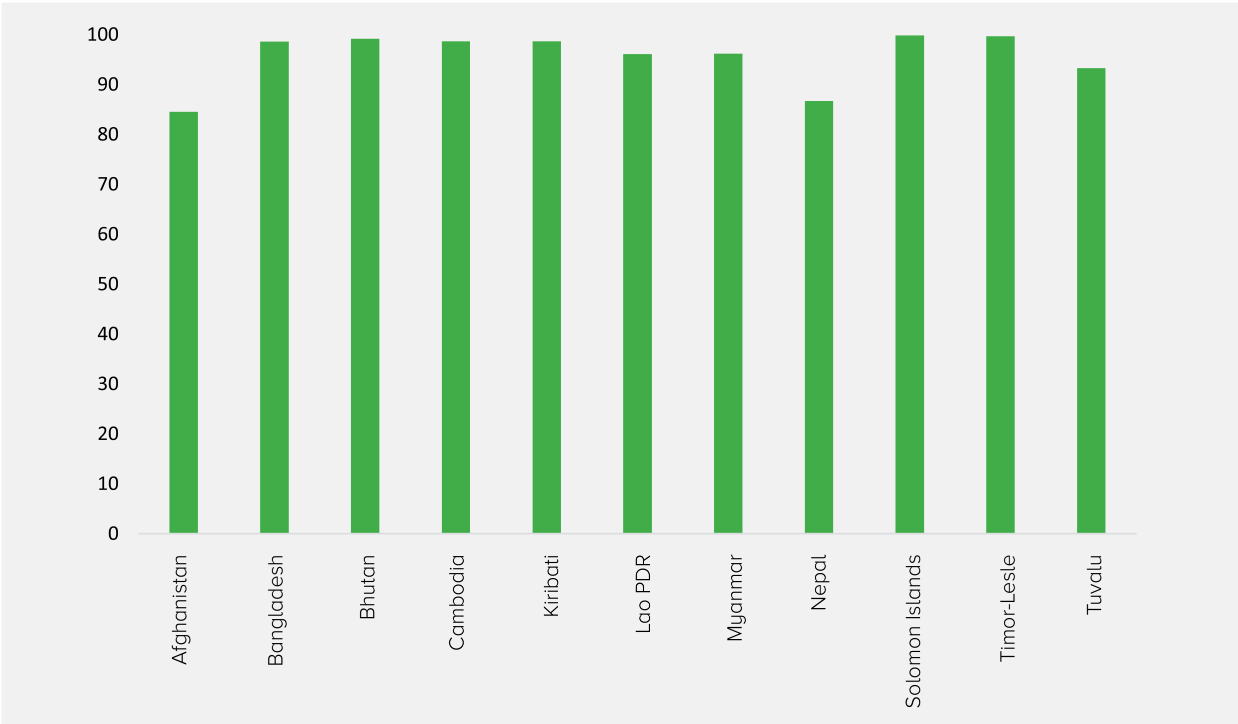
[13] Upper-middle-income economies have a GNI per capita of more than \$4,095, but less than \$12,696, as calculated using the World Bank Atlas method. Tuvalu's 2020 GNI per capita was \$5,820 (World Bank, 2021a).

Table 3.9: European Union GSP arrangements and provisions

Preference scheme	Eligibility criteria in current regulation, 2013-2023	Eligibility criteria in the new proposal, 2024-2034	Product graduation and safeguard mechanisms in the new proposal, 2024-2034	Non-sensitive goods	Sensitive goods	Rules of origin (important provisions)
EBA	Countries falling under the UN-designated least developed countries (LDCs) category	Countries falling under the UN-designated least developed countries (LDCs) category	Product graduation and safeguard mechanisms are not applicable.	Duty suspension for all goods except for arms and ammunition.	Duty suspension	Single transformation for textile and clothing items. For all other products, a minimum local value-added of 30 percent.
GSP+	Low or lower-middle-income countries and two criteria to meet: a) Vulnerability because of insufficient export diversification b) Sustainability: beneficiary countries to ratify 27 prespecified international conventions.	The new proposal removes an import share criterion (of a country's export share to be up to a certain threshold of GSP-covered imports). However, it has increased the number of international conventions to 32. a) Vulnerability because of insufficient export diversification b) Sustainability: beneficiary countries to ratify 32 prespecified international conventions.	Product graduation is generally not applicable. However, according to Article 29, automatic safeguards will apply for textile, agriculture and fisheries products if the share of relevant products does not exceed 6 percent of total European Union imports of the same products, and does not exceed the product graduation threshold.	Duty suspension for around 66 percent of all European Union tariff lines (including textile and clothing items).	Duty suspension	Double transformation for textile and clothing items. For all other products, a minimum local value-added of 50 percent.
Standard GSP	Low or lower-middle-income countries.	Low or lower-middle-income countries.	Low product graduation threshold has been reduced by 10 percentage points, from 47.2 percent of GSP-covered imports for the GSP sections S-11a and S-11b; and from 57 percent to 47 percent for general products. For GSP sections S-2a, S-3 and S-5, graduation thresholds remain unchanged at 17.5 percent. Safeguard mechanisms applicable.	Duty reduction for around 66 percent of all European Union tariff lines.	Duty reduction: 30 percent, up to 3.5 percentage points.	Double transformation for textile and clothing items. For all other products, a minimum local value-added of 50 percent.

Source: European Commission, 2021; Razzaque et al. 2020.

Figure 3.2: Asia-Pacific LDC's share of its seven-largest GSP-covered exports to the European Union (%)



Source: Authors' estimation based on European Commission, 2020a

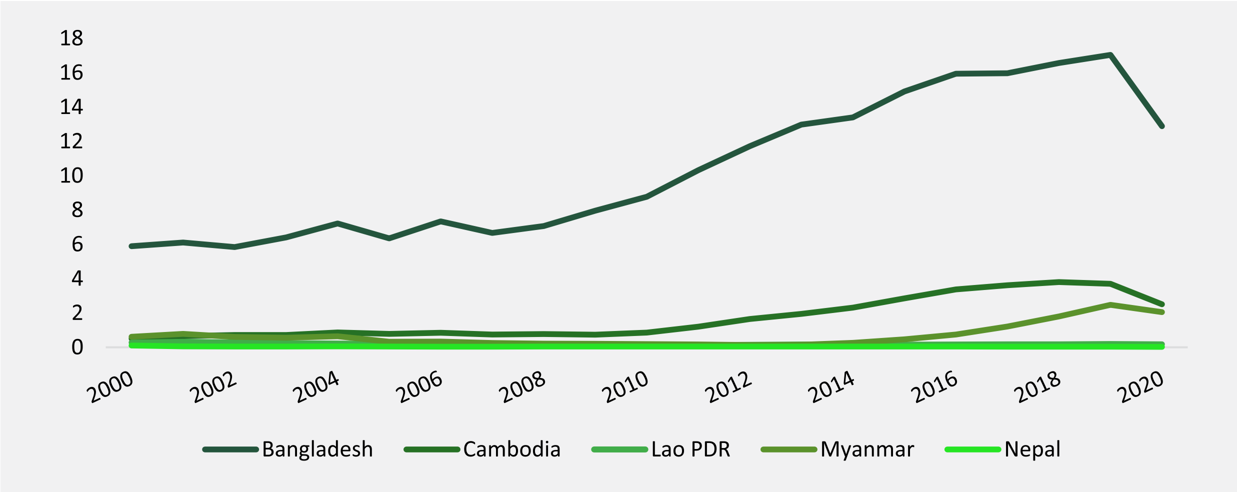
AP LDCs complying with 32 prespecified international conventions. Currently, there is no comprehensive review of the ratification and implementation status of those conventions. Securing GSP+ would be the best possible option for a graduating LDC. If AP LDCs fail to ratify and effectively implement the 32 conventions, they will be automatically considered for Standard GSP treatment—the least attractive preferential scheme in the European Union. It reduces duties by 30 percent or up to 3.5 percentage points for sensitive goods, and a duty reduction of around 66 percent for all European Union tariff lines for non-sensitive goods.

If not included in the GSP+ scheme, several AP LDCs will face varying preference erosion under the Standard GSP because, barring the Solomon Islands, none has an FTA/RTA with the European Union. Under the Standard GSP, the textile and apparel exporters will face an average of more than 9 percent tariff for clothing exports (HS 61 and HS 62) and 8 percent for home textiles (HS 63) (Table 3.11). Only the Solomon Islands will have duty-free access for all exports under the European Union-Pacific States Economic Partnership Agreement (EPA).

Even if the graduating AP LDCs are included in GSP+ upon complying with the international conventions, it is likely that apparel exports from Bangladesh will be subject to European Union safeguard measures, excluding those exports from preferential treatment (Razzaque, 2022). According to the European Union safeguards in the textile, agriculture, and fisheries sectors (Article 29 of the proposed European Union GSP), clothing products from a GSP+ beneficiary country will not receive preferential access if the share of relevant products exceeds both 6 percent of total European Union imports of the same products and the product graduation threshold during a calendar year.[14] The safeguard mechanism on these products will not apply to EBA recipients, nor to other GSP-

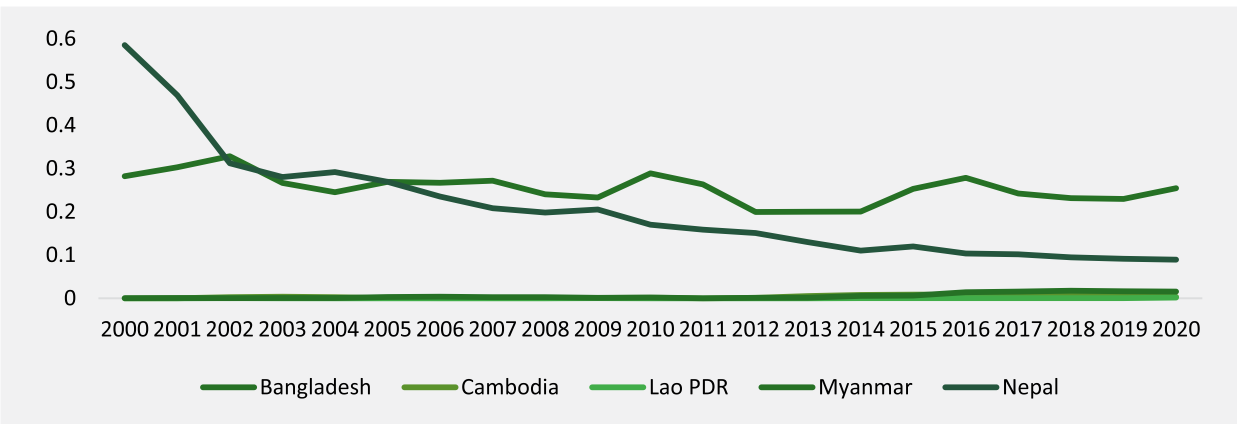
[14] The new 2024-2034 GSP proposal exempts EBA and GSP+ beneficiaries from product graduation. However, Article 29, under the Safeguard mechanism in the textile, agriculture and fisheries sectors, states that "On 1 January of each year, the Commission, on its own initiative and in accordance with the advisory procedure referred to in Article 39(2), shall adopt an implementing act in order to remove the tariff preferences referred to in Articles 7 and 12 with respect to the products from GSP sections S-11a and S-11b or to products falling under Combined Nomenclature codes 22071000, 22072000, 29091910, 38140090, 38200000, 38249956, 38249957, 38249992, 38248400, 38248500, 38248600, 38248700, 38248800, 38249993, and 38249996 where imports of such products, originate in a beneficiary country and their total value: (a) for products falling under Combined Nomenclature codes 22071000, 22072000, 29091910, 38140090, 38200000, and 38249956, 38249957, 38249992, 38248400, 38248500, 38248600, 38248700, 38248800, 38249993, and 38249996 exceeds the share referred to in point 1 of Annex IV of the value of Union imports of the same products from all countries and territories listed in Annex I, columns A and B, during a calendar year; (b) for products under GSP sections S-11a and S-11b exceeds the share referred to in point 3 of Annex IV of the value of Union imports of products in GSP sections S-11a and S-11b from all countries and territories listed in Annex I, columns A and B, during a calendar year" (European Commission, 2021).

Figure 3.3: Graduating Asia-Pacific LDC clothing (GSP S-11b: HS 61-63) exports as a share of European Union clothing imports, 2000-2020 (%)



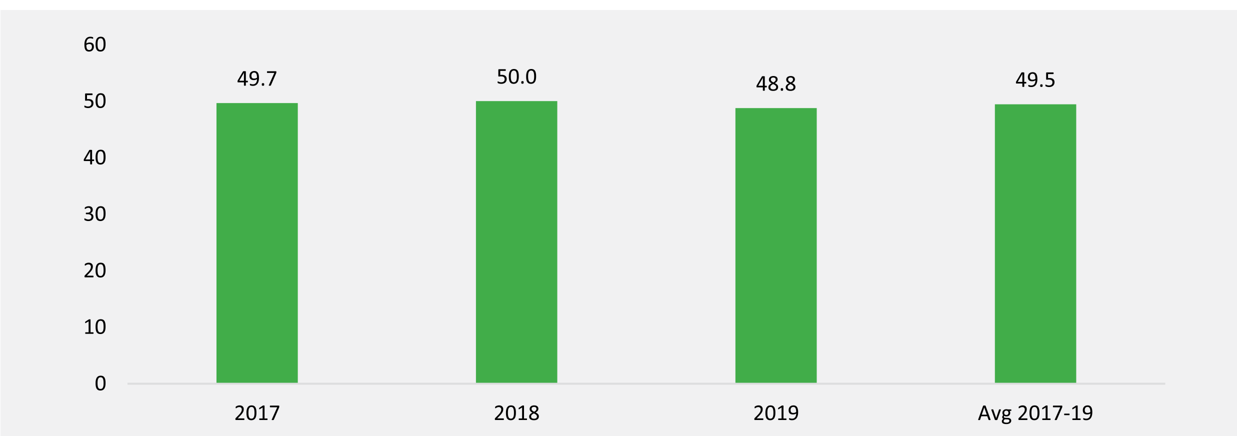
Source: EU Comext, n.d

Figure 3.4: Graduating Asia-Pacific LDC clothing (GSP S-11a: HS 50-60) exports as a share of European Union clothing imports, 2000-2020 (%)



Source: Author's computation based on EU Comext, n.d.

Figure 3.5: Bangladesh's exports under GSP section S-11b, 2017-2019 (% of GSP-covered European Union imports)



Source: European Commission, 2020a.

beneficiary countries whose ratio of relevant products does not exceed 6 percent of total European Union imports of the same products (Article 29, paragraph 2 of the proposed European Union GSP 2024-34).

Apart from Bangladesh, no other AP LDC will be subject to European Union safeguard measures (Figures 3.3 and 3.4). Bangladesh's current exports to the European Union under GSP section S-11b (clothing items) greatly exceed the 6 percent market-share threshold (Figure 3.5). Also, under the proposed European Union GSP 2024-2034, to qualify for tariff preferences those products must not exceed 37 percent of European Union GSP-covered imports of the same products: Bangladesh's share is almost 50 percent (Figure 3.6). Therefore, if GSP rules are not amended for 2024-2034 as currently proposed, Bangladesh would be in a unique position: it would qualify for GSP+ but its clothing items (GSP S-11b) would be ineligible for any tariff preference and be subject to MFN duty. In this case, Bangladesh's apparel items, which constitute about 90 percent of its exports to the European Union, will face an approximately 12 percent tariff rather than the EBA zero-duty rate. While Bangladesh may be able to access the GSP+ tariff preferences for non-clothing items, such items currently constitute only about 10 percent of its exports to the European Union.

As discussed earlier, the other clothing exporters, Cambodia, Lao PDR, Myanmar, and Nepal, have high shares of GSP-eligible exports and high preference utilization rates. Under GSP+, they will continue to receive zero-duty access for major exports to the European Union, subject to meeting both qualifying criteria. Bhutan's major exports, iron and steel (HS 72) has a low MFN tariff (0.2 percent), so a transition to either the Standard GSP or GSP+ will not be a major concern for Bhutanese exports.

It is important to mention that the European Union in August 2020 suspended Cambodia's EBA scheme access for about 20 percent of its exports because of human and workers' rights issues (European Commission, 2020b). While Cambodia will graduate later than Bangladesh, Lao PDR and Nepal, that temporary advantage could be partially outweighed by its EBA suspension.

All Pacific Island States, except for the Solomon Islands, have a higher share of MFN zero-duty exports to the European Union. As such, graduation will not have major implications for their exports and the Solomon Islands' exports to the European Union will receive preferential treatment under the European Union-Pacific States EPA.

Graduation also involves stricter rules of origin (RoO) for graduating LDCs if they are to benefit from preferential treatment. The minimum local value-added for exports to the European Union, other than textiles and clothing, will rise from 30 percent to 50 percent. Because AP LDCs generally have limited productive capacity, fulfilling stricter RoO could significantly weaken their preference utilization capacity. Consequently, even with GSP+ or Standard GSP preferences, graduating AP LDCs could end up paying MFN tariffs for a larger portion of their exports.

Clothing and textile exports from LDCs have benefited the most from a 2011 European Union RoO simplification: They were reclassified from 'double' to 'single' transformation, reinvigorating the supply response from Bangladesh, Cambodia, and Myanmar.[15] Regardless of whether the graduating AP LDCs can access the Standard GSP or GSP+, apparel makers are required to comply with double-transformation. AP LDC textile and clothing exporters are chiefly specialized in apparel cut, make and trim (CMT) activities. While Bangladesh has developed some domestic backward-linkage manufacturing activities, such as yarn and fabric production, the other graduating AP LDCs have not, which may pose problems. Woven garment production is likely to encounter more severe issues, since graduating AP LDC capacity to produce textiles domestically is extremely limited. Therefore, even if graduating AP LDCs qualify for GSP+, they will find it difficult to comply with European Union RoO provisions, which could limit their preference utilization.

THE UNITED KINGDOM

The United Kingdom, having withdrawn from the European Union in 2020, launched a new GSP in early 2021; it features LDC privileges similar to those of the European Union GSP.[16] In early 2023, the United Kingdom's current GSP will be replaced by the Developing Countries Trading Scheme (DCTS). It appears that the DCTS will be more liberal and generous than schemes offered by the European Union, developed countries like Canada and Japan, and relatively advanced developing countries like China and India. Forty-six LDCs and nearly 18 other economically vulnerable low-income and lower middle-income countries (LMICs) and territories will benefit from the United Kingdom's new 2023 preference scheme, the DCTS.

[15] The double transformation rule would require a garment manufacturer to use locally produced fabrics in garment making to claim European Union duty-free access. Local manufacture of fabric from yarn and transformation from fabric to garment items is known as 'double transformation'. For knitwear exports, it means domestically producing yarn and transforming yarn into knitted fabric or items. In 2011, the European Union relaxed its RoO requirements by offering a derogation of the double transformation requirement to single-stage processing. After AP LDCs graduate, however, their access to GSP+ and Standard GSP benefits will be conditional upon fulfilling the double transformation rule.

[16] Three regulations govern the United Kingdom's current GSP: i) the Trade Preference Scheme regulations (EU Exit) Regulations 2020, ii) the Customs (Origin of Chargeable Goods: Trade Preference Scheme) (EU Exit) Regulations 2020, and iii) the Customs Tariff (Preferential Trade Arrangements and Tariff Quotas) (Amendment) (EU Exit) Regulations 2020.

The 2023 DCTS will be comprised of three different levels of privilege:

1.) DCTS Comprehensive Preferences—previously known as the LDC Framework—is the most generous scheme and reserved for LDCs. As under the European Union GSP, LDCs will benefit from zero tariffs for all items except arms and ammunition.

2.) DCTS Enhanced Preferences will benefit economically vulnerable low-income countries and LMICs, and will likely cover most of the graduated AP LDCs.[17] The scheme will provide duty-free market access to the same 66 percent of tariff lines as under the European Union GSP regime. In addition, it extends tariff preferences to an additional set of 156 products and removes seasonal tariffs. Compared to current rates, beneficiaries will likely see a gain from zero or reduced tariffs for around 85 percent of all tariff lines.

3.) DCTS Standard Preferences will initially benefit only India and Indonesia;[18] it lowers seasonal tariffs on several items.

The United Kingdom will provide an additional three-year transition period to smooth graduation; this will allow graduated AP LDCs to benefit from duty-free access for almost all items under the DCTS Comprehensive Preferences during the transition period.

The United Kingdom's new 2023 scheme will allow all economically vulnerable countries to access DCTS Enhanced Preferences without the requirement that they ratify and implement prespecified international conventions: Economic vulnerability will be the sole eligibility criterion. An exporting country will be considered economically vulnerable and benefit from DCTS Enhanced Preferences when export receipts generated by the seven largest broad categories of goods represent more than 75 percent of its total shipment to the United Kingdom. This simplification of eligibility requirements will help six more graduating LDCs move directly to DCTS Enhanced Preferences,[19] joining others in benefitting from duty-free access for more than 85 percent of United Kingdom tariff lines, including textiles and apparel.

Removal of the convention-ratification and -implementation criterion notwithstanding, the United Kingdom will retain powers to suspend an exporter's DCTS Enhanced Preferences if the country violates human or labor rights.

Under DCTS Enhanced Preferences, graduated AP LDCs will face rules of origin like the European Union's: The minimum added value for all goods except apparel will increase from 30 percent currently, to 50 percent. For apparel to benefit from duty-free access, instead of applying the LDCs' current single transformation requirement, graduates' production process must go through double transformation. Therefore, graduating apparel-exporting AP LDCs will face some challenges in meeting the RoO requirements.

However, the United Kingdom will allow extended cumulation for LDCs, with DCTS and EPA countries

Table 3.10: The United Kingdom's new 2023 Developing Countries Trading Scheme provisions and arrangements

Preference scheme	Eligibility criteria	Number of eligible countries	Tariff concession	Rules of origin
DCTS Comprehensive Preferences	Least developed countries	All LDCs	Duty free for all products excluding arms and ammunition	Single transformation for textile and clothing items. For all other products, the general RoO is the minimum local value added of 30 percent. More liberal product-specific rules (PSRs) for LDCs than those provided by the European Union GSP.
DCTS Enhanced Preferences	Economically vulnerable low-income and lower-middle-income countries	16	Zero tariffs for more than 85 percent of eligible lines	Double transformation for textile and clothing items. For all other products, the general RoO requires a minimum local value-added of 50 percent.
DCTS Standard Preferences	Low-income and lower-middle-income countries	2	Partial or full removal of customs duties on over 80 percent of tariff lines	Double transformation for textile and clothing items. For all other products, the general RoO requires a minimum local value-added of 50 percent.

Source: UK Government, 2022.

[17] The 16 beneficiary countries of the DCTS Enhanced Preferences are Algeria, Armenia, Bolivia, Cape Verde, Congo (Republic of the), Cook Islands, Kyrgyzstan, Micronesia (Federated States of), Mongolia, Nigeria, Niue, Pakistan, Philippines, Sri Lanka, Syrian Arab Republic, and Tajikistan.

[18] Uzbekistan and Viet Nam are also classified under the DCTS Standard Preferences. However, they also have bilateral trade agreements with the United Kingdom.

[19] The LDCs scheduled for graduation are Angola, Bangladesh, Bhutan, Lao PDR, Nepal, and São Tomé and Príncipe.

benefitting from duty-free access. This could help AP LDCs participate in regional and global supply chains and meet the RoO requirements. The cumulation rules for two Asian regional groups remain unchanged.[20] As a result, even after graduation, apparel exporters like Bangladesh and Cambodia will be able to take advantage of regional cumulation with several other South Asian countries.

CANADA

In Canada, LDCs get duty-free market access under the Least Developed Country Tariff (LDCT) GSP. Graduated AP LDCs are entitled to a Generalised Preferential Tariff (GPT) designed for developing countries and provided for selected agricultural and industrial products. Notably for several AP LDCs, most textiles and clothing items, footwear, and chemical products are not included for preferential access under the Canadian GPT.

Canada is an important market for Bangladesh, Cambodia and Timor-Leste. Bangladesh and Cambodia export clothing (HS 61 and HS 62), home textiles (HS 63), footwear (HS64), and leather products (HS 41), while Timor-Leste exports coffee, tea, maté and spices (HS 09). Since no AP-LDCs currently has an RTA or FTA with Canada, graduating LDCs will only be entitled to GPT preferences. Post-graduation, the average tariff rates for knitwear and woven products will be 16.5 percent and 15.1 percent, respectively (Table 3.11). For home textiles and footwear, the respective duty rates will be 14.2 percent and 10.7 percent under the GPT, compared to 15.5 percent and 12.2 percent respectively under the MFN tariffs or the zero-duty rates of LDC-specific preferences. Therefore, post-graduation, the exports of Bangladesh and Cambodia will be severely affected. Graduation will not affect Timor-Leste exports to Canadian market because the MFN duty for coffee, tea, maté and spices is almost zero. Given the higher share of exports of Bhutan, Kiribati, Lao PDR, and the Solomon Islands under MFN zero-duty rates, any impact on their exports is expected to be negligible.

Because most clothing goods are not covered by the Canadian GSP for non-LDC developing countries, graduating AP LDCs that export clothing to Canada will be subject to MFN tariffs, making RoO requirements redundant. Other products bound for Canada will be subject to the GPT RoO, which decreases the allowance of non-originating material from 75 percent to 40 percent at ex-factory product prices.

THE UNITED STATES

The United States is an important destination for exports from Bangladesh, Cambodia, Myanmar, Nepal and Timor-Leste. Apparel represents more than 80 percent of Bangladesh's exports, followed by home textiles, headgear and parts (HS 65), and footwear. Cambodia and Myanmar export clothing, leather products, furniture, bedding, footwear, plastic and electric machinery and other items to this market. Nepal primarily exports carpets to the United States, while Timor-Leste ships coffee, tea, maté and spices.

The United States does not have a comprehensive preference scheme such as duty-free, quota-free all-product market access for LDCs. Instead, under its GSP for least developed beneficiary developing countries (LDBDCs), the United States provides preferential duty-free entry for more than 5,100 products out of around 12,000 tariff lines at the HS 8-digit level. There are 131 designated GSP beneficiary countries and territories, including 44 least-developed BDCs (LDBDCs) (USTR, 2020). Bangladesh, not included in the LDBDC list, is subject to MFN tariffs. Therefore, graduation should pose no major concerns to AP LDCs, because, apart from Bangladesh, graduates will be able to access preferential treatment as beneficiary developing countries (BDCs).

Furthermore, most textile and clothing products are excluded from the United States GSP schemes and products such as coffee, leather products, furniture, and plastics attract LDBC tariffs, which are nearly the same as GSP rates. Thus, AP LDC graduation is not expected to impact these export products. Notably, Cambodia's GSP in the United States expired in December 2020, so the impact of its graduation in the United States market will depend on a pending decision for its GSP restoration. However, Cambodia's low LDC-preference utilization rates of one-third of GSP-eligible exports remains an issue.

Lao PDR's major exports, electrical machinery and equipment (HS85), optical, photographic, cinematographic items (HS90), footwear (HS64), and natural or cultured pearls (HS71) have almost identical tariff rates under the United States' GSP as for LDBDCs and BDCs (Table 3.11). Graduation from LDC-specific benefit to GSP for developing countries should thus have a negligible impact on Lao exports to the United States. Post-graduation preference erosion will be minimal for Myanmar's leading exports to the United States, including leather articles (HS42), knitted or not knitted apparel and clothing (HS62 and 61), footwear (HS64), electrical machinery and equipment (HS85), and fish and crustaceans (HS03).

In addition to the LDBDC scheme, the United States provides duty-free preferential treatment to Nepal under the US-Nepal Trade Preferences Act, which was enacted after Nepal's devastating 2015 earthquake.

[20] Group 1 comprises Indonesia, Philippines, Viet Nam and LDCs Cambodia, Lao PDR, and Myanmar; Group 2 comprises India, Pakistan, Sri Lanka and LDCs Bangladesh, Bhutan, and Nepal.

Under this Act, the United States allows duty-free preferential treatment for 66 products at the HS 8-digit level until December 2025 (Razzaque, 2020b). Nepal exports approximately 600 8-digit level products to the United States: around two-thirds under MFN zero-duty and 18 under the GSP for LDBDCs duty suspension provision. In addition, 46 products receive preferential treatment under the US-Nepal Trade Preferences Act. After Nepal's graduation, products currently under the LDBDC scheme will be subject to the GSP tariff for developing countries and the US-Nepal Trade Preferences Act will have expired.

Graduation is unlikely to impose major constraints or tariff implications on island AP LDCs given their low share of exports to the United States, pattern of export specialization, and relatively high share of products shipped on the basis of MFN zero-duty tariffs (Table 3.12).

The RoO provisions applicable to United States preferences for both LDBDCs and BDCs require local content of at least 35 percent of the product's appraised value at the time of entry into the United States. Therefore, AP LDC graduation will have no implications for RoO provisions (Table 3.13).

JAPAN

Japan has a GSP scheme that grants preferential tariff treatment to 92 developing countries, and one that covers 46 LDCs (UNCTAD, 2021b) which includes AP LDCs as designated beneficiaries of duty-free and quota-free special preferential treatments for over 9,000 items. Graduating AP LDCs are eligible for the GSP scheme designed for developing countries, which is much less generous than the LDC scheme.

Japan is an important export destination for Bangladesh, Cambodia, Kiribati, Lao PDR, Myanmar, Timor-Leste, and Tuvalu. Bangladesh, Cambodia, Lao PDR and Myanmar mostly export clothing, leather products, home textiles and footwear. Cambodia and Lao PDR also ship electrical equipment, as does Myanmar, which also exports fish and crustaceans. Lao PDR also ships wood products, coffee and tea to the Japanese market. Kiribati and Tuvalu mainly export fish and crustaceans to Japan, and Timor-Leste ships minerals, coffee and tea.

Graduating AP LDCs from Southeast Asia, ASEAN members Cambodia, Lao PDR and Myanmar, will continue to enjoy preferential duty-free access under the ASEAN-Japan Comprehensive Economic Partnership Agreement (CEPA) for more than 90 percent of tariff lines. They will also receive duty-free market access to Australia, China, India, Japan, New Zealand and the Republic of Korea under the Regional Comprehensive Economic Partnership (RCEP). Thus, the graduation of these three countries will have limited impact in the Japanese market.

Non-ASEAN AP LDCs without bilateral or regional preferential trade agreements with Japan will be eligible after graduation for Japan's GSP scheme for developing countries. It allows tariff reductions of up to 20, 40, 60, 80 or 100 percent of MFN rates across products, except for most clothing and footwear items (UNDESA, 2020). Thus, Bangladesh's clothing exports to Japan will face a greater than 8 percent tariff, home textiles will see 3.2 percent, footwear will attract a steep 19 percent tariff, and leather products will see 10.5 percent.

Kiribati and Tuvalu are unlikely to be impacted by graduation because the countries' preference utilization rates are close to zero—implying that they must already pay MFN duties for their exports. Graduation's impact on Timor-Leste's exports to Japan are also likely to be low because GSP tariffs for minerals and coffee from developing countries are very low.

The Japanese GSP scheme for developing countries makes provisions for partial and complete graduation for beneficiary countries. Any product of a beneficiary country will graduate from the GSP for two reasons: (i) the country is classified as a high-income economy, as per the World Bank classification of global economies; (ii) the country or territory is classified as an upper middle-income economy, as per the same World Bank classification, and the value of the beneficiary exports exceeds 1 percent of the total value of world exports in the WTO. After fulfilling these criteria, a product will graduate from the GSP scheme if the value of Japan's imports of the product originating from the beneficiary country exceeds 1 billion yen and 25 percent of the total value of Japan's global imports of the product. Japan will consider a beneficiary country for complete graduation if the country has been classified as a high-income country for three consecutive years or the country has been classified as an upper middle-income economy and holds a greater than 1 percent share of world exports for three consecutive years. In the medium to long term after LDC graduation, these thresholds for partial and complete graduation could be relevant for AP LDCs. Since the RoO for LDCs and developing countries are similar and benefit from the preferential treatment in Japan, graduation will not have any impact on their requirements.

Table 3.11: Tariff rates under relevant schemes in Canada, China, European Union, India, Japan and the United States

HS code	Canada			China				European Union				India			Japan				United States		
	MFN	GSP	LDC	MFN	LDC	ASEAN	APTA	MFN	GSP	GSP+	EBA	MFN	GSP	LDC	MFN	GSP	LDC	ASEAN	MFN	GSP	LDC
1	0.8	0.1	0.0	5.9	0.0	0.0	5.8	1.1	0.6	0.0	0.0	30.0	30.0	0.0	0.4	0.4	0.0	0.4	0.9	0.6	0.0
2	3.4	3.0	0.0	19.0	0.0	0.0	19.0	9.6	6.7	6.3	0.0	32.0	32.0	2.9	10.2	9.3	0.0	8.7	6.0	5.0	1.5
3	0.7	0.5	0.0	7.1	0.0	0.0	6.1	10.8	6.1	0.1	0.0	30.0	30.0	0.4	5.8	5.7	2.0	3.9	0.7	0.3	0.2
4	6.0	5.7	0.0	14.1	0.0	0.0	13.9	6.5	0.8	0.0	0.0	34.0	34.0	7.7	23.5	23.4	0.0	23.1	12.4	11.4	0.4
5	0.0	0.0	0.0	11.4	0.0	0.0	10.4	0.3	0.1	0.0	0.0	29.6	29.6	0.0	0.3	0.0	0.0	0.0	0.6	0.1	0.0
6	4.6	3.2	0.0	8.4	0.0	0.0	5.8	6.4	3.1	0.0	0.0	23.1	23.1	13.1	0.3	0.0	0.0	0.0	3.3	0.3	0.2
7	0.4	1.6	0.0	11.2	0.0	0.0	9.5	8.8	5.5	0.6	0.0	27.8	27.8	1.6	6.1	5.5	0.0	1.3	8.8	2.7	0.8
8	0.9	1.0	0.0	19.5	0.0	0.0	18.1	7.9	5.3	0.3	0.0	34.8	34.8	12.5	7.1	5.5	0.0	1.3	4.9	2.1	0.1
9	0.1	0.0	0.0	13.4	0.0	0.6	10.4	2.8	1.0	0.0	0.0	60.9	60.9	46.9	3.6	1.6	0.0	0.5	0.6	0.1	0.0
10	14.6	14.6	0.0	17.9	0.0	6.5	17.8	0.6	0.1	0.1	0.0	34.4	34.4	10.7	0.9	0.3	0.0	0.1	1.5	0.5	0.0
11	0.3	0.1	0.0	22.1	0.0	9.2	21.9	10.3	0.6	0.0	0.0	31.5	31.5	3.8	16.8	15.9	2.6	11.9	4.2	0.9	0.4
12	0.5	0.0	0.0	9.5	0.0	0.0	7.3	1.1	0.4	0.3	0.0	21.7	21.6	4.3	3.4	2.8	0.5	2.3	10.7	8.3	6.4
13	0.0	0.0	0.0	10.1	0.0	0.0	9.2	2.2	1.0	0.0	0.0	24.9	24.6	1.2	2.9	2.8	0.0	0.8	0.8	0.2	0.0
14	0.0	0.0	0.0	9.9	0.0	0.0	9.9	0.0	0.0	0.0	0.0	30.0	30.0	2.1	3.1	1.0	0.0	0.0	1.3	0.5	0.0
15	3.6	2.5	0.0	13.6	0.0	1.4	13.3	7.1	3.6	0.0	0.0	36.5	36.5	5.3	3.5	2.1	0.0	1.3	3.7	1.8	0.0
16	14.8	13.5	9.5	5.7	0.0	0.0	5.2	18.3	10.2	0.0	0.0	33.0	33.0	0.6	11.8	10.7	0.0	8.3	3.6	1.8	0.2
17	4.8	3.1	0.0	26.8	0.0	16.9	26.6	9.1	2.2	0.2	0.0	45.1	44.9	11.0	13.6	12.8	0.9	11.5	6.4	4.0	2.0
18	2.7	2.0	0.0	11.9	0.0	0.0	11.3	8.0	4.5	0.0	0.0	30.0	30.0	1.4	17.0	15.9	0.0	16.0	5.8	2.5	1.4
19	3.5	2.7	0.0	10.4	0.0	0.0	10.1	7.8	4.2	0.0	0.0	31.3	31.3	0.0	20.4	19.7	0.5	19.7	9.5	6.4	0.6
20	5.7	5.4	0.0	6.2	0.0	0.2	6.0	17.2	12.8	0.0	0.0	34.6	34.6	0.5	15.7	14.2	0.2	4.9	11.0	6.4	2.7
21	5.1	4.0	0.0	12.1	0.0	0.2	11.6	8.2	4.3	0.4	0.0	64.5	64.5	0.0	14.2	12.8	0.0	10.6	7.8	4.2	1.2
22	1.4	0.7	0.0	14.5	0.0	0.0	14.1	1.7	0.5	0.0	0.0	119.7	119.7	112.3	6.5	5.6	0.0	2.7	1.4	1.0	0.0
23	1.1	0.8	0.0	5.3	0.0	0.0	4.6	1.5	0.3	0.0	0.0	18.0	18.0	10.0	0.5	0.0	0.0	0.3	1.8	1.3	0.0
24	6.9	4.3	0.0	32.8	0.0	28.3	31.9	29.4	20.7	0.0	0.0	31.3	31.3	31.3	7.2	7.2	0.0	7.2	90.7	76.6	43.8
25	0.0	0.0	0.0	3.4	0.0	0.0	2.6	0.2	0.0	0.0	0.0	6.0	6.0	0.4	0.2	0.0	0.0	0.0	0.3	0.0	0.0
26	0.0	0.0	0.0	1.6	0.0	0.0	1.6	0.0	0.0	0.0	0.0	3.1	3.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0
27	1.0	0.0	0.0	5.5	0.0	0.5	5.3	1.5	0.0	0.0	0.0	7.2	7.2	3.4	1.4	0.9	0.0	0.0	0.7	0.4	0.0
28	0.0	0.0	0.0	5.0	0.0	0.0	4.9	4.6	0.4	0.1	0.0	7.5	7.5	0.0	2.4	0.0	0.0	0.0	2.6	0.4	0.1
29	0.0	0.0	0.0	5.9	0.0	0.0	5.8	4.4	0.9	0.1	0.0	7.1	7.1	0.3	2.7	0.1	0.0	0.1	4.1	2.0	0.2
30	0.1	0.1	0.0	1.5	0.0	0.0	1.4	0.0	0.0	0.0	0.0	9.9	9.9	0.0	0.4	0.1	0.0	0.0	0.2	0.1	0.0
31	0.0	0.0	0.0	7.6	0.0	4.3	7.2	4.5	2.3	0.0	0.0	6.3	6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32	1.8	0.6	0.0	7.8	0.0	0.0	6.7	5.5	0.9	0.2	0.0	7.9	7.9	0.1	3.1	0.0	0.0	0.0	4.3	2.6	0.1

Table 3.11: Tariff rates under relevant schemes in Canada, China, European Union, India, Japan and the United States, continued

HS code	Canada			China				European Union				India			Japan				United States		
	MFN	GSP	LDC	MFN	LDC	ASEAN	APTA	MFN	GSP	GSP+	EBA	MFN	GSP	LDC	MFN	GSP	LDC	ASEAN	MFN	GSP	LDC
33	4.3	1.7	0.0	9.1	0.0	0.0	8.4	2.8	0.0	0.0	0.0	19.4	19.4	0.9	1.4	0.2	0.0	0.0	1.4	0.6	0.6
34	4.2	1.6	0.0	7.4	0.0	0.0	6.4	2.1	0.0	0.0	0.0	10.3	10.3	0.6	0.6	0.0	0.0	0.0	2.3	0.3	0.0
35	2.7	1.4	0.0	9.2	0.0	0.0	8.0	5.7	2.3	1.8	0.0	13.9	13.8	0.5	5.4	2.5	1.6	2.1	2.0	0.6	0.3
36	6.5	2.3	0.0	8.1	0.0	0.0	8.1	6.5	0.0	0.0	0.0	10.0	10.0	0.0	4.2	0.9	0.0	0.0	3.0	0.8	0.3
37	3.7	0.1	0.0	6.9	0.0	0.9	8.1	5.2	0.0	0.0	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	2.3	0.2	0.2
38	1.4	0.5	0.0	7.1	0.0	0.0	6.4	5.3	0.0	0.0	0.0	8.7	8.7	0.1	2.3	0.0	0.0	0.0	3.9	1.8	0.1
39	1.5	0.7	0.0	7.4	0.0	0.2	6.5	6.1	1.0	0.0	0.0	10.0	10.0	2.5	3.4	0.2	0.0	0.0	4.5	1.0	0.7
40	2.0	1.7	0.0	11.5	0.0	0.7	11.0	2.7	0.2	0.0	0.0	11.3	11.3	1.5	0.2	0.0	0.0	0.0	2.3	0.5	0.2
41	0.0	0.0	0.0	8.7	0.0	0.0	7.9	3.0	1.4	0.4	0.0	6.0	6.0	0.0	10.8	9.5	0.0	3.7	2.5	0.8	0.1
42	7.5	4.8	0.0	7.8	0.0	0.0	6.6	5.0	1.2	0.0	0.0	13.5	13.5	0.0	10.6	10.6	4.0	1.3	8.9	4.0	4.0
43	4.7	3.1	0.0	15.2	0.0	0.0	13.7	1.3	0.0	0.0	0.0	4.1	4.1	0.0	12.4	10.0	4.8	12.0	2.4	0.5	0.2
44	1.5	0.4	0.0	2.5	0.0	1.4	2.5	2.2	0.8	0.0	0.0	8.7	8.7	0.0	3.2	2.4	0.0	1.2	2.0	1.3	1.0
45	0.0	0.0	0.0	5.1	0.0	0.0	5.1	3.7	0.1	0.0	0.0	10.0	9.8	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0
46	4.9	2.1	0.0	7.0	0.0	0.0	6.7	2.6	0.1	0.0	0.0	10.0	10.0	1.5	4.4	1.2	0.0	0.0	4.5	1.4	1.3
47	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
48	0.0	0.0	0.0	5.4	0.0	4.8	5.4	0.0	0.0	0.0	0.0	10.0	10.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
49	0.0	0.0	0.0	3.0	0.0	2.5	3.0	0.0	0.0	0.0	0.0	6.9	6.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
50	0.0	0.0	0.0	8.0	0.0	0.0	7.1	5.3	4.2	0.0	0.0	13.3	13.3	2.6	5.7	4.9	0.0	0.0	0.9	0.6	0.6
51	0.0	0.0	0.0	9.9	0.0	1.9	9.3	3.7	3.0	0.2	0.0	8.5	8.5	0.0	2.8	1.8	0.0	0.0	6.7	6.5	6.5
52	0.1	0.1	0.0	7.6	0.0	0.3	6.6	6.7	5.3	0.0	0.0	9.7	9.7	0.0	5.8	4.5	0.0	0.0	8.6	8.4	8.1
53	0.0	0.0	0.0	6.1	0.0	0.0	5.3	3.7	2.9	0.0	0.0	11.3	11.3	0.0	3.4	1.4	0.0	0.0	2.0	1.7	1.7
54	0.1	0.1	0.0	6.1	0.0	0.2	5.7	6.0	4.8	0.0	0.0	20.0	20.0	0.0	6.1	4.8	0.0	0.0	10.0	9.8	9.8
55	0.1	0.1	0.0	6.6	0.0	0.3	6.0	6.5	5.2	0.0	0.0	20.0	20.0	0.0	6.6	5.3	0.0	0.0	10.8	10.8	10.8
56	3.6	3.6	0.0	7.3	0.0	0.0	6.2	6.0	4.8	0.0	0.0	11.2	11.2	0.0	3.6	0.4	0.0	0.0	4.2	3.7	3.7
57	11.1	5.9	0.0	5.4	0.0	0.0	5.4	7.6	6.1	0.0	0.0	19.8	19.8	0.5	6.6	4.5	0.0	0.0	3.0	2.1	2.1
58	0.4	0.4	0.0	7.9	0.0	0.0	7.5	7.3	5.8	0.0	0.0	10.2	10.2	0.0	5.1	1.5	0.0	0.0	7.0	7.0	7.0
59	3.0	1.9	0.0	7.8	0.0	0.0	6.9	6.4	5.1	0.0	0.0	12.9	12.9	0.0	3.9	0.0	0.0	0.0	3.1	2.8	2.8
60	0.0	0.0	0.0	8.0	0.0	0.0	6.0	7.9	6.3	0.0	0.0	16.1	16.1	0.0	7.0	5.1	0.0	0.0	10.1	10.1	10.1
61	16.8	16.5	0.0	6.8	0.0	0.0	4.7	11.6	9.3	0.0	0.0	19.5	19.5	0.9	8.6	8.2	0.0	0.0	11.8	11.7	11.7
62	15.6	15.1	0.0	6.6	0.1	0.1	5.1	11.6	9.2	0.0	0.0	20.0	20.0	0.8	9.3	8.8	0.0	0.0	9.9	9.8	9.8
63	15.5	14.2	0.0	6.0	0.1	0.1	5.9	10.0	8.0	0.0	0.0	11.1	11.1	0.0	5.7	3.2	0.0	0.0	6.8	6.4	6.4
64	12.2	10.7	0.0	9.0	0.0	0.0	6.8	9.9	6.0	0.0	0.0	23.3	23.3	1.4	19.0	19.0	3.0	13.0	13.5	13.2	13.2
65	6.6	5.4	0.0	7.1	0.0	0.0	6.5	2.8	0.0	0.0	0.0	10.0	10.0	0.0	4.5	0.0	0.0	0.0	4.1	2.3	2.3
66	4.1	2.9	0.0	4.9	0.0	0.0	4.9	4.3	1.0	0.0	0.0	10.0	10.0	0.0	4.1	2.3	0.0	0.0	4.5	0.0	0.0

Table 3.11: Tariff rates under relevant schemes in Canada, China, European Union, India, Japan and the United States, continued

HS code	Canada			China				European Union				India			Japan				United States		
	MFN	GSP	LDC	MFN	LDC	ASEAN	APTA	MFN	GSP	GSP+	EBA	MFN	GSP	LDC	MFN	GSP	LDC	ASEAN	MFN	GSP	LDC
67	8.3	1.6	0.0	7.8	0.0	0.0	7.1	2.8	0.0	0.0	0.0	10.0	10.0	0.0	1.8	1.1	0.0	0.0	4.0	0.0	0.0
68	3.2	1.1	0.0	11.0	0.0	0.0	10.4	1.2	0.0	0.0	0.0	12.6	12.6	0.0	1.0	0.0	0.0	0.0	1.9	0.4	0.4
69	4.7	1.2	0.0	8.8	0.0	0.0	8.0	4.8	1.7	0.0	0.0	9.4	8.8	0.0	1.2	0.0	0.0	0.0	6.7	4.4	3.2
70	0.1	0.0	0.0	10.8	0.0	0.0	10.3	5.2	2.1	0.0	0.0	10.2	10.2	0.1	1.3	0.3	0.0	0.0	6.4	4.3	0.4
71	1.8	0.9	0.0	6.2	0.0	0.0	5.5	0.6	0.0	0.0	0.0	12.5	12.5	0.3	1.4	0.6	0.0	0.0	3.0	0.2	0.2
72	0.0	0.0	0.0	4.3	0.0	0.0	4.2	0.2	0.0	0.0	0.0	9.7	9.7	0.4	0.2	0.1	0.0	0.0	0.3	0.2	0.1
73	1.9	1.1	0.0	6.6	0.0	0.0	6.3	1.7	0.0	0.0	0.0	10.1	10.1	0.0	0.5	0.0	0.0	0.0	1.1	0.3	0.1
74	0.4	0.1	0.0	5.5	0.0	0.0	5.0	3.4	0.7	0.0	0.0	6.6	6.6	1.1	1.9	0.6	0.0	0.0	2.1	0.2	0.2
75	0.2	0.0	0.0	4.8	0.0	0.0	4.8	0.7	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.0	0.0	0.0	2.2	0.0	0.0
76	1.5	1.0	0.0	6.7	0.0	0.0	5.8	6.5	3.3	0.3	0.0	8.6	8.4	0.0	3.4	2.7	0.0	0.0	3.7	0.4	0.2
78	0.0	0.0	0.0	4.5	0.0	0.0	4.5	2.2	0.8	0.0	0.0	6.2	6.2	0.0	2.0	0.0	0.0	0.0	1.6	0.0	0.0
79	0.5	0.3	0.0	4.7	0.0	0.0	4.6	3.1	1.8	1.3	0.0	5.7	5.7	0.0	1.8	0.0	0.0	0.0	2.5	0.5	0.2
80	0.4	0.0	0.0	5.1	0.0	0.0	4.9	0.0	0.0	0.0	0.0	5.9	5.9	0.0	2.0	0.0	0.0	0.0	1.9	0.0	0.0
81	0.0	0.0	0.0	5.3	0.0	0.0	5.1	3.8	1.7	0.8	0.0	6.4	6.4	0.0	1.2	0.6	0.0	0.0	3.6	1.6	0.1
82	4.2	2.0	0.0	7.8	0.0	0.0	7.3	3.1	0.3	0.0	0.0	10.0	10.0	0.0	0.8	0.0	0.0	0.0	3.1	0.3	0.1
83	2.5	1.4	0.0	8.3	0.0	0.3	8.2	2.5	0.0	0.0	0.0	11.1	11.1	0.0	2.0	0.0	0.0	0.0	3.0	0.2	0.0
84	0.4	0.1	0.0	6.5	0.0	0.0	5.5	1.9	0.0	0.0	0.0	7.5	7.5	0.0	0.0	0.0	0.0	0.0	1.4	0.2	0.1
85	1.1	0.6	0.0	4.8	0.0	0.2	4.1	3.0	0.7	0.0	0.0	8.3	8.3	0.3	0.1	0.0	0.0	0.0	1.6	0.4	0.0
86	5.6	1.8	0.0	4.9	0.0	0.0	4.4	1.8	0.0	0.0	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	4.3	0.0	0.0
87	3.6	3.0	0.0	12.7	0.0	5.3	11.9	6.2	2.5	0.0	0.0	57.3	57.3	0.0	0.1	0.0	0.0	0.0	2.4	1.8	0.2
88	1.6	0.9	0.0	2.1	0.0	0.0	1.9	3.6	0.0	0.0	0.0	7.8	7.8	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0
89	14.7	13.6	0.0	7.6	0.0	2.2	7.6	1.3	0.0	0.0	0.0	11.5	11.5	0.0	0.0	0.0	0.0	0.0	0.5	0.1	0.1
90	0.8	0.1	0.0	4.0	0.0	0.0	3.7	2.0	0.1	0.0	0.0	7.4	7.4	0.0	0.2	0.0	0.0	0.0	1.0	0.1	0.0
91	3.6	1.9	0.0	12.8	0.0	0.0	12.2	4.3	0.5	0.0	0.0	13.8	13.8	0.0	0.7	0.7	0.5	0.0	3.8	2.3	0.5
92	3.2	1.0	0.0	10.2	0.0	0.0	10.1	3.2	0.0	0.0	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	2.8	0.1	0.0
93	3.8	0.2	0.0	13.0	0.0	0.0	13.0	2.8	2.8	2.8	2.5	10.0	10.0	0.0	6.9	0.4	0.0	0.0	1.4	0.1	0.0
94	4.9	3.2	0.0	3.6	0.0	0.2	3.4	2.4	0.2	0.0	0.0	18.0	18.0	0.0	0.7	0.2	0.0	0.0	2.2	0.5	0.4
95	1.2	0.2	0.0	3.2	0.0	0.0	3.1	2.2	0.1	0.0	0.0	20.0	20.0	0.0	1.0	0.0	0.0	0.0	2.1	0.4	0.0
96	6.3	3.9	0.0	8.7	0.0	0.1	8.2	3.2	0.0	0.0	0.0	10.9	10.9	0.0	2.9	0.6	0.0	0.0	5.0	1.8	1.2
97	1.4	0.0	0.0	2.4	0.0	0.0	2.4	0.0	0.0	0.0	0.0	8.2	8.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note: Only ad-valorem tariffs are included: Estimations are based on simple average tariff rates.

Source: WITS, n.d.

CHINA

China provides duty-free quota-free (DFQF) market access to 40 LDCs for at least 95 percent of its tariff lines (UNCTAD, 2016). China does not have a preferential scheme for developing countries. After graduation, preferential access to this market will be determined by RTA/PTA membership with China, otherwise countries will have to pay MFN tariffs.

Therefore, graduating ASEAN-member AP LDCs, Cambodia, Lao PDR and Myanmar, will enjoy almost unchanged duty rates in the Chinese market through the ASEAN-China RECEP and the ASEAN-China FTA; the former provides duty-free access after the phase-out period and the latter provides mostly zero rates except for some sensitive items.

Other AP LDCs will face significant preference erosion in China after graduation. Bangladesh may be entitled to Asia-Pacific Trade Agreement (APTA) tariff concessions, which are far from comprehensive in terms of product coverage and tariff concession amounts. This would imply that Bangladesh, for example, will see significant tariff preference erosion in its main exports: textiles and clothing, other textile fibres and yarn (HS53), raw hides and skins (HS 41), fish and crustaceans (HS 42), articles of leather (HS 42), and footwear. However, given Bangladesh's low preference utilization under China's current LDC scheme, post-graduation impacts on exports should not be exaggerated.

Bhutan is not listed as a GSP beneficiary in the Chinese market. Consequently, its graduation will not have any significant impact on its market access terms (Razzaque, 2020a). Nepal's graduation will expose its exports to China to MFN duty, where tariff rates range from 7 percent to 30 percent (Razzaque, 2020b).

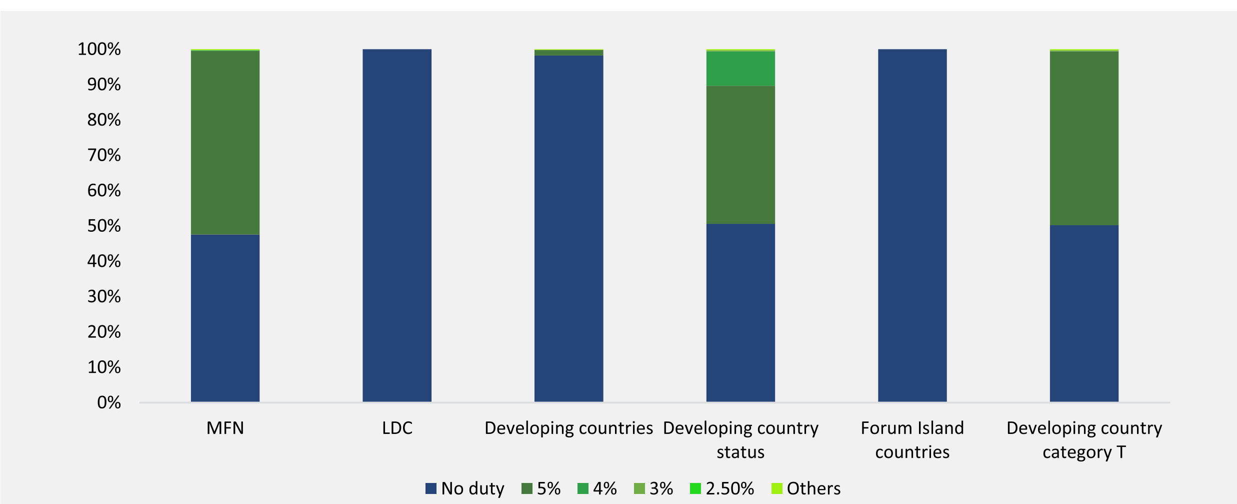
China is the single largest export destination for the Solomon Islands' merchandise, accounting for almost two-thirds of its exports, primarily composed of wood and wood products (HS 44) and ores, slag and ash (HS 26). Currently, the Solomon Islands is not included in the Chinese GSP beneficiary list, so its graduation will not have any tariff implications. Similarly, Kiribati and Tuvalu are not included in the Chinese LDC scheme and export 100 percent of their products to China on an MFN basis. Timor-Leste does not currently benefit from any tariff preference in China, so graduation is unlikely to have a major impact on its exports.

INDIA

Approximately 98.2 percent of India's tariff lines at the HS 6-digit level of its Duty-Free Tariff Preference (DFTP) Scheme for LDCs provides preferential concessional tariffs, with 85 percent of all tariff lines entirely duty-free. Because India does not have a GSP for developing countries, graduating AP LDCs will rely on bilateral and/or regional trade agreements to favourably access India's market.

India is the largest export destination for Bhutan and Nepal, at around 94 percent and 68 percent respectively. Bilateral trade agreements govern their exports: : the Agreement on the Trade, Commerce and Transit between the Government of the Republic of India and the Royal Government of Bhutan, and the Indo-Nepal Treaty of Trade. These agreements allow

Figure 3.6: Number of products covered under the Australian System of Tariff Preferences (%)



Source: UNCTAD, 2018.

Table 3.12: Summary of preferential market access schemes for graduating Asia-Pacific LDCs in major preference-granting countries

Country	Preference scheme for LDCs	Post-graduation scheme
Australia	LDCs get duty-free preference under the Australian System of Tariff Preferences (ASTP) for LDCs (Part 2 of Schedule 1). Asia-Pacific LDCs enjoy duty-free access for the entire Australian tariff schedule.	AP LDCs can use the GSP for developing countries after graduation. ASEAN-member AP LDCs receive preference under RCEP and the ASEAN–Australia-New Zealand Free Trade Area (AANZFTA). Pacific Island AP LDCs will use the GSP for Forum Island Countries, which provides similar preferences as the GSP for LDCs.
Canada	LDCs enjoy duty free access under least developed country tariff (LDCT) scheme in the Canadian market; the scheme provides DFQF market access for 98.9 percent of tariff lines	AP LDCs will be entitled to Canada's generalized preferential tariff (GPT), for developing countries and selected agricultural and industrial products. Most textiles and clothing, footwear, and chemical products are not included.
China	China provides DFQF market access to 40 LDCs. China's GSP for LDCs is available for 95 percent-98 percent of tariff lines.	China has no preferential scheme for developing countries. ASEAN-member AP LDCs will receive preference under the ASEAN-China FTA and RCEP. Bangladesh may access the APTA concessional duty rates for greatly limited product coverage. Bhutan, Kiribati, the Solomon Islands and Tuvalu are not beneficiaries of China's GSP. Nepal will be subject to MFN tariffs.
European Union	LDCs receive duty free preference under the European Union's Everything But Arms (EBA) scheme, which provides DFQF preference for all products from LDCs except arms and ammunitions.	Upon complying with 32 pre-specified international conventions, AP LDCs can access the GSP+ preference, which provides tariff suspensions for 66 percent of European Union tariff lines. Otherwise, countries will be automatically included in the Standard GSP scheme, which provides duty reductions for 66 percent of tariff lines. Whether Bangladesh is qualified for GSP+ or Standard GSP, its textile and clothing exports may face MFN tariffs under European Union safeguard measures.
United Kingdom	The United Kingdom GSP scheme provides the same degree of market access for LDCs as the European Union; it is known as the Least Developed Countries Framework. Like in the European Union, DFQF access is provided for all products except arms and ammunitions.	Post-graduation, AP LDCs can be entitled to preferential scheme under the Enhanced Framework (similar to GSP+) or the General Framework (equivalent to Standard GSP). New United Kingdom GSP will be launched soon.
Japan	Japan grants duty-free access for LDC exports under its GSP scheme. Currently, 98.2 percent of tariff lines are duty-free for the LDCs.	ASEAN-member AP LDCs will continue to obtain duty-free benefit under the ASEAN-Japan CEPA and RCEP. Other graduating AP-LDCs will be entitled to the GSP for developing countries. Most clothing and footwear items are not included in it.
India	India's Duty-Free Tariff Preference (DFTP) scheme for LDCs provides duty-free or concessional tariffs in 98 percent tariff lines. In addition, SAFTA-LDC market access applies to South Asian LDCs and provides DFQF access for all but 25 products.	No preference is available for developing countries. ASEAN-member AP LDCs will receive preference under the ASEAN-India FTA. Bangladesh will receive non-LDC SAFTA preferences that will, however, significantly reduce Bangladesh's current market access. Nepal and Bhutan will continue the same favourable terms under their respective bilateral trade agreements with India. Pacific Island AP LDCs will be subject to MFN tariffs.
Republic of Korea	DFQF is available to LDCs for 95 percent of tariff lines. The APTA-specific LDC DFQF is applicable for Bangladesh and Lao PDR.	No scheme is available for developing countries. ASEAN-member AP LDCs will benefit from ASEAN-Korea FTA and RCEP. Non-LDC APTA preferences will be applicable for Bangladesh with significantly reduced preferential market access.
United States	LDCs benefit from the least-developed beneficiary developing countries (LDBDCs) scheme. Bangladesh is not a GSP beneficiary in the United States market. Most textiles and clothing products are excluded from United States GSP schemes.	AP LDCs, excluding Bangladesh, will be entitled to preferential treatment under the GSP for beneficiary developing countries (BDCs). Most textiles and clothing products are excluded from beneficial treatment.

Source: Razzaque et al., 2020; UNCTAD, 2016b.

duty-free access to the Indian market irrespective of LDC status; therefore, Bhutan and Nepal will see no impact in the Indian market upon graduation.

After graduation, Cambodia, Lao PDR and Myanmar will continue to receive preferential access to Indian markets under the ASEAN-India FTA. It allows for close to zero duty on their major exports to India, which are unlikely to be affected after graduation. India's LDC-specific RoO requires a change in tariff sub-heading and 30 percent local value-added, while the ASEAN-India FTA also requires a change in tariff sub-heading and 35 percent local value-added.

Unlike the other AP LDCs, Kiribati, the Solomon Islands, Timor-Leste, and Tuvalu, will face MFN tariffs in India after graduation. However, given their low share of exports to India, the impact of graduation will be limited.

After graduation Bangladesh will have some preferential access to India as part of the South Asian Free Trade Area (SAFTA), but many items of export interest will be on India's sensitive list and have no preferential access. Bangladesh's market access, for garments for example, will be significantly impacted by LDC graduation. Under SAFTA provisions, local value-added content requirements for Bangladesh to access the Indian market will increase from 30 percent for LDCs to 40 percent for non-LDCs.

AUSTRALIA

Australia grants trade preference under the Australian System of Tariff Preferences (ASTP) to five types of exporters: LDCs, Forum Island Countries, developing countries (DC), developing countries subject to Developing Country Status (DCS) duty rates, and developing countries subject to Developing Country T (DCT) duty rates (UNCTAD, 2018). AP LDCs receive DFQF market access for 100 percent of their exports under the ASTP LDC scheme (Part 2 of schedule 1) (Figure 3.6). Graduating AP LDCs will no longer benefit from Australia's LDC-specific preferences, but may qualify for its GSP for developing countries, which provides tariff-free preferences for 98 percent of tariff lines. Australia generally has low MFN duty rates, and, in most cases, the maximum is 5 percent.

As mentioned above, Cambodia, Lao PDR and Myanmar will receive tariff preference in Australia under RCEP. Similarly, a high proportion of exports from Bhutan, Nepal, and Timor-Leste enter Australia under MFN zero duty rates, so graduation's impact will remain limited. Kiribati, the Solomon Islands and Tuvalu may be entitled to the GSP for Forum Island Countries, which is similar to the GSP for LDCs, but based on the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA). The three island countries will benefit from SPARTECA in Australian and New Zealand markets, and also be eligible for preferential access under the Pacific Agreement on Closer Economic Relations Plus (PACER Plus).

The RoO requirement for preferential access to Australia is at least 25 percent of value added from one or more LDCs (Table 3.13). Post-graduation, the minimum would increase to at least 50 percent, with no automatic GSP transition period. However, Australia has previously extended DFQF access to graduating LDCs, including the Maldives, Samoa and Equatorial Guinea, in 2011, 2014 and 2017 respectively (Australian Border Force, 2022).

REPUBLIC OF KOREA

The Republic of Korea grants LDCs duty-free treatment for nearly 90 percent of tariff lines under its GSP scheme. However, the Republic of Korea does not offer trade preference to developing countries, so bilateral or regional trade agreements will determine market-access conditions for AP LDC graduates. Bangladesh can access 100-percent tariff concessions for 139 items at the 10-digit level through APTA. Cambodia, Lao PDR, and Myanmar will enjoy tariff-free access for their major exports under the ASEAN-Korea FTA and tariff preference under RCEP. Therefore, these three AP LDCs should see no major impact on exports to the Republic of Korea after graduation. Other AP LDCs have no preferential trading arrangements with the Republic of Korea, but it is not a major market for them, so their exports under MFN tariffs will likely have little impact.

For AP LDCs to meet the Republic of Korea's RoO requirement for duty-free access, the total cost of non-local (non-originating) materials must not exceed 60 percent of the end product's free-on-board (FOB) price (Table 3.13); graduation will have no impact on RoO requirements. Because the Republic of Korea has no GSP scheme for developing countries, AP LDCs will face MFN tariffs unless they have an RTA/FTA with the Republic of Korea. However, the RTA/FRA may have different RoO requirements than those for LDCs. For example, under the APTA, items from Bangladesh and Lao PDR are eligible for preferential tariffs if the value of non-local materials is less than 65 percent of the final value. Under RCEP, the RoO require a change in tariff classification at the HS 2-digit level for all non-originating materials used in production.

As a complement to this information about major AP LDC export destinations, Table 3.14 presents ten AP LDCs and the primary Asia-Pacific bilateral and regional free trade agreements they belong to, with a summary of each agreement's conditions and list of members.

Table 3.13: Summary of LDC graduation impact on rules of origin requirements in major destinations

Country	LDC rules of origin	Post-graduation rules of origin
Australia	General rule: Minimum value added of 25 percent Product-specific rules: None Cumulation: bilateral; LDCs; Papua New Guinea; Forum Island Countries; and developing countries (with limits), as per list	Minimum value added will increase to 50 percent under GSP for developing countries and GSP for developing country status. Product-specific rules: None Cumulation: bilateral; LDCs; GSP beneficiaries
Canada	General rule: General value added is 40 percent. Product-specific rules: 'Specified process' (SP) for made-up textile articles and SP or SP+ minimum-value content of 25 percent for apparel. Cumulation: bilateral; LDCs; and some developing countries (with exceptions and limitations)	General rule: Minimum value added of 60 percent for all products to benefit from GPT. Product-specific rules: None Cumulation: bilateral; beneficiary countries
China	General rule: General value added is change of tariff heading (CTH) or 40 percent. For Bangladesh, value added is 35 percent (APTA) and regional cumulation value added is 50 percent (APTA) Product-specific rules: None Cumulation: bilateral; regional cumulation with two ASEAN countries (Cambodia and Myanmar) and seven Economic Community of West African States (ECOWAS) countries (Benin, Guinea-Bissau, Liberia, Mali, Senegal, Sierra Leone and Togo)	General rule: Value added of 45 percent (APTA) Regional cumulation value added of 60 percent (APTA)
European Union	General rule: None Product-specific rules: Based on a maximum percentage of non-originating materials and several product-specific rules (PSRs) Single transformation of textiles and clothing. For other items minimum value added is 30 percent. Cumulation: bilateral; regional with another beneficiary of the same region*; Norway, Switzerland or Turkey (except products in Chapters 1–24); extended cumulation with a country which has an FTA with the European Union, subject to certain conditions.	General rule: None Product-specific rules: LDC and GSP beneficiary countries are (usually) identical, including for food and agricultural sector. Double transformation for textile and clothing. Minimum local value added is 50 percent for other goods. Cumulation: bilateral; Norway, Switzerland or Turkey (except products in Chapters 1–24); extended cumulation with a country that has an FTA with the European Union, subject to certain conditions.
United Kingdom	Mostly like the European Union.	Mostly like the European Union.
India	General rule: Change of tariff sub-heading (CTHS) at the 6-digit level of the HS and 30 percent value added for LDCs. Product-specific rules: None Cumulation: bilateral Under SAFTA RoO requirement is a change of tariff subheading and 30 percent value addition for LDCs. For regional cumulation, RoO criteria is a CTH and 40 value addition (SAFTA).	General rule: Under SAFTA, CTSH and minimum 40 percent value addition. For regional cumulation, RoO requirement is CTH and 50 percent value added.
Japan	General rule: CTH Product-specific rules: Mostly CTC (CC or CTH with frequent exceptions). For textile products, a one-stage process or single transformation is required. Cumulation: bilateral; regional cumulation with five ASEAN countries (Indonesia, Malaysia, the Philippines, Thailand and Viet Nam)	Same
Republic of Korea	General rule: Minimum local value added is 40 percent to benefit from DFQF for LDCs. Product-specific rules: None Cumulation: None Under APTA, minimum local content should be 35 percent for LDCs. In case of regional cumulation, value added requirement is 50 percent.	APTA rules of origin requirement is minimum value added of 45 percent for non-LDCs. Minimum 60 percent value added is accepted for regional cumulation.
United States	General rule: Local content of the products produced in the beneficiary country must equal at least 35 percent of the appraised value of the article. Product-specific rules: None Cumulation: beneficiary LDCs and GSP countries	Same

Note: CC = change of tariff chapter, CTC = change of tariff classification, CTH = change of tariff heading, CTSH — change of tariff sub-heading, RVC = regional value content.

* Regional cumulation is allowed under four groups: Group I: Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand, Viet Nam; Group II: Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru, Venezuela; Group III: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka; Group IV: Argentina, Brazil, Paraguay and Uruguay. Cross-regional cumulation between Group I and III is possible, subject to certain conditions.

Source: Razzaque et al., 2020; WTO and EIF, 2020; UNCTAD, 2016b.

3.14: Summaries of major Asia-Pacific bilateral and regional free trade agreements and their Asia-Pacific LDC members

	FTA/RTA/PTA	Members	Summary of RTA/FTA/PTA
Afghanistan	India–Afghanistan Preferential Trade Agreement (PTA)	India and Afghanistan	India provides Afghanistan 50-100 percent concessions against MFN duties for about 38 items, mostly agricultural products. RoO requires value added to be not less than 30 percent of the FOB value of the product under export, subject to the condition that the aggregate value added is not less than 40 percent of the FOB value.
	South Asian Free Trade Area (SAFTA)	Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka	Under the first phase of the SAFTA Tariff Liberalization Program (TLP), non-LDCs lowered their tariffs to 20 percent, while LDCs lowered them to 30 percent by 2007. In the second phase, non-LDCs lowered tariffs from 20 percent to 0.5 percent by 2012 and LDCs achieved the same by 1 January 2016. SAFTA has very elaborate sensitive-item lists of products exempted from tariff liberalization. Under the GSP, for any single-country items, the value-added requirement is CTH+30 percent for LDCs, CTH+40 percent for non-LDCs; and in the case of South Asian Association for Regional Cooperation (SAARC) cumulation, along with CTH regional content requirement of 40 percent for LDCs or 50 percent for non-LDCs, 20 percent extra value added is required from the exporting country.
Bangladesh	South Asian Free Trade Area (SAFTA)	Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka	Because a large number of items are on the sensitive list, SAFTA preference depth for non-LDC members is shallow. Under SAFTA, India has placed 614 items on the sensitive list for non-LDCs, including clothing. Under SAFTA provisions, the local value-added content will increase from 30 percent for LDCs to 40 percent for non-LDCs. For these two reasons, Bangladesh's market-access circumstances will be significantly impacted by graduation.
	Asia Pacific Trade Agreement (APTA)	Bangladesh, China, India, Republic of Korea, Lao People's Democratic Republic, and Sri Lanka	APTA offers duty concession for a range of products imported from the member states. Under the agreement, China provides 100 percent DFQF tariff concessions to 83 items of Bangladesh at the HS 8-digit level, while the Republic of Korea provides 100 percent tariff concessions to 139 items at the 10-digit level. Bangladesh has offered tariff concessions on a small number of tariff lines (around 3.4 percent), with an average margin of preference of 14 percent. Bangladesh has made tariff concessions on 209 products, including coconut, machinery and chemicals. India offers tariff concessions on about 570 items (WTO, n.d.a.). Bangladesh will benefit from APTA duty concessions in the Indian and Korean markets after graduation, where it now enjoys duty-free access under LDC-specific preferences. However, APTA concessions for non-LDCs are substantially lower. Under APTA, minimum local content is 35 percent for LDCs. The value-added requirement for regional cumulation is 50 percent. Post-graduation, the APTA RoO requirement will increase to 45 percent for non-LDCs. APTA RoO for regional cumulation is 60 percent. India has offered tariff preferences on 570 tariff lines at an average margin of preference of 23.9 percent and an additional 48 tariff lines to LDC members at an average margin of preference of 39.7 percent at the 6-digit level.

3.14: Summaries of major Asia-Pacific bilateral and regional free trade agreements and their Asia-Pacific LDC members, cont.

	FTA/RTA/PTA	Members	Summary of RTA/FTA/PTA
Bangladesh	Global System of Trade Preferences among Developing Countries (GSTP)	Algeria, Argentina, Bangladesh, Benin, Bolivia, Brazil, Cameroon, Chile, Colombia, Cuba, Ecuador, Egypt, Ghana, Guinea, Guyana, India, Indonesia, Iran, Iraq, Democratic People's Republic of Korea, Republic of Korea, Libya, Malaysia, Mexico, Morocco, Mozambique, Myanmar, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Singapore, Sri Lanka, Sudan, Tanzania, Thailand, Trinidad and Tobago, Tunisia, Venezuela, Viet Nam, and Zimbabwe	The GTSP provides a 20 percent margin of preference on tariffs applied to goods contained in the list of concessions submitted by each participant. Across-the-board, line-by-line, linear cut of at least 20 percent on dutiable tariff lines. Product coverage to be at least 70 percent of dutiable tariff lines. Product coverage shall be 60 percent for participants having more than 50 percent of their national tariff lines at zero-duty level. India unilaterally offered a tariff reduction of 25 percent on 77 percent of its tariff lines for LDCs (Department of Commerce, 2014).
Bhutan	Agreement on the Trade, Commerce and Transit between the Government of the Republic of India and the Royal Government of Bhutan	Bhutan and India	The FTA provides for free trade without import duties between the two countries and transit rights for Bhutan's trade with third countries (Royal Bhutanese Embassy, n.d.). Graduation will not affect Bhutanese exports to India.
	Bangladesh-Bhutan PTA	Bangladesh and Bhutan	The PTA affords duty-free access to Bangladesh for 34 Bhutanese products. 100 Bangladeshi products will get duty-free access to Bhutan (Ministry of Economic Affairs, 2020).
	South Asian Free Trade Area (SAFTA)	Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka	Same as SAFTA for Bangladesh.
	South Asian Preferential Trade Arrangement (SAPTA)	Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka	Same as SAFTA for Bangladesh.
Cambodia	ASEAN Free Trade Area (AFTA)	Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam	The AFTA reduces 95 percent tariffs to 0-5 percent across ASEAN-member countries (Wikipedia, n.d.). Products must have 40 percent ASEAN content to enjoy tariff preferences or CTH (World Bank, 2007).
	ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)	ASEAN members and Australia and New Zealand	AANZFTA provides member states zero-duty tariffs for all tariff lines after an initial phase-out (AANZFTA, n.d.a). LDCs have a more gradual reduction phasing and longer tariff elimination period under AANZFTA Special And Differential Treatment (AANZFTA, n.d.b).
	ASEAN-China Free Trade Area (ACFTA)	ASEAN members and China	The ACFTA reduced tariffs to zero on more than 7,000 product categories (90 percent of imports) as of 2010, initially applicable only to Indonesia, Malaysia, Singapore, Brunei, the Philippines, Singapore, and Thailand. Cambodia, Lao PDR, Myanmar and Viet Nam followed suit in 2015 (Medina, 2021). Regional value content (RVC) must be at least 40 percent of the value of the goods, and the final process of production must be done in an FTA-member country (Medina, 2021).
	ASEAN-Hong Kong, China Free Trade Area	ASEAN members and Hong Kong	ASEAN member states receive tariff concessions for a range of exports to Hong Kong. RoO requires at least 40 percent of content must originate from the ASEAN-Hong Kong region (Trade and Industry Department, n.d.).

3.14: Summaries of major Asia-Pacific bilateral and regional free trade agreements and their Asia-Pacific LDC members, cont.

	FTA/RTA/PTA	Members	Summary of RTA/FTA/PTA
Cambodia	ASEAN-India Free Trade Area (AIFTA)	ASEAN members and India	The AIFTA sets tariff liberalization for over 90 percent of product lines (Medina, 2021). RoO requires a CTSH and 35 percent value added.
	ASEAN-Japan Comprehensive Economic Partnership (AJCEP)	ASEAN members and Japan	The AJCEP eliminates duties on 87 percent of all tariff lines and includes a dispute settlement mechanism. It also allows for back-to-back shipment of goods between member countries, third party invoicing of goods, and ASEAN commutation (Medina, 2021).
	ASEAN-Republic of Korea Free Trade Area (AKFTA)	ASEAN members and the Republic of Korea	The AKFTA eliminates tariffs for 90 percent of products traded. Exporters and manufactures can choose between a general rule of RVC 40 percent or more of the FOB value or a CTH (Medina, 2021).
	Regional Comprehensive Economic Partnership (RCEP)		The RCEP eliminates tariffs from more than 90 percent of products over a different phase-out duration for each member, lasting between 20 and 36 years and beginning January 2022, the RECEP's date of entry into force. After the phase out period, ASEAN member states will get duty-free market access to Australia, China, India, Japan, New Zealand and the Republic of Korea. RCEP RoO requires a change in tariff classification at the HS 2-digit level for all non-originating materials used in production.
Kiribati	Pacific Agreement on Closer Economic Relations Plus (PACER Plus)	Australia, Cook Islands, Kiribati, Nauru, New Zealand, Niue, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu	Australia and New Zealand eliminated tariffs on 100 percent of tariff lines for Pacific Island States. (NZFAT, 2017). PACER Plus entered into force on 13 December 2020. There is no general rule for RoO requirements. For the food, agricultural and textiles sectors, most of the product-specific rules change the tariff chapter or require 40 percent regional value-added content.
	Pacific Island Countries Trade Agreement (PICTA)	Cook Islands, Fiji, Kiribati, Federated States of Micronesia, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu	The PICTA, signed in 2001, is a reciprocal FTA that reduced tariffs to zero by 2017. Products must meet 40 percent local content minimum (PICTA, n.d.).
	South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA)	Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, New Zealand, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu	Under SPARTECA, Pacific Island Forum member countries receive duty-free access to Australia and New Zealand. The RoO require 50 percent minimum content from one or more SPARTECA parties (SPARTECA, 1980). PACER Plus replaced SPARTECA on 13 December 2022.
Lao PDR	ASEAN Free Trade Area (AFTA)	Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam	Same as AFTA for Cambodia.
	ASEAN-Australia-New Zealand (AANZFTA)	ASEAN members, Australia and New Zealand	Same as AANZFTA for Cambodia.
	ASEAN-China	ASEAN members and China	Same as for Cambodia.

3.14: Summaries of major Asia-Pacific bilateral and regional free trade agreements and their Asia-Pacific LDC members, cont.

	FTA/RTA/PTA	Members	Summary of RTA/FTA/PTA
Lao PDR	ASEAN-Hong Kong, China	ASEAN members and Hong Kong	Same as for Cambodia.
	ASEAN-India	ASEAN members and India	Same as for Cambodia.
	ASEAN-Japan	ASEAN members and Japan	Same as for Cambodia.
	ASEAN - Korea, Republic of	ASEAN members and the Republic of Korea	Same as for Cambodia.
	Asia Pacific Trade Agreement (APTA)	Bangladesh, China, India, Republic of Korea, Lao People's Democratic Republic, and Sri Lanka	APTA offers duty concessions for a range of products imported from the member states however, APTA products under concession for non-LDCs are substantially fewer than those for LDCs. India offers tariff preferences at the 6-digit level on 570 tariff lines at an average margin of preference of 23.9 percent and an additional 48 tariff lines to LDC members at an average margin of preference of 39.7 percent . The minimum local content requirement for LDCs is 35 percent . Regional cumulation value added requirement is 50 percent. For non-LDCs, APTA RoO requirement is 45 percent and RoO for regional cumulation is 60 percent.
	Lao People's Democratic Republic-Thailand	Lao People's Democratic Republic, and Thailand	...
	RCEP		Same as for Cambodia.
Myanmar	ASEAN Free Trade Area (AFTA)	Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam	Same as for Cambodia.
	ASEAN-Australia-New Zealand	ASEAN members, Australia and New Zealand	Same as for Cambodia.
	ASEAN-China	ASEAN members and China	Same as for Cambodia.
	ASEAN-Hong Kong, China	ASEAN members and Hong Kong	Same as for Cambodia.
	ASEAN-India	ASEAN members and India	Same as for Cambodia.
	ASEAN-Japan	ASEAN members and Japan	Same as for Cambodia.
	ASEAN-Korea, Republic of	ASEAN members and the Republic of Korea	Same as for Cambodia.
	Global System of Trade Preferences among Developing Countries (GSTP)	Algeria, Argentina, Bangladesh, Benin, Bolivia, Brazil, Cameroon, Chile, Colombia, Cuba, Ecuador, Egypt, Ghana, Guinea, Guyana, India, Indonesia, Iran, Iraq, Democratic People's Republic of Korea, Republic of Korea, Libya, Malaysia, Mexico, Morocco, Mozambique, Myanmar, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Singapore, Sri Lanka, Sudan, Tanzania, Thailand, Trinidad and Tobago, Tunisia, Venezuela, Viet Nam, and Zimbabwe	Same as for Bangladesh.
	RCEP		Same as for Cambodia.

3.14: Summaries of major Asia-Pacific bilateral and regional free trade agreements and their Asia-Pacific LDC members, cont.

	FTA/RTA/PTA	Members	Summary of RTA/FTA/PTA
Nepal	India-Nepal	India and Nepal	India provides preferential zero-duty access for all articles manufactured in Nepal free of quantitative restrictions, except as specified elsewhere in the FTA. Nepal's import duty rates vary from zero to 80 percent. India enjoys a zero-duty rate on its exports of live animals, fish, and most primary products, while other countries see a 10 percent duty on these items (International Trade Center, n.d.).
	South Asian Free Trade Area (SAFTA)	Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka	SAFTA allows duty concessions on a range of tariff lines. Non-LDCs have fewer concession lines and face stricter RoO requirements than LDCs.
	South Asian Preferential Trade Arrangement (SAPTA)	Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka	Same as for Bangladesh.
Solomon Islands	EU-Pacific (Interim) Economic Partnership Agreement (EPA) (Cotonou)	Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, Fiji, Papua New Guinea, Samoa, and the Solomon Islands	The EPA grants permanent, full, 100 percent DFQF access to European Union markets for all products made in Fiji, Papua New Guinea, Samoa, and the Solomon Islands. The Pacific Island States provide at least 80 percent of European Union imports preferential access to their markets (European Commission, n.d.).
	Melanesian Spearhead Group (MSG)	Fiji, Papua New Guinea, Solomon Islands, and Vanuatu	The 2006 MSG is a reciprocal FTA for duty-free access to all goods originating from MSG countries except those expressly excluded in the Agreement. In the revised MSG agreement, the eventual elimination of tariffs was considered with no quantitative import restrictions on eligible goods (except for balance-of-payments reasons) and no new export prohibitions or restrictions. Tariffs were to be phased out over a maximum of nine years. The MSG RoO are considered less generous than those of PICTA. A further revision of the MSG may include trade in services and labour mobility provisions (MSG, n.d.).
	Pacific Agreement on Closer Economic Relations Plus (PACER Plus)	Australia, Cook Islands, Kiribati, Nauru, New Zealand, Niue, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu	Same as for Kiribati.
	Pacific Island Countries Trade Agreement (PICTA)	Cook Islands, Fiji, Kiribati, Federated States of Micronesia, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu	Same as for Kiribati.
	South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA)	Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, New Zealand, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu	Same as for Kiribati.

3.14: Summaries of major Asia-Pacific bilateral and regional free trade agreements and their Asia-Pacific LDC members, cont.

	FTA/RTA/PTA	Members	Summary of RTA/FTA/PTA
Solomon Islands	United Kingdom-Pacific States Economic Partnership Agreement (EPA)	Fiji, Papua New Guinea, Samoa, Solomon Islands, and United Kingdom	The EPA provides DFQF access into the United Kingdom for goods originating from the Pacific Island States. It also provides for a gradual reduction of duties in the Pacific States for goods originating in the United Kingdom. To be considered sufficiently processed, goods need to meet the relevant product specific rules (PSR) (Department for International Trade, 2019).
Tuvalu	Pacific Island Countries Trade Agreement (PICTA)	Cook Islands, Fiji, Kiribati, Federated States of Micronesia, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu	Same as for Kiribati.
	South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA)	Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, New Zealand, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu	Same as for Kiribati.
	Pacific Agreement on Closer Economic Relations Plus (PACER Plus)	Australia, Cook Islands, Kiribati, Nauru, New Zealand, Niue, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu	Same as for Kiribati.

Source: WTO, n.d.a.

3.3 TARIFF IMPLICATIONS OF LDC GRADUATION

As discussed earlier, AP LDCs export very different products in vastly different volumes under different LDC schemes. For example, Bangladesh uses LDC-specific preferences for around 70 percent of its exports, in sharp contrast to the 5 percent realized by Kiribati, Timor-Leste and Tuvalu. Consequently, tariff increases and potential adverse implications for exports arising from graduation will differ widely among graduating AP LDCs.

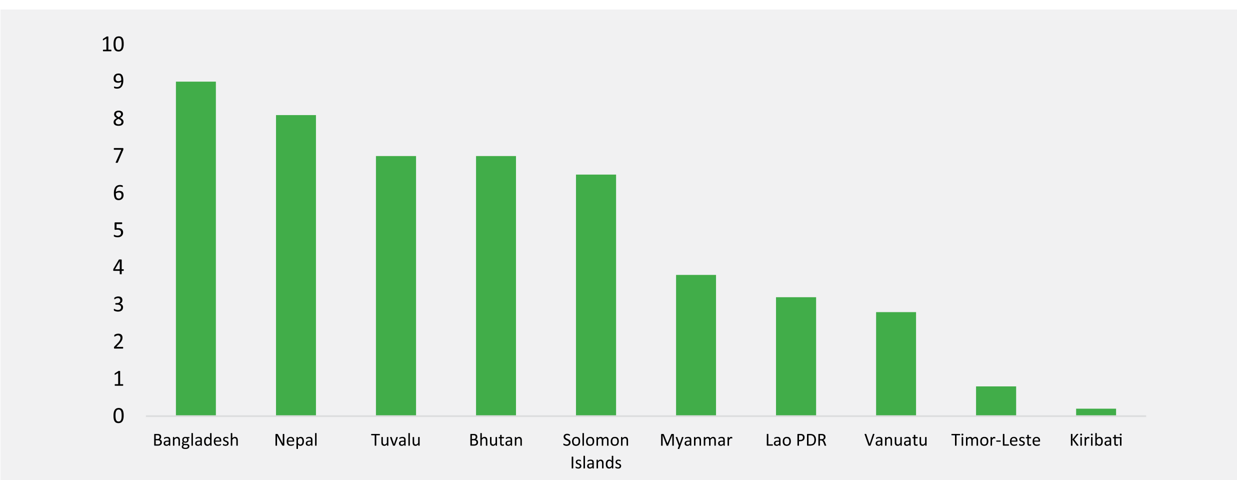
A 2020 WTO and EIF study of prospective graduates found that graduation might result in an average weighted-tariff rise of 4.2 percentage points.[21] However, Bangladesh and Nepal were estimated to see substantially greater tariff hikes of 8.9 and 8.1 percentage points respectively due to their reliance on high-tariff textile and clothing products. The study estimates other increases in tariff rates will range from 7 percentage points each for Bhutan and Tuvalu to less than 1 percentage point for Timor-Leste and Kiribati (Figure 3.7).

Table 3.15 provides post-graduation estimations of effective tariff-rate changes in important export-destination markets. For example, Bangladesh will see tariffs rise by 14.5 percentage points in Canada, 11.3 percentage points in the European Union, nearly 9 percentage points in Japan, and 8 percentage points in the Republic of Korea.[22] For Bhutan, the estimated effective tariff-rate change in India is almost zero because of its bilateral trade agreement with India, while the European Union and the Republic of Korea rates increase about 9 percentage points. However, under the proposed 2024-2034 European Union GSP, Bhutan might have access to GSP+ and a tariff change close to zero. For the same reason, other graduating AP LDCs' exports to the European Union, except for Bangladesh's, may see minimal effective duty-rate changes, although the changes will likely be much higher than announced in the 2020 WTO-EIF study because the best alternative scheme was considered to be the Standard GSP.

If Kiribati does not comply with GSP+ requirements, it will see a steep 14.5 percentage point rise in European Union tariffs, nearly 9 percentage points in Canada, 8 percentage points in the Republic of Korea, and 3 percentage points in the United States. Post-graduation, Lao PDR will not face any tariff changes in China or India given the ASEAN FTAs, but will see an increase of 2.7 percentage points in Canada, 8.4 percentage points in the European Union (if not eligible for GSP+), 1.5 percentage points in Japan, and less than 1 percentage points in the Republic of Korea.

Similarly, Cambodia and Myanmar will not experience any major effective tariff-rate changes in China, India, Japan and the Republic of Korea thanks to ASEAN FTAs. Myanmar will face a 7.7-percentage-point tariff increase in Canada and 8.5 percentage points in the European Union. Graduation will not have much impact on Nepal's exports to India because of their bilateral trade agreement, but its post-graduation effective tariff-rate increase will be 5 percentage points in Canada and China, 3.4 percentage points in Japan, and 2.5 percentage points in the Republic of Korea. If Nepal qualifies for GSP+ like Bhutan, it will

Figure 3.7: Average tariff increase faced by graduating Asia-Pacific LDCs (percentage point)



Source: WTO and EIF, 2020

21 Cambodia was not included in the study.

22 The author estimated Bangladesh's weighted tariff hike in the European Union market based on apparel exports receiving MFN tariffs due to safeguard measures.

Table 3.15: Effective tariff change in Asia-Pacific LDC export-destination markets (percentage point)

	Canada	China	European Union	India	Japan	Republic of Korea	United States
Bangladesh	14.47	4.83	11.2	2.37	8.89	7.94	0
Bhutan	0.45	0	8.91	0.03	2.12	8.89	14.5
Kiribati	8.89	0	14.5	0	8.91	7.94	2.96
Lao PDR	2.69	0	8.41	0	1.51	0.84	0
Myanmar	7.68	0.01	8.46	0.03	1.18	3.46	0.04
Nepal	4.96	5.42	5.63	0	3.38	2.51	0.01
Solomon Islands	0.01	0	12.8	0.01	0.38	0.01	6.61
Timor-Leste	0	0.38	0	0	0	0.49	0
Tuvalu	0	0.38	-	0	0	0.49	0

Note: Changes in weighted-tariff rates for Bangladesh's exports to China, the European Union and India, and Nepal's exports to China were estimated using disaggregated data from the ITC Trademap (2019). The author believes the best alternative tariff schemes after Bangladesh's graduation will be APTA in China, SAFTA non-LDC in India, and GSP+ in the European Union, although apparel exports will be subject to safeguard measures. Post-graduation, the best alternative tariff scheme for Nepal's exports to China will be MFN duty.

Source: WTO and EIF, 2020; author's estimates.

see no tariff changes for European Union exports, but disqualification will result in a 6-percentage points increase. The WTO-EIF study estimates that the Solomon Islands will see a 12.9 percentage point increase in the European Union based on the Standard GSP tariff rates. However, as it stands, the Solomon Islands will receive duty-free access for almost all its exports under the EPA. Post-graduation tariff changes for Timor-Leste and Tuvalu in their major markets will be minimal (WTO-EIF, 2020), mostly due to their current export structures and low preference utilization rates.

Tariff hikes translate into a loss of competitiveness. The WTO-EIF (2020) ex-ante analysis employs a partial equilibrium model that shows graduating AP LDCs losing various magnitudes of exports. Bangladesh is forecast to see the greatest impact, estimated as a more than 14 percent decline on average (Table 3.16). Furthermore, model simulations show Bangladesh's exports to Canada fall by as much as 42 percent, 26 percent in the European Union,[23] 30.5 percent in Japan, 27.5 percent in the Republic of Korea, and 8.3 percent in China (Table 3.17). In terms of export shocks to specific product categories, the WTO-EIF study projects Bangladesh's exports of clothing to decline by $4.8 billion (equivalent to 15.3 percent of the country's merchandise exports); textile exports by 7.6 percent; leather and footwear by 14 percent; fish and fish products by 19.7 percent; transport equipment by 17.2 percent; beverages by 9.1 percent; chemicals by 2.5 percent; and cereals by 5.78 percent (Table 3.18).

For Bhutan, the loss of exports is estimated at $4.3 million, or 1.44 percent of its initial exports. Exports to the European Union are likely to suffer most, by $8.5 million or the equivalent of 26.7 percent of pre-graduation exports (Table 3.16). Bhutan is forecast to see further export reductions of 30.5 percent for the Republic of Korea and 42 percent for the United States, but both countries' share of Bhutan's total exports is low (Table 3.17). The largest decline in export earnings would be due to minerals and metals by $3 million or an equivalent of 1.6 percent of initial exports (Table 3.18).

The model shows Lao PDR's exports declining by $66.3 million, or 1.45 percent of its pre-graduation volumes (Table 3.16). Like other apparel exporters, the largest impact will be due to the loss of EBA preference in the European Union.[24] Clothing, sugars and confectionary, leather and footwear, cereals, and preparations are items that face the largest reductions across Lao PDR's major export markets (Tables 3.17 and 3.18).

Myanmar is estimated to lose almost half a billion dollars' worth of export volumes, about 2.5 percent of all merchandise receipts (Table 3.16), primarily in the European Union (26.3 percent), Canada (13.4 percent) and the Republic of Korea (about 8 percent) (Table 3.17). However, the loss could be much lower if Myanmar qualifies for the GSP+ scheme preferential market access under the ASEAN-Korea FTA. Clothing sees the greatest loss ($356 million or about 11 percent of pre-graduation

[23] If Bangladesh's clothing exports to the European Union under section S-11b are subject to safeguard mechanisms, its overall loss of exports will be much higher.

[24] If Lao PDR can comply with sustainable development criteria, it will be included in the GSP+ beneficiary list and the impact on tariffs and exports will be minimal or zero.

Table 3.16: Potential impact of graduation on Asia-Pacific LDCs' export volumes

Exporter	Initial exports ($ '000)	Estimated changes in exports after LDC graduation ($ '000)	Loss of exports as % of initial exports
Bangladesh	37,633,733	-5,372,278	-14.28%
Bhutan	295,867	-4,251	-1.44%
Kiribati	153,730	-299	-0.19%
Lao PDR	4,581,917	-66,313	-1.45%
Myanmar	13,028,355	-499,133	-3.83%
Nepal	812,796	-20,139	-2.48%
Solomon Islands	826,170	-34,399	-4.16%
Timor-Leste	123,038	-42	-0.03%
Tuvalu	58,623	-5	-0.01%

Source: WTO and EIF, 2020.

exports), followed by cereals ($66.5 million or 15.65 percent) (Table 3.18). The impact on Myanmar's largest exports – minerals and metals – will be minimal.

The potential export volume loss for Nepal is estimated at $20 million, equivalent to 2.5 percent of its pre-graduation exports (Table 3.16). As a textiles and apparel exporter, the largest shock to Nepal emanates from the European Union market due to the loss of EBA preferential access, leading to a decline of 19.1 percent overall (Table 3.17), led by a 13.28 percent drop in clothing exports (Table 3.18), unless Nepal can secure its place on a GSP+ listing. However, exports to its largest destination market, India, will see no change.

Among the Pacific Island AP LDCs, only the Solomon Islands is expected to see a decline of export volumes; the model forecasts minimal impacts on graduates Kiribati, Timor-Leste and Tuvalu.[25] The Solomon Island's loss, estimated at $34 million or 4.2 percent of exports (Table 3.16), stems from the loss of preferential access to European Union markets. However, the Solomon Island's 2020 accession to the Cotonou Agreement between the African, Caribbean and Pacific Group of States (ACP) and the European Union via the EU-Pacific States Interim Economic Partnership Agreement means much of the pre-accession estimated export loss will be avoided (European Commission, n.d.).

These quantitative estimates of graduation impacts are subject to certain limitations; consequently, the results should be interpreted and used with caution. Their flaws stem from assumptions made during model development and implementation. Quantitative models and simulation exercises substantially reduce the complexities of real-world issues and are unable to capture many

Table 3.17: Asia-Pacific LDCs' loss of exports after graduation by destination country (%)

	Canada	China	European Union	India	Japan	Republic of Korea
Bangladesh	-42.05	-8.29	-26.3	-	-30.53	-27.53
Bhutan	6.49	7.07	-26.3	8.93	0.95	-30.53
Kiribati	-30.53	0.25	-42.3	0	-26.28	-27.53
Lao PDR	-7.47	0.35	-20.9	0.01	-3.53	-6.16
Myanmar	-18.25	0.12	-22.3	0.01	0.12	-10.07
Nepal	-13.39	0.71	-19.1	-0.03	-11.4	-7.98
Solomon Islands	0.07	0	-43.3	-0.04	-1.63	-0.07
Timor-Leste	0.07	0	-43.3	-0.04	-1.63	-0.07
Tuvalu	0.05	-1.33	-	0	0.03	-2.47

Source: WTO and EIF, 2020.

[25] The experience of the Maldives, Samoa, and Equatorial Guinea, graduated in 2011, 2014 and 2017 respectively, shows that their exports were little affected after graduation. Equatorial Guinea is an oil and natural gas exporter. The Maldives and Samoa had small export volumes characterised by high volatility and the countries could not make much use of trade preferences.

Table 3.18: Changes in Asia-Pacific LDCs' exports and tariffs by MFN category

	Bangladesh	Bhutan	Kiribati	Lao PDR	Myanmar	Nepal	Solomon Islands	Timor-Leste	Tuvalu
Clothing	-4844572 (-15.26%)	-5 (-1.81%)	-1 (-0.42%)	-45042 (-17.36%)	-356003 (-10.85%)	-11201 (-13.28%)	-2 (-3.87%)	0 (-0.27%)	0 (-0.36%)
Textiles	-183999 (-7.63%)	-1 (-0.71%)	0 (0.00%)	-75 (-0.30%)	-5437 (-2.55%)	-7410 (-2.92%)	0 (-0.11%)	0 (0.00%)	-3 (-4.10%)
Leather, footwear, etc	-163117 (-13.96%)	0 (-0.03%)	0 (-0.01%)	-8521 (-4.17%)	-58803 (-9.06%)	-286 (-1.03%)	0 (0.00%)	0 (-0.05%)	0 (-0.01%)
Fish and fish products	-114599 (-19.69%)	0 (0.00%)	-298 (-0.21%)	0 (-0.34%)	-6988 (-1.43%)	0 0.00%)	-33011 (-34.85%)	0 (0.00%)	-1 (0.00%)
Transport equipment	-30301 (-17.20%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	-6 (-0.01%)	-5 (-0.24%)	0 (0.00%)	0 (0.00%)	0 (0.00%)
Beverages and tobacco	-13421 (-9.08%)	-3 (-0.03%)	0 (0.00%)	-382 (-1.19%)	-77 (-0.27%)	-37 (-0.05%)	0 (0.00%)	0 (0.00%)	0 (0.02%)
Chemicals	-6624 (-2.48%)	-577 (-1.53%)	0 (-0.03%)	-89 (-0.15%)	-174 (-0.18%)	-6 (-0.01%)	-8 (-1.43%)	-1 (-0.36%)	-1 (-0.36%)
Minerals and metals	-4786 (-1.95%)	-3040 (-1.59%)	0 (-0.02%)	0 (0.00%)	-1551 (-0.03%)	-96 (-0.12%)	0 (0.00%)	-2 (-0.09%)	0 0.00%)
Cereals and preparations	-3939 (-5.78%)	0 (-0.01%)	0 (-0.01%)	-2244 (-2.05%)	-66532 (-15.64%)	-537 (-4.34%)	0 (0.00%)	0 (0.01%)	0 (0.00%)
Fruits, vegetables, plants	-2692 (-2.35%)	-16 (-0.70%)	0 (0.00%)	-385 (-0.32%)	-2385 (-0.24%)	-194 (-1.09%)	0 (-0.02%)	0 (0.00%)	0 (0.00%)
Manufactures nes	-1169 (-0.46%)	0 (0.00%)	0 (0.00%)	-3 (0.00%)	-71 (-0.04%)	-31 (-0.13%)	0 (0.00%)	0 (-0.02%)	0 (0.00%)
Oilseeds, fats and oils	-1065 (-2.27%)	-403 (-15.88%)	0 (0.00%)	-10 (-0.16%)	-137 (-0.17%)	-7 (-0.02%)	-1377 (-2.24%)	0 (0.00%)	0 (0.00%)
Wood, paper, etc	-1054 (-0.99%)	0 (0.00%)	0 (-0.01%)	-811 (-0.18%)	-312 (-0.07%)	-9 (-0.06%)	-1 (0.00%)	0 (-0.01%)	0 (0.00%)
Other agricultural products	-329 (-1.00%)	0 (-0.01%)	0 (0.00%)	-117 (-0.44%)	-579 (-0.78%)	-18 (-0.03%)	0 (0.00%)	-18 (-0.95%)	0 (0.00%)
Electrical machinery	-272 (-0.36%)	0 (0.00%)	0 (0.00%)	-8 (0.00%)	-1 (0.00%)	-1 (-0.02%)	0 (0.00%)	0 0.00%)	0 (0.00%)
Sugars and confectionery	-227 (-1.40%)	0 (0.00%)	(0.00%)	-8596 (-20.92%)	-4 (-0.06%)	-18 (-1.75%)	9 (0.00%)	0 (-7.61%)	0 (0.00%)
Non-electrical machinery	-80 (-0.12%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	-1 (-0.01%)	0 (0.00%)	0 (0.00%)	0 (0.00%)
Coffee, tea	-18 (-0.26%)	0 (0.00%)	0 (0.00%)	-30 (-0.05%)	-21 (-0.38%)	-85 (-0.81%)	0 (0.00%)	-20 (-0.11%)	0 (0.00%)
Dairy products	-12 (-0.56%)	-205 (-38.20%)	0 (0.00%)	-1 (-22.27%)	0 (-0.03%)	-176 (-9.37%)	0 (0.00%)	0 (0.00%)	0 (0.00%)
Animal products	-3 (-0.26%)	0 (0.00%)	0 (0.00%)	2 (0.03%)	-32 (-0.05%)	-22 (-4.46%)	-1 (-0.12%)	0 (0.00%)	0 (0.00%)

Source: WTO and EIF, 2020

complex dynamics. For example, these projections do not account for the impact of RoO requirements on graduated countries. Regardless of such limitations, the findings seem to suggest that preference erosion due to graduation could exert competitiveness pressure on AP LDCs that made use of LDC-specific trade preference. As indicated earlier, apart from Bangladesh, any potential adverse implications for other AP LDCs are quite small.

3.4 THE LDC SERVICES WAIVER

The WTO's General Agreement on Trade in Services (GATS) provides a framework for global services trade liberalization (WTO, 1994). It focuses on enhancing the participation of developing members in trade in services through 'negotiated specific commitments'. It also states that LDCs will be given special consideration in the execution of this provision, notably in the context of market access liberalization in export-oriented sectors and modes of supply (Table 3.19). This means that LDCs' market access concerns should be prioritized during services trade negotiations. LDCs, on the other hand, have the flexibility to liberalize at a slower pace than other members. However, the GATS did not spell out options for preferential treatment to services for LDCs and developing countries, as it did for trade in goods. At the 2011 WTO Ministerial Conference , members agreed to allow LDC-specific preferential treatment for services and service suppliers in the 'Enabling Clause for Services'. The resulting LDC services waiver allows interested developed and developing country WTO members to offer preferential treatment to services and services suppliers originating in LDCs.

In other words, the waiver relieves WTO members of their legal obligation to give non-discriminatory MFN treatment to all trading partners while granting trade preferences to LDCs, as per GATS Article II. In 2014, LDCs submitted a collective request to ensure preferential commitments in services modalities from members. Despite confusion over implementation, 24 WTO members (counting the European Union as one and including developed and several developing countries) submitted notifications to grant specific preferences to LDCs. Members also indicated sectors and modes of supply where they intended to provide preferential treatment to LDC services and service suppliers. The 2015 WTO Ministerial Conference extended the LDC services waiver until 2030, and directed the Council for Trade in Services to examine how notified preferences work and to explore technical assistance measures targeted at promoting LDC participation in the services trade.

In addition to receiving preferential market access for goods exports, under the WTO services waivers, LDCs may benefit from special treatment for services exports, such as facilitated or longer entry visas for services suppliers. Post-graduation AP LDCs will not be entitled to make new GATS commitments; instead, they will maintain the level of commitments undertaken during the 1986-1994 Uruguay Round of trade negotiations. Preferential treatment under the LDC services waiver will be terminated when the AP LDC graduation becomes effective.

Despite the LDC services waiver, the WTO members' notified preferences have not been operationalized, leaving AP LDCs unable to benefit from it. Consequently, graduation will not lose them services exports unless the waiver is operationalized prior to a graduation and an AP LDC makes use of it. Furthermore, an analysis of the services-preference measures notified under the waiver indicates that the end of preferential treatment will have little impact on graduating AP LDCs because most measures only apply to members' MFN regimes. The LDCs' primary focus has been on the Mode 4 'Presence of Natural Persons'; in response, some WTO members have made waiver offers (Table 3.20). However, actual liberalization of LDC-specific preferential terms has not occurred because of shallow offers and a lack of concrete operational plans.

Table 3.19: Definition of services trade and modes of supply according to GATS

Mode 1: **Cross border trade**	From the territory of one WTO member into the territory of any other member
Mode 2: **Consumption abroad**	In the territory of one WTO member to the service consumer of any other member
Mode 3: **Commercial presence**	Service supplier of one WTO member, through commercial presence, in the territory of any other member
Mode 4: **Presence of natural persons**	By a service supplier of one WTO member, through the presence of natural persons of a member in the territory of any other member

Source: WTO, 1994.

Table 3.20: Selected LDC-specific services waiver offers by country under Mode 4

Provider	LDC-specific services waiver (Mode 4)
Australia	Contractual service suppliers, including independent professionals and specialists, may enter for periods of stay up to 12 months, with the possibility of further stay, subject to employer sponsorship.
Canada	Provides state and city-specific services waiver in all modes. They can be found at Canada's revision of (S/C/N/792) WTO notification.
China	Business visitors, including services investors and salespersons, can stay in China for up to six months. Applicable to 100 services sectors and sub-sectors in China's existing schedule of commitments.
European Union	Contractual service suppliers can double stay period from three to six months. Graduate trainees can stay up to 1-year. Independent professionals can stay up to six months at a time. Intra-corporate transferee improvements in 30 sectors for skilled professionals, up to 6 months at a time
India	Contractual service suppliers and independent professionals in computer and IT-enabled services; engineering; hotel management; management consulting services; project management (except construction), tourist guide (multilingual); travel agency and tour operation services. Personal services suppliers include foreign language teachers (except English); installers or servicers; specialised chefs and sportspersons.
Japan	No economic needs tests or labour market tests for services suppliers from LDCs. Resident permit fees for LDC contractual service suppliers, independent professionals, and intra-corporate transferees waived. Mode 4 services waiver in container-station depot; engineering; hotel and restaurant; urban planning and landscape architectural services.
Republic of Korea	Easier market access and simpler procedural requirements in rental services; maritime auxiliary services; entertainment services. Contractual services suppliers in industrial equipment maintenance; IT consulting; e-business; biotechnology; accounting and auditing consultancy; management consulting; architectural services; professional engineering etc.

Source: Razzaque et al, 2020; Drake-Brockman, Greenidge, Lan and Zhao, 2015

All major services exports, including transport, travel-tourism, telecommunications and information-technology (IT)-enabled services, construction and financial services from the AP LDCs are currently governed through bilateral arrangements and/or on a competitive basis. This implies that graduation should not result in any loss of services-export opportunities. However, AP LDC that could supply labourer services, such as Bangladesh, Myanmar and Nepal, might face a post-graduation disadvantage and missed opportunities if the LDC services waiver comes into operation in the future and WTO members offer labourer market openings to LDC workers and service providers.

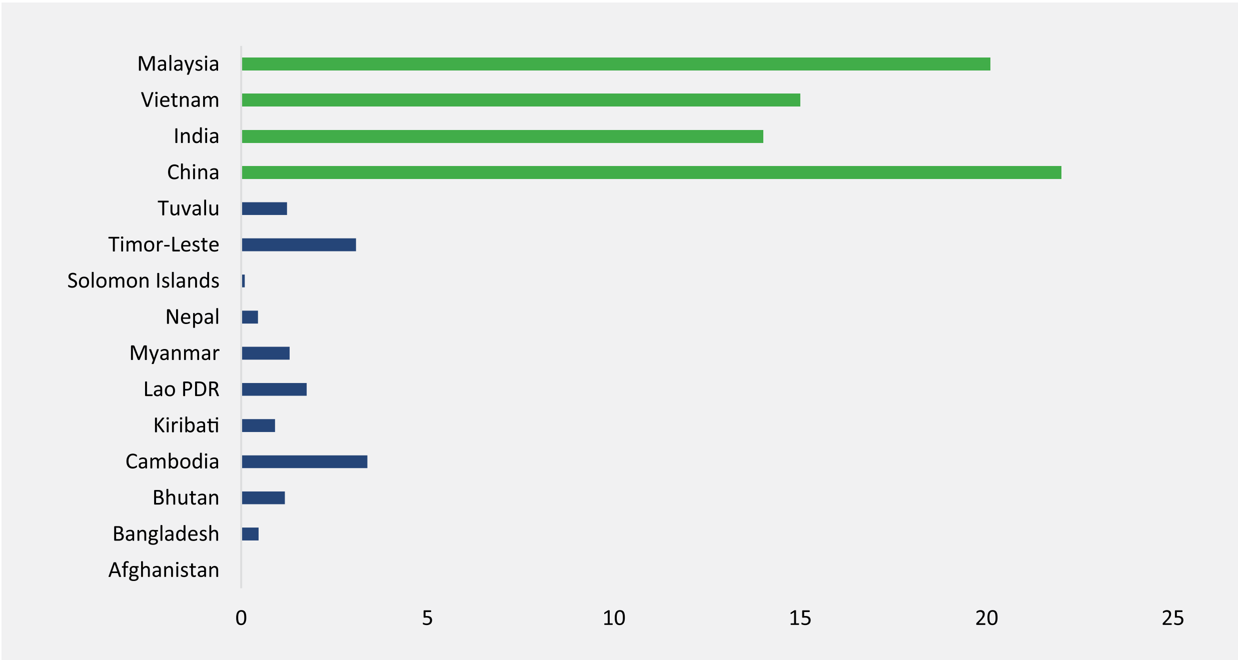
3.5 LDC GRADUATION INTERACTION WITH OTHER DYNAMIC TRADE-RELATED CHALLENGES

Graduation could potentially interact with other dynamic and unfolding issues, with unfavourable consequences for graduating AP LDCs. It is not possible to provide a comprehensive assessment of all likely developments a priori, but this section presents a few concrete concerns (Razzaque, 2022).

IMPACT OF GRADUATING ASIA-PACIFIC LDCS' ALREADY-LIMITED PARTICIPATION IN GLOBAL VALUE CHAINS

Recently, participation in global value chains (GVCs) has been an important determinant of export success. The value chain captures the entire range of activities, including production and services, needed to bring a product from conception to end-use, including design, production, marketing, distribution and support to the final consumer (Global Value Chains, n.d.). Most Asia-Pacific LDCs depend excessively on primary products, limiting their capacity to participate in GVCs. Often, parts and components trade between countries is the most dynamic component of GVCs. AP LDCs have a miniscule share of exports in parts and components, close to zero to a maximum of 3.4 percent for Cambodia (Figure 3.8), in comparison to 10 to 25 percent shares for China, India, Malaysia, and Viet Nam. This GVC under-participation despite the availability of LDC-specific trade preferences, raises a concern that forgone trade preferences due to graduation could even further minimize AP LDC participation in GVCs.

Figure 3.8: Asia-Pacific LDC global value chain participation: Share of parts and components in total exports, 2017-2019 average (%)



Source: Author's estimates based on Athukorala, 2010.

On a limited scale, LDC-specific duty-free schemes have facilitated AP LDCs' connections to international and regional production networks. Even so, participation by, for example, Bangladesh, Cambodia and Myanmar in the textile and apparel value chain has been limited to CMT operations, where the least value is created. The most value-adding operations at pre- and post-production stages, such as design, marketing, retailing, and post-retail consumer services, remain largely out of reach for AP LDCs and are performed by developed-country brands and retailers. Returning to the example of Bangladesh, Cambodia, and Myanmar: while performing CMT activities alone is not a desirable and sustainable option, losing any trade preferences could further restrict their export and business potential.

LOSS OF COMPETITIVENESS DUE TO OTHER COUNTRIES' TRADE AGREEMENTS

Graduating AP LDCs face preference erosion or stand to lose the most liberal export market access and various RTAs and FTAs involving other large developing countries exert further competitive pressure. Recently, countries such as Indonesia and Vietnam have secured preferential market access terms through the RCEP that are more favourable than those Bangladesh and Nepal will receive after graduation in the major Chinese, Japanese and Korean markets. Similarly, the 2020 European Union-Viet Nam FTA will gradually lower tariffs on Viet Nam's clothing exports from 9 percent to zero by 2027; during approximately the same time, Bangladesh, after graduation and a three-year transition period, could see tariff rates on its clothing exports rise from zero to about 11 percent.[26] This drastic shift in market access conditions could cause a trade diversion by making Bangladesh less price competitive. Even if graduating AP LDCs qualify for GSP+, the European Union-Viet Nam FTA will cause significant erosion in their competitiveness. In addition, several ongoing bilateral European FTA negotiations ,including with India and Indonesia, are expected to affect non-signatories' export competitiveness in favour of FTA partners. Competition will also emerge from apparel-exporting African LDCs, such as Ethiopia, Lesotho, and Madagascar, which can access the European Union's EBA scheme, and the African Growth and Opportunity Act (AGOA), which grants duty-free treatment for garments entering the United States. In short, the competitiveness of some categories of graduated AP LDC exports could be weakened by new bilateral or multilateral engagements between their main trade partners and other exporters of the same items.

[26] This is because, as discussed earlier, Bangladesh's clothing exports, as per the proposed European Union GSP 2023-2034, will be subject to safeguards that result in the cessation of all preferences.

INVESTMENT DIVERSION

The loss of trade preferences, such as duty-free market access and liberal RoO requirements, and the erosion of competitiveness arising from trade agreements between other countries, could make it more challenging for graduating AP LDCs to attract FDI, particularly the textile and clothing exporters. Interviews with Chinese FDI strategists for the textile and clothing sector show that losing LDC-specific market access to the world's leading apparel import market could hurt the attractiveness of Bangladesh, Cambodia, Lao PDR, and Nepal as FDI destinations for Chinese textile and apparel companies (Razzaque, 2022). During 2017-2018, Bangladesh, Lao PDR, and Nepal were not among the top FDI destinations for China's textile and apparel companies, while Cambodia accounted for less than 2 percent of China's total FDI outflows (Razzaque, 2022).

Furthermore, COVID-19-induced supply disruptions and increased shipping costs have given rise to major importers' 'near-sourcing' and 'reshoring' campaigns in a bid to reallocate supply chains away from China; this could potentially hurt the trade and investment prospects of graduating AP LDCs. For example, European Union-based retailers are interested expanding sourcing from eastern European countries and Turkey while United States investors increase sourcing from Mexico and Central American countries (European Parliament, 2021; Lu, 2021). Under these circumstances, loss of any trade preference could exacerbate AP LDC graduation impacts.

ECONOMIC, SOCIAL AND GOVERNANCE ISSUES IN THE FACE OF PREFERENCE EROSION

The so-called environmental, social, and governance (ESG) issues of workplace safety, working conditions, and environmental compliance have become increasingly prominent concerns for international trade sourcing and business activities as consumers' concerns about climate change and working conditions affect supply-chain management decisions. This trend might shift competitive advantage to more ESG-compliant sources that have greater supply-side capacity. Because AP LDCs rely more on tariff preferences for their competitive strength, and have less financial support and compliance capacity, graduation and the associated loss of LDC-specific preferential tariffs and financing could pose challenges for their firms' ability to invest in ESG-related issues.

4. IMPLICATIONS FOR DEVELOPMENT FINANCE

4.1 STATE OF DEVELOPMENT FINANCE IN ASIA-PACIFIC LDCS

A lack of financial resources is one of the most significant obstacles facing AP LDCs in achieving sustained growth because general government spending is critical for development. The ongoing development transition of AP LDCs requires meeting an ever-rising demand for enhanced infrastructure for energy generation and to improve health and education quality. However, domestic resource mobilization capacity is limited in graduating AP LDCs. This highlights the significance of external development financing.

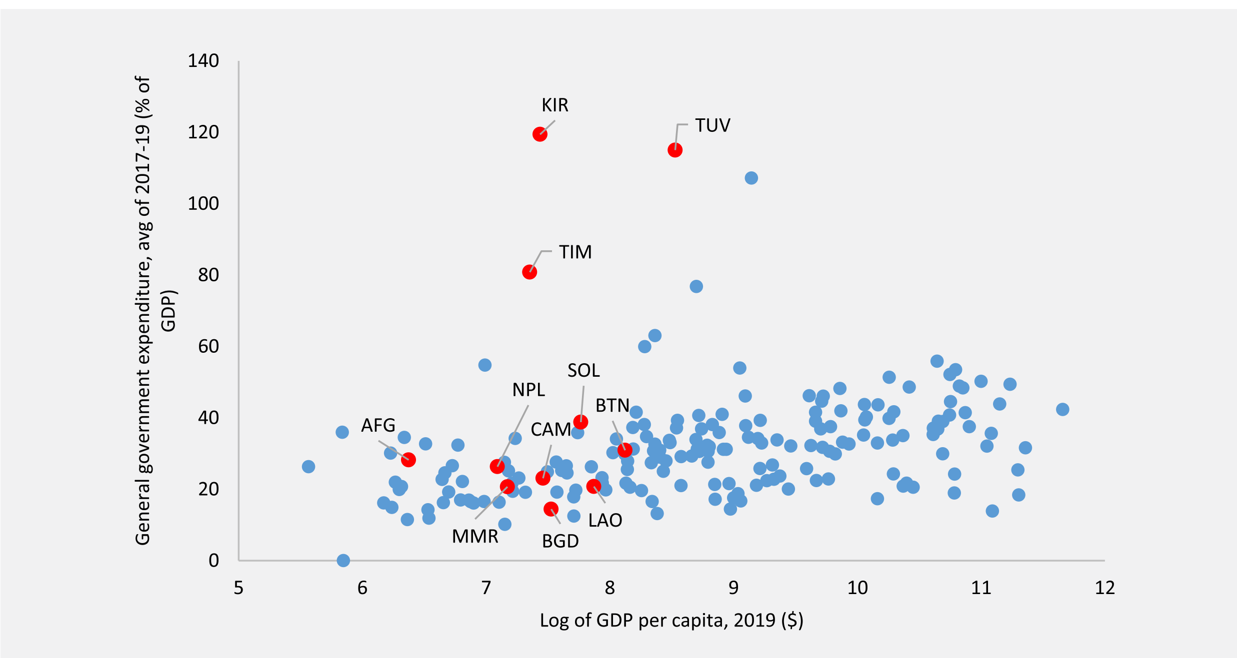
PUBLIC SPENDING

Amid LDC graduation prospects, the role of public investment has become more prominent than ever. The level of general government spending varies widely across AP LDCs. Bangladesh, the largest country, with a population of about 170 million, spends about 15 percent of GDP on public expenditure. Cambodia, Lao PDR, and Myanmar spend in the range is 20-25 percent; and Afghanistan, Bhutan, and Nepal spend 25-30 percent.

AP island LDCs have much higher levels of government spending, ranging from close to 40 percent of GDP (during 2017-2019) in the Solomon Islands, more than 80 percent in Timor-Leste, and exceeding 100 percent in Kiribati and Tuvalu (Figure 4.1). Generally, Pacific LDCs have high government spending as a proportion of GDP; the structural limitations of their economic activities means that government spending is a main driver of economic growth.

Despite the huge need for financing to fund development, most AP LDCs can mobilize very few domestic resources. Bangladesh generates the least revenue from domestic sources – less than 10 percent of GDP. This rises to around 12 percent in Afghanistan and Timor-Leste, 13.4 percent in Lao PDR, 18-19 percent in Bhutan and Cambodia, around 20 percent in Myanmar, 24 percent in Nepal, 33 percent in the Solomon Islands, and 95 percent in Kiribati (IMF, n.d.). To finance the deficit between government expenditures and domestic revenue generation, many of these countries rely on domestic borrowing and external sources. Afghanistan

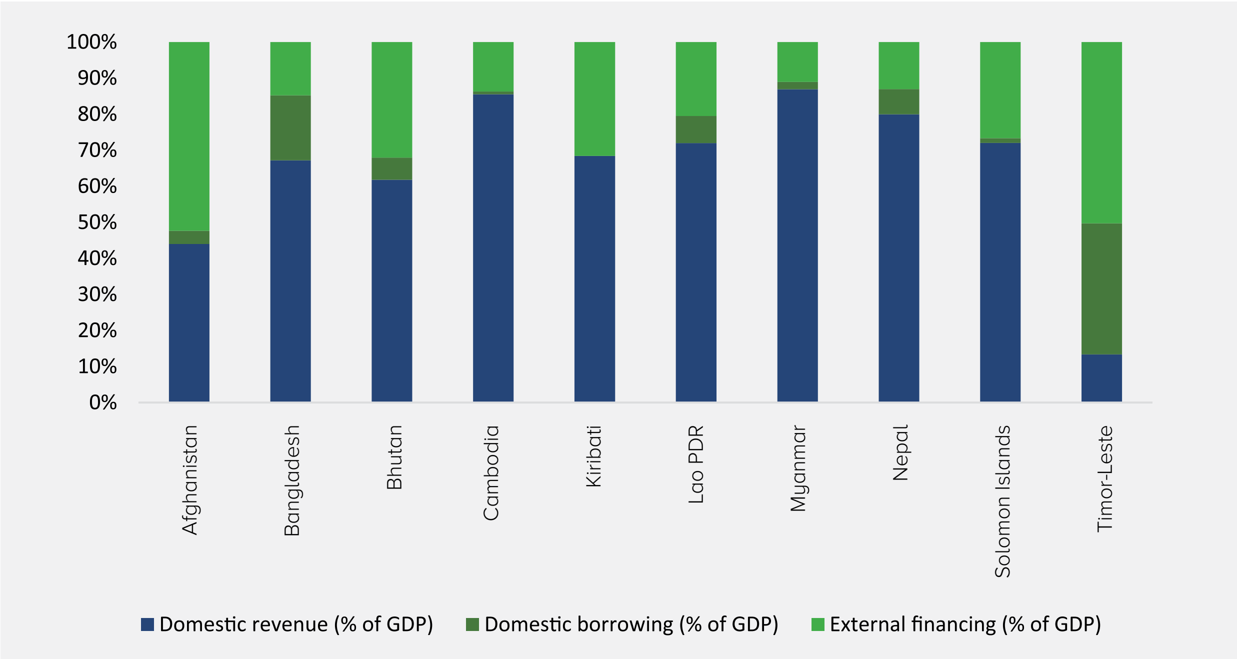
Figure 4.1: Asia-Pacific LDC general government expenditures as a percentage of per capita GDP, 2018-2019 average (%)



Note: Countries are indicated as AFG = Afghanistan, BGD = Bangladesh, BTN = Bhutan, CAM = Cambodia, KIR= Kiribati, LAO = Lao PDR, MMR = Myanmar, NPL = Nepal, SOL = Solomon Islands, TIM = Timor-Leste, and TUV = Tuvalu.

Source: IMF, n.d.

Figure 4.2: Asia-Pacific LDCs' government expenditures, disaggregated by source, 2017-2019 average (%)



Note: External financing incorporates loan and grants. Average of most recent three years' data.

Source: Budgetary allocation of individual countries.

and Timor-Leste are most dependent on external financing, followed by Bhutan, Kiribati, and the Solomon Islands (Figure 4.2).

EXTERNAL FINANCING

The investment required for future growth is an important dimension of government expenditures. Investment may come from domestic sources, such as savings, and from external sources, such as remittances, FDI and ODA. Figure 4.3 illustrates the composition of these elements for AP LDCs. The gross domestic savings in Kiribati and Timor-Leste are negative. FDI inflows are negligible for most AP LDCs: Cambodia has the highest level as percentage of GDP (12.3 percent), followed by Lao PDR (7 percent), and Myanmar (5 percent). Migrant workers remittances constitute the most important element of overall resource outlays in Nepal (25 percent of GDP) followed by in Kiribati (9.5 percent), Bangladesh (6.2 percent), Cambodia (6 percent), and Timor-Leste (5 percent).

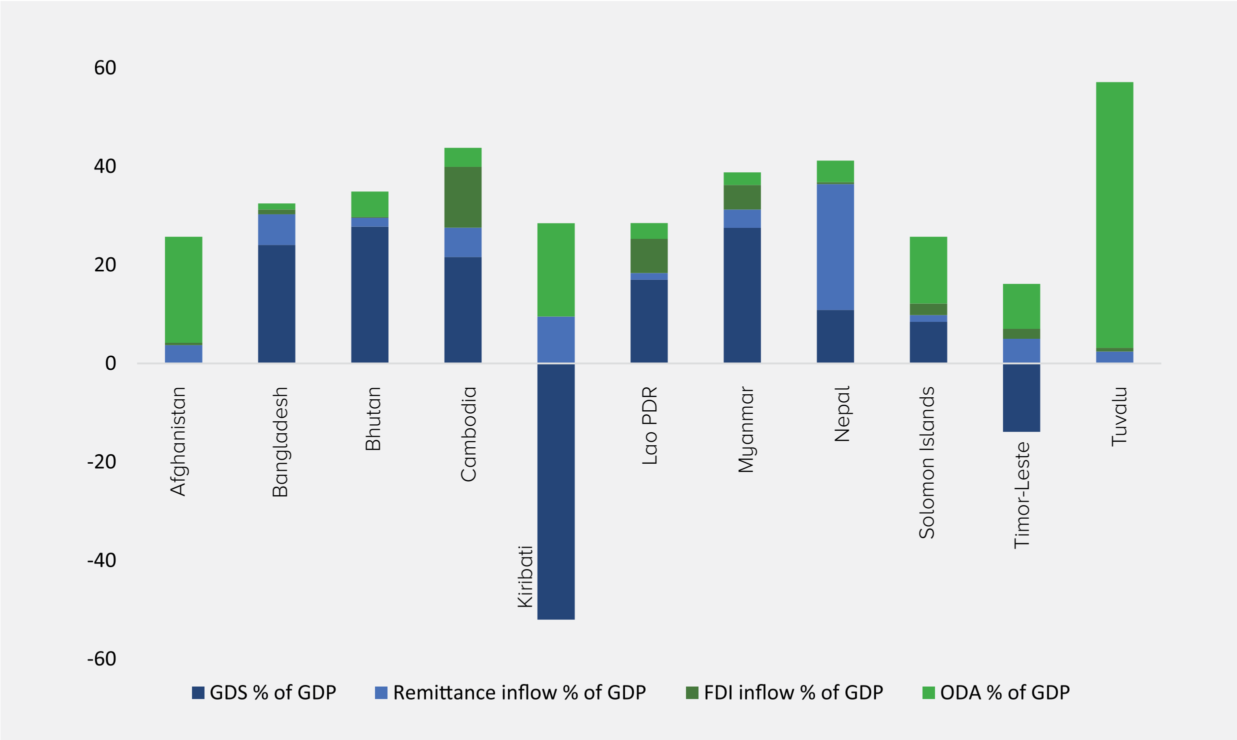
External financial flows—mostly, ODA – have aided the growth and development process of AP LDCs. Over the past two decades, total official finance, composed of ODA, non-export credit, and private-sector development finance, to all 11 AP LDCs from the Organisation for Economic Development and Cooperation (OECD) Development Assistance Committee (DAC) donors, non-DAC donors, and multilateral organisations increased more than five-fold, from less than $3 billion in 2002 to $17.6 billion in 2019 (Table 4.1).[27] Bangladesh, Bhutan, Cambodia, Lao PDR, Myanmar, Nepal and Tuvalu in particular have seen a steady rise in external financial flows (Table A12).

ODA constitutes more than 85 percent of the official finance flowing to AP LDCs (Figure 4.4). During the past ten years (2010-2019), war-torn Afghanistan attracted the highest amount of ODA, over $50 billion, followed by Bangladesh ($35.4 billion), Myanmar ($19.3 billion), Nepal ($12.2 billion), Cambodia ($8.7 billion), and Lao PDR ($5.3 billion). During this period, combined ODA flows to the four Pacific Island AP LDCs was about $6 billion. When computed as percentage of GNI, net ODA inflows in Tuvalu comprised more than 45 percent (2017-2019 average), followed by Afghanistan (20.7 percent), and Kiribati (19 percent). Bangladesh received the least ODA as a percentage of GNI.[28] Tuvalu, Kiribati, the Solomon Islands, and Timor-Leste had net ODA inflows as percentage of GNI higher than the global LDC average (Figure 4.5).

[27] Official financial flows incorporate ODA and any private development finance.

[28] Since the 1980s, Bangladesh has reduced its dependence on ODA from more than 8 percent of GNI to just above 1 percent in recent years.

Figure 4.3: Asia-Pacific LDCs' financing sources for investment expenditures, 2015-2019 average (%)



Source: World Bank, n.d.a.

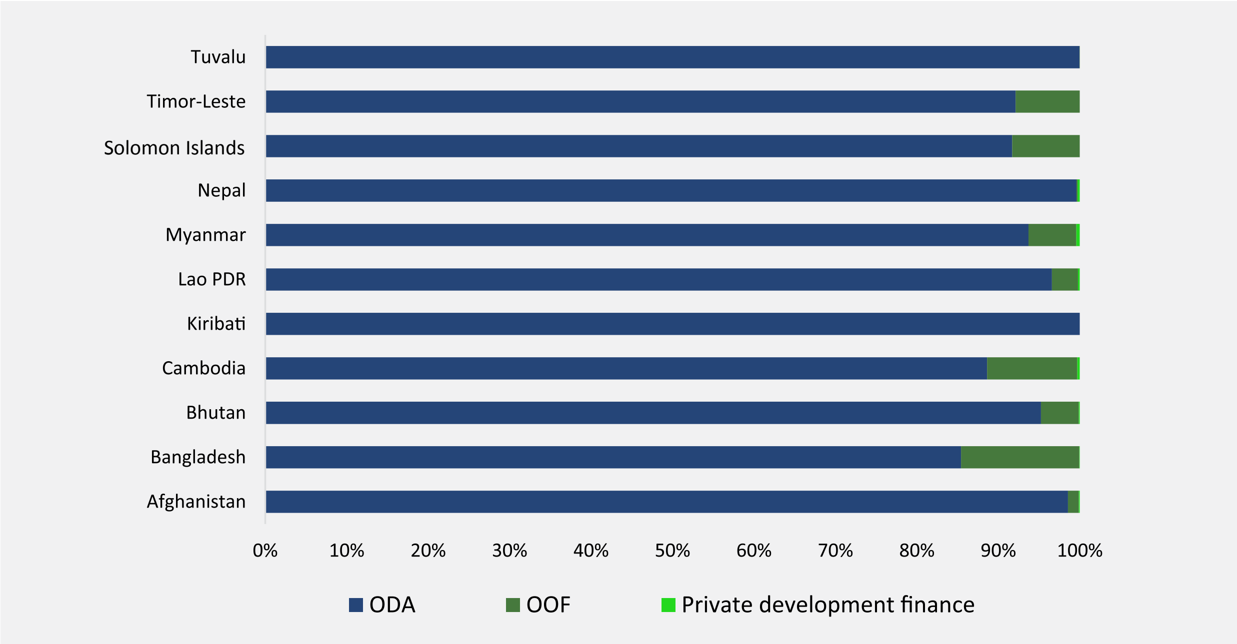
Table 4.1: Total official financial flows to Asia-pacific LDCs, 2002-2019 ($ million)

	2002	2010	2019
Afghanistan	932.3	6510.7	4398.3
Bangladesh	966.9	2240.2	6540.1
Bhutan	32.3	153.6	203.8
Cambodia	307.5	777.2	1238.7
Kiribati	18.1	24.2	57.6
Lao PDR	171.7	467.9	750.8
Myanmar	72.5	383.5	2283.3
Nepal	278.8	945.9	1552.8
Solomon Islands	28.4	365.6	305.5
Timor-Leste	173.1	296.6	251.9
Tuvalu	11.3	14.2	36.9

Note: Official flows combine official development assistance (ODA), other official flows (non-export credit) and private development finance as defined by the OECD.

Source: OECD, n.d.a.

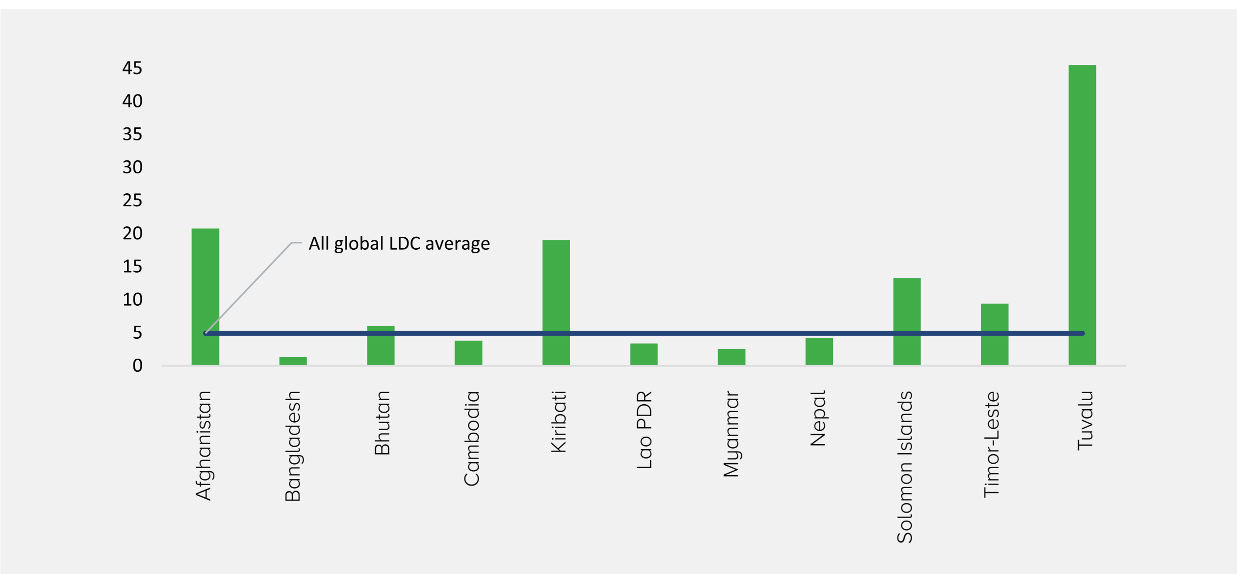
Figure 4.4: Official development assistance (ODA), non-export credit (OOF), and private development finance received by Asia-Pacific LDCs, 2015-2019 average (%)



Note: According to the OECD, other official flows (OOF) are defined as official sector transactions that do not meet ODA criteria.

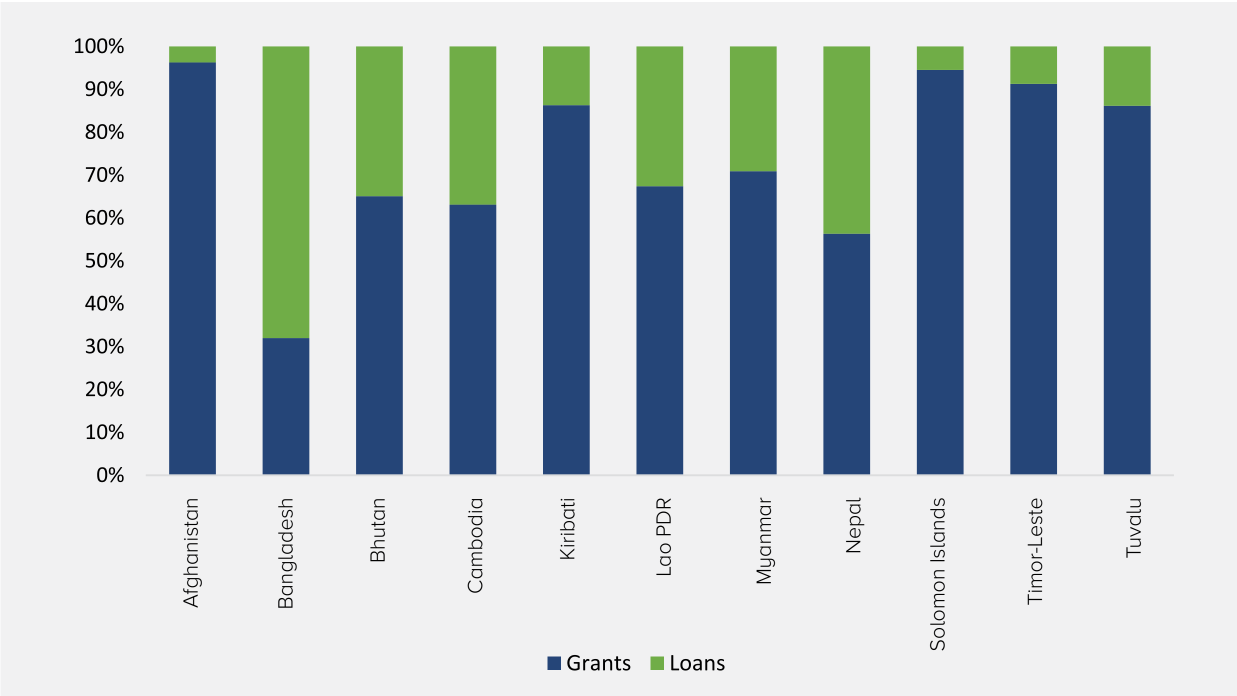
Source: OECD, n.d.a.

Figure 4.5: ODA received by Asia-Pacific LDCs as a percentage of GNI, 2017-2019 average



Source: World Bank, n.d.a.

Figure 4.6: Share of grants and concessional loans in ODA flows to Asia-Pacific LDCs, 2015-2019



Source: OECD, n.d.a.

Figure 4.7: Overall ODA grants and concessional loans to Asia-Pacific LDCs, 2002-2019 ($ million)

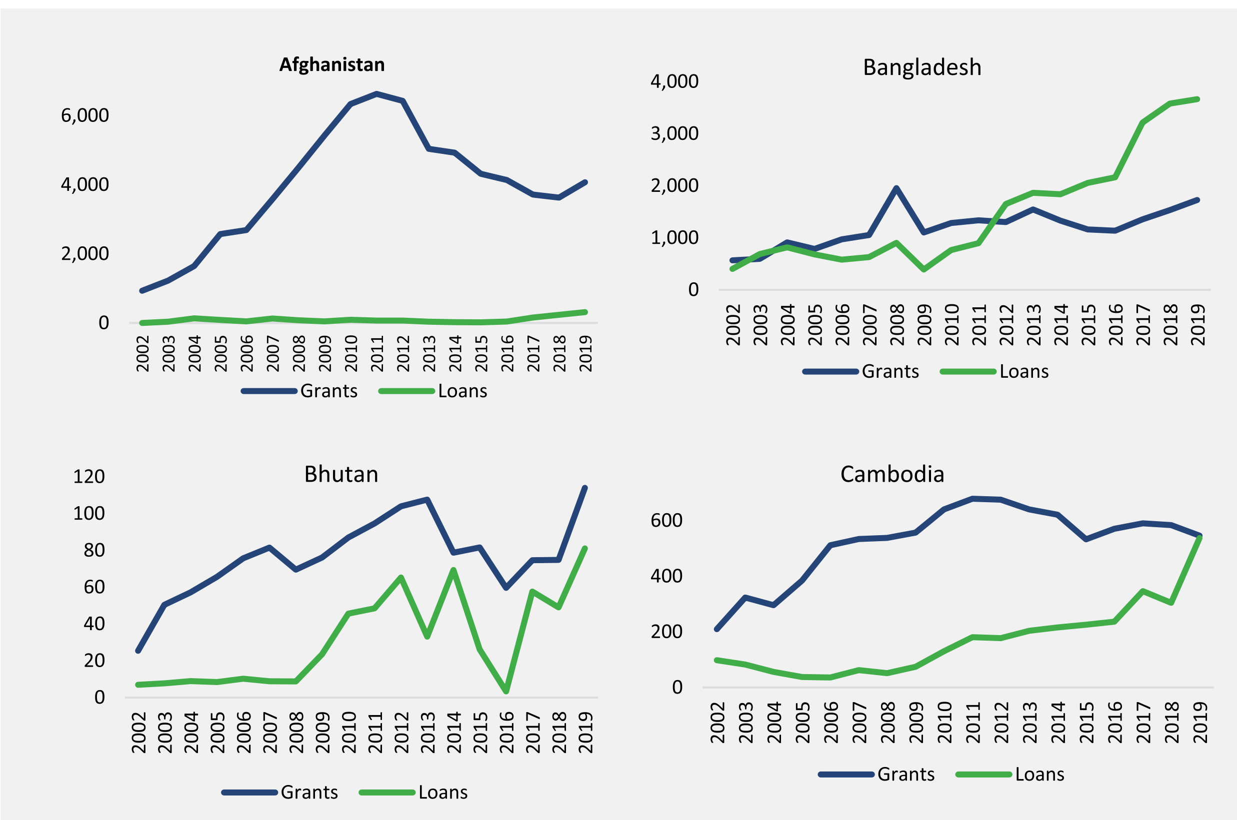
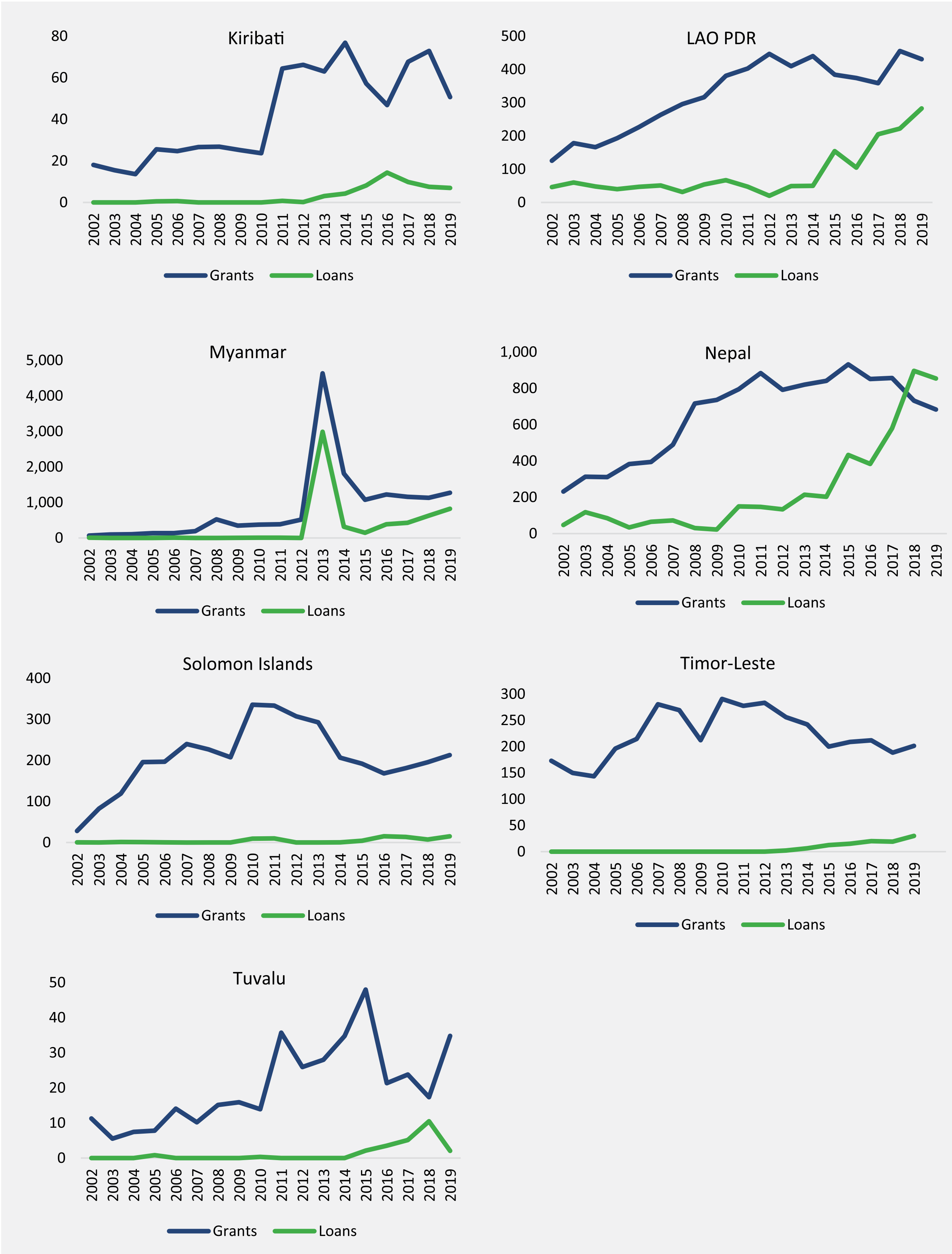
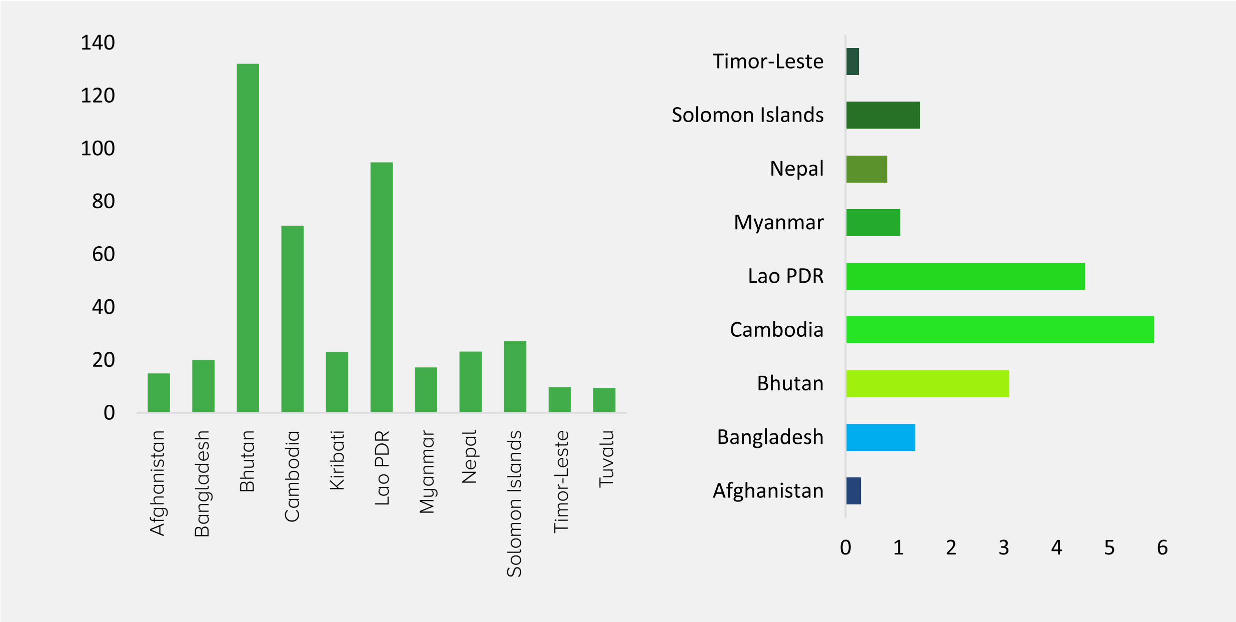


Figure 4.7: Overall ODA grants and concessional loans to Asia-Pacific LDCs, 2002-2019 ($ million), continued



Source: OECD, n.d.a.

Figure 4.8: Asia-Pacific LDCs' external debt stocks (left) and total debt service (right), 2020 (% of GNI)



Note: Information on Kiribati and Tuvalu is not available in the World Bank World Development Indicators (WDI) database.

Source: World Bank, n.d.a; IMF, 2022.

Except for Bangladesh, grants dominate the official financial flows to AP LDCs (Figure 4.6). Grants make up more than 90 percent of ODA to Afghanistan, the Solomon Islands and Timor-Leste, and more than 50 percent to Nepal and the other countries. Bangladesh receives concessional loans for more than two-thirds of its ODA, deploying the financing for large-scale infrastructures projects and various social development projects. Despite fluctuations, Bangladesh, Cambodia, Lao PDR, and Nepal have recently shown a strong rising trend (in absolute terms) in concessional loans even as grants remain the main source of support for Kiribati, the Solomon Islands, Timor-Leste, and Tuvalu (Figure 4.7).

EXTERNAL DEBT

Loans and credits from foreign sources, often made in foreign currencies, can create external debt burdens for a borrower when it encounters difficulties in servicing the debt, that is, making principle and/or interest payments on time. Sound financial management calls for a borrower to not take on more debt than it can service. In 2020, external debt stocks as a percentage of GNI stood at less than 10 percent for Timor-Leste and Tuvalu; 15-20 percent for Afghanistan, Bangladesh, Kiribati, and Myanmar; and 21-30 percent for Nepal and the Solomon Islands. However, high external debt levels were recorded for Bhutan, around 130 percent of GNI; 95 percent for Lao PDR and 71 percent for Cambodia (Figure 4.8). Afghanistan and the four island AP LDCs escaped high levels of external debt because a very high proportion of their external financing draws on ODA grants. AP LDCs' income requirements for debt service widely vary, from as low as 0.25 percent of GNI in Timor-Leste to as high as 5.8 percent in Cambodia (Figure 4.8). Kiribati, Lao PDR, and Tuvalu have a high risk of external-debt distress and Bhutan, the Solomon Islands, and Timor-Leste have a moderate risk according to the International Monetary Fund and the World Bank (World Bank, 2022a).

4.2 LDC GRADUATION AND IMPLICATIONS FOR DEVELOPMENT FINANCE

There is some concern about ODA availability to AP LDCs declining after graduation, but this concern may be misplaced. First, LDCs are usually not the leading recipients of ODA: only two rank in the top 10 (UNCTAD, 2018) and LDCs account for less than a quarter of all ODA resources (Wheat, 2022).[29] Aid allocation patterns and trends imply that country-specific conditions, such as civil wars and unrest, natural catastrophes, health epidemics, refugee crises, recipient nations' historical and bilateral connections with donors and regional proximity, and donors' strategic priorities override recipients' development status as key decision factors.

Second, only a few UN organizations and development partners have annual ODA or other financial aid

[29] Among the top ten recipients of foreign aid from OECD-DAC countries in 2017, only Bangladesh and Ethiopia were LDCs.

Box 1: International commitments for ODA to LDCs

Over time, development partners have undertaken certain commitments in relation to ODA for LDCs:

- How much ODA to provide to LDCs: There is a longstanding commitment by developed countries, reiterated in numerous international development agendas, to provide the equivalent of 0.15 to 0.20 percent of their GNI in the form of ODA to LDCs. This is in parallel to a commitment to provide the equivalent of 0.7 percent of GNI in ODA to developing countries. These commitments, which are fulfilled by only a few countries, refer to their aggregate flows to LDCs, and not to flows to individual countries.
- Modalities of bilateral ODA and the grant element: The OECD-DAC recommends that the average grant element in ODA to LDCs should be either 90 percent of a given donor's annual commitment to all LDCs, or at least 86 percent of the donor's commitments to each individual LDC over a period of three years. Most ODA to LDCs by DAC members is, in fact, in the form of grants. Moreover, since 2019, the LDC status of the recipient affects the extent to which concessional loans are counted as ODA by the OECD. In the grant-equivalent approach adopted by DAC members to measure ODA, grants and the grant portion of concessional loans count as ODA. Loans to LDCs and other low-income countries require a higher grant equivalent component to be considered ODA and differentiated discount rates are applied.
- Untied aid: OECD-DAC members have committed to 'untying' ODA, that is, not making aid conditional on the procurement of goods and services from the donor. There has been some progress in this regard. Many donors that do not tie ODA in LDCs also do not tie them in other developing countries.

Source: UNCDP, 2021; OECD, n.d.b.

allocations specifically dedicated to LDCs (Box 1). The Monterrey Consensus and the Doha Declaration on Financing for Development committed to allocate 0.7 percent of developed countries' GNI to ODA, of which 0.15-0.2 percent is dedicated to LDCs. However, most developed countries had not met those targets by 2019; only OECD-DAC members Denmark, Luxembourg, Norway, Sweden, and the United Kingdom fulfilled their commitments.

BILATERAL DONORS AND THE USE OF LDC AS A CRITERION FOR AID ALLOCATION

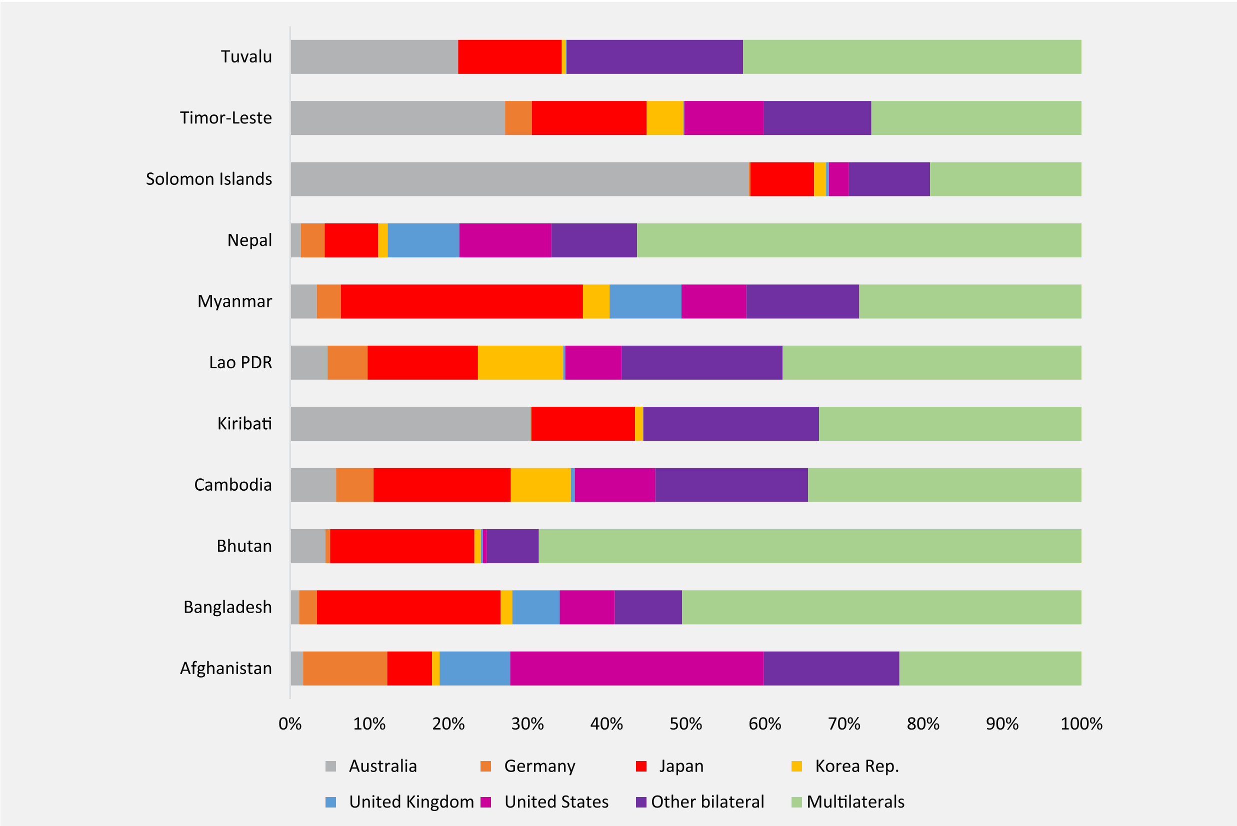
Both bilateral and multilateral donors provide ODA to all low- and middle-income countries, including lower and upper middle-income countries, but bilateral ODA provided to most AP LDCs. Japan is an important source of ODA across all AP LDCs, and the United States is a strong supporter of many (Figure 4.9). Australia is a major ODA provider to Pacific Island AP LDCs. The United Kingdom and European Union member states are also important sources of assistance to Afghanistan, Bangladesh, Myanmar, and Nepal.

A UNCDP (2021) graduation-impact assessment found that graduation may not have a significant impact on most bilateral donors' loan and grant conditions for LDCs, not least because bilateral donors often do not consider LDC status a precondition for development assistance (Table A13). Only Japan, the Republic of Korea, and Germany use LDC as a decision factor; this implies that AP LDC graduation might influence their ODA recipient priorities and aid conditions.

Germany: The Federal Ministry for Economic Cooperation and Development (BMZ) provides grants and concessional loans to LDCs and developing countries (Figure A1). LDCs typically receive grants, whereas non-LDC developing nations mostly receive loans, with certain exceptions. In June 2020, the BMZ adopted a new bilateral cooperation strategy, BMZ 2030 (BMZ, n.d.). It focuses on several areas, including climate, health and family policy, sustainable supply chains, digital technology, technology transfer, private investment, and hunger and poverty, and introduces new recipient categories: (i) bilateral partners, (ii) global partners, and (iii) nexus and peace partners (BMZ, n.d.).

Currently, 25 of the 60 partner nations listed in BZM 2030 are LDCs. Afghanistan, Bangladesh, and Cambodia are bilateral partners with which Germany maintains long-term cooperation toward shared development goals. Lao PDR, Myanmar, and Nepal are multilateral countries where Germany will continue providing support. Other AP LDCs are not listed as priority countries for German development cooperation. Graduation would imply a change from grants to

Figure 4.9: ODA received by AP LDCs from major partners, 2015-2019 average



Source: OECD, n.d.a.

concessional loans, although grant assistance for some areas may continue. After graduation, changes in aid programmes would not be automatic and would be based on several other factors (UNCDP, 2021).

Japan: The Japan International Cooperation Agency (JICA) offers loans to countries on favourable terms based on various requirements. These including whether a country is an LDC, its World Bank income classification, its existing debt levels, and so forth. One category of borrower, 'low-income LDC', benefits from the most favourable ODA loan conditions, regardless of sector or field. These feature a 0.01 percent interest rate and a 40-year repayment period that includes a 10-year grace period. Japan also allows a three-year transition period to low-income LDC loan recipients that move to the next category: 'non-LDC low-income nations and LDCs with higher incomes'. Their loan interest rate varies from 0.1 percent to 0.6 percent, with 15 to 40-year repayment periods and 5 to 10-year grace periods, depending on loan terms and sectors.[30] Non-LDC lower-middle-income countries constitute Japan's third category of borrower: they are eligible for preferential loans with 0.35 percent to 1.2 percent interest rates and shorter grace periods. Depending on the nature of a project, other developing nations can access concessional loans under less-favourable terms.

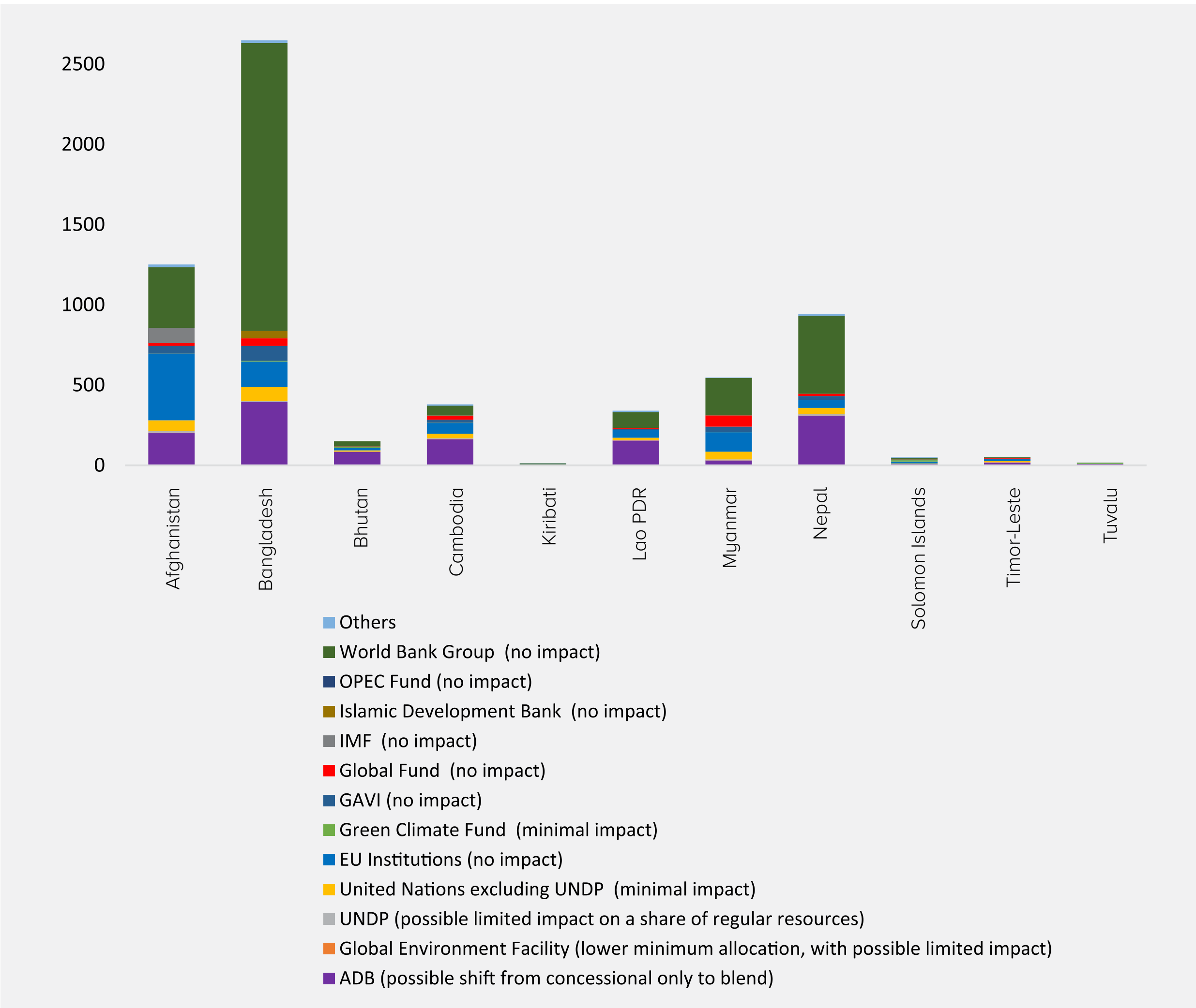
As of April 1, 2021, all AP LDCs, except Afghanistan, are eligible for Japan's second category of borrowers; Afghanistan falls into the first, low-income LDC category. In prior impact evaluations conducted by the United Nations Department of Economic and Social Affairs Economic Analysis (UNDESA), Japan indicated that LDC graduation would have no influence on its grant funding or technical collaboration decisions (UNDESA, 2020a;

[30] Japan applies four types of preferential terms (1) Preferential Terms for High Specification for projects promoting quality infrastructure; (2) Preferential Terms for Global Environmental and Climate Change, Health and Medical Care and Services, Disaster Prevention and Reduction, Human Resource Development; (3) Special Terms for Economic Partnership (STEP), applied to the projects for which Japanese technologies and know-how are substantially utilized, based on the recipient countries' request to utilize and transfer Japanese technologies; and (4) General Terms for general cases. LCDs are not eligible for STEP terms. Different options for interest rates, loan repayment periods and grace periods are applied under each specific preferential term (JICA, n.d.).

2020b; 2020c). Post-graduation, the other AP LDCs, apart from Tuvalu, will qualify for the second category of borrowers as non-LDC lower-middle-income countries. Tuvalu will rank in the third category. Irrespective of LDC status, Japan trends toward fewer grants and more loans to Bangladesh, Cambodia, Lao PRD, Myanmar, Nepal, and Timor-Leste (Figure A2). Japan provides grants only to Afghanistan, Kiribati, the Solomon Islands, and Tuvalu.

Republic of Korea: Korea's Economic Development Cooperation Fund (EDCF) operates under the aegis of the Export-Import Bank of Korea and the Ministry of Strategy and Finance. It provides concessional loans to developing nations, including LDCs, classifying partner countries into five recipient categories. In the first category, LDCs receive the most favourable terms: lowest interest rates and longest repayment and grace periods. The other four categories are based on GNI per capita.[31] Post-graduation, AP LDCs will have access to concessional EDCF loans, although with higher interest rates and shorter repayment periods. The Republic of Korea also offers grants through the Korean International Cooperation Agency (KOICA), under the Ministry of Foreign Affairs (OECD, 2021). AP LDC graduation will have little or no impact on ODA grants provided by KOICA (UNCDP, 2021). Over the past decade, ODA loans from the EDCF to Bangladesh, Cambodia, Lao PDR, and

Figure 4.10: ODA received by AP LDCs from multilateral development partners, 2019 ($ million)



Source: OECD, n.d.a.

31 The five categories of partner countries are (1) LDCs identified by the United Nations; (2) countries having a GNI per capita less than or equal to $1,005; (3) countries having a GNI per capita $1,006-$1,905; (4) countries having a GNI per capita $1,906-$3,955; and (5) countries having a GNI per capita $3,956-$12,235 (EDCF Korea, n.d.).

Myanmar have followed an upward trend, while Nepal saw a decline (Figure A3). Other AP LDCs receive only grants from KOICA.

Australia: The Department of Foreign Affairs and Trade (DFAT) allocates Australia's ODA to developing countries: LDC status has no effect on bilateral development assistance prioritization. DFAT considers LDC graduation among a range of factors for bilateral aid investment plans and associated funding allocations (UNDESA, 2020a); graduation is unlikely to affect regional aid allocations.

United Kingdom: The Foreign, Commonwealth & Development Office (FCDO) provides ODA to LDCs and developing countries, although LDC status is not a determining factor for aid allocation (UNDESA, 2020b; UK Government, n.d.). Therefore, the United Kingdom's ODA allocations to AP LDCs should not be affected by graduation.

MULTILATERAL DONORS

As noted earlier, international development finance institutions and agencies do not often use the LDC designation when allocating resources and assistance. Several multilateral and regional development organizations, including the UN, dedicate a significant portion of their resources to LDCs, rarely in consideration of the LDC category, but for criteria that coincide with the three criteria used to define an LDC: GNI, HAI, and EVI levels (UNCTAD, 2017). Figure 4.10 shows how much ODA major multilateral donors contributed to AP LDCs in 2019, and the impact – if any – of LDC status on their commitment decisions.

World Bank: The World Bank and its lending arm for developing countries, the International Bank for Reconstruction and Development (IBRD) do not use the LDC classification. Instead, they use income criteria based on GNI per capita, with annual adjustments. IBRD Flexible Loans offer comprehensive financing options for public sector borrowers, including up to 35 years of maturity, market-based interest rates reflecting IBRD's AAA credit rating, flexible repayment terms, and embedded tools to manage currency and/or interest rate risk. The interest rate consists of a market-based variable reference rate and a spread. In addition, there is a front-end fee, commitment fee, and SBL surcharge.[32] Many developing countries lack the creditworthiness and financial capability necessary to borrow from the IBRD.

The International Development Association (IDA) of the World Bank provides financial support to the world's 74 poorest countries through credits that provide concessional loans at zero or very low-interest rates and 30 to 40-year repayment periods that include a five to ten-year grace period. Eligibility for IDA support depends on a country's risk of debt distress and relative poverty, defined as GNI per capita below an annually updated threshold ($1,205 in fiscal year 2020) (IDA, 2021). It also depends on the borrower's low creditworthiness, which precludes it from qualifying for an IBRD Flexible Loan.

The IDA offers concessional credits on three sets of terms: regular, blend, and small economy. Recipients with a high risk of debt distress receive 100 percent of their financial assistance in the form of grants, and those

Table 4.2: International Development Association financing terms as of July 1, 2021

	Maturity (years)	Grace period (years)	Principal repayments		Acceleration clause	Service charges for credits (SDR)	Interest rate (SDR)
Grants	NA	NA	NA		NA	NA	NA
Regular terms	38	6	3.125% for yrs. 7-38		Yes	0.75%	NA
Small Economy terms	40	10	2% for yrs. 11- 20	4% for yrs. 21-40	Yes	0.75%	NA
Blend Country terms	30	5	3.3% for yrs. 6-25	6.8% for yrs. 26-30	Yes	0.75%	1.25%
Non-Concessional Credits	Up to 35 years maximum; up to 20 years average maturity		Flexible		NA	NA	IBRD reference rate + IBRD variable spread with an option to fix the reference rate

Note: SDR stands for special drawing rights

Source: World Bank, 2022b.

32 A one-time front-end fee is charged on the committed loan amount. A commitment fee, payable semi-annually, is charged on the undisbursed amount of the loan. A surcharge may be payable by a member country that has a portfolio representing a significant financial exposure to the IBRD.

Table 4.3: World Bank lending category for each graduating Asia-Pacific LDC

	GNI per capita (Atlas method)	World Bank classification	Lending category	Risk of external debt distress	Credits and grant eligibility
Bangladesh	2,030	Lower-middle income	IDA (Blend-credit terms)	Low	100% credits
Bhutan	2,840	Lower-middle income	IDA (Small-economy terms)	Moderate	100% credits
Cambodia	1,500	Lower-middle income	IDA (Blend-credit terms)	Low	100% credits
Kiribati	2,960	Lower-middle income	IDA (Small-economy terms)	High	100% grants
Lao PDR	2,520	Lower-middle income	IDA (Blend-credit terms)	High	100% grants
Myanmar	1,350	Lower-middle income	IDA (Blend-credit terms)	Low	100% credits
Nepal	1,190	Lower-middle income	IDA (Regular)	Low	100% credits
Solomon Islands	2,300	Lower-middle income	IDA (Small-economy terms)	Moderate	50-50% grants-credits
Timor-Leste	1,990	Lower-middle income	Blend (also IDA eligible: Small-economy terms), also creditworthy for some IBRD borrowing	Low	100% credits
Tuvalu	5,820	Upper-middle income	IDA (Small-economy terms)	High	100% grants

Note: The Atlas method is a conversion factor used by the World Bank to adjust the impact of exchange rate fluctuations in the cross-country comparison of national incomes. The Atlas conversion factor for any year is the average of a country's exchange rate for that year and its exchange rates for the two preceding years, adjusted for the difference between its inflation rate and international inflation (World Bank, n.d.b).

Source: World Bank, 2020; IDA, 2021.

with a medium risk of debt distress receive 50 percent in grants. Other recipients receive IDA credits on regular or blend terms with 38-year and 30-year maturities, respectively. Small states receive IDA financing on small economy terms with 40-year maturity (Table 4.2) (World Bank, 2022b).

All graduating AP LDCs are lower-middle income countries according to the World Bank, except for Tuvalu, which is an upper-middle income country, thus eligible for IDA credits. Nepal benefits from regular terms; Bangladesh, Cambodia, and Lao PDR on blend terms; and Bhutan, Kiribati, the Solomon Islands, Timor-Leste and Tuvalu on small economy terms. Only Timor-Leste is also creditworthy for IBRD borrowing (Table 4.3).

International Monetary Fund (IMF): The IMF does not use the LDC category to identify developing-country loan or grant recipients; instead, it uses World Bank-defined low-income country (LIC) criteria based on the IDA per capita GNI income threshold, market access conditions, and short-term vulnerabilities, to allocate concessional assistance through its Poverty Reduction and Growth Trust (PRGT) (IMF, 2020a). Since all graduating AP LDCs exceed the LIC income threshold, graduation will have no implications on access to IMF financing.

Asian Development Bank (ADB): When it comes to obtaining loans from the ADB, the LDC categorization may have an impact on the type of assistance an

Table 4.4: Asian Development Bank decision matrix for concessional financing classifications

Creditworthiness	Per capita GNI cut-off		
	Below the per capita GNI cut-off	Above the per capita GNI cut-off	
		LDC	Other
Lacking	Concessional assistance-only (Group A)	Concessional assistance-only (Group A)	OCR Blend (Group B)
Limited	OCR Blend (Group B)	OCR Blend (Group B)	OCR Blend (Group B)
Adequate	OCR Blend (Group B)	OCR Blend (Group B)	Regular OCR-only (Group C)

Source: Asian Development Bank, 2022.

Table 4.5: Asian Development Bank lending windows and terms

Group A Concessional lending	Group B Concessional lending	Group B and Group C Regular Ordinary Capital Resources (OCR)
- Maturity of 32 years, including 8-year grace period. - Interest rate of 1 percent during grace period and 1.5 percent during amortization.	- Maturity of 25 years, including 5-year grace period - Interest rate of 2 percent throughout the loan period	- Greater flexibility to borrow - Floating base rate a + spread of 50bp (basis points) + maturity premium of 0-20bp + funding cost margin b - Commitment charge of 0.15 percent on undisbursed balance - Flexible options for maturity, interest rate and currency

Note: a. Base rate refers to 6-month London Interbank Offered Rate (LIBOR) for US dollar and yen denominated loans, and 6-month EURIBOR for euro-denominated loans, or a recognized floating rate benchmark for other currencies. b. Funding cost margin refers to the rebate (or surcharge) applied following the principle of automatic cost pass-through pricing. A surcharge could arise if ADB's funding cost exceeds the 6-month LIBOR, but since ADB generally funds loans at less than 6-month LIBOR, there is generally a rebate, currently 1 basis point (bp) for US dollar and 58 bp for yen loans. Rebates and surcharges on the funding cost margin are calculated twice a year, unlike the spread and the maturity premium, which are fixed for the life of the loan.

Source: Asian Development Bank, n.d.a; n.d.b.

AP LDC receives. The ADB provides three types of concessional financing: concessional assistance only (Group A); ordinary capital resource (OCR) blend loans (Group B); and regular market-based ORC loans (Group C). Country group categories are defined based on (i) gross national income (GNI) per capita and (ii) creditworthiness for regular OCR loans. Graduation from the LDC category may result in reclassification, depending on the country's creditworthiness, whether it is 'lacking,' 'limited,' or 'adequate' (Table 4.4). Unless graduating AP LDCs have a substantial or high risk of debt distress or lack creditworthiness, they will move from concessional-only support to blended credit schemes. AP LDCs with 'limited' creditworthiness will be unaffected by graduation. ADB uses the World Bank's GNI per capita classification of economies and the IDA's operational cut-off.

Except for Group B countries Bangladesh and Timor-Leste, graduating AP LDCs currently belong to Group A. Except for Nepal, these countries exceed the GNI per capita threshold and will be reclassified to Group B after graduation. When Nepal's GNI per capita exceeds the IDA threshold, it will also be reclassified to Group B.

Graduation from Group A to Group B will not affect the allocation of concessional loans. It will only result in minor changes in maturity periods and interest rates (Table 4.5). It will also create opportunities for AP LDC graduates to apply for additional, semi-concessional, or regular OCR loans, as long as indebtedness is not too high.

Under the debt sustainability framework for low-income countries, if the World Bank and the IMF (with ADB participation where possible) jointly assess an AP LDC to have a moderate or high risk of debt distress, the ADB will classify the country into Group A even after graduation.[33] The ADB determines reclassifications on a case-by-case basis; such assessments are approved by its governing board.

United Nations organizations: Assistance from UN agencies to AP LDCs should not see significant impacts from graduation alone since many UN-system organizations dedicate a significant portion of their technical and financial resources based on individual country needs. For example, the United Nations Children's Fund (UNICEF) deploys a portion of its core resources only to LDCs, and uses three thresholds to determine recipients: the lowest GNI per capita, highest child mortality rate below the age of five, and the largest child population. These criteria allow LDCs to become the largest beneficiaries of UNICEF's assistance. However, this also implies that AP LDC graduation will have only limited effects on the resources allocated to a country. Although assistance may not be greatly affected, the post-graduation period could be associated with changes in the nature of support provided. It will vary across graduating AP LDCs according to their characteristics. For example, many assistance programmes in Bangladesh are already shifting from direct grant or loan interventions to emphasize national capacity building and technical assistance. These shifts partly stem from the country's development advancements and public sector capacity, and partly from agency-wide policies, rather than projections related to LDC graduation. Other graduation-related changes in UN assistance are expected to be minor, and may include the following:

[33] If an ADB member country is not a member of the World Bank, the ADB will assess it under the debt sustainability framework for low-income countries.

Table 4.6: UNDP development activities: Asia-Pacific LDC regular resources, cost-sharing and trust fund contributions to programme expenses, 2020 ($ thousand)

	Afghanistan	Bangladesh	Bhutan	Lao PDR	Myanmar	Nepal	Cambodia	Solomon Islands	Timor-Leste
Trust funds	99,749	12,096	3,961	2,349	1,495	6,517	3,721	87	2,383
Cost-sharing	313,571	42,922	3,746	5,086	20,753	9,108	12,840	4,265	8,716
Regular resources	7,410	6,291	554	1,325	6,517	6,912	3,947	583	479

Note: Information for Kiribati and Tuvalu is unavailable.

Source: UNDP, 2021.

- United Nations Development Programme (UNDP): UNDP allocates a portion of its regular budget (core) programmatic resources to LDCs. Graduation may impact the share of core resources committed to an AP LDC in subsequent UNDP budgets; although, any change would take other factors into account, in addition to LDC status, such as country-specific requirements and UNDP's overall funding (Table 4.6).
- Universal Postal Union (UPU): After graduation, an AP LDC would no longer be eligible to access UPU funds for procurement of equipment or technical assistance for postal agents. Specialised country-specific technical support may no longer be available for graduates, but they would still be included in regional activities and capacity-building initiatives. The UPU advises all developing countries on resource mobilization and donor relations.
- International Atomic Energy Agency (IAEA): After graduation, AP LDCs may not face any changes in terms of IAEA resource support, capacity-building, and training opportunities. The agency will continue to support graduates through its technical cooperation programmes; graduates may incur a fee for a small portion of IAEA biannual project budgets through the Technical Cooperation Fund (TCF).
- United Nations Volunteers (UNV): UNV support is not related to a country's LDC status. Both LDCs and non-LDC developing countries are eligible for UNV assistance, based on country-specific demands. UNV's government cost-sharing general management support charge (GMS) for LDCs and others is set at 3 percent and 8 percent, respectively, so graduates' cost-share may rise. However, the actual rate is determined by several other factors that are negotiated with the country in question.

European Union institutions: The European Union establishes terms of its assistance in multi-year frameworks, and eligibility and allocation criteria have varied over time. In general, the European Union has taken a differentiated approach to aid allocation and partnership formation (UNCDP, 2021). The Neighbourhood Development and International Cooperation Instrument – Global Europe, established by Regulation 2021/947 of the European Parliament and Council (9 June 2021), plans to allocate between 0.15 and 0.20 percent of the European Union's GNI to ODA for LDCs (and achieving 0.20 percent by 2030). It also mentions LDCs along with fragile or conflict-affected countries, small island developing states, landlocked developing countries, and heavily indebted poor countries that require 'special attention' and prioritization in the implementations and allocations of the European Fund for Sustainable Development Plus (EFSD+).

The fulfilment of 0.2 percent of GNI as foreign assistance to LDCs would increase European Union ODA resources for LDCs. In the future, this might be a missed opportunity for graduating LDCs. However, non-LDC developing countries are major recipients of European Union ODA resources, and AP LDC graduation will not result in a significant shift of assistance (UNCDP, 2021). In some cases, AP LDCs approaching graduation may meet other criteria that trigger changes, such as making them ineligible for certain types of grants.

Global Environment Facility (GEF): All developing countries are eligible for funding from the Global Environment Facility (GEF) for practical programs and policy reform of global benefit in five focal areas: biodiversity loss, chemicals and waste, climate change, international waters, and land degradation. GEF funding is allocated through its 'System for Transparent Allocation of Resources' (STAR) methodology based on country performance, country potential to achieve global environmental benefits and a social and economic index based on the gross domestic product (GDP-based index, or GDPI) (GEF, 2018a). GEF funding adjusts after distribution based on these factors to ensure that countries receive a minimum allocation in each priority area.[34] Currently, the minimum allocation levels for LDCs are greater than that for non-LDCs (the

[34] Minimum allocation floors for the GEF-7 replenishment period were based on three focus areas: biodiversity, climate change, and land degradation.

Table 4.7: The initial System for Transparent Allocation of Resources (STAR) allocation for the GEF-7 replenishment period, 2018-2022 ($ million)

	Afghanistan	Bangladesh	Bhutan	Kiribati	Lao PDR	Myanmar	Nepal	Cambodia	Solomon Islands	Timor-Leste	Tuvalu
Biodiversity	3	3	3	3.14	5.07	9.84	3.7	3.4	7.3	3	3
Climate change mitigation	1.5	2.16	1.5	1.5	1.5	4.26	1.5	1.5	1.5	1.5	1.5
Land degradation	4.43	1.5	1.5	1.5	1.5	1.5	1.8	1.5	1.5	1.5	1.5
Aggregate	8.93	6.66	6	6.14	8.07	15.59	7.0	6.4	10.3	6	6

Note: The initial STAR country allocations for GEF-7 reflect a total replenishment level for programming of $4,068 million. In accordance with the agreed resource allocation framework, the GEF-7 envelopes for the three STAR focal areas are $1,292 million for biodiversity, $802 million for climate change, and $475 million for land degradation.

Source: GEF, 2018b.

minimum allocation for non-LDCs is $4 million in GEF-7 replenishment period, it is $6 million for LDCs).[35] If a comparable mechanism is in place at the time of AP LDC graduation, countries receiving more funding due to their LDC status may see GEF funding decline. Notably, most AP LDCs attracted higher than minimum allocations during the GEF-7 replenishment period (Table 4.7).

GAVI: Officially Gavi, the Vaccine Alliance, is a public–private global health partnership created in 2000 to increase immunization in poor countries. Gavi does not take LDC status into consideration when allocating funds. Eligibility conditions depend on GNI per capita and certain other conditions, assessed by an independent group of experts. Countries are eligible for Gavi support when their per capita GNI averages up to $1,580 over the previous three years.

Global Fund: The Global Fund is an international financing facility and partnership that invests $4 billion annually to fight HIV/AIDS, tuberculosis, and malaria. Eligibility criteria depend on GNI per capita and an official Disease Burden Index, but not on LDC status.

ACCESS TO LDC-SPECIFIC FUNDS

There are several funds that support LDCs exclusively, which graduated AP LDCs would no longer be able to access except in cases where the financing facility offers a temporary post-graduation transition period.

Least Developed Countries Fund (LDCF): The LDCF is managed by the GEF; it was established in 2001 under the United Nations Framework Convention on Climate Change (UNFCCC) to address the needs of LDCs whose economic and geophysical characteristics make them especially vulnerable to the impact of global warming and climate change. It supports the preparation and implementation of National Adaptation Programmes of Action (NAPAs) and national adaptation plans (NAPs). The use of LDCF resources by AP LDCs is provided in Table 4.8 (GEF, 2022).

Each LDC is eligible for a $10 million 'access cap' during the current GEF replenishment cycle (until 2022), and a $50 million cumulative ceiling to implement urgent adaptation measures highlighted in their NAPA and to formulate an NAP that identifies medium- and long-term adaptation needs (GEF, 2022). AP LDCs will lose access to new funding from the LDCF once they graduate, but projects already approved by the LDCF Council prior to a country's graduation will continue to be supported with agreed LDCF resources until completion.

Green Climate Fund (GCF): The GCF assists developing nations in reducing greenhouse gas emissions and adapting climate change. It gives special consideration to LDCs and small island developing states (SIDS) through 'minimum adaptation floors'. Graduated AP LDCs will continue to have access to the GCF; the Special Climate Change Fund (SCCF), which helps all vulnerable developing countries develop and implement national adaptation strategies (NAPs); and the Adaptation Fund. Since the GCF aims to allocate a minimum of 50 percent of adaptation money to LDCs, SIDS, and African states, the small island AP LDCs will continue to enjoy priority status even after graduation; other AP LDC graduates will continue to qualify for GCF funding that targets climate-vulnerable developing countries.

United Nations Technology Bank for Least Developed Countries (Technology Bank for LDCs): The Technology Bank for LDCs undertakes baseline science, technology,

[35] The GEF-8 STAR model proposes to increase the floor in the GEF-8 funding distribution, but it has not been finalized as of this writing.

Table 4.8: Status of Least Developed Countries Fund resource access as of March 31, 2021 ($ million)

	Resources accessed in GEF-7	Resources remaining under the access cap	Cumulative resources accessed	Resources remaining under the cumulative cap	Status of NAPAs and NAPs
Afghanistan	10	0	40.22	9.78	The National Adaptation Programme of Action (NAPA) was submitted in September 2009. Its National Adaptation Plan (NAP) was initiated in December 2020.
Bangladesh	10	0	38.39	11.61	NAPA was finalized in 2005. It was updated in June 2009. The formulation and advancement of the NAP process was initiated in May 2019.
Bhutan	-	-	30.39	19.61	NAPA was submitted in May 2006. The NAP process started in 2015. In January 2019 the Green Climate Fund (GCF) approved readiness funding to further advance Bhutan's NAP process.
Cambodia	10	0	37.04	12.96	NAPA was submitted in March 2007. NAP submitted in July 2021.
Kiribati	5	5	27.5	22.5	Submitted NAPA in January 2007. NAP was submitted in January 2020. Developed a NAP monitoring and evaluation framework in December 2020.
Lao PDR	10	0	37.73	12.27	NAPA was submitted in May 2009. In December 2020, it submitted a proposal to LDCF for NAP formulation
Myanmar	10	0	32.05	17.95	NAPA was adopted in 2012. Myanmar's NAP process was initiated in 2015. NAP Preparatory and Readiness proposal was submitted to the GCF in July 2017.
Nepal	5	5	35.88	14.12	Submitted NAPA in December 2010. The process of developing and implementing NAPs was initiated in December 2020. Submitted NAP in October 2021.
Solomon Islands	5	5	28.33	21.67	NAPA was submitted in December 2008. In December 2020, UNCDF initiated support for the integration of a subnational dimension into the process of developing and implementing NAPs as a means of increasing financial flows and for resolving subnational challenges.
Timor-Leste	3	5	30.35	19.65	Submitted NAPA in December 2011. Timor-Leste's NAP was ratified in September 2020 and submitted to the UNFCCC's NAP Central in March 2021. The country began implementing its NAP in early 2021.
Tuvalu	5	5	17.11	32.89	Submitted NAPA in May 2007. NAP process started in December 2020.

Source: GEF, 2022; UNFCCC, 2021; UNFCCC, n.d.

and innovation reviews for sustainable development in LDCs. It also evaluates LDC technology needs, supports the growth of high-quality research in LDCs via capacity development and global research collaboration, and works to strengthen the capacity of LDC science academies. After graduation, AP LDCs will have access to financing and assistance from the LDC Technology Bank for five years.

Enhanced Integrated Framework for Trade-Related Assistance for Least Developed Countries (EIF): The EIF aims to help LDCs better integrate into the global trading system and make trade a driver for development. Part of the Aid-for-Trade initiative is designed specifically for LDCs; the EIF provides analytical work, institutional support, and productive capacity-building projects – most prominently its assistance preparing Diagnostic Trade Integration Studies (DTIS) and implementation plans – to LDCs. All AP LDCs have benefited from EIF-supported projects (Table 4.9) and will receive up to five years of EIF support after graduation. To reap the benefits of EIF funding, all graduating AP LDCs must expedite their requests for additional institutional and productive capacity building assistance.

United Nations Capital Development Fund (UNCDF): The UNCDF fosters public-private financing and development models through grants, loans, guarantees for private and public investments, new funding models using ODA, and 'last-mile' finance that provides access to public and private resources for alleviating poverty and promoting local economic development. It recognizes the challenges of graduating from of LDC status, so the UNCDF continues to fund programmes under LDC terms for three years after graduation. If AP LDC graduates develop as expected, the UNCDF provides financing for two more years on a 50/50 cost-sharing basis with the developing country's government or a third party.

Investment Support Programme for LDCs (ISP/LDCs): The ISP/LDCs provides on-demand legal and professional assistance to LDC governments and eligible state-owned or private sector entities for investment-related negotiations and dispute settlement. It also supports complementary training and capacity building activities on demand, all free of charge to LDCs. AP LDCs remain eligible for assistance for five years after graduation.

Table 4.9: EIF activities and funding deployed in Asia-Pacific LDCs during EIF phases I and II as of December 2020 ($ million)

Country	Activities	Institutional capacity building projects	Productive capacity projects
Afghanistan	Diagnostic Trade Integration Study by EIF supported Afghanistan to accede to the WTO. The programme's analytical part enabled the Ministries to discover and implement trade challenges into the country's National Development Plan.	$1.3	-
Bangladesh	Boosting country's trade efforts and improve export competitiveness by collaborating with govt., public and private Sectors. Supporting to develop analytical work in terms of sector-based initiatives, such as leather, fisheries, and agriculture.	$1.6	$1.1
Bhutan	Supporting Bhutan in implementing trade into its national development plans Attempting to develop the country's ecommerce infrastructure and helping the local products and women manufacturers.	$2.1	$3.0
Kiribati	Supporting to establish the institutional capacity to prioritize trade. Integration between EIF operations and National Working Group on Trade Policy to maintain the continuity of initiatives in Kiribati.	$2.0	$7.1
Lao PDR	Lao PDR with the assistance of EIF has developed the Trade and Private Sector Development Roadmap. In the EIF implementation framework, the government has successfully leveraged trade-related goals, with a total of 16 projects worth $68 million. EIF funding boosted export diversification into areas with substantial social effects, ensuring that commerce improves the livelihoods of impoverished people.	$1.5	$0.06

Table 4.9: EIF activities and funding deployed in Asia-Pacific LDCs during EIF phases I and II as of December 2020 ($ million), continued.

Country	Activities	Institutional capacity building projects	Productive capacity projects
Myanmar	In collaboration with local stakeholders and development partners, the EIF is assisting Myanmar in incorporating trade into its National Comprehensive Development Plan. With the assistance of the EIF, Myanmar has developed trade-specific policies based on four key pillars: 1) agricultural development, 2) balanced growth among regions and states, 3) inclusive growth, and 4) quality statistics, as well as the country's Diagnostic Trade Integration Study.	$2.2	$4.3
Nepal	EIF's support enabled Nepal to prioritize trade in the development plan. The Ministry of Finance has set aside funds for key ministries to carry out the proposals of the EIF-supported Nepal Trade Integration Strategy. High export potential goods prioritized by NTIS and EIF provides support to three of them (pashmina, ginger, and medicinal and aromatic plants) out of 19 products.	$1.2	$2.1
Cambodia	Assisting Cambodia to strengthen strengthening its ability to develop, execute, manage, and monitor a pro-poor trade strategy EIF is assisting in five priority sectors identified in the 2014-2018 Cambodia roadmap: milled rice, high-value silk, fisheries, cassava, and hospitality.[36]	$1.4	$7.8
Solomon Islands	Assisting to prioritize the Solomon Islands' trade needs. The government utilized the EIF funding to gain extra resources to develop country's trade policy framework	$1.5	$3.1
Timor-Leste	Strengthen the economy by expanding non-oil exports, to increase the global participation of Timor-Leste. Analytical trade studies were conducted by EIF and World Bank in partnership. Providing assistance to improve national ownership of Aid for Trade delivery.	$0.3	-
Tuvalu	EIF funded Tuvalu's National Strategy for Sustainable Development 2016-2020 to implement trade plans and Trade Policy Framework (TPF) (focused on private-sector trade development and expansion) Tuvalu has prioritized agriculture, fishing, tourism, and labour mobility as a first stage in adopting the TPF.	$1.6	$1.6

Source: EIF, 2020.

[36] The Cambodia Trade Integration Strategy for 2019-2023 is currently being implemented. The EIF is still supporting the priority sectors identified under the Cambodia Trade SWAp Road Map 2014-2018.

Table 4.10: Selected UNCDF activities in graduating Asia-Pacific LDCs

Countries	Activities
Bangladesh	The UNCDF is using multiple programs to promote female entrepreneurs and female-led small and medium-size enterprises (SMEs), focusing on fostering local economic development by mobilizing local institutions. It helped 3.3 million micro-merchants digitize their businesses with ten new platforms delivering digital payments, micro-insurance, company registry and rural e-commerce. UNCDF and the European Union have collaborated to help 1,000,000 rural Bangladeshi tiny traders adopt digital payments and solutions. The UNCDF's Local Government Initiative on Climate Change (LoGIC) project provided funding to 72 union parishads (councils) in seven climate-vulnerable districts for locally led climate change adaptation.
Bhutan	Bhutan is also developing its first national adaptation plan. Particularly, the Local Governance Sustainable Development Programme, which assists local governments in implementing block grants designated for long-term local community development while also building their capacity for good governance and improved public service delivery. The UNCDF is implementing the Local Climate Adaptive Living Facility (LoCAL) programme, enabling local governments to cope with the increased costs of building climate change resilience and sustainable adaptation to natural disasters.
Cambodia	UNCDF assisted in the establishment and operation of the Credit Guarantee Corporation of Cambodia, which was funded by the government with $200 million and aimed at unlocking the potential of Cambodian women through the creation of fiscal space. Cambodia formally approved the National Financial Inclusion Strategy developed with technical assistance from UNCDF in 2020. UNCDF also helped the National Bank of Cambodia build capacity in data analysis for financial inclusion, particularly for women. In the area of digital innovations, UNCDF collaborated with and provided grants to the Support Her Enterprise (SHE) Investments initiative and BanhJi, resulting in the release of $1 million in loans.
Lao PDR	The UNCDF global program on the LoCal assisted in gaining access to and channelling global climate change financing to the local level. The Lao PDR's Innovating Social Protection Financing (INFF) is a combined project implemented by UNCDF, UNDP, and United Nations Population Fund (UNFPA) and is funded through the UN SDG Fund Window B. The UNCDF project component includes a direct link to the SDG Fund Window. UNCDF has developed an SDG budget-tagging methodology and is currently testing it in order to improve SDG reporting by approximating revenues and expenditures allocated to SDGs. UNCDF provided technical assistance to advance the country's National Financial Inclusion Strategy (NFIS) through Inclusive Digital Economies practice, with a focus on women's economic empowerment.
Myanmar	The Expanding Financial Access country programme is currently being implemented by UNCDF Myanmar, with the goal of increasing formal financial access through the development and implementation of innovative initiatives. The UNCDF is collaborating closely with government agencies and other stakeholders to develop the National Strategy for Digital and Financial Literacy. UNCDF operates in Myanmar through its BRIDGE Facility, an on-balance-sheet, blended finance vehicle that invests in SMEs, financial service providers, and locally transformative projects with commercial and development potential.

Table 4.10: Selected UNCDF activities in graduating Asia-Pacific LDCs, continued.

Countries	Activities
Nepal	UNCDF has helped to increase access to digital financial services and products, focusing on smallholder farmers and women. In response to climate threats, UNCDF has recently collaborated with partners to improve access to digital credit platforms and increase uptake of insurance products. UNCDF's Local Transformative Finance practice works as a financial and technical partner for local transformation UNCDF, in collaboration with the Town Development Fund, develops innovative solutions to expand financing for local governments and create financing instruments that diversify and aggregate municipalities' financial bases. LoCAL was first piloted in Nepal in 2014, and a scoping mission was conducted in 2019 to assess the potential for scaling up performance-based climate resilience grants and the LoCAL mechanism as the country transitions to a federal system. In total, 22 districts have benefited from the LoCAL facility.
Solomon Islands	The Pacific Digital Economy Programme is being implemented in collaboration with the UNCDF aiming to work closely with key public and private sector stakeholders to support the development of inclusive digital economies to increase the market participation of rural communities; women; micro, small and medium enterprises (MSMEs); and seasonal workers. The Solomon Islands was one of four countries to sign the Inclusive Digital Economy Scorecard (IDES) in 2020. The IDES is a UNCDF policy tool designed to assist governments in determining priorities for their countries' digital transformation. UNCDF is deploying the LoCal programme through local development finance to assist the government in channelling global climate adaptation financing to the local level and coping with the increased cost of building resilience against climate change and natural disasters.
Timor-Leste	In August 2021, the European Union and the UNCDF jointly launched a project to digitize credit union payment processes in Timor-Leste and strengthen the country's digital financial services ecosystem. UNCDF provides grant funding and technical assistance for supervising and regulating cooperatives in Timor-Leste.
Tuvalu	UNCDF is implementing its LoCal programme to assist the government in channelling global climate adaptation financing to the local level. LoCal enables local governments to deal with the rising costs of preparing for climate change and natural disasters. The goal is to scale up across all nine islands over a four-year period, with a focus on those islands that are particularly vulnerable to climate change and climate-related risks.

Source: UNCDF, 2022.

5. WAY FORWARD AND POLICY RECOMMENDATIONS FOR ASIA-PACIFIC LDCS

Graduation from the group of least developed countries should be regarded as a critical development achievement for AP LDCs. However, the transition also gives rise to multiple concerns due to the loss of various international support measures. These concerns are especially striking because of the AP LDCs' long-standing vulnerabilities, including their susceptibility to natural disasters and external shocks, limited productive capacity, dependence on primary products, lacklustre export supply response, and limited domestic resources. The discontinuation of LDC-specific export market preferences reduces AP LDCs' export competitiveness and concessional development finance, which affects investment and growth prospects.

This policy paper shows that the use of LDC-specific preference is largely limited to textile and clothing exports among AP LDCs (Bangladesh, Cambodia, Lao PDR, Myanmar, and Nepal). Bangladesh is especially vulnerable because of its dependence on preference-dependent apparel products. Since most countries are unable to utilize available trade preference, graduation would be a missed opportunity for boosting exports. The same premise, however, implies that their exports would be relatively unaffected by graduating out of the LDC group.

Graduation will likely also have limited impact on concessional development financing because most donors—both bilateral and multilateral—do not give much consideration to LDC status in terms of allocating aid. The level of GNI per capita is often a more important aid determinant and many potential graduate AP LDCs have already exceeded the GNI per capita threshold for most concessional loans. LDC-specific funds will be discontinued, but the significance of this assistance is relatively small. In some cases, graduation would alter the terms and conditions of assistance, mainly with concessional loans replacing grants.

However, despite the limited impact on aid, graduating AP LDCs should not become complacent about their development prospects. To prepare for additional challenges, these countries should consolidate the graduation process gains; build further development capacities, such as working toward the UN's Sustainable Development Goals (SDGs); and mobilize external support, both technical and financial.

It is also important to bear in mind that individual country contexts vary significantly, which requires specific adjustment efforts on the producer side and the public administration side. In particular, some export sectors will be subject to increased competitive pressure because they no longer qualify for preferences that automatically lowered purchasers' costs relative to non-LDC products. In the most extreme case, tariff preferences for nearly all of Bangladesh's exports will vanish over the next four-to-seven years. Additionally, the discontinuation of certain aid-financed projects and moving from grants to loans could affect the finances of some countries more than others. Therefore, developing detailed country-specific preparatory measures is incredibly important.

AP LDCs have several options to consider while preparing for graduation-led regime changes. These should include, among others, continuing to access any market access preferences; improved terms for existing preferential schemes for non-LDC and/or graduated developing countries; more concessional financing backed by improved absorption capacity; and external support and internal actions to confront development challenges that persist beyond graduation.

5.1 TRADE-RELATED MEASURES FOR SMOOTH LDC GRADUATION

Most Asia-Pacific LDCs will not graduate for several years, which gives them time to prepare the transition. Bhutan has about a year before its graduation, and the Solomon Islands has about two; Bangladesh and Nepal have close to five years. In the European Union and United Kingdom markets, any graduating LDCs can access the same LDC preferences for an additional three-year grace period after their graduation. This time period can be used to tackle any supply-side bottlenecks to boost competitiveness. These three years are a critical transition period when countries can overhaul their trade and industrial development strategies to boost their export sectors in preparation for LDC graduation.

LDC graduation does not mean an end to preferences, and Asia-Pacific LDC graduates should strive to enhance supply-side response to any preferential schemes that remain available to them. As discussed above, several AP LDCs' preferential market access is not dependent on LDC status. For instance, Bhutan and Nepal's exports have comprehensive, duty-free market access coverage in India. ASEAN LDCs will have similar market access in India and RCEP countries. Pacific Island LDCs have preferential market access in Australia under various regional trade agreements.

All graduating Asia-Pacific LDCs should secure preferential market access in the European Union's second-best preferential trade regime, GSP+, which allows duty-free access in 66 percent of tariff lines. Accessing the GSP+ scheme requires AP LDCs to ratify and implement 32 prespecified international conventions. Graduating countries should prepare to comply with these requirements. If necessary, graduating countries can seek assistance from various international organizations in terms of legal and institutional frameworks.

Graduating Asia-Pacific LDCs must engage with their trading partners for favourable terms for post-graduation preferential trade regimes and, where possible, negotiate LDC-like treatment. Graduating LDCs can pursue the following:

- UN-systems and development partners emphasize a smooth graduation and transition processes. An extended transition period can be helpful for graduating countries. Currently, the European Union and United Kingdom provide a three-year transitional period after graduation, during which graduated LDCs can access LDC benefits. LDCs should collectively urge other preference granting countries, such as Australia, Canada, China, Japan, India, and the Republic of Korea to offer a similar transition period. Notably, Australia extended duty-free access for several graduated LDCs, including the Maldives, Samoa, and Equatorial Guinea (Razzaque et al.,2021). China also provided a similar transitional arrangement to Samoa. Additionally, under a specific SAFTA provision, India allowed the Maldives to maintain LDC-specific conditions. After graduation, Bangladesh should negotiate with India to receive the same treatment.
- Many LDCs continue to experience a high level of economic vulnerability, especially small island developing states. Landlocked AP LDCs and waterlocked Pacific SIDS LDCs have structural disadvantages and excessively high trading costs. These factors have led to delayed LDC graduation. Under these circumstances, GSP donor countries can be approached to grant extended transition periods for LDC-specific preferences for small island and landlocked LDCs.
- Graduating Asia-Pacific LDCs, along with other LDCs, should engage with the European Union for relaxed terms in its proposed 2024-2034 GSP, specifically in terms of its demanding rules of origin requirements for GSP+ countries. Given the limited productive capacities of the graduating LDCs, complying with double-stage transformation RoO provisions in textile and clothing and a 50 percent value addition for other items will be a major challenge, restricting graduated LDCs' ability to utilise GSP preferences. Therefore, graduating countries should collectively request that the European Union apply EBA-type liberal RoO terms for a longer transition period.
- Rules of origin requirements are more stringent for non-LDC developing countries under almost every GSP arrangement; domestic value-added requirements have been as high as 50 percent. Graduating LDCs should approach preference granting countries to lower RoO thresholds. This is especially important under global value chain-driven international trade flows, which have considerably diminished the scope of adding domestic value to exports.
- According to the proposed European Union GSP for 2024-2034, Bangladesh's apparel exports will be subject to safeguard measures and lose preferential access in the European Union. This provision could put Bangladesh in a unique situation where it can qualify for GSP+, yet its most important export item will be outside of any preferences. Bangladesh should therefore engage with the European Union to obtain a waiver to safeguard its preferences. Any European Union safeguard measure would greatly assist Bangladesh in making a smooth graduation.
- Asia-Pacific LDCs should also petition the United Kingdom government, which is developing its own GSP regime, for a longer transition period, a generous post-graduation preferential scheme, and simplified RoO requirements.

Graduating Asia-Pacific LDCs must consider their options for bilateral and regional free trade agreements to maintain duty-free market access for their exports. Irrespective of their LDC status, some AP LDCs can access preferential market conditions through bilateral and regional free trade agreements. For example, Pacific Island LDCs will benefit from duty free access in Australia and New Zealand under PACER Plus. Furthermore, Cambodia, Lao PDR, and Myanmar will remain eligible for duty-free access for most exports in Australia, China, India, Japan, New Zealand, and the Republic of Korea through the regional trading arrangements with ASEAN (such as the ASEAN-India FTA and RCEP). Other graduating Asia-Pacific LDCs should consider accessing the RCEP to secure LDC-like preferences in major markets, such as Australia, China, Japan, and the Republic of Korea. After graduation, Bangladesh, under SAFTA, can only access the limited non-LDC preference in India. However, a bilateral FTA with India can help secure LDC-like export market access. Graduating LDCs can explore further options for negotiating and signing bilateral FTAs with their most important export partners to maintain favourable market access after graduation. The recently implemented European Union-Viet Nam FTA can serve as an example of securing improved access in important markets.

For graduating Asia-Pacific LDCs, the significance of building trade policy and negotiation capacity is more prominent than ever. Many AP LDCs have mainstreamed trade in their development strategies. Nevertheless, huge capacity gaps continue to exist. Graduation could imply more rigorous trade negotiations at various regional and multilateral forums, including the WTO. In addition, moving from unilateral LDC preference schemes to reciprocity-based bilateral, regional, and multilateral negotiations means graduating AP LDCs must assess the implications of their commitments. Undertaking required domestic reform measures to comply with trade agreements will also depend on enhanced capacity at various levels. It is therefore imperative for AP LDCs to seek as much support as possible from development partners.

Asia-Pacific LDCs should explore new export opportunities and relationships. Most AP LDCs are highly concentrated in a few selected export markets. Exporting to new markets could potentially minimize any adverse implications arising from LDC graduation. Graduating AP LDCs should search for new trading opportunities. Respective governments can provide extended support for establishing new export relationships; destination market governments and private sector enterprises can also help establish trade and commercial linkages between traders.

Graduating Asia-Pacific LDCs should collectively endeavour to retain the WTO's LDC Services Waiver preferences for a longer transition period. Graduates will lose preferences under the Waiver, which is not effectively operationalized. This is a missed opportunity, as several AP LDCs are scheduled to graduate before the effective implementation of services preferences. Therefore, access to the LDC Services Waiver should be extended for graduating countries for ten years or more after graduation.

5.2 MEASURES FOR GREATER ACCESS AND UTILIZATION OF CONCESSIONAL DEVELOPMENT FINANCE

In the transition period leading to LDC graduation and beyond, the need for concessional development finance is critical. Although no drastic changes in aid allocation and conditionalities are anticipated, each country should consider its own context and realities in terms of any transition from grants to concessional finance; countries should also examine the likely implications of changes to interest rates, years to maturity, and grace periods. Several other general recommendations for graduating AP LDCs to consider are included below.

Asia-Pacific LDCs should improve their absorptive capacity to use of all available ODA and concessional finance. In some countries, sustained economic growth has somewhat reduced the relative significance of ODA (as a proportion of GNI). But given the socioeconomic challenges, vulnerabilities, and limited domestic revenue mobilization capacity of AP LDCs, ODA remains an important source of development finance, particularly for Pacific Island LDCs. Because of a lack of absorptive capacities for resource utilization, aid disbursements are often slower than commitments. Most AP LDCs should improve their administrative and project management efficiency to speed up the funds release process and its effective utilization. Delayed procedures and unutilized resources mean AP LDCs are not making the most of available international support measures before graduation. Development partners can also help build absorptive capacity in AP LDCs through technical assistance.

Graduating Asia-Pacific LDCs should look for opportunities to use LDC-related development financing mechanisms more extensively to aid firm-level preparedness and overall economic competitiveness. These financing mechanisms include assistance received from the EIF for institutional and capacity building support, the United Nations Capital Development Fund (UNCDF) for supplemental capital assistance through grants and loans, the Least Developed Countries Fund (LDCF) for climate change adaptations, and the United Nations Technology Bank for LDCs. The extended transition periods offered under these schemes mean upcoming graduates like Bhutan, the Solomon Islands, Bangladesh, Lao PDR, and Nepal still have five to ten years to benefit from available funding. These countries should plan to utilize these schemes to the fullest. These funds' resources bases are limited, and, in most cases, there is a cap or maximum resource allocation for any individual country. Given graduating AP LDCs' imminent development challenges, development partners and UN system agencies should allocate more resources to graduating LDCs.

New instruments to support graduating Asia-Pacific LDCs should be explored at the international level. The UNCDP proposed a graduation support facility to provide technical assistance for graduating LDCs. This would help prepare AP LDCs for graduation and facilitate South–South knowledge sharing on graduation (WTO and EIF, 2020) by providing important technical and capacity building support to graduating and graduated countries. Furthermore, under the global Aid for Trade initiative, trade-related adjustment support is an important pillar of assistance. Graduating AP LDCs can collectively ask for a larger allocation from this source to support their graduation process and focus such support on trade-related capacity building.

Graduating Asia-Pacific LDCs should approach ODA donor countries for increased aid allocations. AP LDCs should negotiate with bilateral and multilateral donors to keep ODA terms and conditions unchanged for a transition period after graduation. Development partners should also prioritise graduating and newly graduated countries in their aid allocations. This can be an effective way to support development transitions in some of the world's most vulnerable countries.

Debt management should be a priority consideration for all graduating Asia-Pacific LDCs. Debt distress could hamper development gains after LDC graduation. Several AP LDCs are at moderate to high risk of external debt distress. Changes in aid conditionalities should not overlook a country's current debt distress level, and graduating AP LDCs should be supported with more grants and loans that have favourable terms to avoid future debt distress.

Debt swaps are an option for Asia-Pacific LDCs to gain fiscal space for smooth graduation measures and create a macroeconomic environment conducive to sustainable development and climate actions. Debt-for-environment swaps can support environmental development and green-growth investment in AP LDCs. Such arrangements can also help donor countries and agencies contribute to sustainable and smooth transitions from the LDC category.

Foreign direct investment is a powerful tool for domestic investment efforts and attracting it crucial for export success in Asia-Pacific LDCs. Many Asian emerging countries, such as China, Malaysia, and Viet Nam, provide evidence of the importance of FDI for boosting exports and promoting export diversification. The direct impacts of FDI include skill upgrading, productivity increases, positive knowledge and technology spillover effects, and improved management practices. Spillover effects can also benefit local businesses, allowing them to upgrade their operations and facilitate enhanced participation in GVCs. FDI also can accelerate AP LDCs' development efforts and support SDG achievement.

Landlocked AP and Pacific Island LDCs that have small domestic markets and are subject to remoteness and high trade costs can find it difficult to attract FDI; improving their investment climate can mitigate this problem. Therefore, development partners should also consider providing additional support to improve AP LDC's ability to attract FDI.

Many graduating Asia-Pacific LDCs need to improve their domestic resource mobilization capacities. Inadequate resource mobilization, both domestically and internationally, severely inhibits AP LDCs' ability to invest in a wide range of areas that affect SDG achievement. Limited tax revenue is an issue that particularly affects AP LDCs, because their governments lack the budgetary space needed to fund large-scale physical infrastructure projects, improve health care, and increase social protection spending. Ideally, domestically mobilized resources should play a bigger role in development financing as countries make socioeconomic progress. In many AP LDCs, this would require tax and fiscal sector reforms along with tax-collection system modernization. Graduating AP LDCs should use graduation as an opportunity to boost domestic resource mobilization efforts by strengthening relevant institutional capacity and broadening tax nets.

5.3 DEALING WITH GENERAL DEVELOPMENT CHALLENGES

LDC graduation is 'the first milestone in the marathon of development' (UNCTAD, 2016). Therefore, AP LDCs must continue to focus on their development priorities and stride toward many more challenging milestones ahead.

Productive capacity development will remain central to development objectives in graduating Asia-Pacific LDCs. Despite improvements already made, productive capacity in AP LDCs requires further policy attention and support measures to ameliorate low or stagnating investment, infrastructure deficits, skilled labour shortages, inefficient institutions, and other deficiencies. Most AP LDC economies badly need productive jobs for their populations, especially young people. Their structural transformation and moves away from primary activities to manufacturing and modern services have been far from encouraging. Capacity development is critical for successful structural transformation and long-term growth, therefore graduating AP LDCs require significant investment for skills training, supply-side and trade capacity building, infrastructure development, and technological adaption.

Graduating Asia-Pacific LDCs should consider strategies for moving up the global value chain. In most AP LDCS, the primary sectors dominate economic activities, including exports. Basic primary products and services cannot generate adequate value, and countries have ample room to develop domestic backward and forward linkages. Graduating AP LDCs need to upgrade their production and processing capabilities to improve efficiency and competitiveness; they also need to produce more diversified and complex products. For example, certain AP LDCs, such as Bangladesh, Cambodia, and Myanmar, have already somewhat developed their domestic manufacturing capacities in textiles and clothing. However, textile and clothing exporters from this region are largely focused on cut, make, and trim activities, which are at the lowest end of textile and apparel GVCs (Razzaque, 2022).Therefore, industrial upgradation in these countries remains important to increase the amount of domestic value-added in their apparel and other exports, thus improving competitiveness and complying with RoO requirements. These and other graduating AP LDCs should move up and to different GVC stages through backward and forward linkages, which will require government support, firm-level adaptation initiatives, and international support for technological upgradation and knowledge transfer.

As ESG issues are becoming increasingly prominent in global commerce and investment, graduating Asia-Pacific LDCs should not compromise on their medium- to long-term growth and development prospects. Promoting a country as a legitimate and responsible sourcing destination is critical for importers to increase compliance with environmental norms, improve resource efficiency, and move toward more circular production processes. Consumers are more conscious of environmental and labour issues. Many development partners, multilateral donors, and private investors take ESG factors into account when making investment decisions. Consequently, adherence to ESG requirements can aid AP LDCs in promoting their export competitiveness and attracting FDI. Of course, these countries will need capacity development support to advance their ESG record.

Addressing the high cost of doing business, as well as enhancing connectivity and trade facilitation, are critical for enhancing Asia-Pacific LDCs' competitiveness. Inadequate infrastructure in combination with weak trade logistics contribute to longer lead times and a higher cost of doing business, which weakens competitiveness. Improvements in these areas could recoup a significant portion of the lost trade preferences. For landlocked AP LDCs, regional connectivity and customs cooperation are crucial factors; targeted infrastructure investments would improve their integration into the global economy.

A policy to leverage SDG attainment strategies to mitigate unfavourable consequences of LDC graduation is a pragmatic option for graduating Asia-Pacific LDCs. This requires mainstreaming LDC graduation action plans into development strategies. Graduating AP LDCs require deepened international support and reinvigorated local initiatives for a smooth LDC graduation and to address challenges while pursuing SDGs.

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APPENDIX

Table A1: Top export products of Afghanistan, 2019

HS Code	Commodity		Exports ($ million)	% of total exports	Major destination and export shares
8	Edible fruit and nuts; peel of citrus fruit or melons		386.3	44.7	India (60.2%), Pakistan (21.1%), China (5.7%), Turkey (4.5%)
	806	Grapes, fresh or dried	130.2	15.1	
	802	Other nuts, fresh or dried, whether or not shelled or peeled (excluding coconuts, Brazil nuts	100.7	11.7	
	804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried	85.7	9.9	
	813	Dried apricots, prunes, apples, peaches, pears, papaws, papayas, tamarinds and other edible	20.2	2.3	
7	Edible vegetables and certain roots and tubers		80.7	9.3	Pakistan (75.7%), India (22.7%)
	703	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled	35.5	4.1	
	702	Tomatoes, fresh or chilled	24.1	2.8	
	707	Cucumbers and gherkins, fresh or chilled	10.3	1.2	
52	Cotton		27.5	3.2	Pakistan (85.8%), China (13.6%)
	5203	Cotton, carded or combed	23.7	2.7	
	5204	Cotton sewing thread, whether or not put up for retail sale	3.8	0.4	
13	Lac; gums, resins and other vegetable saps and extracts		115.1	13.3	India (98.8%)
	1302	Vegetable saps and extracts; pectic substances, pectinates and pectates	115.1	13.3	
9	Coffee, tea, maté and spices		56.2	6.5	India (65.8%), Saudi Arabia (14.4%)
	909	Seeds of anis, badian, fennel, coriander, cumin or caraway; juniper berries	29.4	3.4	
	910	Ginger, saffron, turmeric, curcuma, thyme, bay leaves, curry and other spices	26.4	3.1	
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...		69.6	8.1	Pakistan (99.9%)
	2701	Coal; briquettes, ovoids and similar solid fuels manufactured from coal	69.5	8.1	
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal		43.3	5.0	Iraq (27.2%), Islamic Republic of Iran (20.7%), Pakistan (20.2%), India (12.3%)
	1209	Seeds, fruits and spores, for sowing (excluding leguminous vegetables and sweetcorn, coffee	18.5	2.1	
	1207	Other oil seeds and oleaginous fruits, whether or not broken (excluding edible nuts, olives	13.7	1.6	
	1211	Plants and parts of plants, incl. seeds and fruits, of a kind used primarily in perfumery	8.9	1.0	
25	Salt; sulphur; earths and stone; plastering materials, lime and cement		19.0	2.2	Pakistan (95.2%)
	2526	Natural steatite, whether or not roughly trimmed or merely cut, by sawing or otherwise	18.6	2.1	

Source: Author compilation drawn from ITC Trademap, 2019.

Table A2: Top apparel and other export products of Bangladesh, 2018-2019

HS Code	Sub-code	Commodity	Exports ($ million)	% of total exports	Major destination and export shares
62		Articles of apparel and clothing accessories, not knitted or crocheted	17244.7	42.5	United States (26.8%), Germany (14.7%), United Kingdom (10.7%), Spain (6.2%)
	6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, etc	6939.6	17.1	
	6204	Women's or girls' suits, ensembles, jackets, dresses, skirts, etc	4384.8	10.8	
	6205	Men's or boys' shirts	2324.8	5.7	
61		Articles of apparel and clothing accessories, knitted or crocheted	16888.5	41.7	Germany (19.6%), United Kingdom (11.9%), United States (9.0%), Spain (7.9%)
	6109	T-shirts, singlets and other vests, knitted or crocheted	7011.3	17.3	
	6110	Jerseys, pullovers, cardigans and similar articles, knitted or crocheted	4255.9	10.5	
	6104	Women's or girls' suits, ensembles, etc, knitted or crocheted	1607.3	4.0	
63		Other made-up textile articles; sets; worn clothing and worn textile articles; rags	934.6	2.3	United States (18.8%), Germany (9.6%), United Kingdom (8.9%), Canada (8.3%)
	6302	Bed linen, table linen, toilet linen and kitchen linen	486.7	1.2	
	6306	Tarpaulins, etc; tents; sails; camping equipment	195.2	0.5	
	6305	Sacks and bags, used for packing goods	152.9	0.4	
64		Footwear, gaiters and the like; parts of such articles	879.4	2.2	United States (16.9%), Netherlands (11.5%), Germany (11.2%), Spain (8.4%)
	6403	Footwear, with rubber, plastics, leather... soles, leather uppers	607.9	1.5	
	6404	Footwear with rubber, plastic, leather soles and textile uppers	167.0	0.4	
	6402	Other footwear with outer soles and uppers of rubber or plastics	68.0	0.2	
53		Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	733.4	1.8	Turkey (24.5%), India (19.3%), China (14.4%), Pakistan (4.8%)
	5307	Yarn of jute or of other textile bast fibres of 53.03	512.4	1.3	
	5303	Jute, etc (excl. flax...), not spun; tow and waste of these fibres	112.5	0.3	
	5310	Woven fabrics of jute or of other textile bast fibres, of 53.03	103.8	0.3	
03		Fish and crustaceans, mollusc and other aquatic invertebrates	499.7	1.2	United Kingdom (15.9%), China (14.8%), Netherlands (14.3%), Belgium (11.2%)
	306	Crustaceans, fresh, chilled or frozen	404.1	1.0	
	303	Fish, frozen, (excl. those of 03.04)	39.8	0.1	
	302	Fish, fresh or chilled (excl. those of 03.04)	24.0	0.1	

Source: Author compilation drawn from Export Promotion Bureau of Bangladesh, n.d.

Table A3: Top export products of Bhutan, 2019

HS Code	Commodity		Exports ($ million)	% of total exports	Major destination and export shares
72	Iron and steel		167.3	59.9	India (95.1%), Japan (1.6%)
	7202	Ferro-alloys	143.1	51.3	
	7207	Semi-finished products of iron or non-alloy steel	23.4	8.4	
25	Salt; sulphur; earths and stone; plastering materials, lime and cement		64.7	23.2	India (85.4%), Nepal (14.6%)
	2518	Dolomite, whether or not calcined or sintered, incl. dolomite roughly trimmed or merely cut	29.2	10.5	
	2523	Cement, incl. cement clinkers, whether or not coloured	17.3	6.2	
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals		11.1	4.0	India (100%)
	2849	Carbides, whether or not chemically defined	10.1	3.6	
	2811	Inorganic acids and inorganic oxygen compounds of non-metals (excluding hydrogen chloride)	0.9	0.3	
22	Beverages, spirits and vinegar		6.0	2.1	India (99.0%)
	2202	Waters, incl. mineral waters and aerated waters, containing added sugar or other sweetening	3.5	1.3	
	2201	Waters, incl. natural or artificial mineral waters and aerated waters, not containing added	1.7	0.6	
39	Plastics and articles thereof		5.6	2.0	India (99.8%)
	3920	Plates, sheets, film, foil and strip, of non-cellular plastics, not reinforced, laminated,	5.1	1.8	

Source: Author compilation drawn from ITC Trademap, 2019.

Table A4: Top apparel and other export products of Cambodia, 2020

HS Code		Commodity	Exports ($ million)	% of total exports	Major destination and export shares
61		Articles of apparel and clothing accessories, knitted or crocheted	5188.1	29.3	United States of America (33.8%), Germany (11.0%), Canada (9.0%), United Kingdom (8.9%), Japan (6.6%)
	6110	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted	1231.0	6.9	
	6104	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers	972.8	5.5	
	6109	T-shirts, singlets and other vests, knitted or crocheted	785.1	4.4	
	6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches	468.6	2.6	
71		Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad	3038.7	17.2	Singapore (79.4%), Thailand (11.3%), Hong Kong (8.5%), United States of America (0.8%)
	7108	Gold, incl. gold plated with platinum, unwrought or not further worked than semi-manufactured	3011.3	17.0	
	7102	Diamonds, whether or not worked, but not mounted or set (excluding unmounted stones for pick-up	27.1	0.2	
62		Articles of apparel and clothing accessories, not knitted or crocheted	2296.8	13.0	United States of America (29.5%), Japan (16.7%), United Kingdom (8.0%), Spain (6.4%), Canada (6.3%)
	6204	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, . . .	775.1	4.4	
	6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches . . .	438.0	2.5	
	6210	Garments made up of felt or nonwovens, whether or not impregnated, coated, covered or laminated; . . .	374.5	2.1	
	6205	Men's or boys' shirts (excluding knitted or crocheted, nightshirts, singlets and other vests)	121.1	0.7	
64		Footwear, gaiters and the like; parts of such articles	1123.1	6.3	United States of America (26.8%), Germany (9.3%), Japan (7.4%), Netherlands (6.3%), United Kingdom (6.1%)
	6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of . . .	400.2	2.3	
	6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers	395.1	2.2	
	6402	Footwear with outer soles and uppers of rubber or plastics (excluding waterproof footwear	290.5	1.6	
42		Articles of leather; saddlery and harness; travel goods, handbags and similar containers	1008.8	5.7	United States of America (76.7%), Japan (4.8%), Netherlands (4.4%), China (2.5%), Canada (2.1%)
	4202	Trunks, suitcases, vanity cases, executive-cases, briefcases, school satchels, spectacle cases, . . .	978.4	5.5	
	4203	Articles of apparel and clothing accessories, of leather or composition leather (excluding . . .	17.7	0.1	
	4201	Saddlery and harness for any animal, incl. traces, leads, knee pads, muzzles, saddle cloths	11.6	0.1	
85		Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	762.1	4.3	United States of America (36.9%), Thailand (16.6%), Japan (16.2%), China (8.9%)
	8544	Insulated incl. enamelled or anodised wire, cable incl. coaxial cable and other insulated wire	316.8	1.8	
	8541	Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices	155.5	0.9	
	8501	Electric motors and generators (excluding generating sets)	61.5	0.3	

Table A4: Top apparel and other export products of Cambodia, 2020, continued.

HS Code		Commodity	Exports ($ million)	% of total exports	Major destination and export shares
94		Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings	638.4	3.6	United States of America (95.9%), Thailand (1.5%), Canada (1.0%), Japan (0.7%)
	9405	Lamps and lighting fittings, incl. searchlights and spotlights, and parts thereof, nes; illuminated . . .	366.7	2.1	
	9401	Seats, whether or not convertible into beds, and parts thereof, nes (excluding medical, . . .	115.7	0.7	
	9403	Furniture and parts thereof, nes (excluding seats and medical, surgical, dental or veterinary . . .	87.9	0.5	
87		Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	559.4	3.2	United States of America (27.4%), Germany (20.7%), United Kingdom (14.4%)
	8712	Bicycles and other cycles, incl. delivery tricycles, not motorised	529.7	3.0	
	8708	Parts and accessories for tractors, motor vehicles for the transport of ten or more persons, . . .	16.3	0.1	
	8714	Parts and accessories for motorcycles and bicycles and for carriages for disabled persons, . . .	8.5		

Source: Author compilation drawn from ITC Trademap, 2019.

Table A5: Top export products of Kiribati, 2020

HS Code	Commodity		Exports ($ million)	% of total exports	Major destination and export shares
3	Fish and crustaceans, molluscs and other aquatic invertebrates		94.12	96.88	Thailand (74.2%), Philippines (12.5%), Japan (4.7%)
	303	Frozen fish (excluding fish fillets and other fish meat of heading 0304)	90.55	93.19	
	304	Fish fillets and other fish meat, whether or not minced, fresh, chilled or frozen	3.34	3.44	
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal		1.05	1.08	Malaysia (72.4%), Germany (16.2%)
	1513	Coconut, copra, palm kernel or babassu oil and fractions thereof, whether or not refined	1.05	1.08	
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof		0.96	0.98	Canada (42.8%), China (23.1%)
	8411	Turbojets, turbopropellers and other gas turbines	0.33	0.34	
	8473	Parts and accessories (other than covers, carrying cases and the like) suitable for use solely . . .	0.22	0.23	
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal		0.28	0.29	Fiji (100%)
	1203	Copra	0.28	0.29	

Note: Based on mirror data.

Source: Author compilation drawn from ITC Trademap, 2019.

Table A6: Top export products of Lao PDR, 2019

HS Code		Commodity	Exports ($ million)	% of total exports	Major destination and export shares
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral		1347.3	23.2	Thailand (93.8%), Viet Nam (4.8%), Cambodia (0.8%)
	2716	Electrical energy	1326.9	22.8	
	2701	Coal; briquettes, ovoids and similar solid fuels manufactured from coal	20.4	0.4	
26	Ores, slag and ash		654.1	11.3	China (96.5%), Viet Nam (2.7%), United States of America (0.7%)
	2603	Copper ores and concentrates	589.4	10.1	
	2601	Iron ores and concentrates, incl. roasted iron pyrites	43.5	0.7	
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television		403.7	6.9	Thailand (92.1%), Japan (3.2%), Viet Nam (2.1%)
	8525	Transmission apparatus for radio-broadcasting or television, whether or not incorporating reception	210.2	3.6	
	8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks;	114.8	2.0	
	8544	Insulated incl. enamelled or anodised wire, cable incl. coaxial cable and other insulated wire	41.4	0.7	
47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper		286.5	4.9	China (99.6%), Thailand (0.3%)
	4703	Chemical wood pulp, soda or sulphate (excluding dissolving grades)	121.8	2.1	
	4702	Chemical wood pulp, dissolving grades	90.2	1.6	
	4706	Pulps of fibres derived from recovered waste and scrap paper or paperboard or of other fibrous	72.8	1.3	
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad		223.0	3.8	India (40.1%), Switzerland (26.0%), Hong Kong (17.4%), Thailand (6.8%)
	7108	Gold, incl. gold plated with platinum, unwrought or not further worked than semi-manufactured	192.3	3.3	
	7104	Precious and semi-precious stones, synthetic or reconstructed, whether or not worked or graded	21.5	0.4	
40	Rubber and articles thereof		218.7	3.8	Viet Nam (55.2%), China (44.3%)
	4001	Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary	217.5	3.7	
74	Copper and articles thereof		434.8	7.5	Thailand (91.8%), China (8.2%)
	7403	Copper, refined, and copper alloys, unwrought (excluding copper alloys of heading 7405)	433.8	7.5	

Source: Author compilation drawn from ITC Trademap, 2019.

Table A7: Top apparel and other export products of Myanmar, 2020

HS Code	Commodity		Exports ($ million)	% of total exports	Major destination and export shares
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...		3427.4	20.2	Thailand (53.6%), China (45.9%)
	2711	Petroleum gas and other gaseous hydrocarbons	3365.7	19.9	
	2716	Electrical energy	21.6	0.1	
	2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations containing . . .	21.4	0.1	
62	Articles of apparel and clothing accessories, not knitted or crocheted		3425.0	20.2	Japan (23.8%), Spain (11.9%), Germany (11.3%), United Kingdom (8.2%)
	6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches . . .	1238.3	7.3	
	6204	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, . . .	1066.9	6.3	
	6202	Women's or girls' overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, . . .	295.0	1.7	
7	Edible vegetables and certain roots and tubers		1249.4	7.4	China (33.0%), India (31.4%), Singapore (8.7%), Indonesia (4.3%)
	713	Dried leguminous vegetables, shelled, whether or not skinned or split	1153.1	6.8	
	703	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled	65.8	0.4	
10	Cereals		1160.3	6.9	China (33.4%), Thailand (23.5%), Philippines (7.9%)
	1006	Rice	773.2	4.6	
	1005	Maize or corn	382.7	2.3	
61	Articles of apparel and clothing accessories, knitted or crocheted		1159.7	6.9	Japan (15.0%), Korea, Republic of (12.9%), United Kingdom (12.5%), Netherlands (10.1%)
	6110	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted (excluding . . .	537.6	3.2	
	6109	T-shirts, singlets and other vests, knitted or crocheted	190.2	1.1	
	6108	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, negligées, bathrobes, . . .	77.3	0.5	
74	Copper and articles thereof		927.6	5.5	China (67.6%), Thailand (19.9%), Indonesia (6.5%)
	7403	Copper, refined, and copper alloys, unwrought (excluding copper alloys of heading 7405)	924.7	5.5	
	7401	Copper mattes; cement copper, precipitated copper	1.5	0.0	
3	Fish and crustaceans, molluscs and other aquatic invertebrates		826.2	4.9	Thailand (38.4%), China (29.5%), Japan (4.1%)
	303	Frozen fish (excluding fish fillets and other fish meat of heading 0304)	263.5	1.6	
	302	Fish, fresh or chilled (excluding fish fillets and other fish meat of heading 0304)	206.4	1.2	
	306	Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine, . . .	177.0	1.0	
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof		628.8	3.7	Singapore (80.7%), Thailand (12.5%), Japan (2.0%)
	8431	Parts suitable for use solely or principally with the machinery of heading 8425 to 8430, nes	581.3	3.4	
	8415	Air conditioning machines comprising a motor-driven fan and elements for changing the temperature . . .	13.1	0.1	
	8422	Dishwashing machines; machinery for cleaning or drying bottles or other containers; machinery . . .	6.7	0.0	

Source: Author compilation drawn from ITC Trademap, 2019.

Table A8: Top export products of Nepal, 2019

HS Code		Commodity	Exports ($ million)	% of total exports	Major destination and export shares
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...		245.2	25.5	India (99.8%)
	1511	Palm oil and its fractions, whether or not refined (excluding chemically modified)	190.8	19.9	
	1507	Soya-bean oil and its fractions, whether or not refined (excluding chemically modified)	54.0	5.6	
55	Man-made staple fibres		83.5	8.7	India (70.6%), Turkey (28.6%)
	5509	Yarn of synthetic staple fibres (excluding sewing thread and yarn put up for retail sale)	76.9	8.0	
	5510	Yarn of artificial staple fibres (excluding sewing thread and yarn put up for retail sale)	5.9	0.6	
9	Coffee, tea, maté and spices		75.1	7.8	India (94.6%), Germany (1.5%)
	908	Nutmeg, mace and cardamoms	44.4	4.6	
	902	Tea, whether or not flavoured	23.6	2.5	
	910	Ginger, saffron, turmeric, curcuma, thyme, bay leaves, curry and other spices	5.1	0.5	
57	Carpets and other textile floor coverings		67.7	7.1	United States of America (53.3%), Germany (11.0%), United Kingdom (8.5%)
	5701	Carpets and other textile floor coverings, of textile materials, knotted, whether or not made	65.1	6.8	
	5702	Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made	2.5	0.3	
62	Articles of apparel and clothing accessories, not knitted or crocheted		50.1	5.2	Germany (19.9%), United States of America (18.3%), United Kingdom (16.7%)
	6214	Shawls, scarves, mufflers, mantillas, veils and similar articles (excluding knitted or crocheted)	23.1	2.4	
	6204	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers	20.3	2.1	
20	Preparations of vegetables, fruit, nuts or other parts of plants		38.9	4.1	India (99.5%)
	2009	Fruit juices, incl. grape must, and vegetable juices, unfermented, not containing added spirit,	38.8	4.0	
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags		34.6	3.6	India (75.4%), United States of America (10.8%)
	6305	Sacks and bags, of a kind used for the packing of goods, of all types of textile materials	29.6	3.1	
	6307	Made-up articles of textile materials, incl. dress patterns, nes	2.1	0.2	
72	Iron and steel		33.0	3.4	India (100%)
	7210	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled or cold-rolled	15.4	1.6	
	7217	Wire of iron or non-alloy steel, in coils (excluding bars and rods)	13.9	1.5	
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn		32.7	3.4	India (99.6%)
	5310	Woven fabrics of jute or of other textile bast fibres of heading 5303	29.9	3.1	
54	Man-made filaments; strip and the like of man-made textile materials		30.5	3.2	India (100%)
	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 decitex and with a cross	30.5	3.2	

Source: Author compilation drawn from ITC Trademap, 2019.

Table A9: Top export products of the Solomon Islands, 2020

HS Code	Commodity		Exports ($ million)	% of total exports	Major destination and export shares
44	Wood and articles of wood; wood charcoal		363.6	66.7	China (86.78%), India (5.48%), Korea, Republic of (2.99%)
	4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared (excluding	347.9	63.8	
	4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed	8.4	1.5	
	4408	Sheets for veneering, incl. those obtained by slicing laminated wood, for plywood or for other	6.9	1.3	
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates		62.8	11.5	Italy (80.18%), Spain (13.44%)
	1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	62.8	11.5	
26	Ores, slag and ash		39.6	7.3	China (99.99%)
	2606	Aluminium ores and concentrates	39.6	7.3	
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats		39.4	7.2	Netherlands (39.76%), Switzerland (29.76%), United Kingdom (28.08%)
	1511	Palm oil and its fractions, whether or not refined (excluding chemically modified)	27.9	5.1	
	1513	Coconut, copra, palm kernel or babassu oil and fractions thereof, whether or not refined	11.4	2.1	
3	Fish and crustaceans, molluscs and other aquatic invertebrates		20.2	3.7	Thailand (80.41%), Philippines (8.56%)
	303	Frozen fish (excluding fish fillets and other fish meat of heading 0304)	19.3	3.5	

Note: Based on mirror data.

Source: Author compilation drawn from ITC Trademap, 2019.

Table A10: Top export products of Timor-Leste, 2020

HS Code	Commodity		Exports ($ million)	% of total exports	Major destination and export shares
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral		88.2	80.5	Singapore (49.5%), Korea, Republic of (30.9%), Japan (19.5%)
	2709	Petroleum oils and oils obtained from bituminous minerals, crude	70.9	64.8	
	2711	Petroleum gas and other gaseous hydrocarbons	17.2	15.7	
9	Coffee, tea, maté and spices		14.2	12.9	Canada (33.6%), United States of America (29.0%), Indonesia (11.1%)
	901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes	13.0	11.8	
	905	Vanilla	1.0	0.9	
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal		1.7	1.6	China (51.1%), Indonesia (38.9%)
	1212	Locust beans, seaweeds and other algae, sugar beet and sugar cane, fresh, chilled, frozen	0.9	0.8	
	1207	Other oil seeds and oleaginous fruits, whether or not broken (excluding edible nuts, olives	0.5	0.4	
72	Iron and steel		0.9	0.8	Singapore (84.6%)
	7204	Ferrous waste and scrap; remelting scrap ingots of iron or steel (excluding slag, scale	0.9	0.8	
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television		0.9	0.8	United Kingdom (50.3%), United States of America (16.5%)
	8544	Insulated incl. enamelled or anodised wire, cable incl. coaxial cable and other insulated wire	0.6	0.5	

Note: Based on mirror data.

Source: Author compilation drawn from ITC Trademap, 2019.

Table A11: Top export products of Tuvalu, 2020

HS Code	Commodity		Exports ($ million)	% of total exports	Major destination and export shares
3	Fish and crustaceans, molluscs and other aquatic invertebrates		11.14	80.1	Thailand (60.17%), Philippines (34.71%)
	303	Frozen fish (excluding fish fillets and other fish meat of heading 0304)	11.14	80.1	
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical		1.81	13.0	Mozambique (92.47%)
	9022	Apparatus based on the use of X-rays or of alpha, beta or gamma radiations, whether or not	1.67	12.0	
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad		0.32	2.3	Belgium (39.94%)
	7118	Coin, incl. legal tender (excluding medals, jewellery made from coins, collectors' items of	0.31	2.2	
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television		0.21	1.5	France (52.68%)
	8538	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537,	0.09	0.6	
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof		0.18	1.3	Turkey (56.25%), France (14.77%)
	8479	Machines and mechanical appliances having individual functions, not specified or included elsewhere	0.10	0.7	

Note: Based on mirror data.

Source: Author compilation drawn from ITC Trademap, 2019.

Table A12: ODA received by Asia-Pacific LDCs, 2002-2019 ($ million)

	Afghanistan	Bangladesh	Bhutan	Cambodia	Kiribati	Lao PDR	Myanmar	Nepal	Solomon Islands	Timor-Leste	Tuvalu
2002	932.3	966.9	32.3	307.5	18.1	171.7	72.5	278.8	28.4	173.1	11.3
2003	1,260.7	1,282.6	58.1	406.1	15.5	238.3	96.3	431.5	82.6	149.7	5.5
2004	1,781.4	1,732.6	66.2	351.6	13.6	213.8	102.9	395.7	120.4	143.4	7.5
2005	2,668.9	1,465.9	73.9	422.1	26.1	232.8	135.3	416.8	196.6	196.2	8.6
2006	2,733.7	1,549.9	86.0	547.3	25.3	273.3	141.4	475.8	197.1	214.4	14.1
2007	3,708.6	1,691.7	90.3	596.7	26.6	314.3	192.2	558.8	239.8	280.5	10.2
2008	4,564.5	2,852.1	78.3	597.5	26.8	327.2	525.3	745.0	226.6	269.3	15.1
2009	5,468.6	1,487.9	99.6	630.1	25.1	370.5	352.1	758.3	207.5	212.2	15.9
2010	6,428.7	2,053.6	132.6	770.3	23.6	447.6	381.8	945.2	345.1	290.7	14.2
2011	6,700.0	2,232.5	143.1	864.3	65.2	452.1	389.8	1,033.9	343.4	277.5	35.7
2012	6,499.5	2,959.8	169.1	853.2	66.4	466.7	516.4	925.7	307.7	283.4	25.9
2013	5,072.6	3,411.9	140.7	865.2	66.0	458.7	7,624.0	1,035.0	293.0	258.1	28.0
2014	4,945.8	3,169.0	148.0	857.5	81.1	489.9	2,129.3	1,044.2	207.0	248.5	34.8
2015	4,335.7	3,212.9	107.8	758.5	65.3	538.4	1,222.8	1,365.4	196.3	212.5	50.1
2016	4,175.3	3,298.9	62.9	807.4	61.2	478.7	1,606.8	1,235.9	183.6	223.9	24.9
2017	3,869.7	4,566.2	132.2	952.6	77.5	563.7	1,589.9	1,439.2	194.6	232.0	28.9
2018	3,863.4	5,111.0	123.8	898.0	80.4	677.4	1,758.3	1,631.4	202.7	207.7	27.8
2019	4,382.4	5,395.1	195.1	1,085.5	57.6	713.2	2,094.7	1,540.9	227.9	231.3	36.9

Source: OECD, n.d.a.

Figure A1: ODA loans and grants from Germany to Asia-Pacific LDCs, 2011-2019 ($ million)

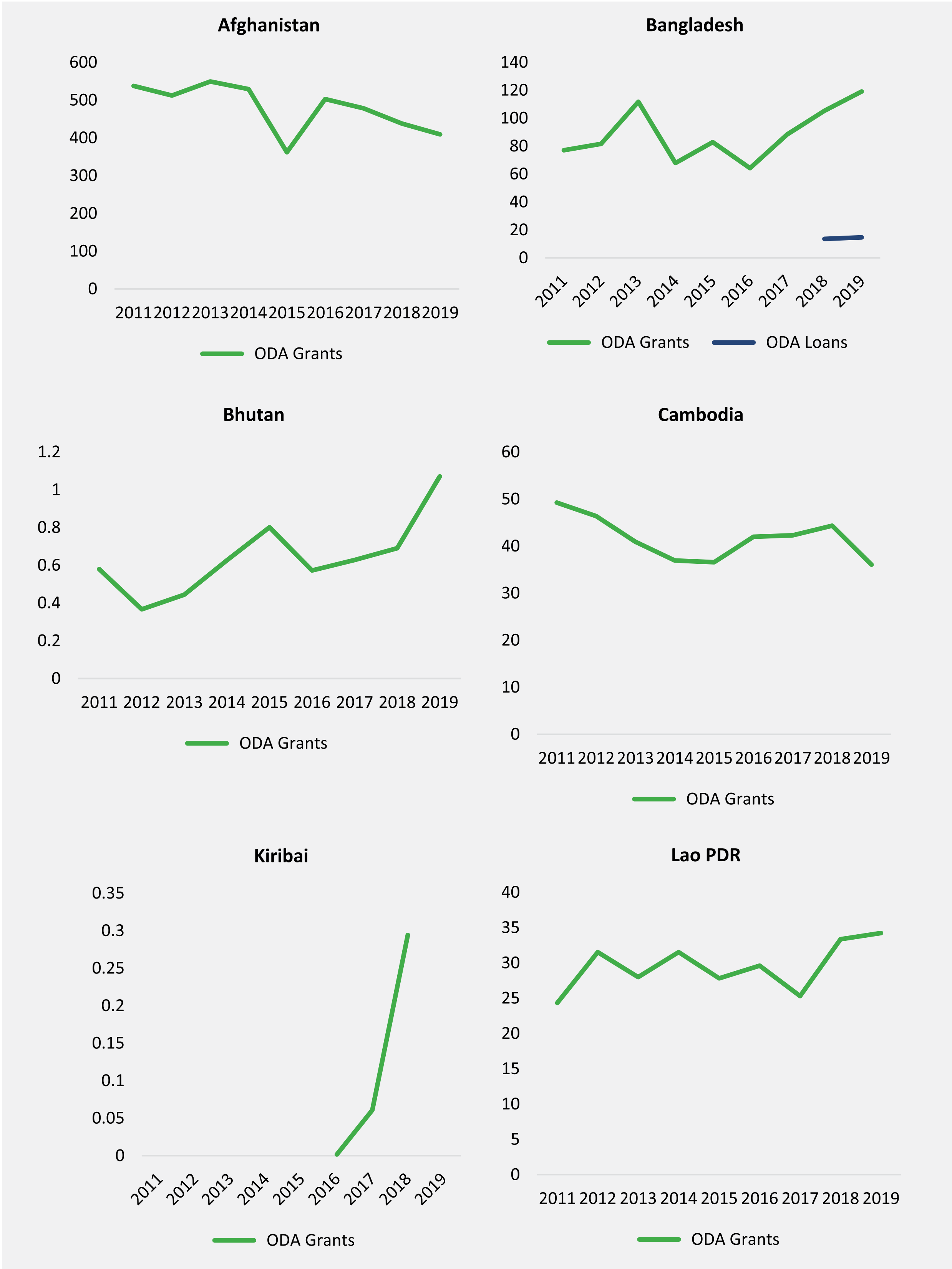
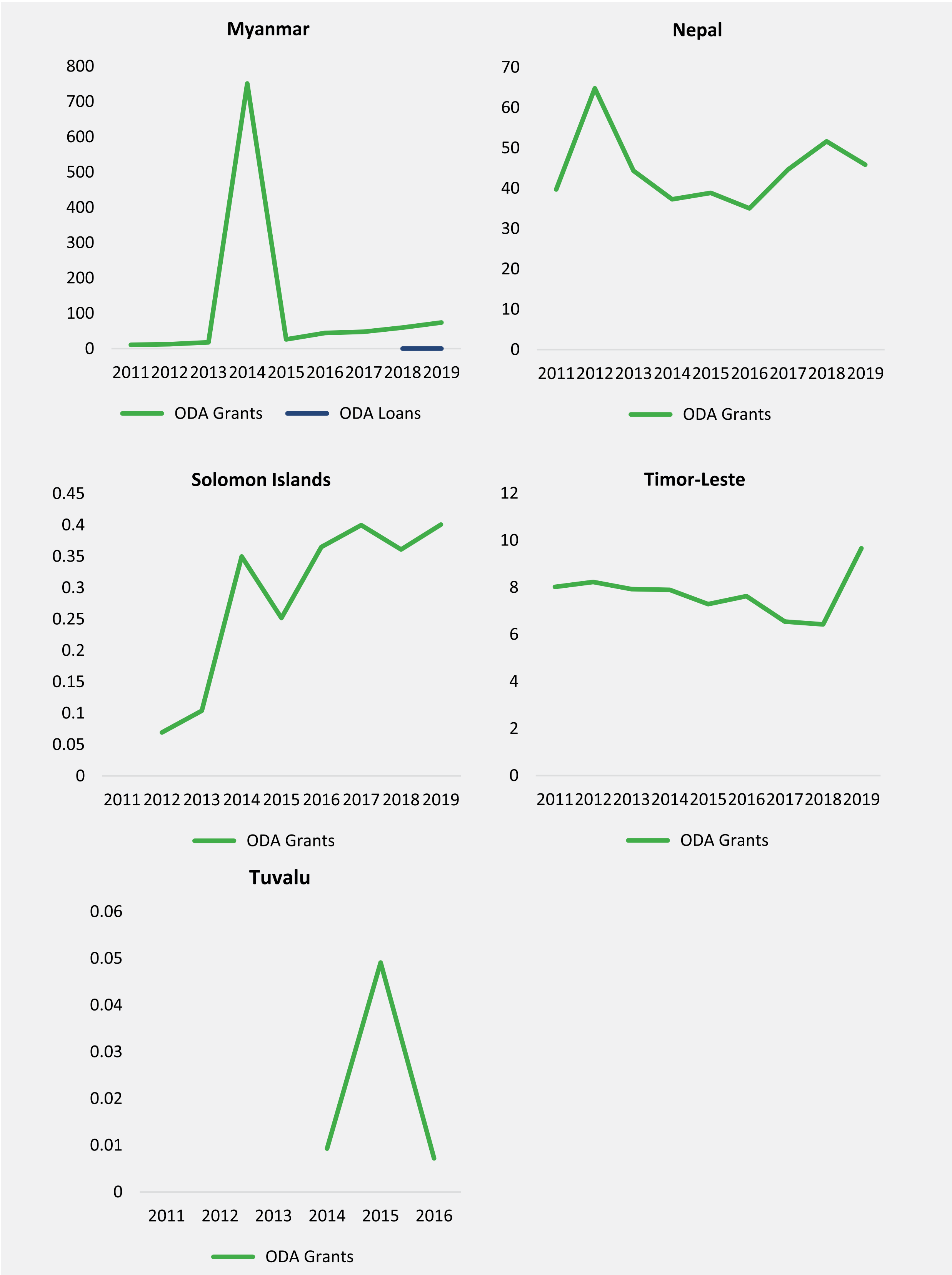


Figure A1: ODA loans and grants from Germany to Asia-Pacific LDCs, 2011-2019 ($ million), continued.



Source: OECD, n.d.a.

Figure A2: ODA loans and grants from Japan to Asia-Pacific LDCs, 2011-2019 ($ million)

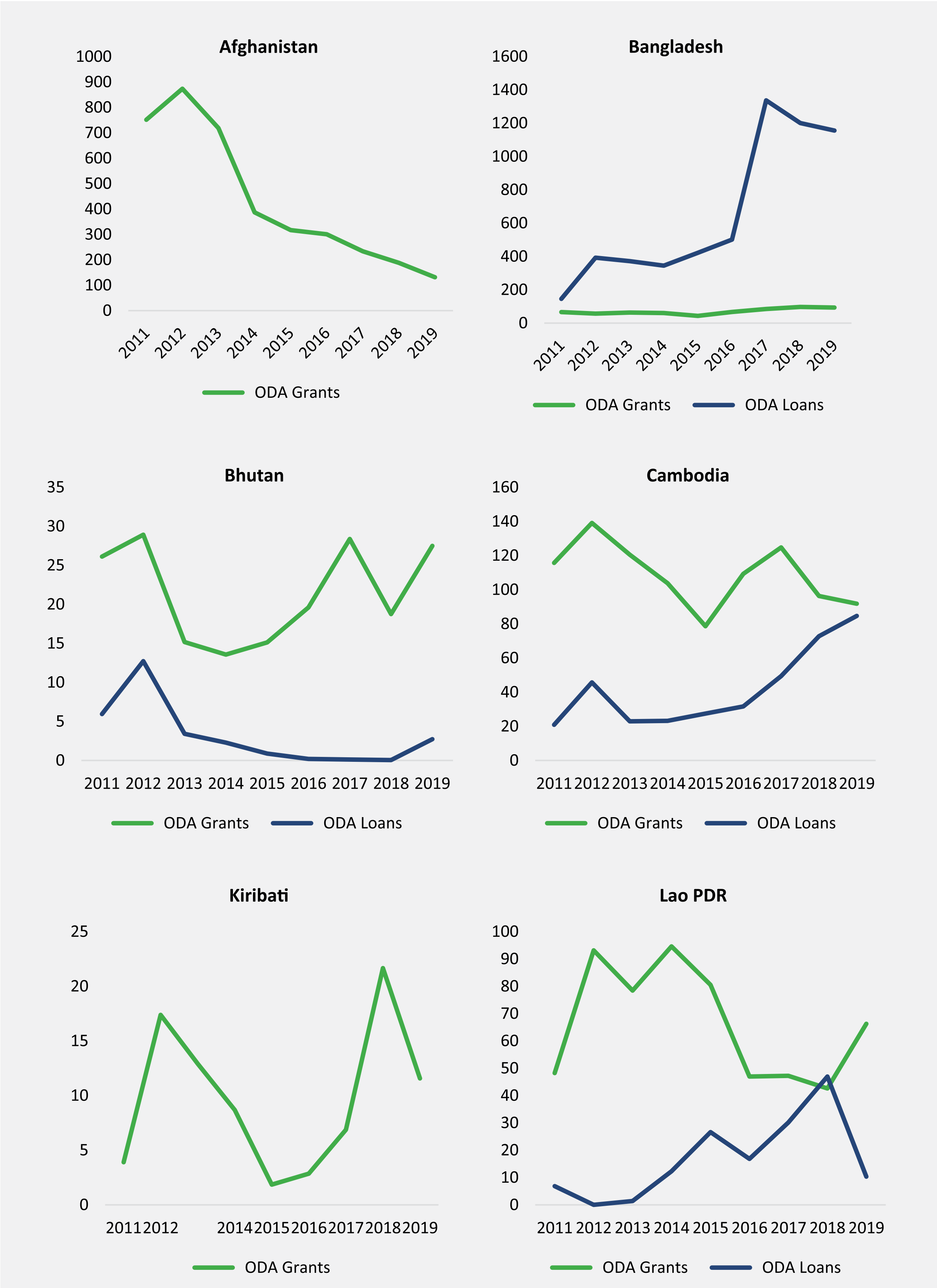


Figure A2: ODA loans and grants from Japan to Asia-Pacific LDCs, 2011-2019 ($ million), continued.

Source: OECD, n.d.a.

Figure A3: ODA loans and grants from the Republic of Korea to Asia-Pacific LDCs, 2011-2019 ($ million)

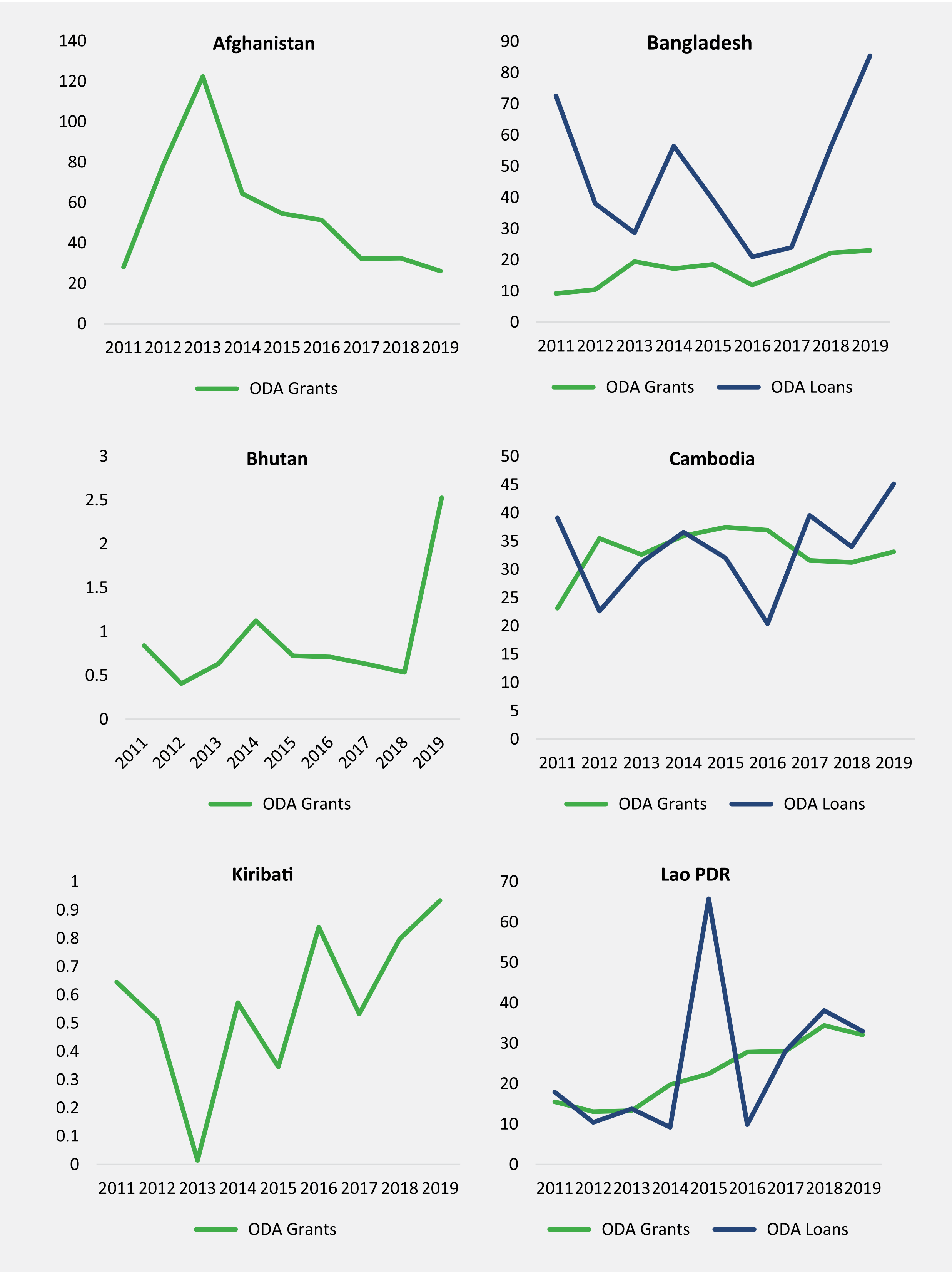
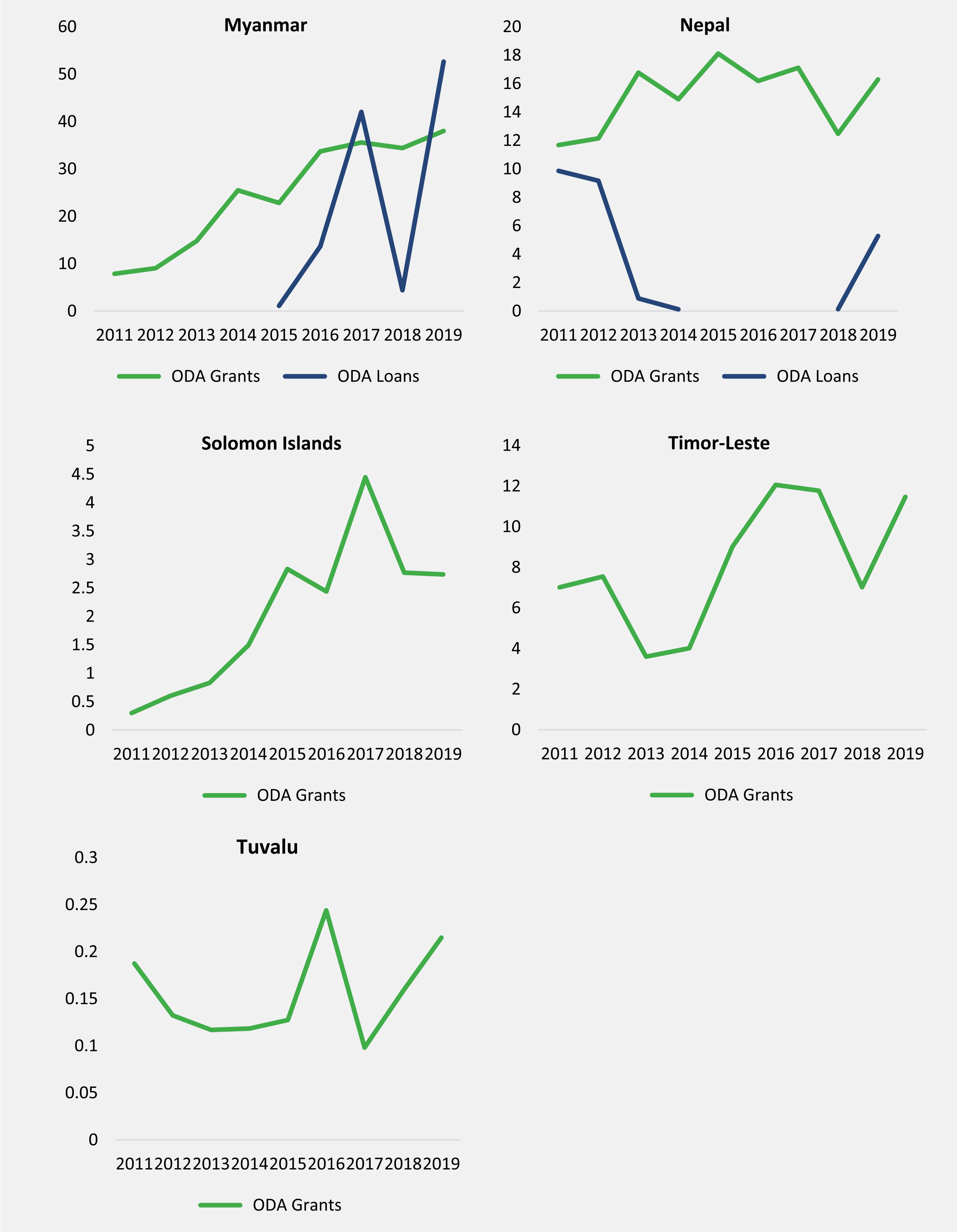


Figure A3: ODA loans and grants from the Republic of Korea to Asia-Pacific LDCs, 2011-2019 ($ million), continued.



Source: OECD, n.d.a.

Table A13: Share of ODA received by Asia-Pacific LDCs from developed countries, 2015-2019 average (%)

Donor country	Consideration of LDC status	Afghanistan	Bangladesh	Bhutan	Cambodia	Kiribati	Lao PDR	Myanmar	Nepal	Solomon Islands	Timor-Leste	Tuvalu
Australia	Australia's bilateral development assistance is not determined by LDC status. Aid investment plans are determined based on a range of factors and LDC graduation would not necessarily affect assistance, particularly if the challenges cooperation programmes seek to address persist. Regional development programs would be unaffected by LDC graduation.	1.63	1.13	4.44	5.80	30.38	4.73	3.35	1.35	57.98	27.15	21.19
Belgium	Belgium's Act for Impact – Strategy Position 2030 refers to a commitment to concentrate Belgian development cooperation in the LDCs and fragile states. It does not establish special terms or conditions for assistance to LDCs.	0.05	0.03	0.00	0.44	0.00	0.12	0.01	0.07	0.00	0.00	0.00
Canada	Canada stated that when countries grow, development assistance may shift from financial aid to technical and knowledge transfer, but a shift would not happen automatically as a result of LDC graduation.	2.70	1.41	0.28	0.38	0.08	0.23	1.36	0.96	0.08	0.08	0.06
Denmark	Denmark's strategy for development cooperation and humanitarian action, The World 2030 mentions LDCs, stating that while ODA is an important source of capital in these countries, what makes the difference for middle-income countries is how partnerships can catalyse and mobilize private funding, knowledge, and technology.	1.75	0.66	0.01	0.04	0.00	0.00	1.23	1.02	0.00	0.00	0.00
France	France passed new legislation on development cooperation programs in 2021, stating that it will focus its bilateral development assistance, notably grants, on LDCs.	0.49	0.95	0.02	10.55	0.00	1.82	0.33	0.13	0.01	0.14	0.01
Germany	Grants and concessional loans are awarded to LDCs by the Federal Ministry for Economic Cooperation and Development (BMZ) through the KfW Entwicklungsbank. LDCs are typically given grants, whereas non-LDC developing nations are mostly provided loans, with certain exceptions. Past graduation-effect evaluations indicate that a move from grants to concessional loans was probable, but grant assistance may remain available for specific areas.	10.62	2.26	0.61	4.73	0.10	5.06	3.05	2.99	0.18	3.39	0.03
Italy	In the publicly accessible information on Italian development cooperation, there is no indication that membership in the LDC category is a significant factor for development cooperation. Several of Italy's 20 development cooperation priority nations are not LDCs.	1.51	0.03	0.02	0.06	0.43	0.01	0.60	0.13	0.07	0.08	0.28
Japan	The Japan International Cooperation Agency (JICA) offers developing countries preferential terms, with stipulations that vary depending on whether a country is classified as an LDC, which World Bank income group it belongs to, and other factors. According to prior graduation impact analyses, graduating has no bearing on grant aid or technical cooperation. It does have an impact on loan terms.	5.68	23.20	18.22	17.36	13.10	13.95	30.59	6.79	8.06	14.52	13.10

Table A13: Share of ODA received by Asia-Pacific LDCs from developed countries, 2015-2019 average (%), continued.

Donor country	Consideration of LDC status	Afghanistan	Bangladesh	Bhutan	Cambodia	Kiribati	Lao PDR	Myanmar	Nepal	Solomon Islands	Timor-Leste	Tuvalu
Republic of Korea	Loans granted by the Economic Development Cooperation Fund of Korea, administered by the Export-Import Bank of Korea and the Ministry of Strategy and Finance, offer the most favourable terms for LDCs, including lower interest rates and longer repayment terms. Previously, the Republic of Korea indicated that graduation would have no effect on funds and technical assistance from the Korean International Cooperation Agency.	0.95	1.47	0.82	7.58	1.01	10.76	3.36	1.19	1.51	4.64	0.50
Kuwait	In publicly available papers and regulations, there is no evidence that membership in the LDC category is a requirement for Kuwait's development cooperation. The Kuwait Fund for Arab Economic Development provides assistance to Arab and other developing countries, many of which are not LDCs.	0.18	0.82	0.00	0.01	0.00	1.53	0.01	0.06	0.00	0.00	0.00
Luxembourg	Luxembourg's General Development Cooperation Strategy - The Road to 2030 affirms the country's continuous commitment to the objective of giving 0.2 percent of GNP to LDCs as development aid and indicates that LDCs are generally prioritized. However, in addition to prioritizing LDCs, SIDS, and fragile countries, the criteria used to identify priority partner countries include those with the largest poverty gaps, a low Human Development Index, and limited access to financial resources beyond aid. Additional criteria include a regional focus on Africa (particularly the Sahel region), other development partners active in the country, and long-term partnerships and trust, 'as well as the potential of embedding regional approaches in its programs to a degree'.	0.05	0.07	0.00	0.05	0.00	3.42	0.23	0.20	0.00	0.00	0.00
New Zealand	New Zealand's policy statement on International Cooperation for Effective Sustainable Development emphasizes the country's attention to the most vulnerable countries, especially SIDS and LDCs. The Pacific is the key regional focus. Previously, New Zealand indicated in graduation effect assessments that it provides assistance beyond graduation based on development concerns and strategic priorities.	0.07	0.00	0.16	0.63	18.03	0.90	0.58	0.09	9.70	5.75	20.31
Norway	Even though Norway is one of the few nations that exceeded the aim of contributing 0.15-0.2 percent of GNP to LDCs, the Norwegian Agency for Development Cooperation's (NORAD) Strategy Toward 2030 makes no mention of LDCs. In past graduation impact studies, Norway said that development assistance is not conditional on LDC classification.	2.04	0.23	0.69	0.65	0.00	0.56	1.89	2.68	0.00	0.53	0.00

Table A13: Share of ODA received by Asia-Pacific LDCs from developed countries, 2015-2019 average (%), continued.

Donor country	Consideration of LDC status	Afghanistan	Bangladesh	Bhutan	Cambodia	Kiribati	Lao PDR	Myanmar	Nepal	Solomon Islands	Timor-Leste	Tuvalu
Spain	The Master Plan for Spanish Cooperation 2018-2021 offers distinct tactics for countries at various stages of development, including LDCs, with aid evolving as nations progress and their requirements change. Among the 21 non-LDC middle-income nations included in the plan, which also specifies regional strategic goals, are several non-LDC middle-income countries.	0.02	0.02	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00	0.01
Sweden	According to Sweden's Development Cooperation Framework, bilateral cooperation should concentrate on LDCs and the most vulnerable nations, but the Framework also recognizes the requirements of other developing countries and the need for diversified tactics. It makes no explicit mention of any form of aid that would be restricted to LDCs.	3.01	1.06	0.05	3.11	0.01	0.02	2.10	0.22	0.01	0.13	0.00
Switzerland	The majority of Switzerland's bilateral cooperation is focused on a group of priority nations that comprise both LDCs and non-LDCs (18 LDCs out of 41 countries). These are determined through a consultative process and are based on population requirements, the added value of Swiss cooperation, and Swiss interests.	0.79	0.91	1.65	1.89	0.00	3.74	2.61	2.98	0.00	0.00	0.00
Turkey	Turkey has a long history of assisting LDCs. It works with several LDCs and a number of non-LDCs. LDCs received less than 2 percent of Turkey's bilateral ODA in 2019.	0.93	0.16	0.03	0.02	0.00	0.00	0.20	0.02	0.00	0.00	0.00
United Arab Emirates	According to the United Arab Emirates' Foreign Assistance Policy 2017-2019, the major focus of its assistance is on the Middle East and Arab World. In addition, the country gives aid to LDCs, countries that are underserved by other donors, and countries with which it has diplomatic or commercial links, with priority given to poverty levels, human development requirements, efficacy, relevance to the Emirates, and possibilities for economic collaboration.	0.70	0.31	0.01	0.01	1.10	0.17	0.03	0.09	0.38	0.00	1.56
United Kingdom	In a previous impact assessment, the United Kingdom stated that it provides assistance based on a country's needs, that assistance changes as the country's context changes (rather than as a direct and automatic result of graduation), and that the United Kingdom has continued to work with a number of graduated countries. The 2015 United Kingdom Aid Strategy makes no mention of LDCs. Significant changes have occurred in the United Kingdom's development cooperation institutions, policies, and finances. There is no evidence that being an LDC or not would become a factor of receiving help.	8.91	5.98	0.24	0.49	0.03	0.27	9.09	9.05	0.35	0.11	0.09
United States	In a previous impact assessment, the United States said that graduation from the LDC category would have no effect on bilateral aid to the nation in question.	32.04	6.96	0.49	10.19	0.01	7.14	8.19	11.64	2.53	10.06	0.03

Source: OECD, n.d.a; UNCDP, 2021b.

UNDP Regional Bureau for Asia and the Pacific