

Trade impacts of LDC graduation

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World Trade Organization

Outline

- **Introduction**
- Market access
- Participation in WTO
- LDC treatment in WTO Agreement

Introduction

- An LDC is eligible for graduation, if:
 - i) it meets two of the three graduation criteria, or
 - ii) its income per capita doubles the income graduation threshold.
- The graduation criteria should be met at two consecutive reviews for a country to be recommended for graduation.
- Based on the recommendations of UN CDP, the UN Economic and Social Commission (ECOSOC) forwards its submission to the UN General Assembly (UNGA). The decision on graduation is formalized when the UN General Assembly takes note of the ECOSOC endorsement of the recommendations of UN CDP.
- Graduation takes effect after a preparatory period. There has been calls to ensure smooth transition period.

	Graduation threshold
GNI: Gross National Income per capita	US\$ 1,274
HAI: Human Assets Index	66 or above
EVI: Economic Vulnerability Index	32 or below

There are currently 16 LDCs on the path of graduation

WTO Member	WTO Observer
Angola	Bhutan
Bangladesh	Comoros
Cambodia	Sao Tomé & Príncipe
Djibouti	Timor-Leste
Lao PDR	
Myanmar	
Nepal	
Senegal	
Solomon Islands	
Zambia	

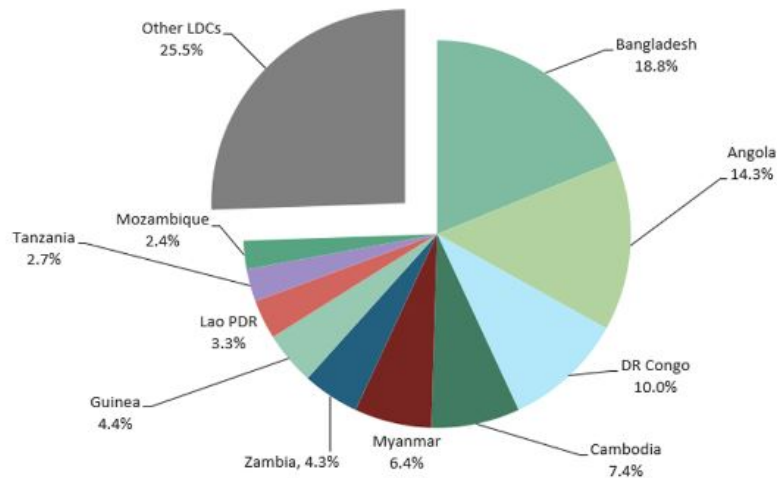
- Tuvalu and Kiribati do not have any status in the WTO

Outline

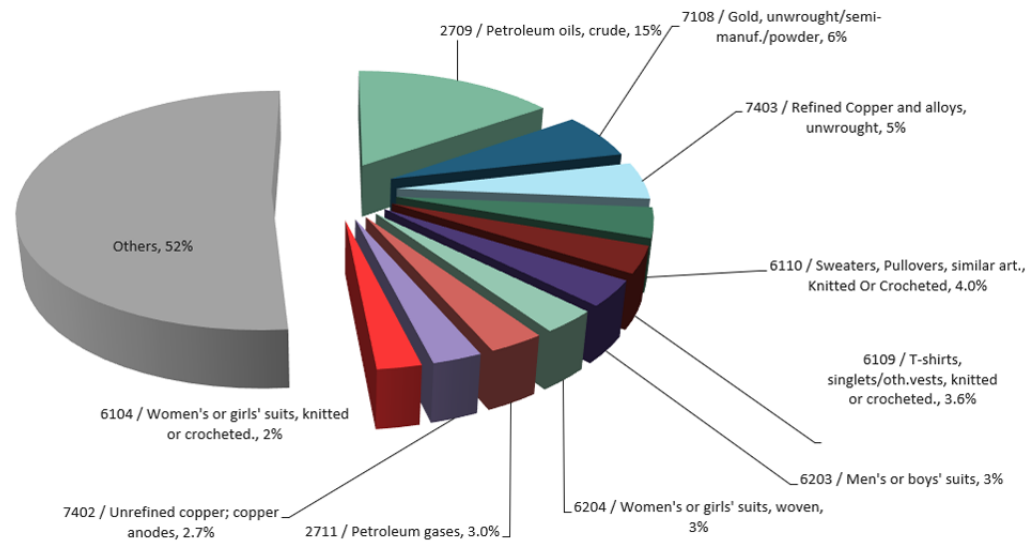
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Trade profile

- The graduating LDCs account for a large share of LDC exports – a handful of graduating LDCs account for half of the LDC goods exports.
- Top ten products account for nearly half of LDC exports



Source: WTO-UNCTAD estimates.





Impact on market access – goods

- **LDCs benefit from special trade preferences unilaterally offered by LDC trading partners. In some cases these are not linked to LDC status (AGOA)**
- **Loss of preferences has been one of the concerns of graduating LDCs**
- **An illustration with the example of the European Union**
 - LDCs benefit from duty-free market access under the European Union's Everything But Arms Initiative.
 - It provides a three-year transition period after graduation.
 - Thereafter, LDC graduates will be eligible to benefit from standard GSP scheme.
 - There are a few options available to graduating LDCs which need to be carefully assessed.
 - Graduating LDCs may consider applying for GSP Plus to maintain DFQF market access.



Impact on market access (cont.)

- **The impact on market access varies from LDC to LDC depending on:**
 - Export basket
 - Destination markets
 - Use of preferences offered
- **Market access scenarios (after graduation):**
 - Djibouti, Senegal, Zambia would depend on the extent of non-reciprocal preferential trade (preference margins), regional trade, and availability of alternative market access arrangements



Impact on market access - services

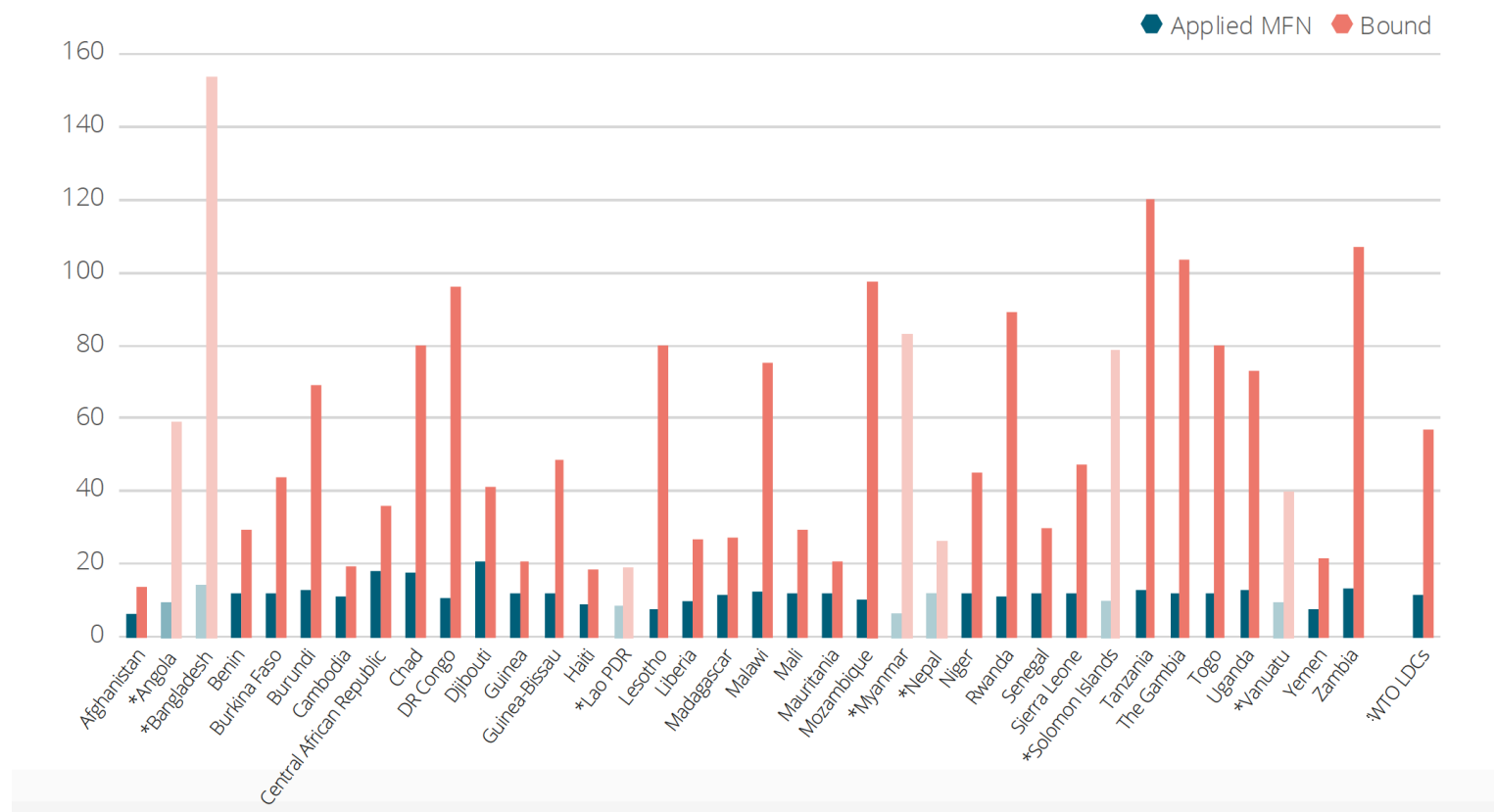
- **Graduation is unlikely to cause significant impact on graduating LDCs services and service suppliers.**
- **The assessment of notifications** made by 25 WTO members pursuant to the LDC Services Waiver **reveals that a large majority of measures notified reflect members' applied MFN regime with little additional preferences for LDCs.**
- Data gaps on LDC services exports make it difficult to assess the potential of LDCs in services trade.

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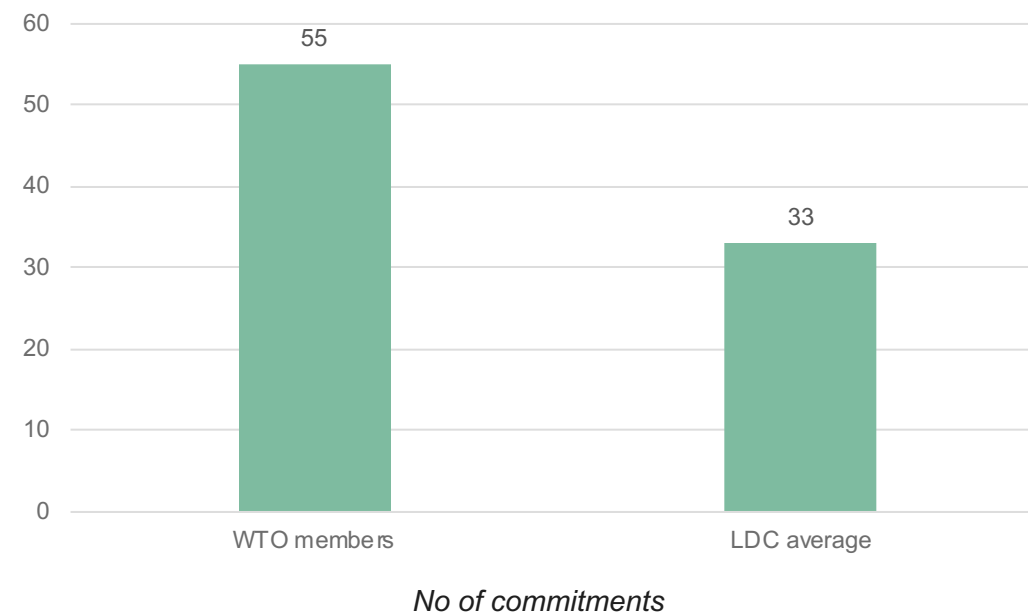
Applied and bound tariff rates for LDCs

LDC graduates will not be required to change the bound rates (and binding coverage).



Trade in services: schedules of commitments

- Graduating LDCs would not have to undertake commitments in new sectors.
- Several graduating LDCs have made very limited commitments out of a total of 160 sub-sectors.



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Introduction

LDC treatment

- WTO agreements have special provisions for LDCs
- LDCs also benefit from a range of decisions taken by Members after the establishment of the WTO
- These flexibilities are being reviewed by graduating LDCs to see the extent of impact upon graduation.



Introduction

LDCs treatment

LDCs are provided specific flexibilities with S&D provisions:



Increasing trade opportunities

Safeguarding the interests of LDCs

Flexibility of commitments, and use of policy instruments

Transitional time periods

Technical assistance

LDC treatment in WTO Agreements

LDCs have identified a number of S&D provisions to be extended to Members after graduation from LDC category.

Some areas where a graduating LDC would need to give special attention are the following Agreements:

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

Agreement on Agriculture (AoA)

Agreement on Subsidies and Countervailing Measures (SCM)

LDC treatment in WTO Agreements

TRIPS



LDC treatment

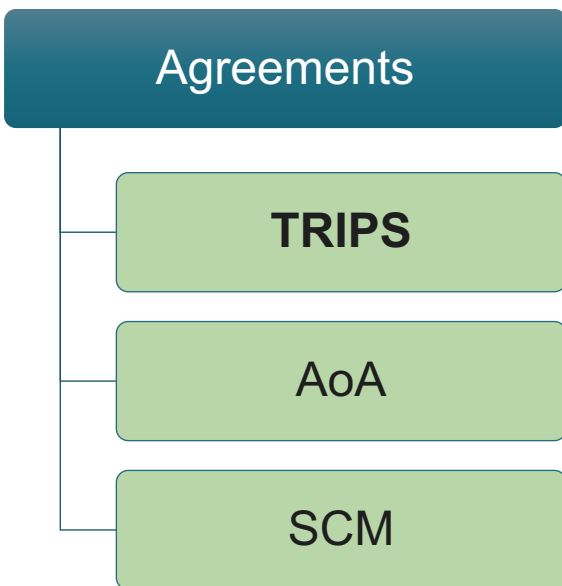
- LDCs are exempted from implementing the TRIPS Agreement until 1 July 2034 (**General Transition Period**)
- LDCs also benefit from a **specific transition period** from providing patent protection for pharmaceutical product, i.e. until 1 January 2033

Impact on graduating LDCs

- Graduated countries will be required to take steps to be consistent with TRIPS Agreement. This would depend on the state of IP legislation in each country.
- Graduated countries will be required to submit notifications under the TRIPS Agreement. These will be reviewed by the WTO TRIPS Council.

LDC treatment in WTO Agreements

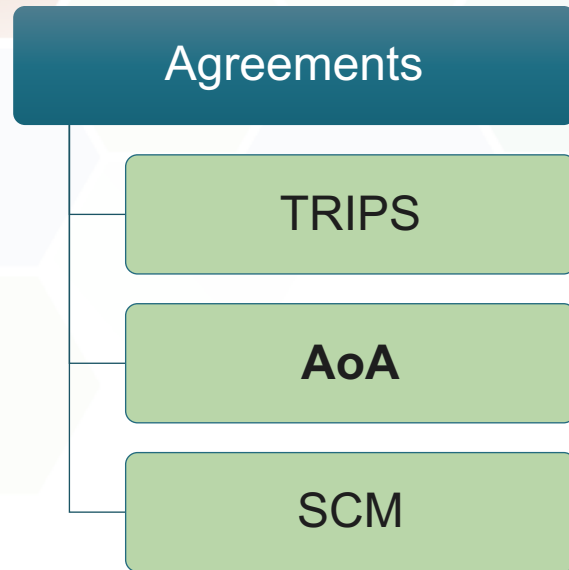
TRIPS



IP rights	Subject	Minimum duration of protection under TRIPS
Copyrights and related rights	Literary and artistic works (including computer programs & databases)	Life of author + 50 years
Related rights	Performers, producers of sound recordings, broadcasting organizations	50 years (performers & producers) 20 years (broadcasting)
Trademarks	Signs that are capable of distinguishing goods and services	7 years, renewable indefinitely
Geographical indications	Geographic origin of a good, associated with a given quality, reputation or other characteristic	unlimited
Patents	Inventions (products or processes) in all fields of technology	20 years from filing date
Industrial designs	Independently created industrial designs that are new or original	10 years
Layout designs of integrated circuits	Design of electronic circuits (chips)	10 years from first commercial exploitation
Undisclosed information	Trade secrets, and undisclosed data submitted to government	No specific period

LDC treatment in WTO Agreements

AoA

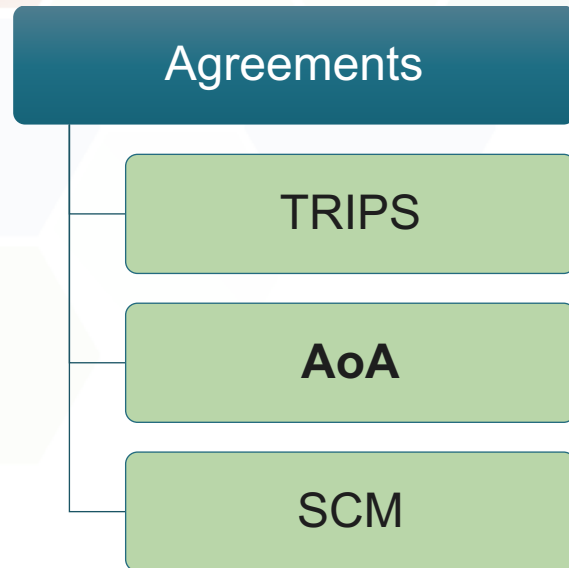


LDC treatment

- LDCs have been **exempted from undertaking any reduction commitments** (market access, domestic support and export subsidies)
- **Domestic support notifications:** LDCs have to submit them every two years, other members have to submit them annually.
- **Nairobi Decision on Export Competition:** time-frame for phasing out agricultural export subsidies (subsidies to reduce marketing and transport costs). Flexibilities for LDCs and NFIDCs:
 - Phasing out certain agricultural export subsidies by 2030;
 - Longer repayment term for export financing support (36-54 months versus 18 for months for developing countries);
 - Monetization of international food aid to redress food deficit requirements or to address insufficient agricultural production that causes malnutrition.

LDC treatment in WTO Agreements

AoA

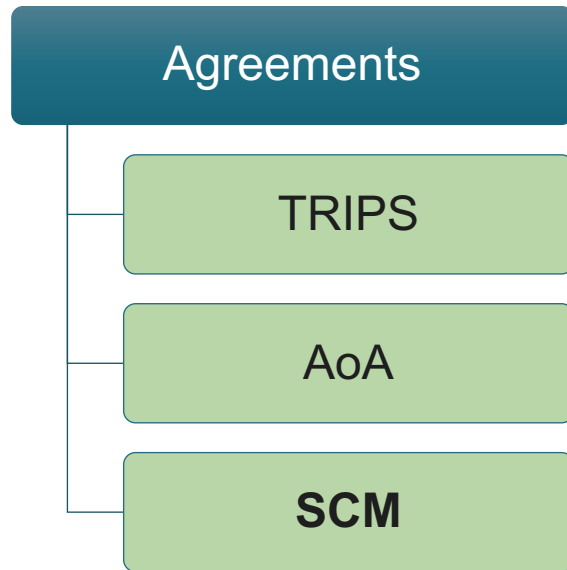


Impact on graduating LDCs

- A change in the **periodicity of notifications** of domestic support measures (every year instead of every 2 years)
- Some impact, though limited, in terms of **accessing S&D treatment under export competition decision.**
- **Implementation period of export subsidies** may be affected.
- There could be some changes with respect to terms and **conditions for export financing support**

LDC treatment in WTO Agreements

SCM



LDC treatment

- LDCs are exempt from the prohibition of export subsidies (Art. 27.2 and Annex VII a).
- In addition, a group of developing countries with GNI per capita reaches US\$ 1,000 in constant 1990 dollars were identified to benefit from this exemption (Art. 27.2 and Annex VII b).

Impact on graduating LDCs

- A proposal of the LDC Group is currently being considered by WTO Members (WT/GC/W/742) to exempt graduated LDCs from the prohibition of export subsidies if their GNI p.c. remains less than US\$ 1,000 (in 1990 constant dollar terms).

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Summary

Participation in the WTO

- No new concessions (goods) or commitments (services)
- No changes in contribution to the WTO budget

Market access

- Impact on market access varies from LDC to LDC, depending on export structure and direction of exports
- The European Union, the United Kingdom, Turkiye, and China provide for a three-year transition period
- The LDC Group is exploring a General Council decision on DFQF extension in favour of countries graduated from the LDC category (WT/GC/W/807/Rev.2)

WTO rules

- Several graduating LDCs have not made use of LDC flexibilities in WTO agreements
- Some areas that need specific attention include: TRIPS, agriculture and SCM
 - The application of TRIPS Agreement will depend on the state of IP legislation in each graduating LDC.
 - Increased notification requirements in the area of TRIPS and agriculture (domestic support notifications)
 - Impact of lack of access to SCM flexibilities will depend on trade policy and practices of individual graduating LDCs
 - Limited impact on ability to access wide-ranging technical assistance of the WTO

Aid for trade

- Not linked to LDC status. Development partners determine their aid allocations based on a variety of considerations.



Thank you

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