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Mahfuz Kabir

BANGLADESH AFTER LDC GRADUATION: PREPAREDNESS AND POLICY OPTIONS

Abstract

Bangladesh is scheduled to graduate from the group of Least Developed Countries (LDCs) in November 2026. It is expected to generate considerable shocks to the country's export earnings because of discontinuation of duty-free market access in important destinations that include the European Union (EU), the United Kingdom (UK), India, Australia, Japan and South Korea among others. This paper examines the possible magnitude of the loss of merchandised exports of the country in various phases after graduation, including its transition period. The empirical results discussed here demonstrate that significant losses would be incurred in the UK, Germany, India, Türkiye, Spain, Denmark, France, and Italy. The readymade garments sector would be hit the hardest in most of these destinations. In order to address the adverse impact on export earnings and continuation of preferential market access, the paper suggests a set of policy recommendations that include productivity enhancement, diversification of the export basket, production of high-end apparels, and signing of trade agreements with important destination countries in which Bangladesh enjoys duty-free market access under the LDC status.

Keywords: Graduation, RMG, Export Diversification, EU, GSP Plus

1. Introduction

According to the decision of the Committee for Development Policy (CDP), an advisory body of the United Nations Economic and Social Council (ECOSOC), Bangladesh is scheduled to graduate from the group of Least Developed Countries (LDCs) on 24 November 2026[1] along with Nepal, Bhutan and Laos. The recommendation of graduation was well-anticipated in the 2018 triennial review of the CDP when Bangladesh met all the three criteria for graduation, *viz*., national income per capita, Human Asset Index (HAI), and Economic Vulnerability Index (EVI). The country was set to graduate in the year 2024. However, the graduation timeline was extended by two more years to allow the country to conduct "planning

Mahfuz Kabir, PhD is Research Director, Bangladesh Institute of International and Strategic Studies (BIISS), Bangladesh. His e-mail address is: mahfuz@biiss.org

[1] "Bangladesh: Graduation Status," United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), accessed December 27, 2023, https://www.un.org/ldcportal/content/bangladesh-graduation-status.

for post-Covid-19 recovery and implementing policies and strategies to reverse the economic and social damages incurred by the Covid-19 shock".[2]

Even though the graduation would provide a new signal of socio-economic development to the world, it would also expose the country to a large number of challenges. The most significant of these challenges would be abolishing a wide range of benefits in market access for of Bangladeshi products and services to major destinations that include the European Union (EU), the United Kingdom (UK), Canada, Australia, China, India, Japan, and South Korea under the Generalised System of Preferences (GSP)[3] and country-specific tariff concession or suspension schemes allowed for LDCs.

The Government of Bangladesh (GoB) has recognised the graduation of Bangladesh from the LDCs as a milestone for the nation and at the same time apprehended the challenges that the country is going to face after the graduation. However, the GoB has formed a 22-member committee to address the challenges of the graduation through preparation, planning, implementation and monitoring, and formulation of an action plan. Ministries of Finance, Commerce, and Industries have prepared their respective strategies in coordination and consultation with the private sector and have validated with the cross-section of stakeholders that include key trade and development partners.[4]

Against this backdrop, this paper aims to provide a new set of evidence on the potential effects of graduation on the country's export performance by major product category (apparel and others) and important destination vis-à-vis aggregate merchandised exports. It would help Bangladesh undertake capacity development programmes for the private sector exporters, conduct trade agreements with significant destinations, such as India, China and Canada, and start negotiations for availing GSP plus and continuation of duty facility in order to continue market access in those destinations.

The paper has been organised as follows. After the introduction, section 2 presents a review of existing literature on the *ex ante* effects of the graduation on Bangladesh's external sector to identify research gaps, and formulate the research question and objectives. To examine the likely effects graduation of the merchandised

[2] Official letter from José Antonio Ocampo, Chair of CDP to Her Excellency Ms Rabab Fatima, Permanent Representative of Bangladesh to the United Nations, New York on February 26, 2021.

[3] Bangladesh is currently availing tariff preferences in the EU under Everything but Arms (EBA) component of the GSP. However, the country can avail GSP-plus subject to a successful negotiation.

[4] "National Seminar on LDC Graduation," Economic Relations Division, Ministry of Finance, Government of the People's Republic of Bangladesh, accessed July 07, 2024, https://ssgp.erd.gov.bd/national-seminar-on-ldc-graduation/.

exports, an empirical model has been developed and estimated in section 3. Section 4 elaborates on policy options for securing market access and absorbing possible shocks through developing domestic capacity. Finally, the paper ends with conclusion in section 5.

2. A Review of Literature

It is widely believed that the most formidable shock will be observed in the exports of Readymade Garments (RMGs), especially to the European (EU and UK) and Canadian markets, which are the most important destinations of these goods where they will lose Duty-Free Quota-Free (DFQF) market access. According to the data from the Bangladesh Bank, Bangladesh's merchandised exports to the EU and the UK were estimated to be US$ 21.9 billion in the fiscal year 2023-24, which was 56 per cent of the country's merchandised exports.[5] The country receives duty-free market access, benefitting under the Everything but Arms (EBA)[6] in the EU market while being used to receive similar benefits under the GSP of the UK after Brexit. The Developing Countries Trading Scheme (DCTS)[7] entered into force on 19 June 2023 and replaced its GSP.[8] As an LDC, Bangladesh also receives GSP or duty-free market access facilities (partial and full) for its important products in notable export destinations, such as Australia, Canada, China, India, Japan, Norway, South Korea, New Zealand, Russia, Switzerland and Turkey.[9] Under the GSP and DCTS, Bangladesh will continue receiving duty-free market access in the EU and UK after the three years of graduation as a transition period. However, whether the country will continue to receive similar benefits in other important markets is not yet confirmed.

Several studies identified challenges to Bangladesh's LDC graduation, including reduction in export earnings, unavailability of soft-term loans from bilateral and multilateral sources, removal of technical support, and decreased developmental cooperation from international organisations and development agencies. Rahman, for

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[5] Bangladesh Bank, *Annual Export Receipt of Goods and Services 2023-24* (Dhaka: Bangladesh Bank, 2024).

[6] "Everything About Arms Embargoes and the Everything But Arms Initiative (EBA)," European Commission, Directorate-General for Trade, accessed December 27, 2023, https://trade.ec.europa.eu/access-to-markets/en/content/everything-arms-eba.

[7] Mohammad A. Razzaque, "What the United Kingdom's New Developing Countries Trading Scheme Means for Least Developed Countries (LDCs), Including Countries in the Graduation Process," *CDP Background Paper No. 55, ST/ESA/2023/CDP/55* (New York: Department of Economic and Social Affairs [DESA], March 2023).

[8] "Trading with Developing Nations," UK Government, accessed December 27, 2023, https://www.gov.uk/government/collections/trading-with-developing-nations. The DCTS is a simple preferential trading scheme for developing countries (including LDCs) under which Bangladesh receives duty-free access of its main products including RMGs.

[9] "Market Access Facilities for Bangladeshi Exportable Goods," Export Promotion Bureau, Government of the People's Republic of Bangladesh, accessed December 27, 2023, http://www.epb.gov.bd/site/page/7bd7d4d7-cdba-4da3-8b10-f40da01e49b6.

instance, mentioned that the challenges would be manifold due to the ongoing global economic stresses of the Russia-Ukraine war.[10]

Razzaque, in particular, provided a brief account of Bangladesh's duty-free access to various important destinations as an LDC compared to their average tariff rate to understand the possible consequences of the graduation on export earnings because of tariff. For non-LDC countries, the EU's tariff rate for apparel items is around 12 per cent, while for Canada it is as high as 18 per cent. It is nearly 9 per cent in Japan, 5 per cent in Australia, and 16 per cent in China. In India, the current duty-free access to the LDC market for most items will be replaced by the South Asian Free Trade Area (SAFTA) non-LDC tariff regime in which average tariffs will increase to over 8 per cent. In addition, many export items will be included in the sensitive list which will be excluded from preferential market access. In addition, Bangladesh is likely to face stringent Rules of Origin (RoO) in these markets.[11] Bangladesh will also face difficulty in accessing the market in South Asia because of more stringent RoO as a non-LDC member of SAFTA.

Using a partial equilibrium model, Razzaque and Rahman[12] found that the elimination of such tariff would result in a loss of exports of more than US$ 1.6 billion in the EU alone, while the increase in tariff by 9.6 per cent would put serious pressure on Bangladesh's export competitiveness. The other major challenges are departure from concessional access to Official Development Assistance (ODA) and discontinuation of patient waiver for the pharmaceutical industry. Using a partial equilibrium model, the World Trade Organization (WTO)[13] found that Bangladesh's exports would be reduced by US$ 5.37 billion or 14.3 per cent of total goods exports valued at 2016-18 annual average exports. Bangladesh would experience 8.9 per cent tariff increases in goods, which is the highest among LDCs because of its exports of RMG products to the EU and Canada. However, total exports (goods and services) would be decreased by US$ 6.2 billion or 22.69 per cent. According to the estimation of the United Nations Conference on Trade and Development (UNCTAD)[14], Bangladesh would experience a reduction in exports of about 5 to 7 per cent of total

[10] Mustafizur Rahman, "Bangladesh in Dual Transition: Attendant Challenges and the Next Steps," in *Fifty Years of Bangladesh: Economy, Politics, Society and Culture*, eds. Rounaq Jahan and Rehman Sobhan (Abingdon, Oxon; New York, NY: Routledge, 2021), 49–65, doi: 10.4324/9781003411260-4.

[11] Mohammad A. Razzaque, "Geo-economics, Globalization and the Covid-19 Pandemic: Trade and Development Perspectives from Bangladesh," in *Globalisation Impacts, International Law and the Global South*, ed. A. Palit (Singapore: Springer Nature, 2022), 106–125, doi: 10.1007/978-981-16-7185-2_6.

[12] Mohammad A. Razzaque and Jillur Rahman, "Bangladesh's Apparel Exports to the EU: Adapting to Competitiveness Challenges Following Graduation from Least Developed Country Status," *International Trade Working Paper 2019/02* (London: Commonwealth Secretariat, 2019).

[13] WTO, *Trade Impacts of LDC Graduation* (Geneva: WTO, 2020).

[14] UNCTAD, *The Least Developed Countries Report 2016* (Geneva: UNCTAD, 2016).

goods export. Rahman and Bari[15] found that Bangladesh will face an increase in about 6.7 per cent average tariff on its exports. It would result in the reduction of export earnings of 8.7 per cent of its global exports, which is about US$ 2.7 billion.

Using a partial equilibrium model, Razzaque[16] found that Bangladesh's exports to the EU would decline by approximately US$ 1.6 billion, which would be US$ 175 million in Canada and US$ 29 million in Australia. The country's RMG exports would decrease by US$ 1.81 billion in coming years. According to the United Nations Department of Economic and Social Affairs (UNDESA)[17], the impact on other major export items, such as fish and jute products, would be insignificant. Using a partial equilibrium model, the General Economics Division[18] found that LDC graduation would lead to a decrease in Bangladesh's exports by US$ 1 to 4 billion compared to 2018 exports, which could be between 2.8 and 11.1 per cent of exports. Using a CGE model, the study found that export receipts could fall by US$ 7 billion in 2027. Using a Computable General Equilibrium (CGE) model with the social accounting matrix of 2014, Rahman and Strutt[19] found that Bangladesh may experience a drop in real Gross Domestic Product (GDP) by approximately 0.38 per cent, and exports could fall by around 6 per cent because of the graduation. The RMG sector, in particular, could be severely affected, with exports potentially declining by about 14 per cent. Additionally, the income of urban households may decrease by 3 per cent, and household consumption could decline by about 4 per cent.

Graduating from the LDC would restrict Bangladesh's ability to provide direct export subsidies due to World Trade Organization (WTO) regulations. Additionally, Bangladesh will be expected to enforce stronger intellectual property protection upon graduation, which indicates to comply with WTO provisions regarding pharmaceutical products under the Agreement on Trade-Related Intellectual Property Rights (TRIPS) from January 2033.[20] It would significantly reduce the country's

[15] Mustafizur Rahman and Estiaque Bari, "Pathways to Bangladesh's Sustainable LDC Graduation—Prospects, Challenges and Strategies," in *Bangladesh's Graduation from the Least Developed Countries Group: Pitfalls and Promises*, ed. Debapriya Bhattacharya (London: Routledge, 2018), 109–152.

[16] Mohammad A. Razzaque, *Bangladesh's Export-Oriented Apparel Industry and LDC Graduation* (New York: United Nations Department of Economic and Social Affairs [UNDESA], 2018).

[17] UNDESA, *Ex ante Assessment of the Impacts of the Graduation of Bangladesh from the Category of Least Developed Countries (LDCs)* (Revised) (New York: UNDESA, 2020), accessed December 27, 2023, https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/Bangladesh.pdf.

[18] General Economics Division, *Impact Assessment and Coping up Strategies of Graduation from LDC Status for Bangladesh* (Dhaka: Bangladesh Planning Commission, 2020).

[19] Mohammad Masudur Rahman and Anna Strutt, "Costs of LDC graduation on market access: evidence from emerging Bangladesh," *Economic Systems Research* (2022), doi: 10.1080/09535314.2022.2138271.

[20] Razzaque, "Geo-economics, Globalization," 106–125.

capacity to produce and export pharmaceutical products, which would require an extension to the WTO waiver of TRIPS.[21]

The literature on the effects of Bangladesh's graduation on its exports provides a divergent set of results. The results of the *ex ante* studies indicate that the loss of export earnings due to the country's LDC graduation is non-trivial. Moreover, the magnitude of the possible effect on exports varies significantly. Most of the studies demonstrate static effects considering the old year of graduation (2024). In addition, the studies suggest broad policy recommendations, such as domestic policy reforms, capacity building of the private sector, and proceeding for securing market access through GSP+ and trade agreements. However, there is a lack of evidence based on export new data (for the year 2023-24) and the trend of merchandised exports. There is also a lack of assessment of the prospects of GSP+, trade and investment agreements, and plausible diplomatic efforts to continue market access with tariff preferences and fewer restrictions of the WTO regarding trade policies.

The present paper tries to answer two research questions: what is the possible magnitude of the loss of merchandised exports of Bangladesh and by destination, *viz*. the EU and countries that provide tariff concession? And, what would be the viable policy options and prospects for domestic capacity building and diplomatic engagement for pursuing preferential market access and sustainable graduation? In order to address these questions, the objectives of the research are twofold. First, to comprehend the possible export shocks and challenges in market access due to graduation; and second, to suggest recommendations for the government and private sector to develop domestic capacity and continue securing preferential market access through diplomacy and trade negotiations.

3. Assessing Possible Shocks in Merchandised Exports After Graduation

The most important apprehension related to Bangladesh's LDC graduation is the possibility of a large shock on its export earnings as the country enjoys duty-free access to many important destinations that create advantage in market access with similar goods compared to its non-LDC counterparts. The imposition of import duty after LDC graduation will increase the price of Bangladeshi products in those destinations, which would reduce the demand for these products. Therefore, empirical modelling is required to ascertain the possible impacts of the tariff imposition on Bangladesh's export earnings.

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[21] Taffere Tesfachew, *Support for post-graduation soft-landing of LDCs: Implications in the context of the WTO* (Geneva: CUTS International, 2018).

In doing so, an empirical gravity model has been used, which is a modified version of the model adopted by Serlenga and Shin[22], Bergstrand and Egger[23], and Kabir and Salim[24]. The gravity model has been used in empirical trade studies for more than five decades to examine the pattern of trade flow and estimate important parameters. The objective of using the gravity model in this paper is to estimate the tariff elasticity of Bangladesh's exports. The empirical specification is:

$$lnEXP_{ijt} = \alpha_1 + \alpha_2 lnTGDP_{ij,t} + \alpha_3 lnRFE_{ij,t} + \alpha_4 SIM_{ij,t} + \alpha_5 lnDIST_{ij} + \alpha_6 COMCOL_{j,t} + \alpha_7 RER_{ij,t} + \alpha_8 lnTARIFFij_{,t} + \alpha_9 EU_{j,t} + \alpha_{10} GSPDFQF_{j,t} + \alpha_{11} SAFTA_{j,t} + \alpha_{12} APTA_{j,t} + \alpha_{13} D8_{j,t} + \alpha_{14} TPSOIC_{j,t} + e_{ijt} \quad (1)$$

where

$EXP_{ij,t}$ = Bangladesh's earnings from merchandised exports

$TGDP_{ij,t}$ = Sum of GDP of Bangladesh (*i*) and destination country (*j*)

$RFE_{ij,t}$ = Relative factor endowment

$DIST_{ij}$ = Distance between *i* and *j*

$RER_{ij,t}$ = Real exchange rate between *i* and *j*

$TARIFF_{ij,t}$ = Geometric mean bilateral tariff rate imposed by *j* on products exported from *i*

$EU_{j,t}$ = Whether *j* is a member of the EU

$GSPDFQF_{j,t}$ = Whether *j* grants GSP or any other tariff facilities or duty-free market access for *i*

$SAFTA_{j,t}$ = Whether *j* is a member of SAFTA

$APTA_{j,t}$ = Whether *j* is a member of the Asia-Pacific Trade Agreement (APTA)

$D8_{j,t}$ = Whether *j* is a member of the D-8 Organization for Economic Cooperation

[22] Laura Serlenga and Yongcheol Shin, "Gravity Models of Intra-EU Trade: Application of the CCEP-HT Estimation in Heterogeneous Panels with Unobserved Common Time-Specific Factors," *Journal of Applied Econometrics* 22, no. 2 (2007): 361–381, doi: 10.1002/jae.944.

[23] Jeffrey H. Bergstrand and Peter Egger, "A general equilibrium theory for estimating gravity equations of bilateral FDI, final goods trade, and intermediate trade flows," in *The Gravity Model in International Trade*, eds. S. Brakman and P. van Bergeijk (Cambridge, UK: Cambridge University Press, 2010), 29–70, https://doi.org/10.1017/CBO9780511762109.

[24] Mahfuz Kabir and Ruhul Salim, "Is Trade of Electrical and Electronic Products Sensitive to IPR Protection? Evidence from China's Exports," *Applied Economics* 48, no. 21 (2016): 1991–2005, doi: 10.1080/00036846.2015.1111990.

$TPSOIC_{j,t}$ = Whether j is a member of Trade Preferential System among the Member States of the OIC (TPS-OIC)

e = Random error term with the usual statistical properties

t = Time period (fiscal year 1998-99 to 2022-23)

In addition,

$$RFE_{ijt} = \left|lnPCGDP_{it} - lnPCGDP_{jt}\right|$$

$$SIM_{ijt} = 1 - \left(\frac{GDP_{it}}{GDP_{it} + GDP_{jt}}\right)^2 - \left(\frac{GDP_{jt}}{GDP_{it} + GDP_{jt}}\right)^2 ; 0 \leq SIMij \leq 0.5$$

According to Serlenga and Shin, RFE_{ij} takes a minimum of zero if both countries exhibit equal per capita GDP or production. However, Kabir and Salim found that 0.5 means 'equal' and zero implies 'absolute divergence' in country size. In a 'factor box representation' of the trade model[25], *TGDP* implies the length of the diagonal of the box, *SIM* indicates the location of the consumption point along the diagonal, and *RFE* refers to the distance between production and consumption points along the relative price line.[26] Baltagi *et al.* defined *TGDP*, *SIM* and *RFE* as measures of bilateral overall country size, relative country size, and absolute difference in relative factor endowments between two trading partners.[27] Based on Carrère[28], $RER_{ij,t}$ has been calculated as follows:

$$RER_{ij,t} = ER_{ij,t}\left(\frac{P_{j,t}}{P_{i,t}}\right)$$

where $P_{i,t}$ and $P_{j,t}$ are the price levels of Bangladesh and its partner countries, respectively. $ER_{ij,t}$ is the bilateral nominal exchange rate between the currencies of foreign country j and the home country i.[29] Both Carrère as well as Serlenga and Shin

[25] The 2×2×2 trade model is comprised of two goods (differentiated and homogenous), two factors (capital and labor), and two countries (importer and exporter). See, Elhanan Helpman and Paul R. Krugman, *Market Structure and Foreign Trade: Increasing Returns, Imperfect Competition, and the International Economy* (Cambridge, MA: MIT Press, 1985); Elhanan Helpman, "Imperfect Competition and International Trade: Evidence from Fourteen Industrial Countries," *Journal of the Japanese and International Economies* 1, no. 1 (1987): 62–81.

[26] Peter Egger, "An Econometric View on the Estimation of Gravity Models and Calculation of Trade Potentials," *The World Economy* 25 (2002): 297–312.

[27] Badi Baltagi, Peter Egger and Michael Pfaffermayr, "A generalized design for bilateral trade flow models", *Economics Letters* 80, (2003):391-397.

[28] Celine Carrere, "Revisiting the effects of regional trade agreements on trade flows with proper specification of the gravity model," *European Economic Review* 50, No. 2 (2006): 223–247.

[29] The bilateral exchange rate is calculated by $ER_{ij,t} = BDT/LC_{j,t}$, where BDT is Taka and LC is the partner's currency.

argue that an increase in the bilateral real exchange rate reflects the depreciation of the importer's currency against that of the exporters. The coefficient of *RER* is expected to be positive.

The period of the data used in the present study is from 1998-99 to 2022-23 for 159 important destinations (important partner countries or territories) to represent the long-term pattern of Bangladesh's merchandised exports through a considerably large sample. The value of exports is based on Bangladesh Bank's data, while GDP data come from World Development Indicators (WDI). Distance data are gathered from the Centre d'Etudes Prospectives et d'Informations Internationales (CEPII).[30] Bilateral exchange rate data are not available in the standard secondary sources. Therefore, it is calculated from the official exchange rates of individual countries, which are collected from the WDI and then the real exchange rate has been calculated. Brun *et al.*[31] primarily employ the Consumer Price Index (CPI) to represent the price level, which is also collected from WDI. The data on geometric mean bilateral tariff is based on UNCTAD's COMTRADE and WTO's World Tariff Profiles databases. Information on the GSP schemes, trade agreements and tariff preferences that Bangladesh avail come from the Export Promotion Bureau (EPB) and National Board of Revenue (NBR), the GoB, UNCTAD and sources of the individual governments.

Table 1: Estimates of the Panel Gravity Model (Dependent: $lnEXP_{ij,t}$)[32]

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
$lnTGDP_{ij,t}$	1.448*** (0.068)	1.451*** (0.068)	1.395*** (0.070)	1.395*** (0.070)	1.400*** (0.070)	1.413*** (0.071)	1.413*** (0.071)
$lnRFE_{ij,t}$	0.082* (0.044)	0.064 (0.045)	0.042 (0.045)	0.046 (0.045)	0.046 (0.045)	0.043 (0.045)	0.047 (0.046)
$SIM_{ij,t}$	4.305*** (0.588)	4.118*** (0.587)	4.214*** (0.586)	4.245*** (0.586)	4.202*** (0.589)	4.306*** (0.590)	4.344*** (0.592)
$lnDIST_{ij}$	-0.108 (0.187)	-0.118 (0.181)	-0.089 (0.184)	0.029 (0.215)	0.011 (0.216)	-0.020 (0.215)	-0.048 (0.219)
$COMCOL_{j,t}$	0.024 (0.298)	0.113 (0.293)	0.189 (0.297)	0.182 (0.296)	0.186 (0.295)	0.218 (0.294)	0.265 (0.300)
RER_{ij}	0.015 (0.012)	0.015 (0.012)	0.015 (0.012)	0.014 (0.012)	0.014 (0.012)	0.014 (0.012)	0.014 (0.012)
$lnTARIFF_{ij,t}$	-1.827*** (0.465)	-1.774*** (0.466)	-1.735*** (0.464)	-1.758*** (0.465)	-1.745*** (0.465)	-1.703*** (0.466)	-1.694*** (0.466)

30 French Research Centre in International Economics, accessed January 15, 2024, http://www.cepii.fr.

31 Jean-François Brun, Céline Carrère, Patrick Guillaumont and Jaime de Melo, "Has Distance Died? Evidence from a Panel Gravity Model," *World Bank Economic Review* 19, no. 1 (2005): 99–120.

32 Author's estimation.

$EU_{j,t}$		0.522* (0.283)	0.754*** (0.293)	0.769*** (0.292)	0.759*** (0.292)	0.715*** (0.292)	0.683** (0.295)
$GSPDFQF_{j,t}$			0.586*** (0.176)	0.588*** (0.176)	0.594*** (0.177)	0.589*** (0.176)	0.584*** (0.177
$SAFTA_{j,t}$				0.707 (0.672)	0.813 (0.687)	0.873 (0.684)	0.846 (0.685)
$APTA_{j,t}$					-0.451 (0.655)	-0.578 (0.656)	-0.632 (0.660)
$D8_{j,t}$						-0.839 (0.529)	-0.756 (0.541)
$TPSOIC_{j,t}$							-0.325 (0.445)
Constant	- 35.091*** (2.619)	- 35.082*** (2.580)	-33.857*** (2.617)	-34.927*** (2.805)	-34.893*** (2.799)	-34.964*** (2.787)	-34.748*** (2.802)
Diagnostic tests							
Wald χ^2	603.12***	612.16***	621.95***	624.26***	626.45***	632.28***	633.11***
$\bar{\chi}^2$	1,849.1***	1,721.6***	1,726.22***	1,722.22***	1,710.91***	1,704.11***	1,700.65***

Note: *Numbers in the parentheses are the standard errors of the respective coefficients.* *** *and* * *indicate that the coefficients are statistically significant at 1 and 10 per cent levels, respectively.*

Seven specifications have been estimated to assess the sensitivity of the coefficients of Equation (1). The results of the gravity model can be summarised afterwards. Positive and statistically significant coefficients of TGDP and SIM indicate that Bangladesh's long-term merchandised exports support the New Trade Theory. However, distance has been found to be negative but statistically insignificant, which implies that Bangladesh's main export destination is the European and North American countries, Japan and South Korea, which are located distantly. Thus, distance does not play a significant role in explaining Bangladesh's exports. As expected, the coefficient of tariff has been found to be negative and statistically significant within a narrow and consistent. It implies that an increase in the tariff rate of the partner country would decrease Bangladesh's exports as per the results of the gravity model. Finally, tariff reduction and elimination in the EU and other countries under GSP and similar schemes have been found to be positive and significant (coefficients of the EU and GSPDFQF), which means that these facilities helped the country to increase merchandised exports to those destinations.

The results of the model have been used in predicting the possible magnitude of loss of Bangladesh's exports because of LDC graduation. In doing so, there is a need for projecting the exports of Bangladesh up to the graduation timeline. Therefore, the following forecasting model has been applied to project the exports from Bangladesh to these countries:

$$EXP_{ijk,t} = EXP_{ijk,t-1} + \phi_1(EXP_{ijk,t-1} - EXP_{ijk,t-2}) - \theta_1 e_{j,t-1} - \theta_2 e_{j,t-2} \quad (2)$$

where, $EXP_{ijk,t}$ is the predicted export of Bangladesh value to country j in sector k without graduation, ϕ is the slope coefficient, and θ_1 and θ_2 are moving average coefficients.

Simulation has been conducted based on the results of the gravity and forecasting models as well as baseline Most Favoured Nation (MFN) tariff rates of the partner countries on apparel and other exports to examine the possible effects of LDC graduation on Bangladesh's merchandised exports. The following equation has been used for working out the possible effects of the graduation on exports:

$$\hat{\eta}_{ijk,t} = \hat{\alpha}_8\left(\tau_{j,k} EXP_{ijk,t}\right) \quad (3)$$

where

$\hat{\eta}_{ijk,t}$ = Exports lost in country j in sector k (RMG and others) at time t;

$\tau_{j,k}$ = Baseline tariff in country j in sector k;

and $EXP_{ijk,t}$ has been defined above. The tariff data have been taken from the WTO's World Tariff Profile 2023 database[33]. The simulation results have been presented in Table 2 and Table 3.

Table 2: Loss of Bangladesh's Merchandised Exports due to Gradation (per cent)[34]

Country	% change (-ve)	Country	% change (-ve)	Country	% change (-ve)
EU members and the UK				***Other GSP and similar facility providers***	
Austria	17.15	Italy	18.85	Australia	7.56
Belgium	17.63	Latvia	18.17	Chile	10.16
Bulgaria	13.81	Lithuania	8.94	China	12.21
Croatia	19.14	Luxembourg	19.38	India	35.22
Cyprus	14.41	Malta	16.80	Japan	14.06

[33] WTO, *World Tariff Profiles 2023* (Geneva: WTO, 2023).
[34] Author's simulation.

Czechia	19.30	Netherlands	18.44	New Zealand	15.93
Denmark	19.33	Poland	18.83	Norway	12.14
Estonia	18.04	Portugal	18.91	Russia	12.46
Finland	19.13	Romania	18.71	South Korea	21.30
France	18.44	Slovakia	19.31	Switzerland	6.26
Germany	18.93	Slovenia	18.46	Türkiye	54.13
Greece	17.64	Spain	19.22		
Hungary	19.07	Sweden	19.03		
Ireland	19.17	UK	18.70		

Table 3: Loss of Bangladesh's Merchandised Exports due to Gradation by Broad Sector (per cent)[35]

Destination	RMG	Non-RMG
Australia	7.79	4.07
Chile	10.16	10.16
China	11.52	12.71
India	40.66	30.66
Japan	15.08	6.61
New Zealand	21.18	22.70
Norway	16.43	3.22
Russia	13.04	8.81
South Korea	12.54	11.18
Switzerland	5.93	9.49
Türkiye	69.12	28.46
UK	19.31	6.44
EU	19.48	8.64

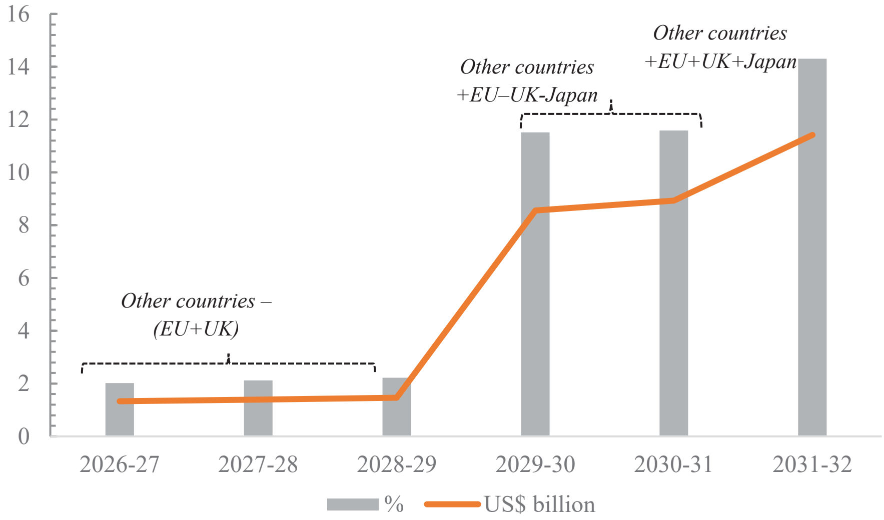
Notes: *(1) The proportional changes are estimated in terms of possible business-as-usual exports, i.e., without the effects of graduation.*
(2) Belarus and Iceland also provide GSP facilities to Bangladesh. However, the country's exports to these destinations have been very small in recent years, less than US$ 1 and 2 million, respectively in FY2022-23. Therefore, these countries have been dropped from the present analysis.

The results of the empirical simulation demonstrate that the LDC graduation would bring in the highest proportional decrease in Bangladesh's merchandised exports to Türkiye among the countries except the EU and the UK, which would be followed by India, while the lowest proportional impact would be observed in exports

[35] Author's simulation.

to Switzerland and Australia. In monetary terms, the loss would be the highest in India's market (about US$ 764 million), which would be followed by Türkiye and Australia (about US$ 358 and 130 million, respectively). This impact would be observed in the fiscal year 2026-27. Afterwards, when the major impact of graduation would start in 2029 with the removal of tariff preferences under GSP in the EU, the highest immediate loss of exports would be observed in Germany (US$ 1.46 billion) followed by Spain, Denmark, France, and Italy (US$ 1.02, 0.79, 0.76, and 0.57 billion, respectively). Finally, Bangladesh is scheduled to emerge as an upper-middle-income country, which would result in the removal of preference in the UK under the DCTS. Then the possible loss of exports to the UK would be US$ 1.63 billion in fiscal year 2031-32. Japan's enhanced duty and quota-free market access would expire on 01 April 2031. Therefore, the immediate loss of goods exports to this country will be about US$ 400 million in the same fiscal year.

Figure 1: Possible Impacts on Merchandised Exports[36]



The MFN tariff would be applied to Bangladesh's exports by the EU members and the UK in November 2029. If the other countries that provide GSP and similar facilities do not follow the timeline of the EU members and the UK, the MFN tariff will be applied in 2026. Therefore, the effect of graduation would start in the fiscal year 2026-27. The decrease in exports would range from 2.02 to 2.22 per cent of total merchandised exports of Bangladesh to the world in the initial years, which would

[36] Author's dynamic simulation.

substantially increase to about 11.51 per cent in the fiscal year 2029-30 and 14.3 per cent in 2031-32 when the EU countries, Japan and UK will start imposing the MFN tariff on Bangladesh's products, respectively. The result of the present study is consistent with the result of the WTO study conducted in 2020 using the partial equilibrium model.[37]

4. Policy Implications

Besides forming a high-level committee to assess, monitor and support the smooth graduation, the Economic Relations Division (ERD) of the Ministry of Finance of the GoB has been implementing a flagship project titled "Support to Sustainable Graduation Project (SSGP)".[38] The SSGP is closely linked with the Chief Adviser's Office (CAO) and other key ministries of the government including commerce and foreign affairs. It generates evidence to assess the magnitude and dimensions of the impacts of the graduation, and provides capacity development support to the government agencies and private sector including exporters through consultations and public events in order to sensitise the stakeholders towards devising the future course of action. In addition, cash incentives provided to the export sectors are being gradually reduced to promote self-reliance and resilience of these sectors as the WTO rules do not allow incentives after graduation.[39]

The above empirical results reveal that Bangladesh would be exposed to a substantial loss of exports due to the imposition of the MFN tariff.[40] The RMG sector is likely to experience the most severe shock due to tariffs as currently the apparel products constitute about 85 per cent of the total merchandised exports. The most adverse effects would be experienced from the EU in terms of magnitude of export loss. The global apparel market is buyer-driven and highly competitive, and a small increase in tariff-laden prices in the importing market would lead to a considerable reduction in the quantity demanded of these items as Bangladesh mostly produces low to middle-range products. The other important products would also face substantial price competition due to graduation. Therefore, the country needs to undertake a range of *ex ante* measures to absorb shocks and secure market access after the graduation.

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[37] WTO, *Trade Impacts of LDC Graduation*.

[38] "Economic Relations Division, Ministry of Finance, Government of the People's Republic of Bangladesh," accessed July 07, 2024, https://ssgp.erd.gov.bd/.

[39] "Bangladesh cuts cash incentive for exporters further," *The Daily Star*, July 01, 2024.

[40] According to a personal conversation with Dr Mohammad Abdur Razzaque on October 07, 2024, Bangladesh is currently enjoying a zero-duty facility on exports to the EU. But the country will have to pay up to 20 per cent duty after the graduation, which would considerably hurt the merchandised exports.

4.1 *Upgradation of the Export Sector*

The productivity of the workers engaged in the export sector must be enhanced substantially. According to the Asian Productivity Organization, the productivity of Bangladeshi workers is among the lowest in the global productivity landscape.[41] Increasing productivity would result in increased output per worker and economies of scale, which would reduce per-unit cost of production. The wages of the workers can also be increased through enhanced productivity, which would provide the upper hand in the negotiations with the partner countries and blocs for inclusion in other preferential market access schemes after the graduation.

Bangladesh has the opportunity to strategically target the production of high-end apparel that intrinsically yields higher profit margins. By pivoting towards more complex and niche market segments, the country's exporters can justify higher prices, thereby counteracting the impact of preference erosion.[42] Currently, the exporters are heavily tilted towards exporting cotton-based products, which should be drastically reduced by moving towards manmade fibre. This kind of industry transformation would require investments in research and development[43], installation of new machines, the encouragement of innovation, alignment of the sector with shifting consumer preferences, and enhanced collaboration with brands during product development. In addition, developing backward linkages, especially in the production of fabrics and other intermediate goods would significantly enhance both domestic value addition and export capabilities of the country. In this respect, Bangladesh needs to expand its fabric capacity. Capital-intensive production techniques through greater use of artificial intelligence and automation would reduce production costs and offset the impact of tariffs. On the other hand, the production of high-end design-driven products would help create the country's own brand and pave the way for collaboration with international brands.

Export diversification should be the top agenda in upgrading the export sector. The government of Bangladesh has been actively pursuing diversification strategies through various projects and policy initiatives over the years. Recent policy

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[41] APO, *APO Productivity Databook 2023* (Tokyo: Asian Productivity Organization).

[42] Mohammad Abdur Razzaque, Deen Islam and Jillur Rahman, "Can Bangladesh Absorb LDC Graduation-Induced Tariff Hikes? Evidence Using Product-specific Price Elasticities of Demand and Markups for Apparel Exports to Europe," *Policy Brief*, November 2023, Research and Policy Integration for Development (RAPID), https://www.rapidbd.org/wp-content/uploads/2023/12/BGD-23078_Policy-Brief_BGD_LDC-Graduation-Tariff-Hikes_RAPID.pdf.

[43] In this regard, in a personal conversation on December 31, 2023, Mr Faruque Hassan, former President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has emphasised on the significance of strategies backed up by research and data to complement the ongoing support by the government for retention and sustenance of the RMG industry through export competitiveness after the LDC graduation.

documents such as the Eighth Five-Year Plan 2020-2025, the Second Perspective Plan 2021-2041, and the Export Policy of 2021-2024, emphasise the importance of export diversification. These policy documents identify challenges and current strategies and suggest recommendations for government agencies and the private sector. Recently, Bangladesh has made significant strides in plastic recycling, non-leather footwear and headgear, travel goods, electrical and electronics, furniture, and light engineering, which should be further enhanced. In addition, fish, vegetables and fruits should get greater importance subject to adherence to grading, standards, packaging and environmental and social compliance. To facilitate export diversification, the government has decided to introduce bonded warehouse facilities for ten sectors having high export potential, which include agro-processing, plastic, leather and leather goods, ceramics, and pharmaceuticals. The decision has to be implemented at the earliest with corresponding financial facilities and incentives consistent with the RMG sector.[44]

Country branding and image-building lie at the core of any trade and market access negotiations. Bangladesh's RMG industry marked a significant stride in sustainable fashion. Currently, there are 232 leadership in Energy and Environmental Design (LEED)-certified green factories in the country.[45] As many as 54 out of the 100 LEED-certified green factories worldwide are located in the country which include 9 of the top 10, and 18 of the top 20 LEED-certified factories globally. Over 500 Bangladeshi factories are in the process of obtaining their LEED certification. These achievements should be capitalised and disseminated widely and used proactively to develop a positive image of the country as the largest source of sustainable apparel in the world.

4.2 *Market Access after Graduation*

Bangladesh needs to undertake an immediate strategy to retain duty-free market access in the EU after the LDC graduation. There are provisions for extending preferences beyond the graduation, as well as preferences designated for non-LDC developing countries. The country needs to engage actively with the EU to relax the safeguard measures on apparel products under the GSP scheme by referring simplified

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[44] In a personal conversation on December 31, 2023, Mr Tapan Kanti Ghosh, former Senior Secretary of Ministry of Commerce, GoB, mentioned that these sectors will avail duty-free imports of raw material under the bonded warehouse facility like the export-oriented RMG sector. This initiative will facilitate export diversification and healthy competition among sectors.

[45] "2 new RMG factories earn LEED certification for sustainable practices," *The Business Standard*, December 23, 2024.

and relaxed system of safeguard measures in the UK's Duty-Free Tariff Preference Scheme so that the country can secure a similar treatment from the EU.[46]

Bangladesh would apply for GSP+ subject to the ratification and implementation of 27 conventions on human rights, labour rights, environmental protection and good governance, and meeting certain vulnerability criteria.[47] At the same time, the EU needs to be satisfied on the state of implementation of the convention. The government is actively working on these issues, which should be accelerated before graduation.[48] Another option is to undertake Free Trade Agreement (FTA) with the EU. However, according to the immediate past EU envoy, the EU was not considering signing an FTA with Bangladesh in the near future.[49] However, after the change of government on 05 August 2024 followed by a student-led movement, the EU and other long-term development partners are strongly supporting the interim government of Bangladesh. Therefore, the country should actively pursue for the FTA or an Economic Partnership Agreement (EPA) with the EU that would facilitate preferential market access after the graduation. Vietnam, Bangladesh's main competitor of exports of RMGs in the global market, has already signed an FTA with the EU. If Bangladesh does not sign an FTA with the EU before November 2029, the country's exporters will have to pay about 12 per cent duty while Vietnam's exporters will enjoy duty-free access to the EU market.[50] Therefore, the market will be adverse for Bangladesh's exporters in its main export destinations. Bangladesh should actively engage Türkiye to avail GSP+ scheme after three years of transition period, which is similar to the EU.

Bangladesh would be eligible for the "Enhanced Preferences" regime under the DCTS as a lower-middle-income country at least for two years after the transition as

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[46] According to a personal conversation with Professor Dr Mustafizur Rahman on December 31, 2023, the introduction of the DCTS ensures that Bangladesh would continue to get duty benefits to the UK market after Brexit. Dr Mohammad Abdur Razzaque opined that, the DCTS would greatly help Bangladesh make a smooth graduation because of the inclusion of various generous features of the scheme.

[47] For details of the preconditions of GSP+, please read "Generalised Scheme of Preferences Plus (GSP+)," accessed December 18, 2024, https://trade.ec.europa.eu/access-to-markets/en/content/generalised-scheme-preferences-plus-gsp.

[48] As opined by Ms Sharifa Khan, former Senior Secretary of ERD and Adviser to SSGP, in a personal conversation on November 12 2023, Bangladesh has signed all 32 conventions related to availing duty-free access under GSP+ of the EU after the graduation. However, there are some problems in implementation of the documents that may hinder the application and approval process of GSP+ for the country.

[49] Mr Charles Whiteley, former Ambassador and Head of Delegation of the European Union to Bangladesh, mentioned that the EU did not have interest in negotiating for signing an FTA agreement with Bangladesh. It is because of the degree of complexity, the wide-ranging nature and the stage development of its trade relations with Bangladesh. *The Business Standard*, October 27, 2022. Later, it was confirmed by Mr Whiteley in a personal conversation on September 11, 2023.

[50] Mohammad Abdur Razzaque, Jillur Rahman and Syful Islam, *The EU-Vietnam Free Trade Agreement: Implications for Bangladesh's Export Competitiveness* (Dhaka: Friedrich-Ebert-Stiftung [FES] Bangladesh and RAPID, 2024).

the country is set to attain an upper-middle-income status in 2031. By this period, the country should actively pursue for an EPA to continue access to the UK market. Bangladesh can continue to remain in the list of beneficiaries of tariff preference in Australia, New Zealand[51] and Switzerland even after graduation from the list of UN's LDCs as long as these countries do not exclude Bangladesh from the list. Therefore, diplomatic engagement is imperative to continue preferential access in these markets.

Bangladesh's ongoing tariff preference in the Canadian market will be discontinued from 01 January 2035. The country will still be eligible for the General Preferential Tariff Plus (GPT+) scheme to obtain tariff benefits. However, Bangladesh needs to conform to international norms relating to sustainable development, and labour and human rights to secure the benefits of the GPT+. Therefore, the country should immediately start diplomatic negotiations with Canada to avail this scheme.

Bangladesh would be eligible for continuing tariff preferences in India and China under the applicable bilateral trade agreement. Currently, both Bangladesh and India were in negotiation for signing a Comprehensive Economic Partnership Agreement (CEPA), which has currently slowed down after the change of the government in Bangladesh. The GoB can consider accelerating negotiations so that it can be signed before the graduation keeping aside political and diplomatic differences[52] subject to ensuring equitable and fair share of benefits from the CEPA or at least an FTA. In addition, Bangladesh should negotiate for a transition period after the graduation similar to the EU, the UK and Türkiye. On the other hand, China can grant a transition period of up to three years after graduation. Bangladesh should diplomatically engage in securing this period. In addition, the country can consider starting discussions for a suitable trade agreement. Finally, the country should immediately start discussions for a trade agreement with South Korea, as it does not provide any transition period after the graduation.

Finally, Bangladesh should capitalise the decisions made by international organisations to promote trade of the graduating LDCs through diplomatic negotiations. The General Council of the WTO decided on 23 October 2023 on the extension of support measures for graduating LDCs. The decision was made to

[51] The list of LDC beneficiaries contained in legislation updated in January 2023 still lists Cape Verde, Equatorial Guinea, Maldives, Samoa and Vanuatu as LDCs, which have already graduated from the UN's list.

[52] On December 08, 2024, the Foreign Adviser of the Interim Government of Bangladesh mentioned that amicable Bangladesh-India relations would be restored soon which would benefit trade and business of both the countries, Star Digital Report, "Foreign adviser hopes for amicable Bangladesh-India relations soon," *The Daily Star*, December 08, 2024, https://www.thedailystar.net/news/bangladesh/news/foreign-adviser-hopes-amicable-bangladesh-india-relations-soon-3771061.

encourage the providers of unilateral tariff or DFQF preference to continue such benefits for the graduating LDCs "to provide a smooth and sustainable transition period for withdrawal of such preferences".[53] Therefore, the country should strive to obtain binding commitments from the WTO so that graduating LDCs continue to receive support from trade concessions in the post-graduation periods.[54] The Ministry of Commerce and the Ministry of Foreign Affairs should jointly pursue for gaining a six-year transition period in the EU after the graduation to allow recovery of the Bangladesh economy after the change of government, facilitate the export-oriented sectors to enhance domestic capacity to absorb shocks after the full graduation, create scope for a successful negotiation of a potential FTA with the EU, and help absorb negative spillover effects emanating from the protracted global economic slowdown and escalation of conflicts in the Middle East.

5. Conclusion

This paper serves as an important contribution to the literature on the implications of the LDC graduation for Bangladesh in terms of potential loss of exports. It applies a panel gravity model to assess the pattern of exports and tariff elasticity in the long run. The result and data on the tariff of partners have been plugged into an empirical simulation model to assess the possible impacts of graduation on the merchandised exports of Bangladesh. It reveals that the country would be exposed to substantial challenge in terms of loss of exports, and the apparel exports account for most of the loss. The UK, Germany, Spain, Denmark, France, Italy, Japan, Türkiye, and Australia are the countries in which Bangladesh is likely to lose export earnings the most after the graduation compared to the scenario of no graduation. The paper suggests a set of policy recommendations which includes upgradation of the export sector through enhancing labour productivity, creating backward linkage, export diversification, and country branding and image-building as the world's most sustainable supplier of apparels. The country also needs to consider undertaking trade agreements with the EU and important export destinations including India, the UK, South Korea, China and Türkiye in the form of free trade or economic partnership agreements. In addition, it should take preparation to apply for GSP+ to the EU and Türkiye. Finally, it should diplomatically engage with the major providers of tariff or DFQF preferences to continue the duty-free export in line with the decision of the WTO General Council.

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[53] "General Council Decision on Extension of Unilateral Duty Free and Quota Free Preferences in Favour of Countries Graduated from the LDC Category," WTO, WT/L/1172, October 23, 2023, https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q%3A/WT/L/1172.pdf&Open=True.

[54] In a personal conversation on March 11, 2024, Dr Mostafa Abid Khan, former Member of the Bangladesh Trade and Tariff Commission, opines that even though its decision is not obligatory for the providers, it bears a strong message to them to extend the ongoing support measures for the upcoming graduates like Bangladesh.

Annex

Table A1: Graduation Timeline[55]

Year	Countries
1994	Botswana
2007	Cabo Verde
2011	Maldives
2014	Samoa
2017	Equatorial Guinea
2020	Vanuatu
2023	Bhutan
2024	São Tomé and Príncipe
2026	Bangladesh, Lao PDR, Nepal
2027	Solomon Islands

Table A2: EU Tariff Rates Under Standard GSP and Bangladesh's Exports[56]

Tariff Rates (%)	EU Imports from Bangladesh		Number of Bangladesh's product lines in the EU
	Million US$	***%***	
0	251.9	1.31	2,707
SD only	1.3	0.01	94
0.1–2.9	56.4	0.29	325
3–4.9	695.7	3.61	340
5–7.9	347.9	1.80	431
8–9.9	17,654.7	91.52	411
10–11.9	234.6	1.22	63
12–15	47.8	0.25	78
15.1–20	0.1	0.0004	24
Above 20	0.3	0.0017	17
Total	19,290.7	100	4,490

[55] "LDC Portal - International Support Measures for Least Developed Countries," United Nations, accessed December 26, 2023, https://www.un.org/ldcportal/content/countries-approaching-graduation-and-graduated.

[56] Mohammad A. Razzaque, Hamim Akib and Jillur Rahman, "Bangladesh's Graduation from the Group of LDCs: Potential Implications and Issues for the Private Sector," in *Navigating New Waters: Unleashing Bangladesh's Export Potential for Smooth LDC Graduation*, ed. Mohammad A. Razzaque (Dhaka: Bangladesh Enterprise Institute, 2020), 53–92.

Table A3: Bangladesh's Merchandised Exports to Important Destinations under LDC Status, FY2022-23[57]

Country	US$ million	Country	US$ million	Country	US$ million	Country	US$ million
Austria	96.2	Germany	7,079.8	Croatia	67.7	New Zealand	131.9
Australia	1,259.2	Denmark	1,316.7	Hungary	217.8	Norway	68.8
Belgium	944.7	Spain	3,683.4	India	2,129.5	Poland	1,851.7
Bulgaria	2.7	Finland	60.1	Japan	1,901.6	Portugal	143.9
Canada	1,721.7	France	3,291.7	South Korea	623.8	Russia	460.4
Switzerland	99.3	Greece	90.5	Lithuania	2.7	Romania	65.6
Chile	171.9	Italy	2,391.5	Luxembourg	2.9	Sweden	965.3
China	677.4	Ireland	254.2	Latvia	2.6	Slovenia	106.8
Cyprus	9.4	Estonia	2.5	Malta	0.7	Slovakia	97.0
Czechia	397.4	UK	5,310.1	Netherlands	2,089.7	Türkiye	495.8

Table A4: Bangladesh's Preferential Market Access in Important Destinations under LDC Status[58]

Importing market	Scheme	Coverage of DFQF/ preferential tariffs	Consequences after graduation
Australia	Australian System of Tariff Preferences (ASTP) (GSP) grants DFQF entry for LDCs	100%	The ASTP does not have an automatic mechanism to remove countries from the list of beneficiaries after graduation. The Australian Government would require to amend the list of beneficiaries. Countries export under the standard GSP, applicable regional agreements, or MFN after removal from the list of LDC beneficiaries.
Canada	LDC Tariff Programme	98.9%	Canada created the authority for a new General Preferential

[57] Export Promotion Bureau database.
[58] Summarised from United Nations, "LDC Portal". The information is updated based on other cited sources.

	(LDCT). Extended until 31 December 2034	(excluding dairy and other animal products, meat, meat preparations, cereal products).	Tariff Plus (GPT+) scheme that intends to provide tariff benefits to countries that conform to international norms relating to sustainable development, and labour and human rights. Export under the Generalised Preferential Tariff, any applicable regional agreements, or MFN after removal from the list of LDCT beneficiaries.
Chile	DFQF scheme for LDCs. It fixes to 0 per cent the customs duties on imports of goods originating from LDCs[59]	99.5% (excluding cereals, sugar, milling products)	The Ministry of Finance reviews the list of beneficiaries every 3 years to ensure it reflects the updated list of LDCs. Countries export under MFN after removal from the list of beneficiaries.
China	Duty-free treatment for LDCs that have diplomatic relations with China	98%	Preferential treatment may be extended for up to three years after graduation. Thereafter, countries export under the applicable bilateral or regional agreements or MFN.
The EU	Everything-But-Arms (EBA) initiative within the GSP scheme. Applies to all LDCs, but EBA preferences can be withdrawn in	99.8% (excludes arms and ammunition)	Under the current regulation, graduated countries continue to benefit from the EBA for 3 years after graduation, after which they export under the standard GSP, MFN or applicable Economic Partnership Agreements. If they meet specific criteria, they

[59] UNCTAD, *Handbook on Duty-Free and Quota-Free Market Access and Rules of Origin for Least Developed Countries (Part II: Other Developed Countries and Developing Countries*) (Geneva: UNCTAD, 2018).

	certain exceptional circumstances, notably in case of serious and systematic violation of principles of human rights and labour rights conventions.		can apply to join the Special Arrangement for Sustainable Development and Good Governance (GSP+). Eligibility for GSP+ is contingent on the ratification and implementation of 27 conventions on human rights, labour rights, environmental protection and good governance, and meeting certain vulnerability criteria.
India	Duty-Free Tariff Preference (DFTP) scheme for all LDCs.[60] It is a unilateral non-reciprocal preferential tariff scheme.[61]	98.2%	Countries export under applicable regional or bilateral agreements or MFN
Japan	GSP - Enhanced duty and quota-free market access. Extende d until 31 March 2031	97.8% (excludes fish and crustaceans, footwear, milling products, cereal products, sugar)	Countries export under the standard GSP or applicable regional agreements.
New Zealand	GSP - Tariff treatment for LDCs. New	100%	Removal from the list of beneficiaries is not automatic after graduation from the UN's

[60] The country also receives preferential market access in India under the South Asia Free Trade Arrangement (SAFTA) and the Asia-Pacific Trade Agreement (APTA), International Trade Centre, *India's Duty-Free Tariff Preference Scheme for LDCs: A Business Guide* (Geneva: ITC, 2015).

[61] Murali Kallummal, Aditi Gupta and Abhijit Das, *Utilising India's Duty Free Preference Scheme for LDCs: Analysis of the Trade Trends* (New Delhi: Indian Institute of Foreign Trade, September 2013).

	Zealand regulation refers “LDCs” to “less developed countries” which includes a broader category of developing countries		LDC category. After removal from the list of New Zealand, countries export under the standard GSP scheme, applicable regional agreements or MFN
Norway	GSP - DFQF market access for LDCs (GSP zero)	100%	Export under the standard GSP or MFN
South Korea	Presidential Decree on Preferential Tariff for LDCs	89.4% (excludes fish and crustaceans, mineral fuels, oil seeds and oleaginous fruits, wood products, vegetables)	Export under MFN or the applicable regional agreements right after graduation.
Russian Federation	GSP scheme in line with Eurasian Economic Union’s Common System of Tariff Preferences	61.2% (excludes transport vehicles, machinery and mechanical appliances, beverages, iron and steel products, electrical machinery,	Export under the standard GSP or MFN

		meat products and articles of wood)	
Switzerland	GSP - Revised Preferential Tariffs Ordinance	100%	Switzerland periodically amends the list of beneficiaries of its LDC scheme. Countries export under the standard GSP or MFN after removal from the list of beneficiaries.
Türkiye	GSP	78.2% (excludes iron and steel products, fish and crustaceans, food preparations, meat, oil seeds and oleaginous fruits).	Smooth transition period of three years. Türkiye has a GSP+ scheme similar to the EU. Countries can apply to GSP+ or will trade under the GSP and MFN after graduation.
The UK	Developing Countries Trading Scheme (DCTS)	99.8% (excludes arms and ammunition)	A three-year transition period after graduation. Low-income and lower-middle income countries can accede to the "Enhanced Preferences" regime under the DCTS.[62] Graduates export under GSP, MFN or applicable Economic Partnership Agreements.

[62] "Developing Countries Trading Scheme (DCTS)," UK Government, accessed January 29, 2024, https://www.gov.uk/government/collections/trading-with-developing-nations.