

Nepal qualifies for LDC Graduation- What next?

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Structure of Presentation

- ✓ **Background**

- ✓ Creation of LDC category

- ✓ Inclusion and Graduation Criterion

- ✓ International Support Measures for LDCs

- ✓ **Nepal in LDC category**

- ✓ Performance in LDC criteria

- ✓ Impact of graduation

- ✓ **Moving forward**

Background: creation of LDC category

- Least developed country (LDC) category was established by the United Nations General Assembly in 1971 as a group of *low-income countries* with *structural handicaps* that hamper their development and growth,
- Nepal along with other 24 low-income countries were identified as LDCs at the time of its inception,
- International community recognized that LDCs need special support to overcome development obstacles.

Background : LDC Criteria

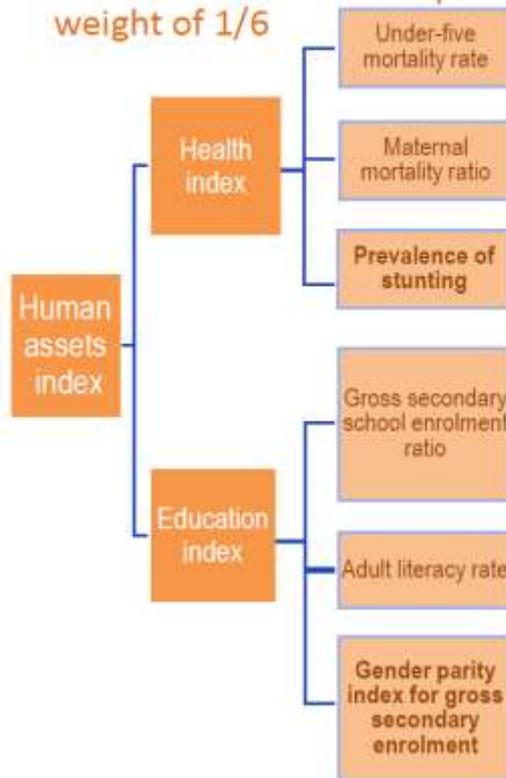


GNI per capita



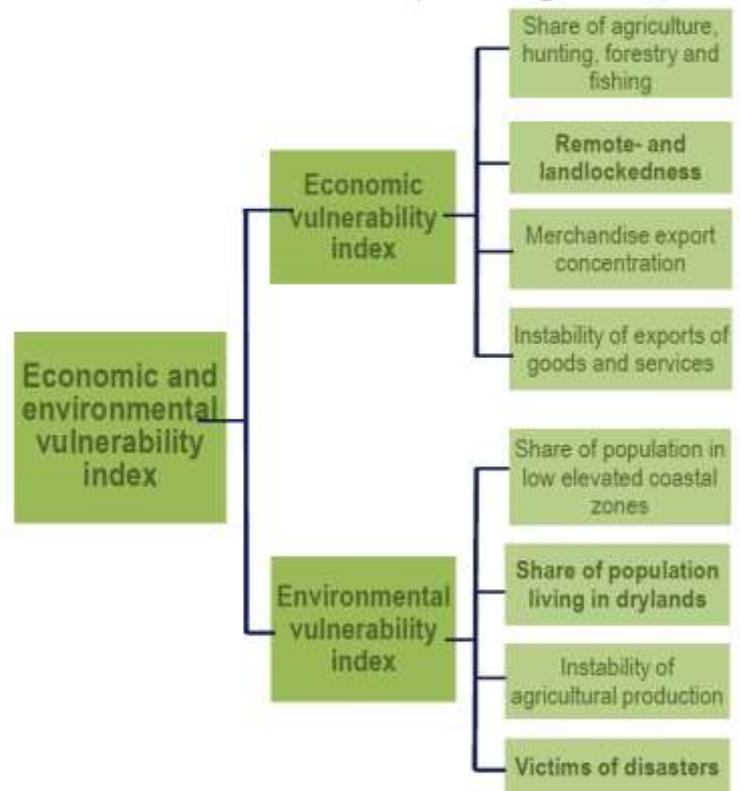
Human assets index (HAI)

All indicators have an equal weight of 1/6



Economic and environmental vulnerability index (EVI)

All indicators have an equal weight of 1/8



Background: LDC Inclusion and Graduation Criteria

Indicators	2021 Triennial Review	
	Inclusion	Graduation
Per capita GNP (US\$)	1018	1222
Human Assets Index (HAI)	<60	>66
Economic Vulnerability Index (EVI)	>36	<32

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Map of LDCs in 2021



Background: International Supports Measures (ISMs) for LDCs

- ✓ Trade –related support measures
 - ✓ Preferential market access for goods
 - ✓ Preferential treatment for service and service suppliers
 - ✓ Special treatment regarding obligations and flexibilities under WTO rules
- ✓ Development cooperation
- ✓ Exclusive mechanism for LDCs

Preferential Market Access for Goods (1)

Market	Duty free tariff line coverage and major exclusions
Australia	100 percent duty-free, quota-free entry (DFQF)
Canada	98.6 percent DFQF (Exclusion: dairy and other animal products, meat, meat preparation, cereal products)
Chile	99.5 percent DFQF (Exclusion: cereals, sugar, milling products)
China	96.6 percent DFQF (Exclusion: chemicals, transport vehicles, machinery and mechanical appliances, electrical machinery, paper)
European Union	99.8 percent DFQF (Exclusion: arms and ammunition)
Iceland	91.8 percent DFQF (Exclusion: meat, food preparation, vegetables, dairy and other animal products, plants and trees)
India	95.1 percent DFQF (Exclusion: plastics, coffee and tea, alcoholic beverages, tobacco, food residues)
Japan	97.9 percent DFQF (Exclusion: fish and crustaceans, footwear, milling products, cereal products, sugar)

Preferential Market Access for Goods (2)

Market	Duty free tariff line coverage and major exclusions
Republic of Korea	89.9 percent DFQF (Exclusion: fish and crustaceans, mineral fuels, oil seeds and oleaginous fruits, wood products, vegetables)
New Zealand	100 percent DFQF
Norway	100 percent DFQF
Russian Federation	37.1 percent DFQF (Exclusion: machinery and mechanical appliances, chemicals, electrical machinery, iron and steel products, transport vehicles)
Switzerland	100 percent DFQF
Chinese Taipei	30.8 percent DFQF (Exclusion: machinery and mechanical appliances, chemicals, electrical machinery, fish and crustaceans, plastics)
Thailand	70.4 percent DFQF
Turkey	80.5 per cent DFQF (iron and steel products, fish and crustaceans, food preparation, meat, oil and seeds and oleaginous fruits)
United States	82.2 percent DFQF (apparel and clothing, cotton fibres, footwear, diary and other animal products)

Preferential Treatment for Services and Service Suppliers

- ✓ ‘Service Waiver’ of Eighth Ministerial Conference, 2011, until December 2030;
- ✓ 24 notifications from 23 countries- Australia, Brazil, Canada, Chile, China, Hong Kong, Iceland, India, Japan, Korea, Liechtenstein, Mexico, New Zealand, Norway, Panama, Singapore, South Africa, Switzerland, Chinese Taipei, Thailand, Turkey United States, Uruguay and the EU indicating preferential treatment on sectors and modes of supplies;

However, not yet implemented any waiver offer.

Flexibilities under WTO rules

- ✓ Understanding on the Balance of Payments Provision of GATT-simplified procedures,
- ✓ Agreement on Agriculture- flexibilities to provide certain export subsidies until 2030, notifications,
- ✓ Sanitary and Phytosanitary (SPS) Measures-priority for technical assistance,
- ✓ Agreement on Subsidies and Countervailing Measures- flexibility in export subsidies,
- ✓ Trade Facilitation Agreement- longer notification period,
- ✓ Trade-Related Aspects of Intellectual Property Rights (TRIPS)-exemption from applying all substantive TRIPS standards until 1 July 2021 and exemption from protecting pharmaceutical products until 2033;
- ✓ Dispute Settlement Understanding- free legal services;
- ✓ Trade Policy Review Mechanism- longer period.

Flexibilities in Regional Groups

- ✓ **South Asian Free Trade Agreement (SAFTA)**
 - ✓ Nepal has maintained long sensitive list as an LDC member,
 - ✓ Members have smaller sensitive lists for LDCs and India provides DFQF market access,
 - ✓ There are less stringent rules of origin for LDCs
 - ✓ There are special considerations on the application of anti-dumping and/or countervailing measures against LDCs
 - ✓ There are special provision not to be applied special safeguard measures against products originating in LDC contracting states,
- ✓ **The BIMSTEC Free Trade Area** (yet to come into force)
 - ✓ It has less stringent rules of origin for LDCs. The rules of origin applicable to LDC will be 30 per cent plus a change in tariff sub-heading (CTSH), while as a non-LDC the requirement will be 40 per cent,

Development Cooperation

- ✓ Commitment in bilateral ODA flows to LDCs- 0.15 to 0.20 percent of GNI to LDCs
- ✓ Multilateral development cooperation- UNDP to ensure 60 percent of core resources are allocated to LDCs; UNICEF to allocate 60 per cent of regular resources to LDCs;
- ✓ Though not reflected in ODA, several organizations, such as UN-DESA, UN- OHRLLS, UN-ESCAP, UNCTAD, UNFCCC and others, provide policy analysis and information services, capacity building, support in obtaining access to information and resources, and advocacy services.

LDC-Specific Mechanisms

- ✓ Access to technology: LDC Technology Bank
- ✓ Climate change: work programme for LDCs and LDC Fund
- ✓ Aid for Trade: Enhanced Integrated Framework
- ✓ Investment Support Programme: UNCDF, IDLO and UN-OHRLLS
- ✓ Support to participation in the United Nations and other international forum

Nepal's Performance in Graduation Criteria (2021 Triennial Review)

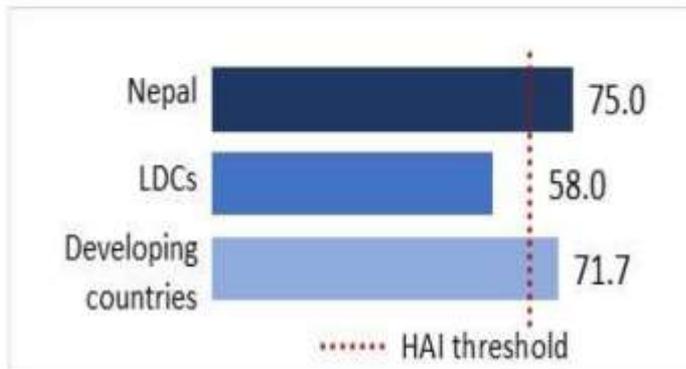
GNI

Graduation Threshold: \$1,222
Nepal: US\$1,027



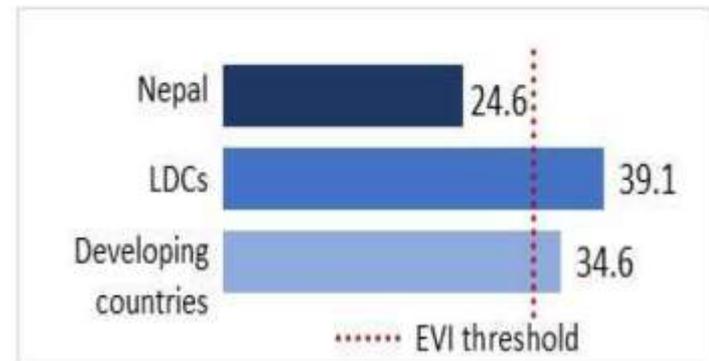
HAI

Graduation threshold: 66.0
Nepal: 75.0



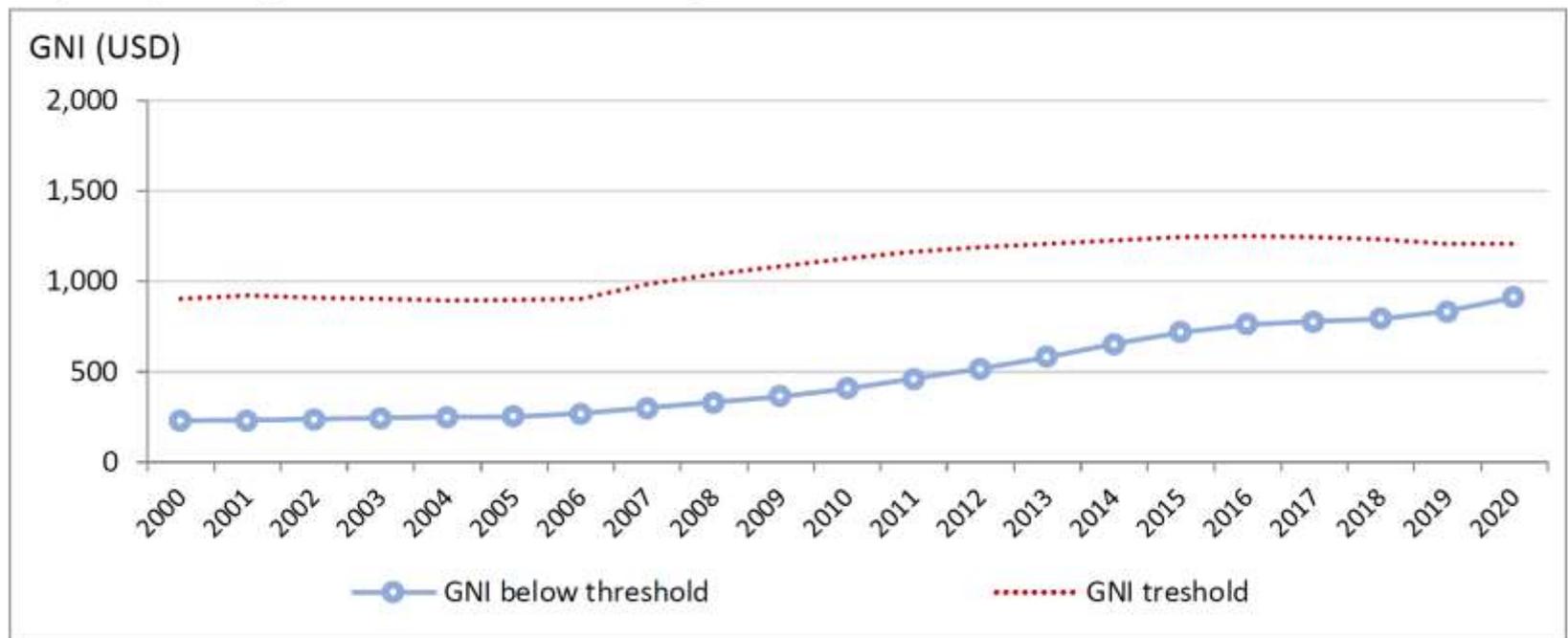
EVI

Graduation threshold: 32.0
Nepal: 24.6



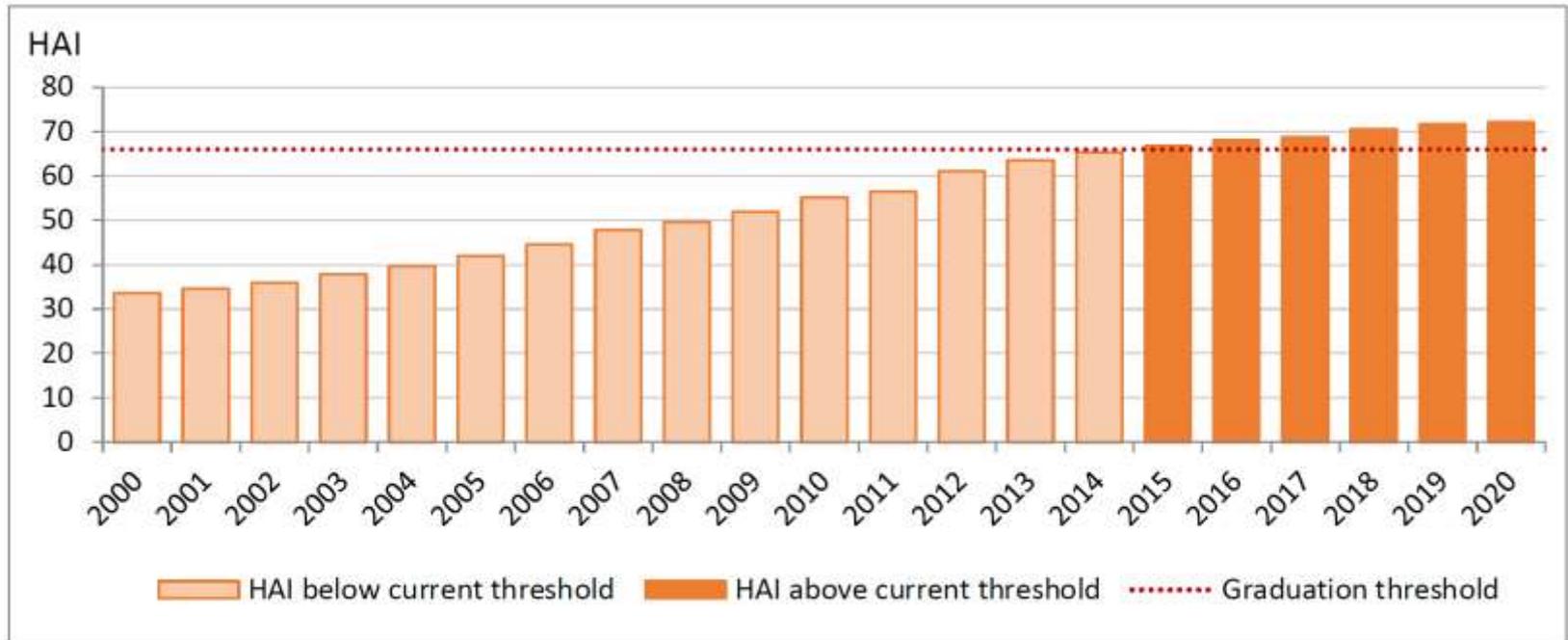
Gross National Income (GNI) per capita

Nepal's per capita GNI, US Dollar using Atlas conversion, 2000-2020



Human Assets Index (HAI)

Nepal's HAI (new composition), 2000-2020



Economic and Environmental Vulnerability Index (EVI)

Nepal's EVI (new composition), 2000-2020



Countries considered for Graduation in 2021

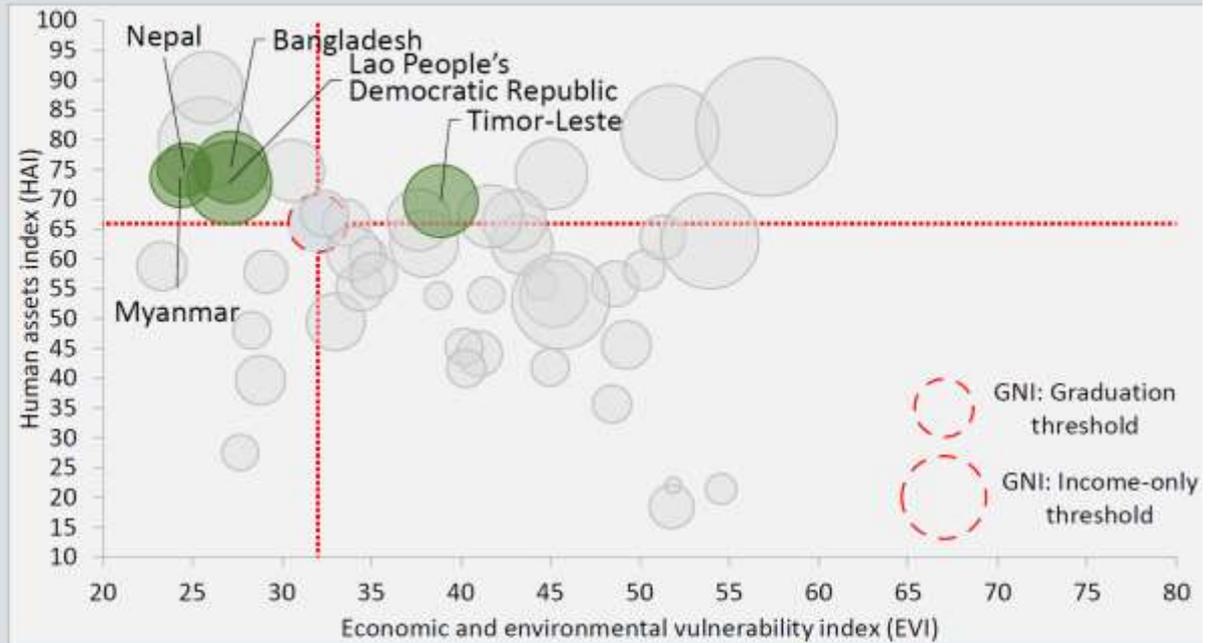
LDCs deferred by CDP in 2018 (third eligibility):

- Nepal
- Timor-Leste

LDCs meeting criteria for the second consecutive time:

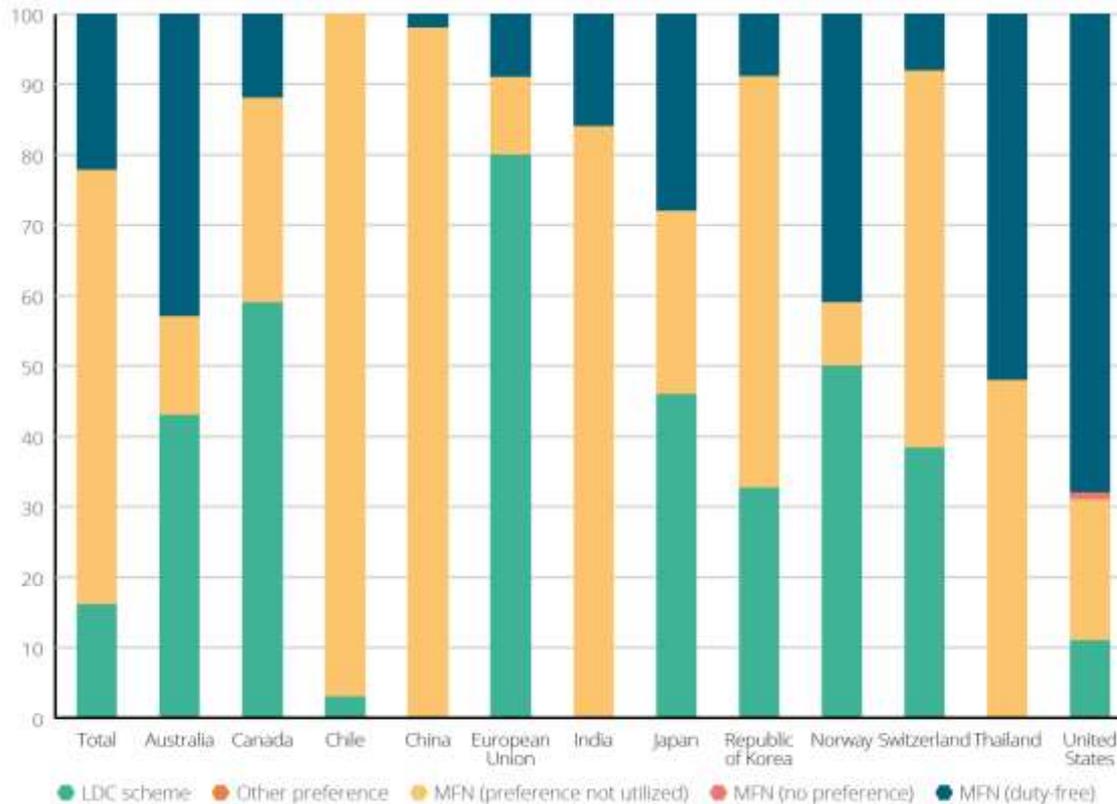
- Bangladesh
- Lao PDR
- Myanmar

Horizontal recommendations due to Covid-19



- ➔ Extended five-year preparatory period for all countries recommended for graduation in 2021
- ➔ Analyze at 2024 triennial review if extension is needed
- ➔ Improve monitoring system; pay special attention to Covid-19 impacts; alert ECOSOC if action is needed

Impact of Graduation: Preference Utilization



Source: WTO IDB.

Note: The figure is based on disaggregated import data for 2015-16 for Australia, Canada, Chile, China, the European Union, India, Japan, the Republic of Korea, Norway, Switzerland, Thailand and the United States.

Impact of Graduation : Trade

Country	Share in total exports (%)	Impact of graduation (% of total exports)
Australia	0.8	0.64
Canada	1.0	0.80
Chile	0.0	0.00
China	2.8	0.99
European Union (EU)	11.1	10.37
India	58.9	0.00
Japan	1.2	1.13
Korea	0.2	0.13
Norway	0.2	0.20
Switzerland	0.4	0.05
Chinese Taipei	0.1	NA
Thailand	0.1	0.00
USA	11.9	10.85

Source: NPC and UNDP 2020.

Impact of Graduation : export value and tariff rates

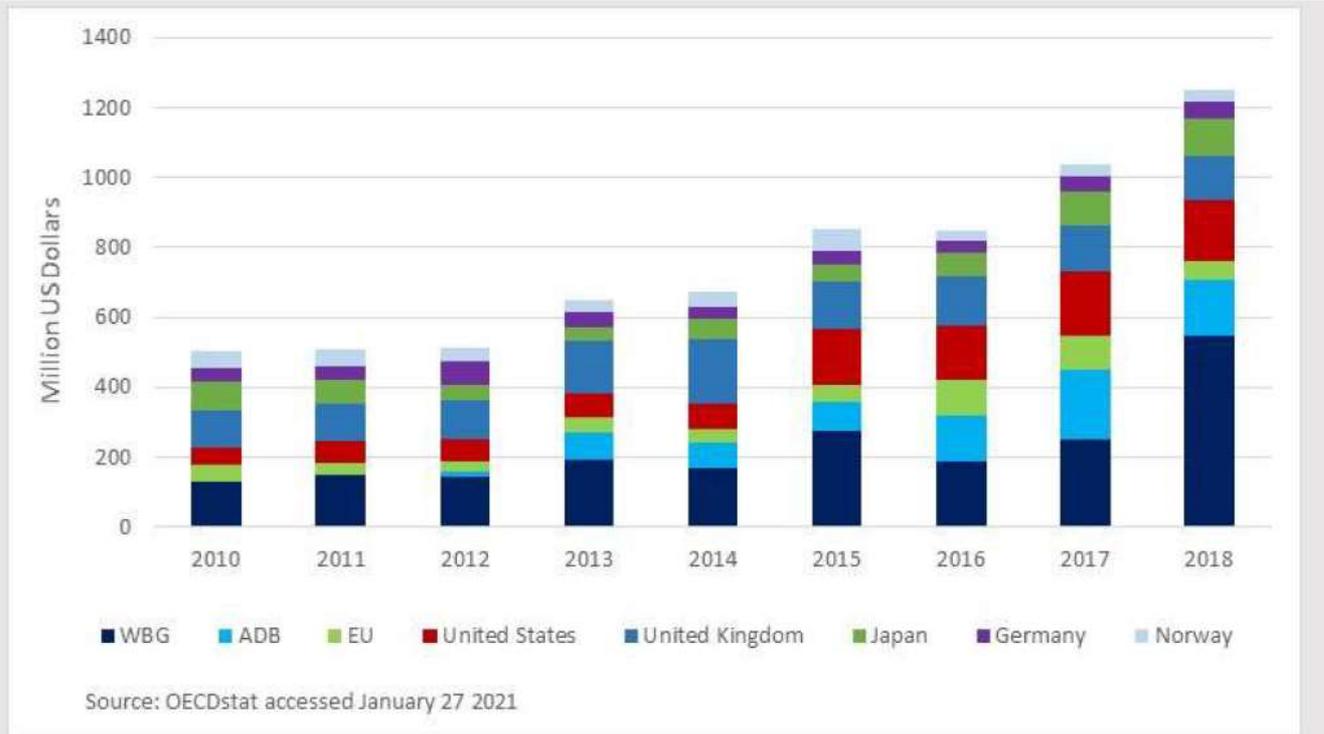
Country	Exports 2016-18 average \$'000'	Change in export \$'000'	Change in effective tariff rates
European Uniopn	107.984	-20649 (-19.1%)	5.63
Canada	10797	-1446 (-13.4%)	4.96
Japan	12068	-1376 (11.4%)	3.38
China	19441	-136 (0.7)	0.07
United States	99,022	-3118 (-3.2%)	0.01
Total	812796	-20139 (-2.5%)	0.90

Figures in parenthesis are percentage impact

Source: WTO 2020.

Impact of Graduation : Development Cooperation

- ADB and WBG – main development financing partners not contingent on LDC status.
- Impact of graduation would be minimal



Impact of Graduation : Others

- UN-increase in contribution to the peace keeping, criminal tribunal, ITU and WIPO budget,
- Travel support for a 5-member country delegation to attend the UN GA- can be extended for up to 5 years after graduation becomes effective,
- Scholarship and research- not significant. Most allow non-LDC applications.

Impact of Graduation : Benefits

- Recognition by international community of our development efforts;
- Positive message to international community that Nepal is a dynamic and high potential economy;
- Improved credit rating of the country;
- Increased opportunities to mobilize resources in international capital markets,

Moving forward : Transition strategies to adjust to phasing out

- Ensure national ownership of graduation: constitute inter-ministerial LDC graduation task force, rope in all relevant constituencies - private sector, development and trade partners, think-tanks, civil society organizations etc.;
- Assess the implication of graduation on each of the sector individually;
- Prepare smooth transition strategies identifying requirements of further concessions, preferences and flexibilities in market access, development finance, regional and multilateral trade rules, technical assistance and capacity building;

Moving forward : Transition strategies to adjust to phasing out (contd...)

- Negotiate for maximum transition period for duty free access for major exportable products;
- Explore how it can take advantage of non-LDC-specific preferential arrangements such as various GSP schemes for developing countries;
- Proactively engage LDCs Group/ prospective LDC graduates to negotiate to maintain the existing preferential treatments received as an LDC (such as TRIPS) to extend beyond the timeline of LDC graduation.
- Explore new financing opportunities including at the Asian Infrastructure Investment Bank and New Development Bank, and innovative mode for raising capital.

Moving forward : Actions to improve competitiveness and reduce vulnerabilities

- Sustain high economic growth rates- improve investment climate identify and transform high potential sectors;
- Reduce infrastructure gaps and strengthen connectivity;
- Develop productive capacities-improve stock of productive resources, entrepreneurial capabilities and production linkages;
- Strengthen competitiveness- reduce trade and transaction costs, improve trade facilitation and logistics services;

Moving forward : Actions to improve competitiveness and reduce vulnerabilities

- Address vulnerability, reduce inequality and build resilience;
- Investment in human resources and adopt policies for structural transformation;
- Reform institutions and governance system.

Thank you

for

your kind attention.

comments/suggestions

at

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Sources: Various publications of UN-DESA, UNCTAD, WTO, World Bank, NPC, GoN and NRB.