



**TRADE RELATED CHALLENGES OF THE LEAST DEVELOPED COUNTRIES AND WAY
FORWARD: A DRAFT FOR MC DECISION**

**COMMUNICATION FROM THE MISSION OF CHAD ON BEHALF OF THE LDC GROUP ON SMOOTH
TRANSITION IN FAVOUR OF COUNTRIES GRADUATING FROM THE LDC CATEGORY**

The following communication, dated 16 November 2020, is being circulated at the request of the delegation of Chad on behalf of the LDC Group.

1. The 2011-2020 Programme of Action for the Least-developed countries (LDCs) adopted at Istanbul in 2011 (IPoA) sets, for the first time, the goal of "*enabling half the number of least developed countries to meet the criteria for graduation by 2020*". During the first forty years since the creation of the category in 1971, only three LDCs have been able to graduate. Since 2011, however, progress towards graduation has accelerated and several LDCs are progressively reaching the different graduation thresholds of GNI per capita, Economic Vulnerability Index and Human Asset Index, as defined by the UN Committee on Development Policy (CDP).
2. While meeting these criteria remains a major achievement, graduated LDCs still face significant trade and development challenges and risk falling back in the LDC category if their progress is not sustained. Leaving the LDC category also implies that graduating countries will lose access to a wide range of international support measures which have often contributed to their socio-economic development. Such support measures not only take the form of official development assistance but also include a wide range of trade-related measures such as preferential market access or special and differential treatment (SDT) provisions in WTO rules. Mitigating the negative impacts associated with the removal of these support measures is therefore essential to ensure a smooth transition away from the LDC category. This is particularly true in the context of the current COVID-19 crisis which may reverse many of the development progress achieved so far by graduating LDCs.
3. In recognition of this need, the United Nations General Assembly introduced the principle of 'smooth transition' under which LDC-specific support measures should be phased out in a gradual and predictable manner following the final exit of countries from the LDC list so as not to disrupt the development progress of the graduating country.
4. More specifically, paragraphs 8-10 of the UN General Assembly Resolution 59/209 of 2004 on "Smooth transition strategies for countries graduating from the list of least developed countries" and paragraphs 15-17 of the General Assembly Resolution 67/221 of 2012 on "Smooth transition for countries graduating from the list of least developed countries" invite "all members of the World Trade Organization to consider extending to graduated countries the existing special and differential treatment measures and exemptions available to least developed countries for a period appropriate to the development situation of the country". The resolutions also invite LDCs trading partners to establish procedures for extending or phasing out preferential market access, and LDC-specific funds of the United Nations system to continue providing technical assistance to graduated countries over a certain period.

5. In practice - with the notable exception of the Enhanced Integrated Framework (EIF) - there are no formal WTO procedures for smooth transition in relation to LDC-specific assistance measures and SDT provisions as envisaged under the UN resolution. This has put graduating LDCs in a very difficult situation, not least because of their economic vulnerabilities and their limited capacity to negotiate specific extensions on a case by case basis.

6. Against this background, the LDC Group is hereby submitting a proposal for a draft Ministerial decision (as annexed) for consideration of Members to respond to the UN General Assembly Resolutions and introduce a comprehensive and effective smooth transition mechanism for graduating LDCs under the WTO system.

7. Agreement on this decision would be an important contribution to remedy the difficult circumstances that graduating LDCs encounter. It would also represent a concrete contribution of the multilateral trading system to fostering the advancement of previous UN Resolutions and the IPoA goals and targets.

ANNEX*Draft Decision*

The Ministerial Conference,

Having regard to paragraph 1 of Article IX of the Marrakesh Agreement Establishing the World Trade Organization (WTO);

Mindful of the importance attached to the increased participation of least-developed countries in the multilateral trading system, and of the need to ensure that the system responds fully to their needs, including constraints after their graduation from the least developed country (LDC) status;

Recalling the Programme of Action for the Least Developed Countries for the Decade 2011–2020, adopted at the Fourth United Nations Conference on the Least Developed Countries, held in Istanbul, Turkey, from 9 to 13 May 2011, in which Member States committed to assisting LDCs with an overarching goal of enabling half of them to meet the criteria for graduation by 2020;

Recalling further UN General Assembly Resolutions 59/209 of 2004 and 67/221 of 2012 on smooth transition for countries graduating from the list of least developed countries inviting all Members of the World Trade Organization to consider extending to graduated countries the existing special and differential treatment measures and exemptions available to least developed countries for a period appropriate to the development situation of the country;

Recognizing the need to establish an effective procedure supporting the smooth transition of graduated LDCs towards their new status, through the gradual phasing out of LDC-specific trade-related support measures over a reasonable period of time;

Decides as follows:

1. Support measures available to least developed countries shall be extended to a least developed country Member for a period of twelve years after the entry into force of a decision of the UN General Assembly to exclude the Member from the least developed country category.
 2. The support measures covered under paragraph 1 shall include:
 - i. All special and differential treatment measures and exemptions available to a least developed country under existing and future WTO Agreements, Understandings, Ministerial, General Council and other relevant Decisions;
 - ii. All LDC-specific technical assistance and capacity building programmes and facilities provided under the WTO system;
 - iii. Any other relevant measure in favour of LDCs.
 3. If a decision of the UN General Assembly to exclude a least developed country Member from the least developed country category enters into force during a transition period for LDCs provided under any existing or future WTO Agreements, Understandings, Ministerial, General Council or other relevant Decisions, the Member shall be entitled to utilise the remaining period of delay provided for LDCs.
 4. Developed and developing countries granting unilateral trade preferences to least developed countries shall establish procedures for extending and gradually phasing out their preferential market access scheme over a period of twelve years after the entry into force of a decision of the UN General Assembly to exclude a country from the least developed countries category.
 5. After the transition period provided under paragraph 1, a graduated LDC Member shall automatically benefit from the most favourable special and differential treatment granted to other developing countries Members.
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