# Gradation from LDC Status: Lessons That Could Be Learned from Best Practices

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**Abstract**

Since the establishment of the category of Least Developed Countries (LDCs) in 1971 and the graduation notion in 1991, there has been little progress towards meeting the development needs of these countries. Regardless of the commitments made by the international community in assisting these countries, little efforts have been made to materialise such aspirations. Being categorised as a least developed country entails a country to benefit from trade related concessions and special treatments. Once LDCs meet the criteria to graduate from the LDC status, they face a bigger challenge and that is the loss of preferential treatments subsequent to graduation. Although special measures are developed to minimise the challenges of graduation and disruption of development progress, many LDCs are sceptical of workability of these measures and demand the extension of these preferential treatments even after graduation. This paper aims to examine the issues and

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challenges of graduation from LDC status and its impacts on the graduating countries. This paper looks at Maldives as a case study to indicate how it could manage to minimise the challenges of graduation from LDC status. At last, in order to ameliorate the negative impacts of graduation from LDC status, this paper provides recommendations to facilitating a smooth transition.

**Keywords:** Least Developed Countries, Graduation from LDC Status, Best Practices, Maldives

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## 1.1 Introduction

The international community through the Declaration of the Third United Nations Conference on the Least Developed Countries or Brussels Declaration committed to eradicate poverty and to improve the quality of lives in the Least Developed Countries (LDCs). To fulfil these, the Declaration requires the developed nations to (a) 'improve preferential market access for LDCs by working towards the objective of duty-free and quota-free market access for all LDCs' products; (b) affirm the commitment to provide the full financing and the speedy and effective implementation of the enhanced HIPC Initiative; and (c) affirm to meet expeditiously the targets of 0.15% or 0.20% of GNP as ODA to LDCs as agreed to improve aid effectiveness and to implement the OECD-DAC recommendation on untying ODA to LDCs'.[1]

There are also several United Nations General Assembly resolution that acknowledge the development needs of LDCs. For instance, Resolution 59/209 administers the graduation process and the stakeholders involved i.e. the Economic and Social Council and the General Assembly and the Committee for Development Policy.[2] Resolution 67/221 asserts that development progress if a country should not be disrupted its graduation from the LDC status. Therefore, this Resolution

[1] United nations General Assembly, *Report of the Third United Nations Conference on the Least Developed Countries, Brussels, 14-20 May 2001*, A/CONF.191/13 (Report, 2001).
[2] Resolution 59/209, *Resolution adopted by the General Assembly on 20 December 2004 on a smooth transition strategy for countries graduating from the list of least developed countries*, UN Doc A/RES/59/209.

emphasises that all the support measures must be phased out gradually to avoid such disruption.[3] Resolution 68/224[4] and Resolution 69/231[5] also request all the UN stakeholders to extent the needed supports to LDC subsequent to their graduation.

In additions, Resolution 67/221 calls upon the trading partners of graduating countries to ensure that their aid programmes and their strategies are in line with the national transition strategies of LDCs and b) requests the graduated and the graduating countries to 'implement the transition strategy and to incorporate it into relevant documents, including the poverty reduction strategy papers and the action matrix of the Diagnostic Trade Integration Studies under the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries'.[6] Moreover, Resolution 59/209 recommends for establishing a 'consultative mechanism' between LDCs their trading partners in order to ease the transition strategy preparations and the needed actions; and b) invites all the World Trade Organization (WTO) members to extent the special and differential treatments appropriate to the development level of each LDC.[7]

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[3] Resolution 67/221, *Resolution adopted by the General Assembly on 21 December 2012 on a smooth transition for countries graduating from the list of least developed countries*, UN Doc A/RES/67/221.
[4] Resolution 68/224, *Resolution adopted by the General Assembly on 20 December 2013 on a follow-up to the Fourth United Nations Conference on the Least Developed Countries*, UN Doc A/RES/68/224.
[5] Resolution 69/231, *Resolution adopted by the General Assembly on 19 December 2014 on a follow-up to the Fourth United Nations Conference on the Least Developed Countries*, UN Doc A/RES/69/231.
[6] Resolution 67/221, *Resolution adopted by the General Assembly on 21 December 2012 on a smooth transition for countries graduating from the list of least developed countries*, UN Doc A/RES/67/221.
[7] Resolution 59/209, *Resolution adopted by the General Assembly on 20 December 2004 on a smooth transition strategy for countries graduating from the list of least developed countries*, UN Doc A/RES/59/209.

United Nations Conference on Trade and Development (UNCTAD I) in 1960s first promoted the establishment of LDC category. It was recommended as a replacement to a sole system of preferential treatment for all developing countries. UNCTAD members established to offer 'special attention to the less developed among the developing countries'.[8] The decision to either include or graduate a country from LDC status is made by the United Nationals General Assembly (UNGA) through the recommendations of Committee for Development Policy (CDP), sanctioned by the UN Economic and Social Council (ECOSOC). The CDP is a subsidiary and the advisory body of ECOSOC comprised of 24 members. This body in every three years evaluates the LDCs list, either for inclusion or for graduation.[9]

The international community also committed itself to provide development assistance to the poorer countries led by the UN Programme of Actions (PoAs) serving as the main framework of action for LDCs. A wide range of development aids and policy measures were developed through the UN PoAs. These included promoting Foreign Direct Investment (FDI), restructuring debt for the seriously

[8] United Nations Cenference on Trade and Development, *First Session of the United Nations Conference on Trade and Development (UNCTAD I)*, (Report, 1964) <https://unctad.org/en/pages/MeetingsArchive.aspx?meetingid=22966>.

[9] International Institute for Sustainable Development, *Bangladesh, UN Consider Expected LDC Graduation in 2024* (2018) <https://sdg.iisd.org/news/bangladesh-un-consider-expected-ldc-graduation-in-2024/>.

indebted LDCs, and supporting 'trade liberalization through aid-for-trade, export capacity building and trade facilitation schemes'.[10]

Since the establishment of the category of LDCs in 1971, and subsequently notion of graduation in 1991, there has been little progress towards addressing the needs of these countries. The number of countries joining this category has increased since its introduction. Merely five countries i.e. Botswana in 1994, Cape Verde in 2007, Maldives in 2011, Samoa in 2014 and Equatorial Guinea in 2017 have graduated from this status. Nevertheless, it is expected that by 2024, 16 LDCs graduate from the LDC status but there are concerns regarding the negative impacts of graduation.[11]

However, LDCs suffer from serious socioeconomic issues. They are faced with a slow economic growth and this limited economic growth has resulted in a high level of poverty. It has been reported that almost half of the population of some LDCs live under extreme poverty. Commodity trap is another challenge, as LDCs profoundly rely 'on commodity production and trade for employment, income, savings and foreign exchange'. Weak production and export capacity has caused increased import and consumption, and account deficits.[12]

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[10] Rifat Baris Tekin, 'Development Aid, Openness to Trade and Economic Growth in Least Developed Countries: Bootstrap Panel Granger Causality Analysis' (2012) 62 *Procedia-Social and Behavioral Sciences* 716.

[11] Vinaye Ancharaz, "Graduating from LDC Status: A Focus on Small Island Developing States (SIDS)," 2019, 4.

[12] United Nations Conference on Trade and Development (UNCTAD), 'The Least Developed Countires Report 2016: The Path to Graduation and Beyond: Making the Most of the Process' (2016) <https://unctad.org/en/PublicationChapters/ldc2016_ch4_en.pdf>.

Since the adoption of the Istanbul Programme of Action (IPoA) for the Least Developed Countries 2011–2020, much attention has been given to the feasibility of LDC graduation from LDC status.[13] LDCs have little economic and social advancements, failing to meet the UN graduation criteria, IPoA provides set of national and international principles to attain this objective. Some of the IPoA objectives have been incorporated. One of the important objective of IPoA is to empower LDCs to graduate from LDC status.[14] The IPoA is ambitious. It articulates a vision and strategy for the sustainable development of LDCs with a strong focus on developing their productive capacities. It foresees halving the number of LDCs to 24 even though over the past four decades only four countries have been able to 'graduate' out of the group. The overall ambition of the IPoA is to be fulfilled through favourable measures for these countries in various areas, including international trade, development financing and technical assistance, building productive capacity, etc. Their development partners have also pledged a renewed and strengthened global partnership.[15]

In this paper, the authors assess the impacts of graduation from LDC status. As graduation from this status can be daunting experience due to the loss of preferential treatments for the graduating countries, this paper provides modalities for the LDCs to follow in order to minimise the threats of graduation. This paper primarily provides the definition of LDC and the criteria for the inclusion and/or graduation

[13] Ibid.
[14] Jodie Keane, 'Graduation from LDC Status' [2016] (134) *Commonwealth Trade Hot Topics*.
[15] Mohammad A Razzaque and Kirthika Selvakumar, 'Putting LDCs Back on Track: Challenges in Achieving the IPoA Targets'.

from the LDC category. The discussion is followed by providing the impact of graduation from LDC status for the graduating countries. Maldives graduated from LDC status in 2011 but has managed to maintain moderate economic stability. This paper analyses the factors attributed to such relative stability, serving as an example for other LDCs to follow. At last, this paper provides recommendations as to how correspond to the post-graduation challenges and the way forward.

### 1.2 The Definition and Nature of LDCs

The United Nations system defines LDCs as the weakest members of the international community. LDCs are lower income countries with serious economic and social development issues.[16] The objective of LDC category is not to categorise a country as a failing State having no development prospect. This category is however designed to allow LDCs to receive development assistance from the developed countries and expedite their economic developments.[17]

Every three years, the United Nations Economic and Social Council reviews the list of LDCs by means of three criteria i.e. gross national income (GNI) per capita, human asset index (HAI) and the economic vulnerability index (EVI). Maldives graduated from the LDC status in 2011 subsequent to the publication of the 2010

[16] Richard Marshall, 'Graduation from the Group of Least Developed Countries: Prospects and Challenges for Bhutan' in *12th Round Table Meeting* (2013) 11.

[17] Rajiv Biswas, 'The Least Developed Countries: Opportunities and Challenges' in *Emerging Markets Megatrends* (Springer, 2018) 167.

report on LDCs. This was followed after the graduation of Botswana in 1994, Cape Verde in 2007, Samoa in 2014 and Equatorial Guinea in 2017.[18]

CPC considers the following criteria when deciding whether a country must be included or graduated from LDC status:

> (a) A per capita income criterion, based on a three-year average estimate of the gross national income per capita, with an upper threshold of $1,025 for identifying possible cases of addition to the list and a lower threshold of $1,230 for possible cases of graduation;
>
> (b) A human assets criterion, involving a composite index (the human assets index) based on indicators of: nutrition (percentage of undernourished population); child mortality (under-5, per 1,000 live births); maternal mortality (per 100,000 live births); school enrolment (gross secondary school enrolment ratio); and literacy (adult literacy ratio);
>
> (c) An economic vulnerability criterion, involving a composite index (the economic vulnerability index) based on indicators of: smallness (logarithm of population); geographical exposure to shocks (index of remoteness); human exposure to shocks (share of population living in low-lying coastal areas); economic exposure to shocks (share of agriculture, forestry and fisheries in the gross domestic product; index of merchandise export concentration); natural shocks (share of victims of natural disasters in the population; index of instability of agricultural production); and trade-related shocks (index of instability of exports of goods and services).[19]

In order for a country to be included in the LDC list, they must meet all the three inclusion criteria.[20] For a country to graduate from this status, it must in any case fulfil two of the criteria in two successive reviews of the list. Subsequent to the recommendation made by CDC and approval by the ECOSOC and the General

[18] Laxmi Prasad Pant, 'The Least Developed Countries Report 2010: Towards a New International Development Architecture for LDCs'.

[19] United Nations Conference on Trade and Development., 'The Least Developed Countries Report 2019' (2019) <https://unctad.org/en/PublicationsLibrary/ldcr2019_en.pdf>.

[20] Helen Hawthorne, *Least Developed Countries and the WTO: Special Treatment in Trade* (Palgrave Macmillan, 2013) 6.

Assembly, that country will be eligible for a 'three-year grace period' prior to full graduation with possibility of extension.[21]

In contrast to inclusion, the consent of the governments do not play a role in the graduation from the LDC category. However, this process is designed in a way that does not only take into account the views of the graduating country, but also ensures that their developments are not disrupted by this process. It takes several years for this process to take places and hence it allows the smooth transition of the countries.[22]

### 1.3 The Impact of Gradation from LDC Status

Since the introduction of the LDC category in 1971, and graduation concept in 1991, there has been little improvement in assisting these countries. The number of countries joining the list is higher than those actually leaving this category. Merely five countries have graduated as of December 2018 Botswana in 1994, Cape Verde in 2007, Maldives in 2011, Samoa in 2014 and Equatorial Guinea in 2017. Nonetheless, it is expected that around 16 LDCs are going to graduate by 2024.[23]

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[21] Thirukodikaval N Srinivasan, *Trade, Growth and Poverty Reduction: Least-Developed Countries, Landlocked Developing Countries and Small States in the Global Economic System* (Commonwealth Secretariat, 2009) 77.

[22] Committee for Development Policy et al, *Handbook on The Least Developed Country Category: Inclusion, Graduation and Special Support Measures Second Edition* (United Nations publication New York, New York, 2015).

[23] Ancharaz (n 11).

Once a country meets the graduation criteria, a transition period begins. The process is being called by the General Assembly as the 'preparatory period leading to graduation' in which the graduating country still fully benefit from all the special treatments to guarantee no disruption to socioeconomic progress. A smooth transition measure normally entails extending concessions to the graduated country. Even though the grace period designed for the LDCs are three years, but generally, UNGA grants extensions.[24]

Inclusion in the LDC category entails the country to receive several development assistance from the international community such as Official Development Assistance (ODA), special and preferential treatments and access to concessional loans. Donors in light of the Millennium Development Goals (MDGs) have presumed to enhance their financial support to LDCs. The Third UN Conference on LDCs, which established Brussels Programme of Action for LDCs for the decade 2001–2010, demands 'for a minimum of 0.15 per cent of donors' combined GNI to be devoted specifically to LDCs; a commitment that has been reiterated at the Fourth UN Conference on LDCs'.[25] However, the developed nations have been unwilling to fully commit to the agreed development assistance acknowledged in the BPoA.[26]

[24] UNCTAD (n 12).
[25] Debapriya Bhattacharya and Lisa Borgatti, 'An Atypical Approach to Graduation from the LDC Category: The Case of Bangladesh' (2012) 13(1) *South Asia Economic Journal* 1, 5.
[26] LDC Watch, 'Towards A World Without LDCs' [2011] *Kathmandu: LDC Watch*.

While graduating from the LDC status is a great achievement, but it also gives rise to various concerns to the graduating countries. The economic cost of graduation from the LDC status that comes with the loss of access to various support provided during their inclusion in the LDCs category is worrying.[27] The loss of preferential market access subsequent to graduation from LDC status is the biggest concern as these countries will have lesser chances to compete in the competitive markets such as US and EU.[28]

However, there are also claims that graduation from LDC status does not generally have a negative impact on the graduating countries. It is stated that there are no proof of such negative impacts or the possibility of that country falling back into this category again. Likewise, there are no evidence to prove that the development pace of these countries are slowed down.[29]

While there are also probable negative impacts of graduation due to the phasing out of the special treatments, however, graduation from LDC status is not all a negative prospect. There are also new opportunities that come with the graduation and those are 'increased perception of a more conducive business environment and better creditworthiness'.[30]

[27] Mohammad A Razzaque, 'The Tipping Point: Bangladesh's Graduation from the Group of Least Developed Countries' (2018) 39(3) *Harvard International Review* 34.
[28] Biswas (n 17).
[29] Alassane Drabo and Patrick Guillaumont, 'Graduation from the Category of Least Developed Countries: Rationale, Achievement and Prospects'.
[30] Office of the High Representative for the Least, Landlocked Developing Developed Countries and Countries and Small Island Developing States, 'A Guide to Least Developed Country Graduation' (2017) 17 <http://unohrlls.org/custom-content/uploads/2017/11/UN_Graduation_Booklet_2017_LowRes.pdf>.

## 1.4 WTO and Least Developed Countries

The WTO through the multilateral trade agreements (MTAs) offers several special and differential treatment (S&D) provisions to LDCs. These include easier market access, transition periods, and exclusions from certain procedures. Furthermore, since WTO's establishment in 1995, WTO members have made significant decisions to ease market access for goods and services that originate from LDCs. These include preferential rules of origin for LDCs, duty-free and quota-free market access, and LDC Services Waiver and its operationalization. They are executed through members' preference schemes intended for the LDCs.[31]

While there are no definition of developing and developed countries within WTO framework, the WTO generally recognises the list of LDCs endorsed by UNGA.[32] This is done in light of Article XI: 2 of the Marrakesh Agreement establishing the World Trade Organization. Article XI: 2 provides 'the least-developed countries recognized as such by the United Nations will only be required to undertake commitments and concessions to the extent consistent with their individual development, financial and trade needs or their administrative and institutional capabilities'.[33]

[31] World Trade Organisation, 'Trade Impacts of LDC Graduation' (2020) <https://www.wto.org/english/news_e/news20_e/rese_08may20_e.pdf>.
[32] Jayashree Watal and Leticia Caminero, 'Least-Developed Countries, Transfer of Technology and the TRIPS Agreement' in *Intellectual Property and Development: Understanding the Interfaces* (Springer, 2019) 199.
[33] *Marrakesh Agreement Establishing the World Trade Organization,* Art XI: 2.

The WTO agreements offer Special and Differential Treatment (SDT) to LDCs. These SDTs are generally divided into five categories:

i. Increased market access;
ii. Increased flexibility in the rules governing trade measures;
iii. Longer time periods for implementing agreements and commitments;
iv. Measures to increase trading opportunities for developing countries;
v. Support to help developing countries build the capacity for carrying out WTO work, handling disputes and implementing technical standards.[34]

The WTO Sub-Committee on Least Developed Countries (LDCs) is also mandated to explore the LDCs' issues of interest. The sub-committee is subsidiary to the Committee on Trade and Development. The Sub-Committee focuses on market access, technical assistance and WTO accessions and implements the WTO Work Programme for the LDCs.[35]

In Doha, the WTO ministers reaffirmed that SDTs are 'an integral part of the WTO Agreements' and acknowledged the difficulties they face. Furthermore, they agreed 'all special and differential treatment provisions shall be reviewed, with a view to strengthening them and making them more precise, effective and operational'. The development partners are called through commitment 5 of the BPoA to implement

[34] United Nations Development Programme, 'Graduation From Least Developed Country Status The 5th National Human Development Report' (2017) <file:///D:/Users/45012644/Downloads/5th NHDR - Lao PDR (3).pdf>.

[35] World Trade Organisation, *Sub-Committee on Least-Developed Countries* (2020) <https://www.wto.org/english/tratop_e/devel_e/dev_sub_committee_ldc_e.htm#:~:text=The WTO recognizes as LDCs,%2C Sudan and Timor-Leste.>.

'in full and as a matter of priority, the special and differential measures in favour of LDCs as contained in the Final Act of the Uruguay Round'.[36]

Other exemptions that LDCs enjoy within the WTO framework are the exemption to implement the TRIPS Agreement until July 2021 with possibility of extension. Likewise, LDCs are exempted from the protection of test data and pharmaceuticals until January 2033.[37]

### 1.5 Maldives Graduation from LDC Status

Maldives has been a development success with a population of around 515,696 people. With its well-planned infrastructure and connectivity, Maldives has seen strong growth in the last decades. Public services are quality standards and reasonable for the people which has resulted in development of good health care and educational systems. The literacy rate in Maldives is close to 100% and there is an over 78 years of life expectancy. The basic human indicators has placed Maldives 101 out of 189 countries for 2017 in the in the Human Development Index (HDI). In comparison to 1978 where the GDP per capita was $200, Maldives scored a GDP per capita of $11,890 in 2018.[38]

[36] World Trade Organisation, 'Harnessing Trade for Development in Least-Developed Countries' (2011) 6 <https://www.wto.org/english/res_e/booksp_e/harnessing_trade_dev_e.pdf>.
[37] Mustafizur Rahman Debapriya Bhattacharya, 'Graduating LDCs in an Evolving WTO' (2019) <http://library.fes.de/pdf-files/bueros/genf/15546-20190805.pdf>.
[38] World Bank Group, *Maldives Overview* (2019) <https://www.worldbank.org/en/country/maldives/overview>.

Maldives experienced a smooth transition since its graduation from LDC status. What are the reasons behind such smooth transition? The Maldivian government acknowledged that loss of preferences was a great challenge for the country, however, the government through creating appropriate policies to sustain the export volume managed to sustain the smooth transition. This moderate stability was caused by the initiatives taken by the government and the private sectors. These initiative allowed Maldives to participate in new markets and introduced Maldives' fish as a high quality product to the world. While Maldives lost preferential market access following its graduation from the LDC status, however, Maldives effectively managed the loss of preferences by increasing its 'productive capacity'.[39]

The strategies that led to the graduation of Maldives from the LDC status were also developing tourism-led growth as the government greatly invested in constructions related to tourism, communication, transport and resort developments. Maldives also revived its fisheries sector. Maldives also proactively used microeconomic policies and strengthened its education and health services.[40]

## 1.6 What Could Possibly LDCs Do to Minimise the Graduation Risks?

As LDCs are home to almost 12 per cent of the world population, 70 and 45 per cent lived respectively on $2 and S1.25 per day. The development needs of each

[39] Matthias Bruckner, *Managing Graduation from the LDC Category: The Case of the Maldives' Fish Exports* (2018) United Nations Committee for Policy Development <https://www.un.org/ldcportal/managing-graduation-from-the-ldc-category-the-case-of-the-maldives-fish-exports/#_ftnref3>.

[40] UNCTAD (n 12).

LDCs are different and it is widely acknowledged that 'one-size-fits-all type' has largely been ineffective.[41]As LDCs suffer from institutional weaknesses, they have also lesser trade related gains compared to the non-LDCs.[42] Therefore; the trade related assistance and supports provided to these countries must directly address their particular needs.

Governments themselves are in charge of developing their socioeconomic policies as well as their implementations. Hence, good governance plays an important role in the development and implementation of the socioeconomic polices without which it is impractical to expect any progress or trade-related developments.[43]

Likewise, the international community must ensure that the following criteria are met for a smooth transition of the graduating countries: a) 'Technical support is needed especially in trade related issues; b) Internal strengthening and reform of the Public Finance Management is needed; c) Political stability and good governance are important factors to counter vulnerabilities'.[44]

The key challenge that LDCs face is weak production structure. Hence, to diversify domestic productions, the LDCs must develop industrial policies that correspond to

[41] Bhattacharya and Borgatti (n 25).
[42] Alisa Dicaprio and Silke Trommer, 'Bilateral Graduation: The Impact of EPAs on LDC Trade Space' (2010) 46(9) *The Journal of Development Studies* 1607.
[43] United Nations, *Challenges of the Least Developed Countries: Governance and Trade* (United Nations Publications, 2007) 3.
[44] Jose Antonio Pedrosa Garcia, 'Lessons from Countries That Have Graduated from the LDC Category' (2018) <https://www.unescap.org/sites/default/files/Session 6.1_Lessons from countries that have graduated.pdf>.

such challenge.[45] To prosper in a world of global value chains (GVCs), there is a need 'to create and exploit policy space in national decision-making, build specific production capabilities to participate and meaningfully capture value in GVCs'.[46] UNCTAD in this regards asserts:

> National ownership of development policies is important, Policy coherence is an imperative in mainstreaming trade, A mechanism for communication with the public is needed, Trade policy should be linked to industrial policy, Inclusion of trade in national documents does not guarantee effective mainstreaming of trade, Capacity-building is an important component of the mainstreaming trade agenda, Gender issues should be a core component of the mainstreaming trade agenda, Mainstreaming trade is not a costless exercise, Mainstreaming trade has regional and global dimensions, The need for emphasis on policy implementation.[47]

Landlocked and island LDCs experience another challenge and that is accessing transit routes. Hence, for the purpose of their integration into the global economy, these countries must establish effective trade system and transit transports.[48]

The LDCs must also prioritise the significance of services and trade in services. Though the market share of developed and developing countries have significantly increased in trade in services, the shares of LDCs are still low. Services are

[45] United Nations Committee for Policy Development, 'Industrial Policy, LDCs and the WTO Regime' (2016) <https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/CDP-review-2016-5.pdf>.
[46] Daniel Flentø and Stefano Ponte, 'Least-Developed Countries in a World of Global Value Chains: Are WTO Trade Negotiations Helping?' (2017) 94 *World Development* 366.
[47] United Nations Conference on Trade and Development (UNCTAD), *Making Trade Work for LDCs: A Handbook on Mainstreaming Trade* (United Nations Publications, 2016) <https://www.tralac.org/images/docs/9487/making-trade-work-for-least-developed-countries-a-handbook-on-mainstreaming-trade-unctad-april-2016.pdf>.
[48] UNCTAD (n 47) 4.

becoming the backbone of the economies and LDCs must place this on top of their development policies.[49]

As trade is the main driver of the development strategies, LDCs must focus on 'open rules-based multilateral trading system' to enable the integration of LDCs into the global economy. Open market is fundamental in 'supporting growth and job creation'. However, this must be accompanied by creating higher capacity building to make them more competitive in the international markets.[50]

## 1.7 Conclusion

In this paper, the authors examined the obstacles faced by LDCs upon graduation from the LDC status. Once LDCs meet the graduation criteria, they must graduate from this status and as a result, they lose the trade concessions once enjoyed by them. As such, this paper provided modalities for LDCs to follow. In order to ease the graduation process of LDCs, this paper provided several workable recommendations. This paper also focused on Maldives as a case study to determine how it managed to have a smooth transition without significant disruption of its development progress.

Maldives experienced a smooth transition since its graduation from LDC status. The reasons behind such smooth transition was due to promotion activities led by

[49] United Nations Conference on Trade and Development., *Effective Market Access for Least Developed Countries' Services Exports* (2020) <https://unctad.org/en/PublicationsLibrary/ditctncd2019d1_en.pdf>.
[50] WTO (n 36).

the government and the private sector. Maldives increased its productive capacity and heavily invested in its infrastructure. Maldives has a very high literacy rate close to 100% and this due to their focus on strengthening the educational system.

This UNCTAD 2016 Report also provided several useful recommendations for the LDCs to follow in order to meet the graduation criteria. First is the emphasis on rural transformation. LDCs must not ignore the vital role that can be played by rural development in advancing the economy. Second is developing industrial policies to have a shift from lower to higher productivity and expanding the critical and sophisticated sectors of economy. Third is developing science, technology and innovation policy (STI) in supporting and advancing structural transformation. Forth is finance through creating a 'transformative productive investment and technological upgrading'. Fifth is stressing on macroeconomic policies as the backbone of a working economy. Sixth is creating employment opportunities and new jobs. Finally, forming gender equality in the economy where women are empowered to contribute to the economic advancement of the country.[51]

[51] UNCTAD (n 12).

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un-consider-expected-ldc-graduation-in-2024/>

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