



ANALYSIS

LDC Graduation

Impact on EU—Asian and EU—Pacific trade

April 2026

Summary

Forty-four countries are currently classified as *Least Developed Countries* (LDCs) by the United Nations. The number has remained relatively stable over time, at around 45 to 50 countries during recent decades. However, rapidly declining poverty levels in many countries in recent years have led to 14 to 17 countries – most of them in Asia – approaching graduation from LDC status. In Asia, six out of eight LDCs could soon graduate, as could all three LDCs in the Pacific region. Bangladesh, Lao People's Democratic Republic (Lao PDR) and Nepal are scheduled for graduation in 2026 and the Solomon Islands in 2027. Cambodia, Kiribati, Myanmar and Tuvalu have met the formal criteria for graduation and could be expected to graduate in the coming years. In addition, Timor-Leste has previously met the criteria and will hopefully soon do so again.

This analysis focuses on the trade effects of LDC graduation in Asia and the Pacific, with a particular focus on changes in the trade relationship with the EU. The graduating countries, with a combined population exceeding 400 million, will lose preferential market access to the European Union and other major markets such as Japan, Canada and the United Kingdom. That preferential market access has given exporters from LDCs a competitive advantage over exporters from other markets, such as China. Graduation from LDC status will result in higher tariffs on exports to these markets, as well as stricter rules of origin for maintaining certain trade preferences, thus reducing exporting firms' competitiveness in those markets. Many of the preference-granting markets, including the EU, also extend benefits to non-LDC developing countries, but these are less generous and their relative advantages have diminished over time. Trade in services, by contrast, is expected to be only marginally affected by graduation.

Graduation entails some additional obligations under the World Trade Organization (WTO) framework, but for most countries, the overall status quo will continue to apply with regard to WTO commitments.

The trade impact of graduation will vary considerably across countries, depending on their export composition, destination markets and the extent to which they currently utilise available tariff preferences. Bangladesh is expected to be the most severely affected country due to loss of EU trade preferences, followed by Cambodia and Lao PDR. Other countries, such as Nepal and the Solomon Islands, are likely to experience only limited effects. The fact that several countries in the same region are graduating around the same time will likely make the impact less noticeable for many of them.

Remaining LDCs might capture new market shares or benefit in other ways from the changing competitive landscape. However, any potential positive effects risk being offset by increased competition in other export markets.

Development cooperation and trade policy, in the EU and other markets, have an important role to play in facilitating a smooth transition for graduating LDCs and in enabling remaining LDCs to take advantage of emerging trade opportunities.

Table of contents

Summary	2
1 Introduction	4
2 Graduation – the transition from LDC status	5
2.1 Big changes await	5
2.2 Trade benefits for LDCs	7
2.2.1 Lower tariffs on exports	7
2.2.2 WTO – limited special treatment	8
2.2.3 Access to funds	8
3 Varying effects for graduating countries	9
3.1 Loss of preferential market access	9
3.1.1 A few Asian graduating LDCs will lose important EU trade preferences	9
3.1.2 Asian graduating LDCs are largest beneficiaries of EU LDC preferences	10
3.1.3 EU preferences are worth applying for	11
3.1.4 Limited effects on trade in services	12
3.2 ... but other options are available	12
3.2.1 Preferential tariff schemes	12
3.2.2 Trade agreements	15
3.3 ...and a soft landing is prepared.	16
3.4 Status quo for (most) WTO commitments	16
3.5 Challenges and opportunities	17
4 Few effects for remaining LDCs in the region	18
4.1 Challenges and opportunities	19
5 Recommendations for the EU and other trade and development partners ...	20
References	22
Sammanfattning på svenska Summary in Swedish	23

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1 Introduction

A striking number of low-income countries have achieved significant poverty reduction in recent decades. Though challenges remain, up to 14 out of 44 states will soon cease to be classified by the UN as ‘least developed countries’ (LDCs), a process known as ‘graduation’. Many of them are populous, and the change will encompass more than 400 million people. In addition, another three countries, with a combined population of around 60 million, have temporarily met the criteria for graduation and, despite recent setbacks, may again achieve this level of development in the near future. In Asia, six out of eight LDCs could soon graduate, as could all three LDCs in the Pacific region.

This change is, of course, a cause for celebration, but graduating countries may also face new challenges. Some benefits granted only to LDCs will be lost, particularly in the area of international trade. Many major markets reduce or completely eliminate tariffs on imports from LDCs. LDCs also benefit from certain exemptions in implementing and complying with obligations in the World Trade Organization (WTO). For graduating Asian countries, these effects may be exacerbated by recent changes to the US trade regime, including higher general tariffs.

Our analysis will describe the trade aspects of LDC graduation and discuss how negative effects can be mitigated. Specifically, we will address challenges and opportunities for graduating and non-graduating LDCs and trading partners – primarily the EU but also other trading partners that grant benefits to imports from LDCs and can assist both groups through technical assistance and revised trade relations. While the analysis covers both Asia and the Pacific, most trade effects are concentrated in Asia where LDC preferences are more important for exporters.

2 Graduation – the transition from LDC status

2.1 Big changes await

The UN classifies the world's most vulnerable countries as 'least developed'.

Development is measured in three dimensions of poverty, with the main criteria being:

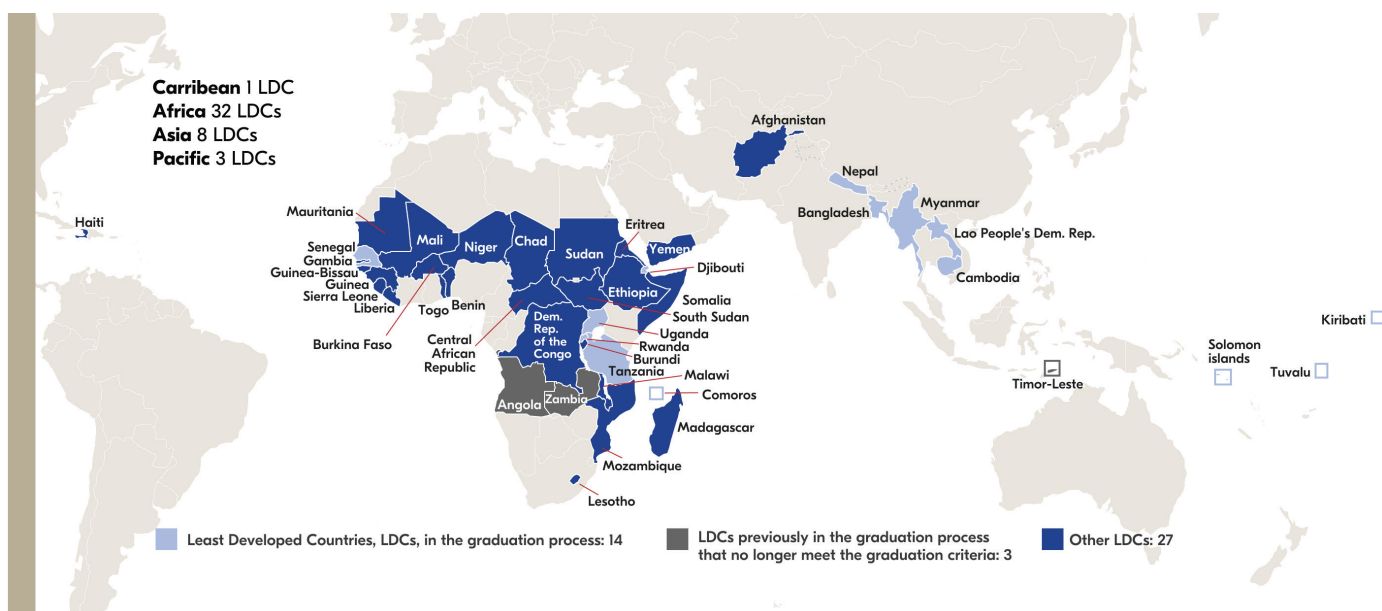
- low levels of income (GNI per capita)
- low levels of human assets (Human Development Index)
- high economic and environmental vulnerability (Economic and Environmental Vulnerability Index)¹.

Decisions on which countries belong to the category are made by the UN Economic and Social Council, based on recommendations from its subsidiary body, the Committee for Development Policy. Reviews are conducted every three years, most recently in 2024.

In the past decades, the number of LDCs has been relatively constant, with only two countries added to the category (Timor-Leste in 2003 and South Sudan in 2012). Eight countries have been removed as a result of positive development, including Samoa in 2014, Vanuatu in 2020 and Bhutan in 2023. When LDCs leave the category, it is commonly referred to as 'graduating'.

Currently, 44 countries are classified as LDCs. However, in the coming years, a significant shift is expected to take place: six countries are scheduled to graduate from the LDC group, and another eight are on a trajectory to do so.

Figure 1. The 44 countries classified as LDCs and the expected changes



¹ For more detailed information on criteria, see [LDC Category | Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States](#)

The following countries in Asia and the Pacific are affected: **Bangladesh, Lao PDR, Nepal** and **the Solomon Islands** are currently scheduled for graduation. **Cambodia, Kiribati, Myanmar** and **Tuvalu** have met the formal criteria for graduation and could be expected to graduate in the coming years. Furthermore, **Timor-Leste** has previously met the criteria and will hopefully do so again soon.

Table 1. List of graduating and potentially graduating Asian and Pacific LDCs

Country	Year	Current status
Bangladesh	Nov 2026	Graduation decided
Lao PDR	Nov 2026	Graduation decided
Nepal	Nov 2026	Graduation decided
Solomon Islands	Dec 2027	Graduation decided
Cambodia	2029	Graduation recommended
Kiribati	2029	Graduation recommended by the CDP but not decided by ECOSOC
Tuvalu		Graduation recommended by the CDP but not decided by ECOSOC
Myanmar		Should be recommended for graduation; decision deferred
Timor-Leste		Met graduation criteria in 2021 but not in 2024

Source: UN [LDC Portal – International Support Measures for Least Developed Countries](#)

It is important to note that countries are recommended for graduation if they perform well in a minimum of two of the three development indices measured. For instance, in 2024, Nepal was slightly below the threshold for income but is still scheduled for graduation. Countries also need to meet the criteria for graduation in two consecutive triannual reviews, to ensure that the levels of development reached are sustainable over time. Finally, a country may qualify for graduation if its GNI per capita reaches at least three times the prescribed threshold, even if it does not satisfy the other two criteria.

It is also worth noting that a majority of LDCs are currently in Sub-Saharan Africa. Within the foreseeable future, almost all LDCs will likely be concentrated in this region – 24 out of 27. In Asia, the vast majority of LDCs will graduate, leaving only Afghanistan and Yemen (if Timor-Leste recovers from recent setbacks). Most likely, there will soon be no LDCs remaining in Oceania, while Haiti has always been the only LDC in the Western Hemisphere.

2.2 Trade benefits for LDCs

Being classified as an LDC provides access to several trade benefits, mainly:

1. **lower tariffs on exports** to several major markets, notably the EU through its Generalised Scheme of Preferences (GSP) but also to other markets such as Japan, the United Kingdom, Canada and China
2. **reduced obligations** in relation to World Trade Organization (WTO) commitments
3. **access to special aid funds** focused on trade related development assistance.

2.2.1 Lower tariffs on exports

The positive development reflected by the number of graduating LDCs is, of course, a cause for celebration. However, when it comes to international trade, countries leaving the category will face certain challenges.

The main challenge is that LDCs are granted preferential access for exports to many markets.² This gives exporters from LDCs a competitive advantage over exporters from many other markets, such as China and India. Australia, New Zealand, Norway and Switzerland have removed all tariffs on imports from LDCs. The UK and EU grant duty-free and quota-free market access for the import of all goods, except arms and ammunition. Canada, Chile, China, Japan, Iceland and India are other examples of countries that offer duty-free access for a significant proportion of all goods imported from LDCs. More limited preferences are provided by countries such as Armenia, Thailand and Turkey. The equivalent US system was paused in 2021 and has not yet been renewed.

There is no readily available estimate of the aggregate importance of these preferences. UNCTAD concludes that in 2023, the EU, UK, Canada and Japan granted preferential treatment to imports from LDCs valued at USD 41 billion. The main categories were apparel and clothing, machinery, shoes and agricultural products (UNCTAD). According to UNCTAD, the largest tariff concessions are made by the EU. In 2022, thanks to all preferential tariffs, EU importers saved EUR 6.2 billion on imports from LDCs (European Commission). The majority of these concessions were for imports from LDCs, mainly on imports from Bangladesh.

² For a full list, see [Preferential market access for goods | LDC Portal – International Support Measures for Least Developed Countries](#)

Preferential market access is not equally important for all LDCs. The importance depends on three things:

1. **With whom trade is conducted:** If direct exports to markets granting LDC specific preferences are low, graduation will, of course, have a limited impact.
2. **What is exported:** If an LDC mainly exports goods that are already duty free, such as mineral products, preferences will not have a significant impact. If regular tariffs are high, as is often the case for garments and agricultural products, preferences provide a competitive advantage for LDC products.
3. **If preferences are worth applying for:** Lower tariffs are not automatically granted upon import, but need to be applied for. While doing so, there is also a need for a certificate of origin for the product, to ensure that the right country's exporter benefits from the tariff reduction. If import tariffs for certain goods are very low, the potential savings from tariff reductions may be outweighed by the administrative costs of applying for preferential treatment and proving origin. In addition, if too much of the content in a product has its origin in a third country, this may lead to exclusion from preferential treatment.

2.2.2 WTO – limited special treatment

Of the 44 current LDCs, 37 are members of the WTO. All Asian countries approaching graduation are members. In the Pacific, the Solomon Islands is a WTO member while Kiribati and Tuvalu are not.

There are a few benefits of WTO membership that are only offered to LDCs, while many flexibilities apply to all members that define themselves as 'developing countries'. WTO members have agreed to grant LDCs certain benefits, mainly regarding the use of export subsidies and longer transition periods for implementing the agreements on intellectual property rights and on trade facilitation. Members have also agreed to exercise caution in using the WTO dispute settlement mechanism when resolving disputes with LDCs.

2.2.3 Access to funds

Linked to the WTO, there are also funds for trade-related capacity building that support both LDCs and newly graduated LDCs, such as the EIF Trust Fund.³ In addition, there are a few funding mechanisms dedicated to LDC support in other policy areas, for example related to climate change.

³ [Enhanced Integrated Framework \(EIF\)](#)

3 Varying effects for graduating countries

3.1 Loss of preferential market access ...

As described above, exports from LDCs are often subject to lower tariffs than exports from other countries, making them relatively more competitive. An estimate of the effects on trade for 12 graduating countries in 2022 shows an aggregate loss in exports of over USD 6 billion, corresponding to around 6 per cent of their total exports (Bekkers & Cariola 2024). However, as noted above, the effect on countries varies greatly and depends on what is exported and to whom.

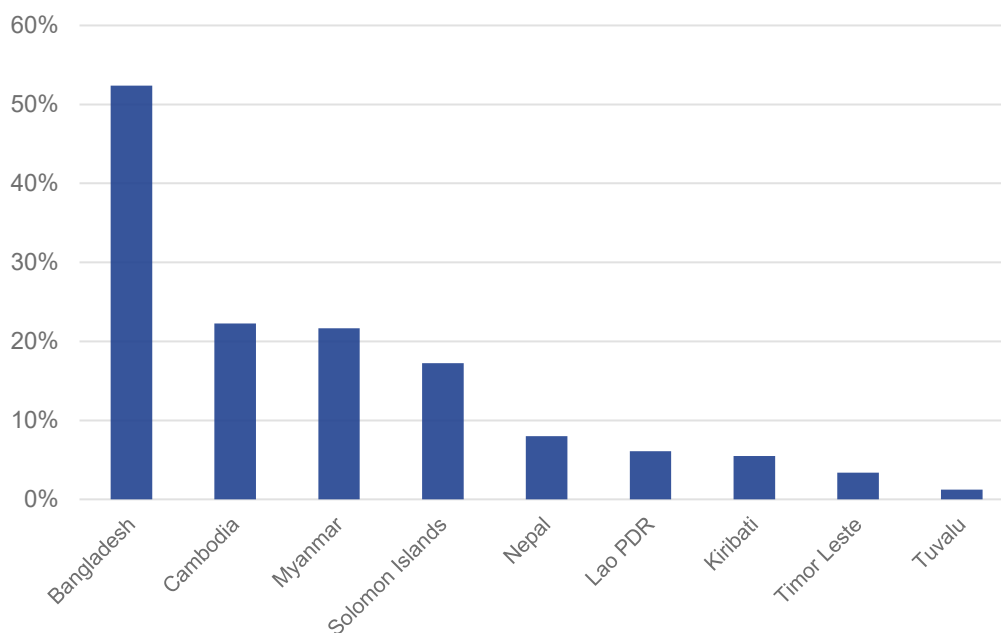
3.1.1 A few Asian graduating LDCs will lose important EU trade preferences

In many ways, Bangladesh is the country that faces the most severe negative impact from graduation. The country has shown a remarkable growth in export of goods: from USD 2 billion in 1990 to USD 59 billion in 2024 (Government of Bangladesh; OEC World). The main export industry is garments and textiles, goods that normally face high tariffs in many export markets. For example, the EU tariff rate is around 12 per cent for imported garments. Garments constitute about 85 per cent of the total merchandised exports (Bangladesh Institute of International and Strategic Studies). According to the Government of Bangladesh, as much as 73 per cent of merchandise exports benefited from LDC-specific preferences in 2024.

The impact on trading patterns could be significant. The WTO predicts that graduation will lead to a 14 per cent reduction in exports from Bangladesh, due to the loss of preferential market access (WTO & EIF).

Major Asian markets are, for natural geographical reasons, important export destinations for many Asian LDCs. In 2024, over 70 per cent of exports from Lao PDR went to Thailand and China, around 70 of exports from Nepal went to India, while over 60 per cent of exports from Kiribati went to Thailand. These countries offer preferential access to LDCs, and terms of trade may be altered after graduation.

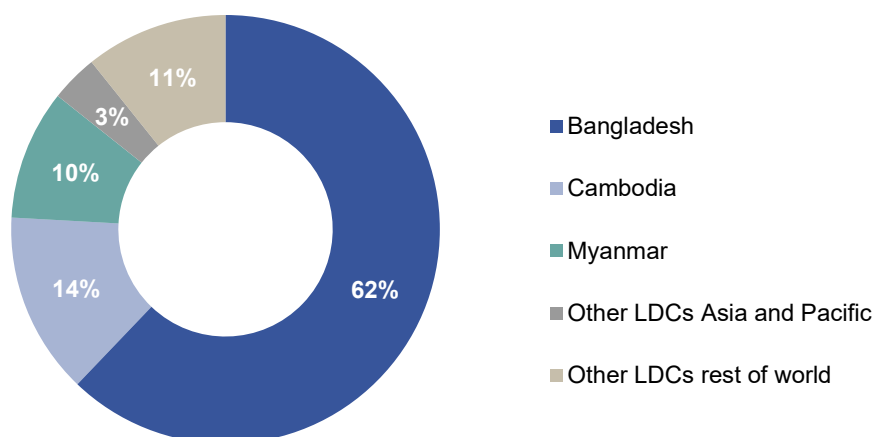
The EU is an important market for some graduating LDCs, not least Bangladesh. More than half of the country's exports of goods were destined for the EU in 2024. However, as Table 2 illustrates, the dependency on the European market varies; for some countries such as Timor Leste and Vanuatu, it is of limited significance, while it is important to countries such as Cambodia and Myanmar.

Figure 2. Share of export of goods destined for the EU in 2024

Source: National Board of Trade calculations using data from the Observatory of Economic Complexity

3.1.2 Asian graduating LDCs are largest beneficiaries of EU LDC preferences

The vast majority of the goods imported to the EU from Bangladesh, Cambodia and Myanmar are garments and textiles, products where the EU has relatively high tariff lines. In 2024, 62 per cent of all preferential imports to the EU from LDCs came from Bangladesh, by far the country making the greatest use of the system. In addition, 14 per cent of preferential imports from LDCs came from Cambodia and another 10 per cent from Myanmar. In total, a staggering 89 per cent of all preferential imports to the EU from LDCs came from countries in Asia on the path to graduation. The preferential imports are heavily dominated by garments and textiles, especially from Bangladesh.

Figure 3. Share of value of EU preferential imports from LDCs in 2024, by country

With the loss of preferential market access after graduation, this will mean higher prices for EU importers, most likely reflected in higher retail prices for consumers, particularly for clothes and textiles. In 2022, the EU imported 58 per cent of total garment consumption (EURATEX). Of those imports, 16 per cent originated in Bangladesh (WITS, 2026). Exporters will face the same tariffs as Chinese firms. Vietnam, another important competitor, has reduced tariffs through a free trade agreement with the EU. The situation is further aggravated by the recent free trade agreement between the EU and India, which will lower tariffs on Indian exports of textiles and garments. This will further reduce the competitiveness of Bangladeshi exporters.

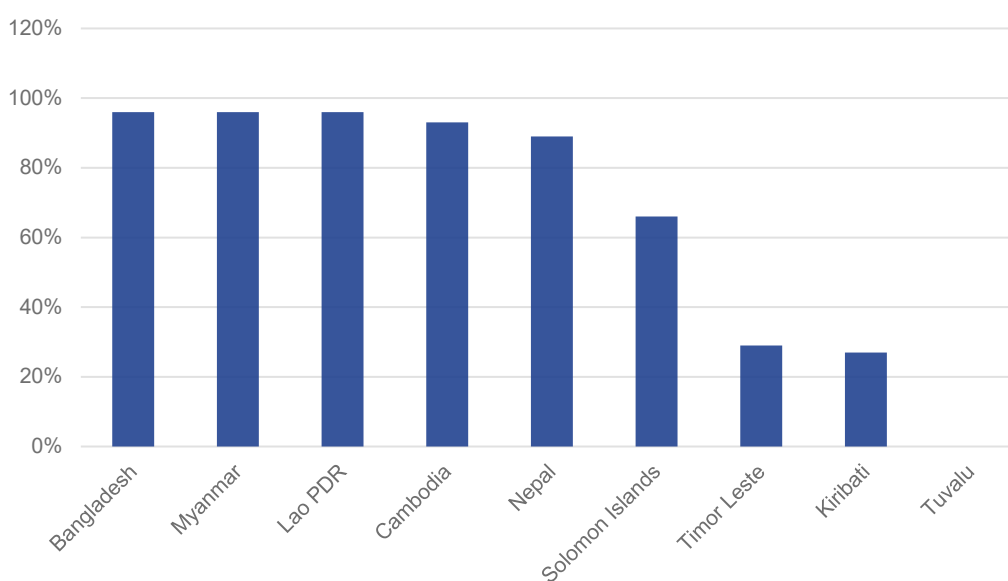
It remains to be seen whether the loss of preferential treatment will lead to sourcing and production of, for example, garments shifting to other markets that can benefit from preferential tariff treatment. One factor that might affect sourcing decisions is the recent EU regulations on sustainability, which increase compliance demands on exporters. This raises the threshold for new firms to enter into competition with existing production networks, where compliance investments have already been made.

Adjustments in sourcing and production might also have been greater had a single country in the region lost LDC preferences. With a larger cluster graduating in Asia effects may be muted: sourcing patterns may change more slowly, and sourcing patterns may remain but with slimmer margins for producers (Bekkers & Cariola).

3.1.3 EU preferences are worth applying for

For the majority of goods imported from graduating Asian LDCs, preferences make a difference. This is especially true for main exports from many Asian LDCs, textiles and agricultural products, where EU tariffs are relatively high. The incentive to make use of preferences is apparently strong, as shown by the extent to which they are used by graduating LDCs in the region. For most of these countries, almost all preferences offered are used. However, for a few countries in the Pacific, all with very low exports to the EU, utilisation is low.

Figure 4. Utilisation of preferences in 2024 for Asian and Pacific countries on the path to graduation, in per cent of all imports eligible for preferences



Source: EU Commission GSPHub.eu

3.1.4 Limited effects on trade in services

The preferential treatment for services that WTO members grant LDCs is fairly limited. Neither are there unilateral LDC-specific preferences for services market access in major markets. Therefore, for trade in services, the impact of graduation will most likely not be of importance, according to WTO estimates (WTO and EIF 2020).

3.2 ... but other options are available ...

3.2.1 Preferential tariff schemes

Graduating countries will still be able to receive some competitive advantage over other exporters through reduced tariffs, though most likely to a lower degree. Several trading partners, such as Canada, the UK and the EU, offer tariff reductions for countries classified by the World Bank as ‘lower-middle income countries’ – a category that encompasses all graduating LDCs.

The EU grants tariff concessions to imports from low- and lower-middle-income countries, based on beneficiary countries’ level of development. The scheme is called the General Scheme of Preferences (GSP) and aims to contribute to poverty reduction and to promote sustainable development.

Table 2. EU GSP: three tiers of tariff preferences

System	EBA	General GSP	GSP+
Benefits	Duty- and quota-free market access on Everything but Arms and ammunition. More liberal rules of origin than for the other two tiers of the GSP.	Duty reductions on 66% of tariff lines imported to the EU. Withdrawn if exports of a product from a country become too competitive, measured in share of EU imports.	Zero duties on 66% of tariff lines , as long as imports of a certain product from a country do not exceed 27 % of all GSP+ imports of that product. Withdrawn if exports of a product from a country become too competitive, measured in share of EU imports.
Beneficiaries	Countries classified as LDCs by the UN.	Automatically granted to countries classified by the World Bank as low- and lower-middle-income countries , excluding countries that have signed a Free Trade Agreement with the EU.	Countries eligible for GSP who also implement core conventions on human rights, governance, labour, environment and other sustainable development conventions.
Beneficiaries in Asia	Afghanistan, Bangladesh, Cambodia, ⁴ Bhutan, ⁵ Kiribati, Lao PDR, Myanmar, Nepal, Solomon Islands, Timor-Leste, Tuvalu, Yemen	India, ⁶ Indonesia, ⁷ Micronesia, Niue, Syria, Tajikistan, Vanuatu	Kyrgyzstan, Mongolia, ⁸ Pakistan, Philippines, ⁹ Sri Lanka, Uzbekistan

⁴ EU preferences partially withdrawn since 2020 due to violations of human rights.

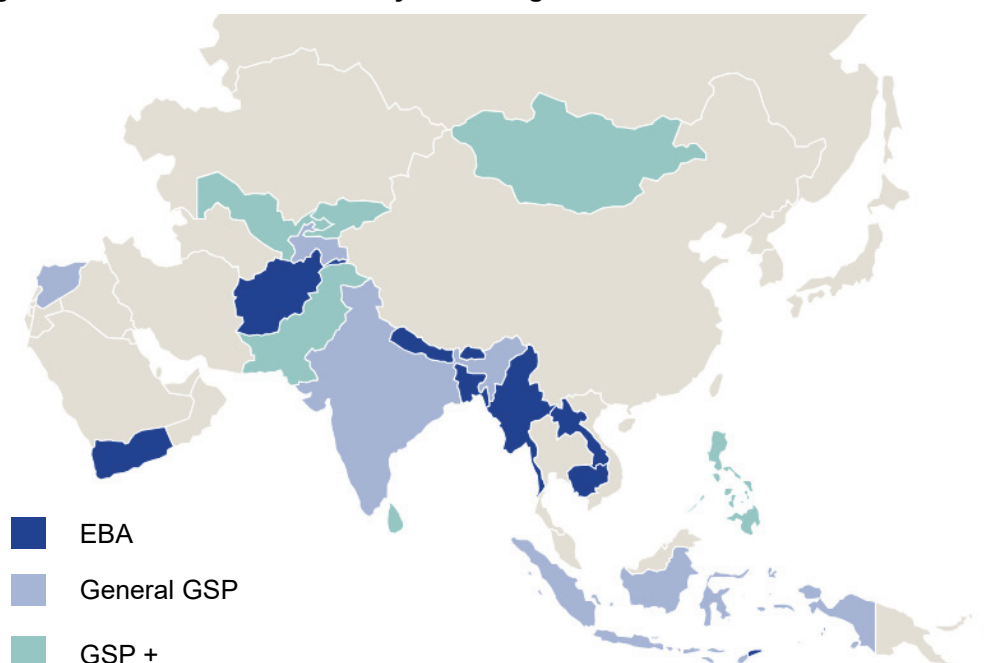
⁵ Graduated in 2023, benefits extended by the EU for a three-year transition period.

⁶ Has recently concluded an FTA with the EU and will therefore leave the scheme.

⁷ Has recently concluded an FTA with the EU and will therefore leave the scheme.

⁸ Upper-middle-income country since 2025, most likely graduating soon from GSP+.

Figure 5. Asian countries currently benefiting from the different EU GSP tiers



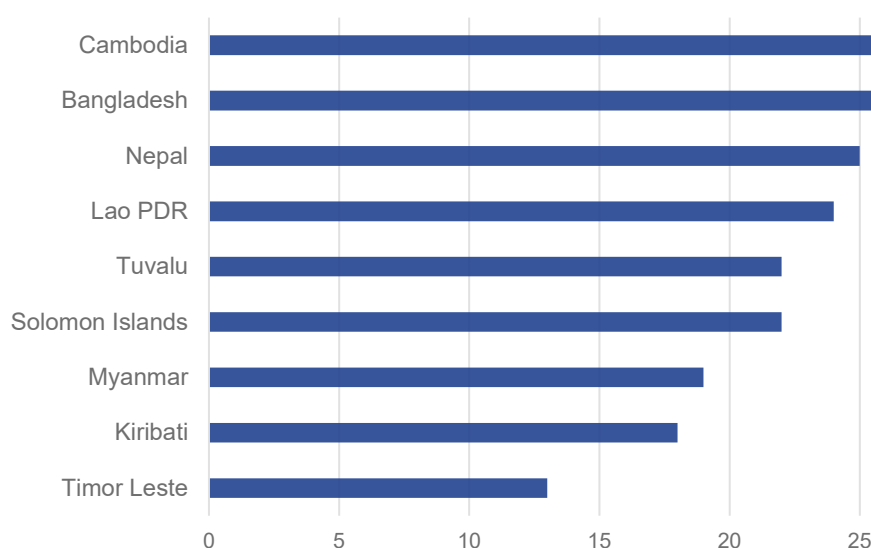
All graduating LDCs will be able to benefit from either GSP or GSP+. Thus, the main differences in terms of trade with the EU post-graduation are:

- tariffs may be reduced, but not to zero
- fewer goods may be covered
- requirements on national origin will be stricter.

Could graduating LDCs in Asia and the Pacific benefit from GSP or the more generous GSP+ to maintain preferential treatment? For the most important sectors, clothes and textiles, this will most likely not be possible, at least for Bangladesh, due to automatic safeguards for sectors with large market shares. In addition, if exports to the EU are diversified and not overly dependent on a few products, benefits will no longer apply. In addition, stricter rules of origin would apply, for instance excluding garments manufactured in Bangladesh using imported fabric from third countries such as China.

This means that even though Bangladesh has ratified the 27 international conventions currently required for GSP+, there are limited possibilities to benefit from the system.

All other graduating LDCs, except Cambodia, currently lack ratification and implementation of some of the 27 conventions necessary for GSP+.

Figure 6. Number of ratified and implemented conventions needed for GSP+

Source: European Commission GSP-Hub

It should be noted that the current EU GSP scheme will expire in 2027, when updated rules will be applied. The new regulation proposed by the European Commission expands the list of conventions required for GSP+. The proposal improves the possibilities for graduating LDCs to be eligible for GSP+, since large export volumes will no longer disqualify exports from preferential treatment. However, there will still be automatic safeguards for exceptionally large exports, which will most likely prevent textiles and garments from Bangladesh to be granted reduced tariffs.

3.2.2 Trade agreements

Bilateral and regional trade agreements are another option for maintaining preferential market access. Such agreements ensure a higher level of predictability and stability than other countries' GSP schemes. The agreements must be reciprocal to be WTO compliant, but can be asymmetrical, taking levels of development into account.

For example, since 2020, the Solomon Islands has had an Economic Partnership Agreement (EPA) with the EU, which ensures continued duty-free and quota-free market access after graduation. In return, there is an asymmetrical and gradual opening to imports from the EU, excluding some sensitive sectors and products from liberalisation in the Solomon Islands.

The EU has entered into such trade and development agreements, called Economic Partnership Agreements with 33 countries in Africa, the Caribbean and the Pacific. These agreements open up EU markets fully and immediately, whereas partners open only partially to EU imports gradually over 15 to 25 years and exempt up to 20 per cent of tariff lines from liberalisation. Accession processes for such agreements with the EU are underway with Tuvalu, Timor Leste and recently graduated Vanuatu. The EU agreement with countries in the Pacific is also open to Kiribati.

The EU is currently not negotiating free trade agreements with Asian graduating LDCs. The Economic Partnership Agreements mentioned above are only negotiated with countries in Africa, the Caribbean and the Pacific.

Cambodia, Myanmar, Lao PDR and Timor-Leste are members of ASEAN. Bangladesh is part of the South Asian Free Trade Area. Kiribati, Solomon Islands and Tuvalu are parties to the Pacific Agreement on Closer Economic Relations. All three agreements grant benefits to LDC members, such as improved market access, more flexible rules of origin and longer times for tariff eliminations. There might be consequences from graduation, depending on the terms of the agreements and the nature of LDC-specific flexibilities.¹⁰

3.3 ...and a soft landing is prepared.

After a decision on graduation by the UN ECOSOC, a three-year transition period follows. LDCs can also apply for additional time to prepare. Once the graduation process is completed, trade preferences may still be extended for a longer period. Many trading partners, such as the EU, Japan and Canada, offer tariff preferences to graduating LDCs for an additional three-year period.

Support for a smooth transition is provided by actors such as the UN, the WTO and the EIF.¹¹

3.4 Status quo for (most) WTO commitments

Most aspects of WTO membership will *not* be affected by graduation. For example, there will be no changes in commitments on tariffs, no additional contributions to the budget and no obligation to open up new services sectors to international competition. The main change will be fewer exceptions for the use of export subsidies and intellectual property rights; however, the WTO Secretariat predicts that no retroactive obligations on patents are expected (WTO and EIF). In addition, a few LDC-specific funding sources will no longer be available, such as financing for participation in WTO ministerial meetings and support from programmes such as the Enhanced Integrated Framework.

¹⁰ More information on [Special treatment regarding obligations and flexibilities under regional agreements | LDC Portal – International Support Measures for Least Developed Countries](#)

¹¹ Examples are [Support for LDC graduation | LDC Portal – International Support Measures for Least Developed Countries](#), [WTO | Graduating from status of least-developed country \(LDC\)](#)

3.5 Challenges and opportunities

- New ways to achieve preferential market access may be considered, to the extent possible. Ensuring coverage by the EU GSP+ could be one option.
- Reciprocal trade agreements could be considered, preferably moulded on the EPAs the EU has concluded with a number of lower-middle-income countries. Market access opportunities for other important export markets could also be explored. Specific resources may be required for negotiation and implementation of such agreements.
- The national impact of altered WTO commitments may need to be addressed, especially on flexibility for export subsidies and intellectual property rights.
- The consequences for the participation in regional trade agreements may need to be considered.
- The availability of trade data for graduating countries will affect the ability to assess the combined effects of losing preferential market access. Further resources may be needed for the analysis of changes and the identification of national interests.

4 Few effects for remaining LDCs in the region

The expected change in the number of countries classified as LDCs could create new trading opportunities for the remaining countries. Research shows that market openings may be created for exports from remaining LDCs when graduating LDCs lose preferential market access to a number of countries (Bekkers & Cariola).

However, remaining LDCs may also face certain challenges if, for example, exports from graduating LDCs are directed to new markets. The net effect is difficult to estimate. For example, clothing accounts for 37 per cent of exports from graduating LDCs to preference-granting countries and for 87 per cent of the predicted total trade loss following graduation. This may offer investment and production opportunities for LDCs that still have access to preferential market access. However, 5 per cent of all global textile exports come from Bangladesh, the country that will be affected the most by loss of preferential market access after graduation. Where will these exports be directed instead? What new production and trading patterns will emerge?

The two Asian countries that are not likely to graduate from LDC status in the near future are Afghanistan and Yemen. Afghanistan exports mainly agricultural products to the EU, but the dependency on trade with the EU is very low. Instead, India and Pakistan accounted for more than 80 per cent of exports from Afghanistan in 2024. For Yemen, more than half of exports were destined for India and Saudi Arabia, and the majority of the rest for other Asian markets together with Egypt. Exports to the EU are largely made up of fish, where preferences could make a significant reduction in import costs (OEC World).

Table 3. Importance of EU market and the utilisation of preferences for non-graduating Asian LDCs

Country	Share of exports to the EU	Eligible for EBA	Degree of utilisation	Duty-free imports
Afghanistan	3%	65%	57%	72%
Yemen	4%	78%	89%	91%

Source: EU Commission GSPHub.eu and National Board of Trade calculations using data from The Observatory of Economic Complexity.

The effects of other countries' graduation, and the ability to exploit potential opportunities vary significantly between countries. However, some common issues could be discussed.

4.1 Challenges and opportunities

- New export opportunities may emerge from the graduation of other LDCs, which could attract new investment and production. Analyses might be needed to understand the new landscape, and traders might require support in understanding and adapting to the new terms of trade.
- Depending on how trade patterns change, competition on export markets may become fiercer. Competition may also change on the national level if import patterns change.
- If the level of utilisation of LDC preferences is low, an understanding of the reasons would be useful for LDC governments. There might be opportunities to increase export competitiveness by increasing the utilisation rate. In order to do so, information on the reasons is required: are low levels due to a lack of information, or to the assessment that administrative costs and uncertainty outweigh the benefits of tariff reductions? Or are products ineligible for preferential imports due to origin requirements?
- If almost all LDCs are concentrated in Africa, there may be consequences for how the special interests of this group of vulnerable nations are viewed by the international community, which may need attention from national policymakers.

5 Recommendations for the EU and other trade and development partners

Trading partners need to be aware of upcoming changes, both for graduating and non-graduating LDCs. It is important that partners continue to provide a stable and predictable bilateral and regional trade environment, especially at a time when the WTO can no longer provide the stable global framework it once did. This is even more important given the US administration's imposition of tariffs that are detrimental to exports from many LDCs. In April 2025, the US announced 'liberation day' tariffs for Bangladesh, Cambodia, Lao PDR and Myanmar ranging from 37 per cent to 49 per cent. These levels never materialised; in several cases trade deals were made. Still, tariff levels are significantly higher than under the last US administration. Even when trade seems to be affected to a relatively low extent, for example, if the US market is not a major destination for direct exports, the disruption of regional and global value chains will most likely affect a wide range of exports from Asian countries. At the same time, new export opportunities may arise if other nations, such as China and India, face even higher US tariffs.

For LDCs and newly graduated LDCs, international trade can be an important engine for growth and contribute to sustainable economic development. When major donors reduce their financing of trade-related development aid, both graduating and non-graduating LDCs are affected. Previously, this so-called 'aid for trade' remained high even during crises, such as the COVID-19 pandemic. However, in 2025 the OECD projected a 9 per cent to 17 per cent drop in official development assistance (OECD, 2025). It remains to be seen how levels of aid for trade will be affected. Assistance is needed for graduating countries to adjust to new terms of trade and to avoid setbacks on the path to continued development. Support should also target remaining LDCs so they can take advantage of emerging opportunities and ensure continued progress toward poverty reduction.

In relation to graduating LDCs, the EU and other partners should:

- Support transition periods for preferential treatment, in GSP-systems or within the WTO, to allow for gradual adaptation of production and exports.
- Facilitate the transition to new preferential schemes, such as the EU GSP+, through support in ratifying and implementing relevant international conventions.
- Trust, predictability and cooperation in trade relations are key. Therefore, the EU and other partners should make efforts to conclude or implement bilateral and regional trade agreements. Such agreements need to be reciprocal to be WTO compliant, but should be asymmetrical, taking into account partners' differing stages of development. This would not only support countries' use of trade for development and poverty reduction, but also benefit EU importers and eventually consumers.

- Support the adjustment of value chains to ensure continued tariff reductions, where new origin requirements may need to be met through more national content in export products.
- Support the fulfilment of altered commitments in WTO agreements.
- Collaborate to improve the utilisation of preferences and ensure compliance with export market requirements, perhaps most importantly for agricultural products and textiles.
- If there is a demand, support the role of trade policy institutions in the transition through development cooperation. Resources might be made available to analyse changes, identify national interests, prepare for negotiations and implement agreements.

In relation to remaining LDCs, the EU and other partners should:

- Collaborate on identifying new export opportunities and support the production capacity to meet them.
- Collaborate to improve the utilisation of preferences and support producers' capacity to comply with export market requirements, perhaps most importantly for agricultural products and textiles.
- Ensure that international attention and support for LDCs remains a high priority in a global context, for trade rules as well as for trade-related development assistance.

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Sammanfattning på svenska

Summary in Swedish

Minskad fattigdom i många låginkomstländer gör att ett historiskt stort antal länder är på väg att lämna FN:s kategori ”minst utvecklade länder” (MUL). Denna så kallade ”graduering” är förstås något positivt, men den innebär vissa utmaningar när det gäller internationell handel. Den här analysen fokuserar på handelseffekter av MUL-graduering i Asien, med särskilt fokus på hur handelsrelationen med EU förändras.

FN bedömer MUL-status utifrån tre kriterier: inkomst, humanitära resurser och grad av ekonomisk och miljömässig sårbarhet. I dag finns 44 MUL-länder men minst 14 är efter en längre tids positiv utveckling glädjande nog på väg att lämna kategorin. I Asien och Oceanien gäller det Bangladesh, Laos, Nepal och Solomonöarna samt med stor sannolikhet snart även Kambodja, Myanmar, Kiribati och Tuvalu och på längre sikt möjligen Östtimor. MUL ges låga eller helt borttagna tullar av många ekonomier, såsom EU, UK, Japan, Indien och Kina. Värdet av dessa tullförmåner uppskattas till drygt 40 miljarder USD per år. Graduering kommer att leda till att de förmånliga handelsvillkoren gradvis försvinner.

De krav som följer med ett WTO-medlemskap påverkas däremot i liten grad av graduering, med undantag för minskad flexibilitet kring exportsubventioner, immaterialrätt och handelsprocedurförenkling.

Effekten för MUL som graduerar varierar beroende på exportstruktur: länder som främst exporterar mineraler påverkas mindre, eftersom tullar på de varorna ofta är väldigt låga. Länder med stor andel jordbruks- och textilprodukter i sin export riskerar större tapp. Hur stor andel av exporten som går till länder som ger tullättnader för MUL spelar förstås också in i hur stor effekten blir. Andra preferenssystem kan ta vid, men de är ofta mindre förmånliga.

Bangladesh kommer att ställas inför mycket stora utmaningar vid graduering. Majoriteten av landets nuvarande export består av kläder och textil som importerats tullfritt till EU och andra större marknader. När den exporten beläggs med tull riskerar det att försvåra konkurrensen för textilföretag i Bangladesh, särskilt när EU:s kommande frihandelsavtal med Indien träder i kraft. Det kommer med stor sannolikhet även att påverka konsumentpriser inom EU. Kambodja och Myanmar har också en relativt stor andel av sin export till EU, även där är kläder och textil viktiga varor.

För att mildra effekterna av graduering kan vissa länder ha nytta av att ansluta sig till EU:s GSP+, som ger lägre tullar mot att vissa internationella konventioner följs. För andra länder är det troligen mer effektivt att sluta bilaterala handelsavtal med handelspartners som EU.

När vissa länder lämnar MUL-gruppen kan nya exportmöjligheter öppnas för de som blir kvar. Samtidigt kan handelsmönster skifta och öka konkurrensen på andra marknader.

EU och andra partnerländer bör stödja en smidig övergång genom att underlätta inträde i så förmånliga preferenssystem som möjligt, exempelvis EU:s GSP+. Partnerländer bör också främja bilaterala och regionala avtal samt bistå med analys- och förhandlingskapacitet. Det är viktigt att fortsatt prioritera MUL-frågor globalt, bibehålla tullfri marknadstillgång för kvarvarande MUL och stärka handel som motor för hållbar utveckling. Även handelsrelaterat bistånd bör upprätthållas, för att graduerande MUL-länder ska kunna anpassa sig till nya handelsvillkor.

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Our goal is a well-functioning internal market, an external EU trade policy based on free trade and an open and strong multilateral trading system.

We provide the Swedish Government with analyses, reports and policy recommendations. We also participate in international meetings and negotiations.

The National Board of Trade, via SOLVIT, helps businesses and citizens encountering obstacles to free movement. We also host several networks with business organisations and authorities which aim to facilitate trade.

As an expert agency in trade policy issues, we also provide assistance to developing countries through trade-related development cooperation. One example is Open Trade Gate Sweden, a one-stop information centre assisting exporters from developing countries in their trade with Sweden and the EU.

Our analyses and reports aim to increase the knowledge on the importance of trade for the international economy and for the global sustainable development. Publications issued by the National Board of Trade only reflect the views of the Board.

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