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Lessons from Nepal and Cambodia

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South Asia Watch on Trade, Economics & Environment

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Launched in December 1994 at Nagarkot, Nepal by a consortium of South Asian non-governmental organizations (NGOs), South Asia Watch on Trade, Economics & Environment (SAWTEE) is a recognized, registered, non-profit and non-governmental organization. Its mission is to enable South Asian communities to benefit from and minimize the harms of changing regional and global economic paradigms. It currently operates as a regional network through its secretariat in Kathmandu and 11 network institutions from five South Asian countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka.

Goal

Enabling South Asian communities to benefit from and minimize the harms of changing regional and global economic paradigms.

Objectives

SAWTEE aims to build the capacity of concerned stakeholders in South Asia by equipping them with knowledge, information and skills to voice their concerns in the context of globalization and liberalization. To this end, it aims to:

- analyze the impacts of multilateral and regional trade agreements and their functioning;
- conduct programs that enhance the participation of developing countries, in particular least-developed countries (LDCs) and land-locked countries, in the global trading system;
- contribute towards the process of regional integration within South Asia;
- establish linkages and promote cooperation with other organizations/agencies having similar objectives; and
- conduct research and advocacy programs on trade, regional cooperation and sustainable development issues affecting South Asia.

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Introduction

Nepal and Cambodia are among the poorest countries in the world and poverty reduction is firmly at the top of their governments' priority list. Broad-based economic growth is seen as a prerequisite for poverty reduction, and increasing trade—particularly through export diversification—has been identified as one of the strategies for achieving this objective. Membership in multilateral, regional and bilateral trade agreements, in turn, is seen as an important instrument for increasing trade.

As part of a strategy to promote broad-based growth, Nepal and Cambodia became Members of the World Trade Organization (WTO) in 2004 as the first least-developed countries (LDCs) to join the WTO since it was founded in 1995.[2] Their bid for membership was motivated by a desire to ensure predictable market access and become eligible for the special concessions available to LDCs under WTO rules. Nepal and Cambodia were also seeking to lock in existing trade policy reforms that had been underway since the mid-1980s and mid-1990s respectively. Moreover, the countries hoped to use accession to the WTO as an incentive for accelerating domestic economic, legal and institutional reforms to create a stable business environment and attract foreign direct investment.

The timing (and urgency) of accession was also greatly influenced by the looming phase-out of the Multi-fibre Arrangement (1 January 2005) and the resulting elimination of quotas that, until then, had restricted textiles and clothing trade. This was particularly important for Cambodia whose exports and industrial sector are dominated by the garment industry. Moreover, Cambodia had just emerged from two decades of domestic conflict and was keen to show its willingness to engage with the international community. For its part, Nepal was seeking multilateral backing for assured transit to the sea through Indian territory.

This policy brief reviews Nepal's and Cambodia's experience during the accession process, examines the countries' accession commitments and provides a preliminary assessment of how the countries have fared since WTO membership. Based on this analysis, the paper identifies some lessons that can help other acceding LDCs replicate the successful strategies and avoid some of the mistakes in an effort to gain maximum benefit from their WTO membership.

2 Nepal and Cambodia were the first LDCs to join the WTO since it was launched in 1995. A number of LDCs had previously acceded to the General Agreement on Tariffs and Trade (GATT), the predecessor to the WTO, and these LDCs are among the founding members of the WTO.

Obstacles to trade development

Cambodia and Nepal face serious market access and supply-side constraints common to many LDCs, which have hindered the countries to take full advantage of trade opportunities and to ensure that trade effectively contributes to socio-economic development. The countries had hoped to address at least some of these constraints through WTO membership.

As LDCs, Nepal and Cambodia are entitled to preferential access to a number of key markets, including the EU, U.S., Japan, India and others. In addition, the countries are eligible for preferential market access under various regional (e.g. the Association of Southeast Asian Nations for Cambodia and the South Asia Free Trade Agreement for Nepal) and bilateral (e.g. India-Nepal, Cambodia-Vietnam) trade agreements. Nevertheless, some key exports continue to face **tariff barriers**. Nepalese and Cambodian garment exports, for instance, are excluded from the U.S. Generalized System of Preferences (GSP) scheme and are subject to higher import duties than comparable competitors, including several African, Middle Eastern, Latin American and Caribbean countries.[3]

While tariffs remain an issue for some products, **non-tariff measures** present a greater obstacle to trade expansion. Among them, *rules of origin* requirements, which Nepalese and Cambodian exporters have to fulfil in order to qualify for preferential market access, are often cumbersome, inefficient and resource-demanding.[4] For Cambodia, this has been particularly problematic for the garment industry, which due to limited domestic production capacities relies almost entirely on imported inputs, making it difficult for exporters to meet the local content requirements.

Safety and quality standards, in particular in industrialized country markets, also pose significant challenges for Nepalese and Cambodian exporters, and increase their dependence on neighbouring markets, such as India, Thailand and Vietnam. While some of these standards may be motivated by protectionist interests, many of them are perfectly justified to protect consumers' health as well as the environment, provided they are based on internationally agreed standards. However, in both Nepal and Cambodia, existing regulations, testing facilities and certification bodies are still inadequate to ensure compliance with standards, effectively shutting off market access for some products.

In addition, a number of **supply-side constraints** have limited exporters' ability to expand and assure reliable supplies. Access to credit is extremely limited, especially in rural areas, due to high interest rates, a general lack of lenders and a lack of collateral among borrowers. Costs of doing business are high due to, among other factors, poor infrastructure, expensive electricity and lengthy administrative procedures. Corruption remains a major concern, compounded by weak regulations and institutions. Technological and human resource capacities are extremely low due in part to limited educational attainment, vocational and technical education and investment in research and development. All these factors have contributed to low productivity rates and have reduced Nepalese and Cambodian exporters' competitiveness in the global market.

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3 For example, Nepalese garment exports are subject to an average tariff rate of 11.3 per cent in the U.S. market, while duties as a percentage of U.S. customs value for woven ready-made garments from Lesotho, Honduras and Jordan amounted to 1.9, 0.07 and 0.41 per cent respectively in 2006. (Adhikari, R. and Yamamoto, Y. (2007) "The Textiles and Clothing Industry: Adjusting to the Post-Quota World" *in Industrial Development for the 21st Century: Sustainable Development Perspectives*. New York: United Nations Department of Economic and Social Affairs).

4 For example, the administrative costs of certifying origin in the European Free Trade Association (EFTA) are estimated to range between 3 and 5 per cent of the value of export transactions. (Estevadeordal, A. and Suominen, K. (2003) *Rules of Origin: A World Map*, Washington: Inter-American Development).

Accession experiences of Nepal and Cambodia

In recognition of the particular challenges faced by LDCs, the WTO membership has made accession of LDCs a priority. At the 2001 launch of the current round of trade negotiations, the WTO agreed "to facilitate and accelerate negotiations with acceding LDCs" (*Doha Ministerial Declaration*, para. 42). To put this ambition into practice, Members adopted a series of measures to facilitate and accelerate accession of LDCs to the WTO "through simplified and streamlined accession procedures, with a view to concluding these negotiations as quickly as possible."[5] It is important to note that concrete steps for the WTO accession process have not been formally determined; rather, accession negotiations are carried out on a case-by-case basis with guidance from previous accession negotiations (see Box 1).

Box 1: WTO accession process

The WTO Agreement provides little guidance on how accession negotiations should be conducted, stating simply that countries may accede to the trade body "on terms to be agreed between it and the WTO" (Article XII of the Marrakech Agreement Establishing the WTO). The final decision on accession is taken by the WTO Ministerial Conference, which approves the agreement on the terms of accession by a two-thirds majority of WTO Members. The "terms" are left to be decided by WTO members and the applicant. Over the years, certain practices have evolved to guide the process, which include the following steps:

- Submission of a formal written request for accession by the applicant government.
- Establishment of a Working Party by the WTO General Council (open to all WTO Members).
- Submission of a Memorandum on the Foreign Trade Regime by the applicant government covering all aspects of its trade and legal regime to the Working Party.
- Exchange of questions and answers regarding the Memorandum between the applicant government and WTO Members.
- Determination of the terms and conditions of accession (including commitments to observe WTO rules and disciplines upon accession and transitional periods required to make any legislative or structural changes where necessary to implement these commitments).
- Bilateral negotiations with interested Working Party members on concessions and commitments on market access for goods and services.
- Compilation of a the final "accession package" including (1) a report of the Working Party containing a summary of proceedings and conditions of entry and a Protocol of Accession, and (2) schedules of market access commitments in goods and services agreed between the acceding government and WTO Members.
- Approval of the "accession package" by the General Council and the WTO Ministerial Conference.
- Ratification of the "accession package" by the applicant government's national parliament.

5 *General Council Decision on LDC accession* adopted on 10 December 2002, WT/L/508, para. 1.

Accession process

Nepal's and Cambodia's accession negotiations were hailed as comparatively rapid, showing "that the new guidelines to allow least-developed countries to negotiate membership more easily are working," according to Supachai Panitchpakdi, WTO Director-General at the time of their accession. However, a comparison of the countries' accession timelines with those of other recently acceded members (see Table 1) shows that, overall, the accession process was not significantly shorter than that of other countries, due to delays in preparing documents (largely due to capacity constraints) and in proceeding with the negotiations. In the case of Cambodia, the accession process (from application to full membership) lasted about 10 years while Nepal's negotiations (from re-application) took a little over eight years. In comparison, negotiations of other recently acceded countries took somewhere between seven and 14 years (see Table 1). Cape Verde, which until 2007 was also classified as an LDC, required eight years to join the WTO.

Table 1: Accession timelines for WTO members acceded after 2000

Countries	Application	Working Party established	MFTR*	Approval of accession package	Membership
Armenia	29 Nov 1993	17 Dec 1993	10 Apr 1995	10 Dec 2002	5 Feb 2003
Cambodia	8 Dec 1994	21 Dec 1994	22 Jun 1999	11 Sep 2003	13 Oct 2004**
Cape Verde	11 Nov 1999	17 July 2000	1 July 2003	8 Jan 2008	18 Dec 2007
China	10 July 1986	Mar 1987	Feb 1987	10 Nov 2001	11 Dec 2001
Chinese Taipei	Jan 1992	Sept 1992	Oct 1992	11 Nov 2001	1 Jan 2002
FYR Macedonia	8 Dec 1994	21 Dec 1994	12 Apr 1999	15 Oct 2002	4 Apr 2003
Moldova	Nov 1993	Dec 1993	23 Sep 1996	8 May 2001	26 July 2001
Nepal	16 May 1989 (under the GATT)*** Reapplied on 5 Dec 1995 (under the WTO)	21-22 Jun 1989 (Gatt Working Party) 31 Jan 1996 (continue as WTO Working Party)	26 Feb 1990 Resubmitted on 10 Aug 1998	11 Sep 2003	23 Apr 2004
Saudi Arabia	13 Jun 1993	21 July 1993	5 July 1994	11 Nov 2005	11 Dec 2005
Tonga	30 Jun 1995	15 Nov 1995	27 May 1998	15 Dec 2005	27 July 2007
Ukraine	30 Nov 1993	17 Dec 1993	26 July 1994	5 Feb 2008	16 May 2008
Vietnam	4 Jan 1995	31 Jan 1995	24 Sep 1996	7 Nov 2006	11Jan 2007

* Submission of the Memorandum on the Foreign Trade Regime by the acceding country.
** The unusually long time taken by Cambodia to ratify the accession protocol was a result of domestic political delays caused by elections.
*** Due to political change in Nepal, the accession process was halted for five years.
*Source: WTO website (http://www.wto.org/english/thewto_e/acc_e/completeacc_e.htm); WTO Secretariat, information on current accessions, WT/ACC/**

In any case, the speed of accession provides little indication on the ease of the process and the quality of the results. Indeed, both countries faced serious capacity constraints when preparing the complex and detailed Memoranda on the Foreign Trade Regime (MFTR), responding to Members' myriad of questions, submitting their goods and services proposals and conducting the lengthy bilateral negotiations. The process followed the commonly used procedures outlined in Box 1 without the promised simplification and streamlining.

In both cases, the negotiation process turned out to be strenuous and time consuming, especially given the two countries' weak human and institutional capacities as well as limited technical know-how and financial resources. Member countries, on the other hand, seemed to come to the negotiating table with the view that their negotiating partners were equally competent and the negotiations were taking place on a level playing field. Lacking in-depth studies and scientific or objective position papers on pertinent topics, negotiations were mostly carried out based on the personal efforts, knowledge and information of the Nepalese and Cambodian negotiators. As Cambodia's lead negotiator subsequently noted: "Insufficient knowledge, inadequate experience, limited resources and limited analytical capacities required for accession negotiations were also recurrent sources of delay."[6]

Both countries received assistance during the negotiation process, which proved vital to their negotiations. A group of experts from UNCTAD offered extensive technical advice to Cambodian negotiators while other bilateral and multilateral donors provided some (albeit limited) help to the government in conducting its accession negotiations. In Nepal, UNDP gave significant technical assistance to the government, including support in the preparation of negotiating documents, commissioning some background papers, building negotiating capacity and promoting public awareness of WTO membership. While crucial, however, these efforts fell far short of the promised "targeted and coordinated technical assistance" to support LDCs' accession.[7]

Where the two countries differed is the extent to which non-government stakeholders were involved in the negotiations. Despite a series of consultations with Cambodia's private sector and to a limited extent civil society, effective input from affected stakeholders was largely confined to the garment industry, which had the biggest (immediate) stake in the negotiations. By contrast, several international and domestic civil society groups were actively engaged in Nepal's accession process, providing analyses and organizing discussion forums, which in some cases enabled the Nepalese government to avoid more onerous commitments. However, even in the case of Nepal, the majority of stakeholders felt that they were left out from the accession process due to the lack of a formal, institutionalized mechanism for engagement.

Accession agreement

While Nepal's and Cambodia's accession was widely welcomed by WTO Members and the negotiating teams, some government officials and civil society groups felt that several of the commitments the two countries had been asked to make went beyond what should be required of acceding LDCs. As Cambodia's Minister of Commerce noted, "We believe that the package of concessions and commitments that we have to accept certainly goes far beyond what is commensurate with the level of development of an LDC like Cambodia. Nonetheless, we do accept the challenges, because we see the benefits of joining the world trading system."[8] Indeed, some WTO Members were thought to have used the accession negotiations as a means to set precedents for controversial issues that have divided WTO Members in previous and ongoing negotiations in an effort to create a 'critical mass' of supporters.[9] This concern was raised in particular in the case of Cambodia, for instance with regard to agricultural export subsidies, audiovisual services and intellectual property rights (see below).

6 Sok, S. (2005) *Lessons from Cambodia's Entry into the World Trade Organization*, ADBI Policy Papers No. 7, Tokyo: Asian Development Bank Institute, p. 84.

7 *General Council Decision on LDC accession*, Section III.

8 Speech by H.E. Mr. Cham Prasidh, Minister of Commerce and Chief Negotiator for Cambodia's Accession to the WTO at the Fifth WTO Ministerial Conference (Item 3 of the Agenda: Accession of Cambodia), Cancun, Mexico, 11 September 2003.

9 Sok (2005), pg. 86; Oxfam International (2003) *Cambodia's Accession to the WTO: How the law of the jungle is applied to one of the world's poorest countries*.

The following analysis will provide some examples of commitments that could be characterized as overly extensive. This is not to say that the terms of accession on the whole or indeed the commitments discussed here will be disadvantageous for the countries (this would require a far more comprehensive assessment of both the terms and the associated impacts of WTO accession). The examples are simply used to illustrate the extent of commitments the two LDCs agreed to take on, despite assurance of lenient treatment by the WTO membership.

Tariffs: Although WTO Members had agreed to "exercise restraint in seeking concessions and commitments on trade in goods and services from acceding LDCs,"[10] both Cambodia and Nepal ended up binding their tariff rates at very low levels compared to other LDCs and in some cases even developed countries. At 26 and 19 per cent respectively, Nepal and Cambodia have some of the lowest average bound rates among the LDCs (see Table 2; Bangladesh has the highest at 163.6 per cent). Similarly, Cambodia's maximum duty of 60 per cent is one of the lowest among the LDCs. Even most developed countries have reserved the right to apply high tariffs on some products, such as the EU (264 per cent), U.S.A (350 per cent) and Japan (958 per cent). Moreover, in line with other recently acceded Members, Nepal and Cambodia agreed to bind the vast majority of their tariff lines (99.4 per cent and 100 per cent respectively). In contrast, only nine incumbent LDCs have a 100 per cent binding coverage, while over half of the LDCs have bound less than 50 per cent of their tariff lines. While direct comparisons between countries' tariff schedules should not be given too much weight (since agreed tariff rates will always vary depending, for instance, on the acceding country's existing tariff structure and its own and other countries' trade interests), they nevertheless highlight the extensive market access commitments the two countries made prior to and locked in during accession.

Table 2: Tariff bindings in Nepal and Cambodia

	Simple average bound rates			Maximum duty			Tariff binding coverage		
	Nepal	Cambodia	LDCs*	Nepal	Cambodia	LDCs*	Nepal	Cambodia	LDCs*
Industrial goods	24	17.7		200	43				
Agricultural goods	42	28.1		100	60				
Overall	26	19	64	200	60	151	99.4	100	55

* Average of incumbent LDC members. *Sources: WTO/ITC/UNCTAD (2007), Sok (2005).*

Trade-related Aspects of Intellectual Property Rights (TRIPS): Cambodia in particular agreed to a number of obligations that went beyond existing provisions in the TRIPS Agreement. For instance, as part of its action plan for implementing the TRIPS Agreement, Cambodia agreed to join the International Convention for the Protection of New Varieties of Plants (UPOV). However, the Agreement leaves it up to Members to decide how they would like to protect plant varieties, be it through patents, a *sui generis* system (which could, but does not necessarily have to be UPOV) or a combination of both (Article 27.3b). Some countries have preferred to develop their own systems, since they felt that UPOV did not provide sufficient flexibility to ensure protection of the rights of farmers to freely save, re-use and exchange seeds. In the case of Nepal, this requirement was dropped at the last minute following intensive lobbying efforts by Nepalese civil society groups.

10 *General Council Decision on LDC accession*, Section I.

Special & Differential Treatment: WTO Members have agreed to extend existing special & differential treatment provisions and transitional periods to all acceding LDCs.[11] In the case of Cambodia, however, this commitment was not fully met. For instance, while Members are required to reduce agricultural export subsidies under the WTO Agreement on Agriculture, LDCs are not required to undertake any reduction commitments. However, Cambodia was asked to bind its agricultural export subsidies at zero – a commitment that no other LDC has been required to make. While Cambodia did not provide any export subsidies at the time of the negotiations, and was unlikely to do so to a significant extent for fiscal reasons, it seems only reasonable for the country to be allowed the flexibility to use such subsidies in the future if needed.[12]

Services: Both Nepal and Cambodia made extensive commitments to liberalize the trade in services, opening up all of the 11 service sectors under the WTO classification, some fully and others partially and with transition periods (including 70 sub-sectors in Nepal and 74 sub-sectors in Cambodia). By contrast, Bangladesh, also a least-developed WTO Member, has only liberalized two sectors and 11 sub-sectors. At the time of accession, Cambodia lacked a number of fundamental laws to regulate service provision, including laws on postal services, tourism and entertainment, water supply, telecommunication and merchant shipping, all of which it committed to adopt as part of its accession agreement, with deadlines ranging from June 2002 to February 2005.

Accession implementation

Both countries signed up to ambitious legislative reform agendas. Cambodia committed to pass no less than 47 laws and regulations by 2007. Nepal, in turn, was to enact 10 new laws and regulations and amend 25 existing laws and regulations. Both countries fell far short of fulfilling these requirements. By the end of 2007, Cambodia had adopted just 24 of the 47 laws and regulations while Nepal had enacted three of the 10 new laws and adopted eight of the 25 amendments. Notably, none of GATS-related regulations have been adopted in Cambodia. Similarly, Nepal still lacks proper regulatory mechanisms in most of the services sector.

The delays have been attributed to a number of reasons. In both countries, the momentum to push forward WTO-related reforms dwindled rapidly following accession, partly due to personnel changes and partly because, in the absence of an international monitoring mechanism and consequences for not fulfilling accession commitments, outside pressure for reform decreased considerably. Recent political turmoil in Nepal has relegated the legislative reforms required to foster economic growth to the back burner. In Cambodia, the legislation to implement WTO commitments represents only part of the country's broader legal reform process and a number of WTO-related laws have joined the queue of the many laws that are waiting to be discussed in the National Assembly.

Moreover, limited capacities to draft, implement and enforce the laws and regulations and set up and manage the necessary institutions have seriously hampered progress. While multilateral and bilateral technical assistance activities have increased following the countries' accession, they have not been sufficiently comprehensive and effective. Coordination among the various donors has been a particular challenge. Bilateral donors have tended to fund activities based on their national interests, such as to

11 *General Council Decision on LDC accession*, Section II.

12 It is important to note that export subsidies (which are the most trade-distorting instrument in agriculture support measures) could be replaced by increasing domestic support measures with similar economic effects. Under WTO rules, Cambodia has the right to do that.

develop specific laws that were often drafted by foreign experts based on model laws from the donor countries. Moreover, assistance has been unevenly distributed among beneficiaries, with much of the assistance channelled to ministries of trade and finance while assistance to other ministries remains limited. Efforts have been made recently in Cambodia to improve and coordinate the provision of technical assistance under the Enhanced Integrated Framework through the Trade Sector-Wide Approach (Trade SWAp), although implementation of the Trade SWAp has been slow to get off the ground.

Accession impacts

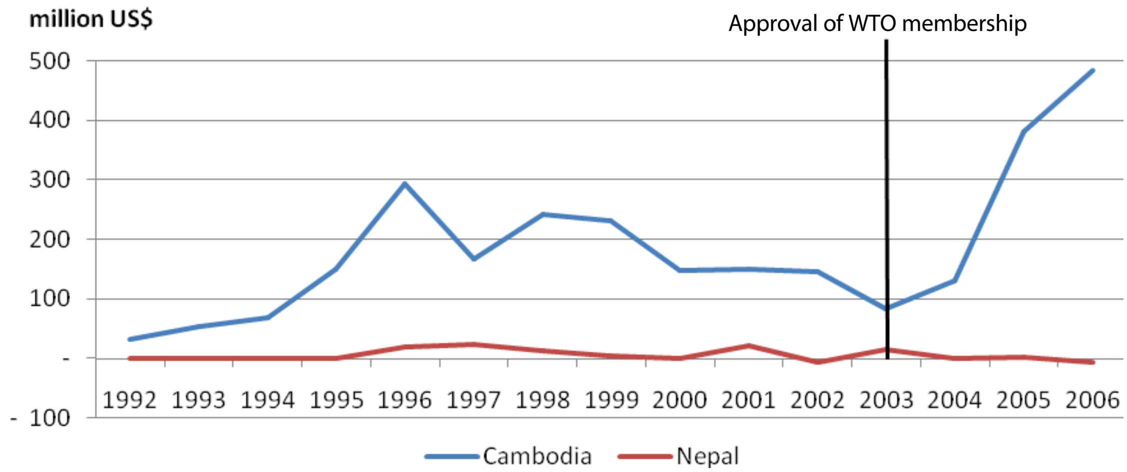
At this early stage, the long-term socio-economic impacts of accession are difficult to assess and distinguish from the impacts of trade liberalization policies and other related factors. In the short term, WTO membership seems to have had limited direct impacts on trade expansion or diversification. One reason for this is that Nepal and Cambodia already had liberal trade regimes at the time of their accession to the WTO, and enjoyed preferential access to most of their key markets. Nevertheless, WTO accession has increased predictability of (bound) duties applied to products that do not qualify for preferential market access. Some of the remaining market access issues, such as the EU's rules of origin requirements to qualify for duty- and quota-free access and the exclusion of garments from preferential access to the U.S. market, continue to be discussed at the bilateral level. In addition, Nepal and Cambodia have joined a group of LDCs in the ongoing WTO negotiations to push WTO Members to put their promise of duty- and quota-free market access for LDCs into practice.[13]

Achieving the countries' most pressing policy objectives of addressing supply-side constraints, increasing agricultural and industrial competitiveness and diversifying exports will require action at the domestic level. Nepal and Cambodia had hoped that WTO membership, where it acts as a lever for technical assistance and domestic reform, could help address some of these issues. Assistance would be particularly crucial for helping exporters meet market requirements, for instance through developing and implementing domestic sanitary and phytosanitary (SPS) legislation, adopting locally appropriate and internationally recognized SPS standards, building domestic testing and certification capacities and increasing knowledge of relevant market requirements.

Over the long term, the impetus to implement domestic economic reforms provided by WTO accession might bring the most important and lasting benefits for the two countries by helping to build a stable and predictable business environment for overseas investors (provided that the reform process is carried forward successfully). In the case of Cambodia, WTO membership has served to put the country back on the world and, importantly, investors' map, which has likely contributed to the almost six-fold increase in foreign direct investment since the approval of Cambodia's membership in 2003 (see Figure 1). Nepal's experience, however, shows that WTO membership is certainly not a guarantee for increased investment, which depends on a wide range of political and economic factors.

13 At the launch of the current round of trade negotiations in Doha in 2001, WTO Members committed themselves to provide duty- and quota-free market access for products originating from LDCs (Doha Ministerial Declaration, 2001, para. 42). They subsequently agreed to grant such access to at least 97 per cent of products by 2008 or no later than the start of the implementation of the yet-to-be-finalized Doha round agreement (Hong Kong Ministerial Declaration, 2005, Annex F, para. 36). LDCs have been calling for establishment of a timeframe for the full phase-out of duties and quotas.

Figure 1: Inflows of foreign direct investment into Cambodia and Nepal (1992-2006)



Sources: UNCTAD (2007)

However, as noted above, the momentum to push ahead with these reforms seems to have been lost (or at least slowed considerably) as implementation deadlines continue to be missed in the face of other vested interests. Technical assistance efforts have not been sufficient to help advance the reforms. Also, given that the delays have not had any consequences for Nepal and Cambodia as WTO Members, the role that WTO commitments can play in pushing through much-needed domestic reforms has weakened considerably.

Conclusions and recommendations

A number of LDCs are currently negotiating their accession to the WTO. Learning from Nepal's and Cambodia's experience is vital to ensure that the new LDC members gain maximum benefit from their WTO membership. Several lessons have emerged out of the analysis of Cambodia's and Nepal's accession process, commitments and implementation:

Key findings:

- The **accession process** for WTO membership was strenuous and time-consuming. Despite a stated commitment by WTO Members to simplify and streamline the negotiating process for LDCs, Nepal and Cambodia had to complete the same complex steps as non-LDCs. The countries faced difficulty especially during bilateral negotiations as Members usually made stringent demands during these negotiations.

- Despite an assurance by the WTO membership to exercise restraint in seeking concessions and commitments on trade in goods and services from acceding LDCs, Nepal's and Cambodia's **commitments** are more stringent than incumbent LDC Members and even some developing country Members. Acceding LDCs have been asked to make commitments that are not commensurate with their level of economic development, capacity and trade and financial needs.

- The (albeit limited) **technical assistance** Nepal and Cambodia received during their accession process proved vital to prepare the complex documentation and build capacities of the private sector and government officials on WTO issues. In contrast, the technical assistance that the countries received after WTO membership has been inadequate. In particular, assistance has been lacking to help address supply-side constraints that prevent the countries from benefiting from WTO membership. As a result, WTO membership has not helped achieve key policy objectives related to trade, i.e. trade diversification and expansion.

- While the direct **impacts** of accession are expected to be limited in the short term, the indirect impacts, including leveraging accession to obtain technical assistance and advance domestic reforms, will likely bring the greatest benefits. However, both countries are seriously struggling with effective and timely **implementation** of their accession obligations. In the absence of a monitoring mechanism and enforcement of compliance deadlines (combined with inadequate technical assistance), momentum for implementing commitments has virtually been lost.

- Compared to the commitments made by Cambodia, Nepal was able to negotiate more favourable terms of accession. This was possible due to **stakeholder participation** and the technical assistance Nepal received during the accession process. However, while analyses and discussion forums offered by civil society groups allowed the Nepalese government to avoid more onerous commitments in some cases, the majority of stakeholders felt they were left out of the accession process. Moreover, interaction between the government and the stakeholders has not continued since WTO accession.

Key recommendations:

- There is an urgent need to translate Members' commitment to **simplify the accession process for LDCs** into action. In particular, the WTO should incorporate a specific provision that acceding LDCs will not be required to enter into bilateral negotiations on market access.

- Acceding **LDCs should not be asked to undertake higher levels of commitments** than those made by the founding LDCs of the WTO. Also, acceding LDCs should only be required to implement specific commitments in services once the necessary domestic regulations are in place.

- More emphasis needs to be placed on providing **technical assistance to implement LDCs' accession commitments**. In order to make technical assistance binding, implementation of these commitments should be made conditional on the receipt of timely and effective assistance.

- **Progress in implementing accession commitments should be reviewed** regularly by the WTO, including the availability and effectiveness of requested technical assistance, and new deadlines should be set when old ones have been missed.

- There is also a need for **enhanced technical assistance to enable LDC Members to harness the potential benefits of WTO membership** as a tool for promoting human development, including by addressing supply-side constraints and export diversification.

- To enhance the ownership of the WTO accession and implementation processes, acceding countries should be supported to **put in place a formal, institutionalized mechanism for involving all stakeholders** in the process.

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