

Cambodia's WTO Accession

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After a year of political wrangling, Cambodia is finally in a position to pass one of the most important pieces of legislation in its history. With a coalition government formed on July 15, the national assembly can now meet to ratify Cambodia's membership of the World Trade Organization, writes the Far Eastern Economic Review.

It will be a major step toward Cambodia joining the world economy, almost 13 years after emerging from two decades of war and isolation. But there will likely be short-term pain before possible long-term gain, and Cambodia's politicians will have to administer some tough medicine to bring the country into line with its WTO commitments. Cambodia and Nepal in September last year became the first least-developed countries to be invited into the WTO fold. Nepal formally joined in April, but Cambodia's accession was delayed by its failure to form a coalition government after last year's general election. The new cabinet approved WTO membership on August 6 and parliament is expected to meet to ratify accession in early September, says an official.

There are several immediate benefits of joining the WTO. Membership will give Cambodia increased market access and it will enjoy rights such as nondiscrimination by other members and the ability to use the body's dispute-settlement procedure. The government also clearly thinks that membership will boost Cambodia's battered image overseas and lure back foreign investors. In the short term, Cambodia hopes that WTO accession will ensure a new lease of life for its key garment sector when the United States ends its quota system at the end of the year. The sector is Cambodia's most important export industry, with overseas sales worth around \$1.54 billion last year, according to World Bank figures. Longer-term, WTO membership could lay the groundwork for Cambodia to wean itself off reliance on just two major sectors -- garments and tourism -- and annual donor handouts, which account for up to 50 percent of the government budget but seem to have done little to kick-start economic growth since Cambodia's warring factions agreed on peace in 1991.

Cambodia also has a number of commitments under its contract with the WTO. Perhaps the most important of these is to implement reforms adhering to WTO core principles, including transparent laws and rules that should allow Cambodian businesses to operate in a regulatory environment that meets international norms. Indeed, the World Bank in a report released on

August 12 said these two issues, plus weak rule of law, had helped stultify business and could hinder the country's ability to profit from increased market access under the WTO. The report said four-fifths of 800 firms surveyed across the country acknowledged "the necessity of paying bribes" to do business. Opposition leader Sam Rainsy is among those who stress the need to tackle corruption. "We need to totally overhaul the court system and also be able to guarantee transparency," says the former finance minister, adding that the principle of WTO membership "is good for Cambodia in the long term."

He and others fear that other commitments could create difficulties. For example, Cambodia has agreed to limit tariffs on agricultural imports to 25 percent, which critics say could lead to local markets being swamped with imports. These duties compare to maximum tariffs of 120 percent set by the United States and Canada. Health workers, meanwhile, say Cambodia's WTO commitments to protect intellectual-property rights could affect its ability to treat tens of thousands of HIV/AIDS victims. They argue that the country will no longer have access to cheap generic drugs, while most patients will not be able to afford the more expensive prescriptions.