



TRADE
ORGANIZATION



Financial Integrated Framework
Trade for LDC development

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Introduction

Cambodia has been one of the fastest growing economies in Southeast Asia over the last decade. In 2021, Cambodia met all three criteria for graduation from the least developed country (LDC) category for the first time at the Triennial Review of the United Nations Committee for Development Policy (CDP).

If Cambodia meets the graduation criteria for the second consecutive time at the 2024 UN CDP Triennial Review, it may be recommended for graduation. After endorsement by the UN Economic and Social Council (ECOSOC) and General Assembly,

graduation takes effect following a preparatory period determined by the latter.¹ This period could vary depending on the consideration by CDP members. At the earliest, Cambodia may graduate from the LDC category in 2027.²

WTO members offer specific flexibilities to least developed country members, including Cambodia. Following graduation, these flexibilities may not be available. This note provides an overview of possible trade-related impacts of LDC graduation for Cambodia on market access, WTO rules and Aid for Trade.

Table 1: Performance vis-à-vis LDC graduation thresholds

	GRADUATION THRESHOLD	CAMBODIA, 2021
Gross National Income (GNI) per capita	US\$ 1,274	US\$ 1,377
Human Assets Index (HAI)	66 or above	74.3
Economic Vulnerability Index (EVI)	32 or below	30.6

Source: UN CDP Report on the twenty third session (2021), [E/2021/33](#)

1. Impact on market access

Cambodia's merchandise exports grew by 10 per cent over the ten years to 2020, reaching US\$ 17 billion. Its services exports contracted by 4 per cent over the same time period, reaching US\$ 1.8 billion. In 2020, Cambodia's top export items included textiles and clothing, gold, leather and footwear. In terms of services, travel services accounted for over half of Cambodia's services exports, followed by transport (25 per cent) and other commercial services (18 per cent).

Cambodia's exports are concentrated in a few markets. For example, 60 per cent of Cambodia's exports went to five markets in 2020. These include the United States, the European Union, Singapore, China and Japan. The United States and the European Union are the two markets of strategic importance to Cambodia, accounting for over half of Cambodia's merchandise exports over the past decade.

Over one quarter of Cambodia's merchandise exports went to the European Union during the period

of 2011-2020. The European Union provides duty-free quota-free (DFQF) market access to LDCs under its Everything But Arms (EBA) initiative, including simple rules of origin conditions. Cambodia is one of the few LDCs that made use of the LDC trade preferences, with a high utilization rate in the European Union. In 2020, one fifth of Cambodia's export items (garments, footwear, travel goods and sugar) were temporarily excluded from EBA due to concerns related to human rights, resulting in the application of most-favoured-nation (MFN) tariffs. Cambodia's exports of Indica rice had

EBA offers a three-year transition period for LDC graduates. Cambodia will remain eligible to benefit from the EBA scheme for a period of three years after graduation from LDC status. Graduated LDCs are automatically admitted to the standard GSP scheme, following the end of the three-year transition period. Cambodia also has an option to apply for the European Union's Generalized System of Preferences Plus (GSP+),

2. Matters related to WTO Agreements

Cambodia became a member of the WTO in 2004. It was the first LDC to join the WTO through the full accession process. It has bound 100 per cent of its tariff lines. Cambodia's bound tariffs are 19.3 per cent, while applied MFN tariffs are 10.4 per cent. Cambodia has also made specific commitments in 97 out of 160 services sub-sectors, which is significantly above the LDC average of 33. Cambodia has made commitments in the following services sectors: business, communication, construction and related engineering, distribution, educational, environmental, financial, health, tourism, and transport services. Concessions and commitments in goods and services made by Cambodia will not be affected by graduation from LDC status.

Trade-Related Aspects of Intellectual Property Rights (TRIPS)

LDCs are eligible to benefit from longer transition periods to implement the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). Originally, LDCs

were granted an 11-year transition period to implement the provisions of the TRIPS Agreement other than core non-discrimination principles. This general transition period has been extended three times and is currently valid until 1 July 2034, or until the member ceases to be an LDC, whichever comes first. LDCs are also eligible to benefit from a specific transition period for pharmaceuticals, which exempts them from protecting patents and undisclosed information for pharmaceutical products. They have also been exempted from mailbox and exclusive marketing rights requirements. Currently, these flexibilities last until 1 January 2033, or until the member ceases to be an LDC if that happens before 2033. At the time of accession in 2004, it was understood that Cambodia was entitled to benefit from the specific transition period for pharmaceuticals offered to LDCs.⁴

During the accession negotiations, Cambodia agreed to implement the WTO TRIPS Agreement in 2007, three years after its accession. Since then, Cambodia has enacted several

intellectual property (IP) laws (Annex, Table 1). It has legislation in place in most of the areas covered under the TRIPS Agreement. While LDCs are not obliged to submit notifications under the TRIPS Agreement, graduation from LDC status will require them to do so, which would be subject to review by the TRIPS Council.

Cambodia can also benefit from LDC flexibilities under the TRIPS Amendment. Cambodia ratified it in 2018. The TRIPS Amendment enables use of the special system of compulsory licensing for export to countries with limited manufacturing capacity. Prior to using this system, the submission of a notification with the following information is required: i) an intent to use the system; and ii) the existence of limited manufacturing capacity. LDCs are deemed to have limited manufacturing capacity. Hence, LDCs are only required to notify intent.

The TRIPS Amendment also provides for flexibilities to members of RTAs where half of the members are LDCs. For example, if a developing country or LDC produces or imports pharmaceuticals under this system and

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As of 2022, Cambodia's rate of compliance with domestic support notification requirements stood at 91 per cent. Following graduation from LDC status, Cambodia would have to submit its domestic support notifications every year.

Currently, there are certain flexibilities available to LDCs and net food-importing developing countries

Dispute settlement

Cambodia can also benefit from special considerations under the Dispute Settlement Understanding (DSU). The DSU requires WTO members to exercise due restraint in bringing cases involving LDCs. LDCs are also eligible to request the good offices of the WTO Director-General or the Chair of the Dispute Settlement Body before the establishment of a panel. So far, Cambodia has not made use of the WTO dispute settlement.

Selected institutional aspects

Cambodia's annual contribution to the WTO will not change after graduation, as WTO members' contributions are based on their share in world trade. Eligible LDCs benefit from travel support to participate in the WTO Ministerial Conferences. This covers air fare, accommodation and per diems for the Head of Delegation and two high-level government officials. Following

graduation, Cambodia will not be eligible to benefit from such support.

Technical assistance

WTO technical assistance aims at strengthening the institutional capacity of developing countries and LDCs to support them in fully benefitting from the multilateral trading system. The WTO Technical Assistance Plan accords special priority to LDC trade needs. For instance, officials from LDCs remain priority beneficiaries of WTO internship programmes.

Graduation from LDC status may not result in significant changes in accessing different technical assistance products offered by the WTO. As a way forward, Cambodia may wish to map out its trade-related technical assistance needs and actively engage with the WTO Secretariat. For example, Cambodia may wish to consider looking into the notification requirements for TRIPS.

In 2019, Cambodia launched the fourth generation of the EIF's analytical work – the DTIS, 2019-2023 – during the Global Review of Aid for Trade. EIF support enabled Cambodia to strengthen key productive sectors under the Trade Sector Wide Approach (Trade SWAp) put in place to implement the Diagnostic Trade Integration Study (DTIS) Action Plan.

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Table 1: Overview of intellectual property protection foreseen by the TRIPS Agreement

INTELLECTUAL PROPERTY RIGHTS	SUBJECT	MAIN SUBJECTS	TRIPS ARTICLES	SUBJECTS

Abbreviations

ASEAN	Association of Southeast Asian Nations	GSP+	Generalized System of Preferences Plus
CDP	Committee for Development Policy	LDC	Least developed country
CTIS	Cambodia Trade Integration Strategy	MFN	Most favoured nation
DFQF	Duty-free quota-free	NFIDC	Net food-importing developing country
DSU	Dispute Settlement Understanding	RCEP	Regional Comprehensive Economic Partnership
EBA	Everything But Arms	RTA	Regional trade agreement
ECOSOC	Economic and Social Council	SCM AGREEMENT	Agreement on Subsidies and Countervailing Measures
EIF	Enhanced Integrated Framework	STDF	Standards and Trade Development Facility
EVI	Economic Vulnerability Index	SWAP	Sector Wide Approach
HAI	Human Assets Index	TFA	Trade Facilitation Agreement
GNI	Gross National Income	TRIPS AGREEMENT	Agreement on Trade-Related Aspects of Intellectual Property Rights
GSP	Generalized System of Preferences		

Endnotes

- 1 When the CDP recommends a country for graduation, it includes a statement on what it considers an adequate preparatory period. The standard preparatory period is three years.
- 2 More information about the LDC graduation process: <https://www.un.org/ldcportal/content/support-ldc-graduation>. On Cambodia specifically, see <https://www.un.org/ldcportal/content/cambodia-graduation-status>.
- 3 Commission Implementing Regulation [2019/67](#) of 16 January 2019.
- 4 Fifth WTO Ministerial Conference, Cancún, Summary of 11 September 2003: https://www.wto.org/english/thewto_e/minist_e/min03_e/min03_11sept_e.htm

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