Session 2: Increased competition - which firms are exposed and which can benefit?

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What this session should help you do

1
Read a simple sector profile and identify the main exposure channels

2
Distinguish exposure to competition from vulnerability

3
Identify plausible firm and government responses based on evidence

Core question: “What does the evidence suggest for this sector?”

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From rules to sectors



Session 1 used hypothetical commitments.

Session 2 uses sector evidence from Turkmenistan.

Today we ask: which sectors are exposed, which could benefit, and what should firms do?

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What the pre-workshop study tells us

Export structure

Merchandise exports are highly concentrated: minerals and fuels ≈91.7%; natural gas ≈74.7%; China ≈68.5% of destinations.

Import structure

Imports are more diversified: about USD 4.5bn/year.
Machinery/equipment, electronics, base metals, transport equipment and chemicals/pharma ≈70%.

Training implication

Accession may affect firms through both domestic competition and access to imported inputs, equipment and services.

Key message

A balanced assessment must look at both sides of the ledger: pressure from imports and possible productivity gains from better inputs, procedures and services.

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How Exercise 2 uses the evidence

Low current direct import exposure

Tomatoes
Cotton yarn
Potassium chloride
Liquorice extract

Imported-input channel

Construction / energy firm

Focus: machinery, equipment, base metals, logistics and services.

Genuine import-competition case

Wheat

Focus: existing imports, domestic production, specific duty and adjustment capacity.

Exercise objective

Compare channels of impact across cases.
The aim is diagnosis, not prediction of the final accession terms.

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Exposure is not the same as vulnerability



A sector can be exposed but resilient if firms have productivity, quality, inputs, finance, and management capacity.

A protected sector can be vulnerable even if imports are currently limited.

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What will a sector profile tell us?

Export capability	Does the sector already compete internationally?	**Import exposure**	Are imports large or growing?
Tariff structure	Is there current tariff protection?	**Imported inputs**	Could firms benefit from cheaper inputs?
Regulatory issues	Are standards, permits, or controls important?	**Firm response**	What can companies realistically do?

The profile is a starting point for discussion — not a prediction of final accession terms.

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Reading evidence: export capability

High capability

Some capability

Limited capability

What it can indicate

Evidence of existing know-how
Possible base for upgrading
Potential to serve foreign markets

What it does not prove

Automatic export success
Capacity of every firm in the sector
That no domestic constraints remain

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Reading evidence: import exposure

High imports	Growing imports	Few suppliers	High protection

These are warning lights, not conclusions.

To understand vulnerability, add firm-level evidence: costs, quality, productivity, inputs, finance, and management capability.

Imports may also identify useful inputs, technology, and benchmark competitors.

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Tariffs and inputs: look on both sides of the ledger

Output tariff

Protection against competing imports. A reduction may increase pressure on domestic producers.

Input tariffs

Cost of imported machinery, raw materials and components. Reductions may lower production costs.

Service conditions

Logistics, finance, maintenance and business services affect reliability, cost and delivery time. Customs tariffs do not apply to services.

Net impact

The business effect depends on the balance between competitive pressure, input costs, service quality and productivity gains.

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From exposure to outcome: a four-step diagnosis

1. Current exposure

Are imports large, growing, concentrated or protected?

2. Pressure / benefit

Could the firm face competition, lower costs, or both?

3. Adjustment capacity

Can firms adapt through productivity, quality, inputs, finance or certification?

4. Net effect

Pressure, opportunity, both — or insufficient evidence?

This is a screening sequence, not a prediction. Low current imports do not automatically mean low potential vulnerability.

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How WTO accession can affect competition

Tariffs
Changes in protection or predictability

Licensing
More transparent access to imports

Customs
Lower transaction costs and delays

Standards
Clearer rules but higher compliance needs

State support
Possible redesign of some measures

Services
Better or cheaper business inputs

The question is not “Will competition increase?”
but “Through which channels, for whom, and with what offsetting benefits?”

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Firms in the same sector may be affected differently

Firm A
High productivity
Uses imported inputs
Has quality certification

Firm B
Low productivity
Protected domestic sales
Limited finance

Firm C
Niche product
Small volumes
Potential partner needed

Sector data is the starting point.
Firm-level diagnosis determines the real response.

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Possible business responses

Reduce costs	Upgrade quality	Differentiate product	Seek certification
Use better inputs	Partner / invest	Target a niche market	Engage government

An adjustment strategy is not the same as asking for permanent protection.

A credible business response combines firm-level action with evidence-based policy dialogue.

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Before reaching conclusions, ask what is missing

Accession terms
What are the final commitments? Are tariff changes only illustrative?

Current protection
What is the applied tariff? Is it ad valorem or specific? What import price is needed?

Domestic structure
What is domestic production, firm size, productivity and market share?

Input dependence
Which machinery, inputs, services and finance do firms use?

Cost / quality gap
What is the gap with imports and what determines margins?

Adjustment capacity
Which firms can upgrade, certify, partner or export?

Good analysis identifies uncertainty clearly. Missing evidence is part of the exercise, not a weakness.

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Exercise 2: sector impact assessment

1. Read the case card
Identify current exposure and what the data actually show.

2. Identify pressure
Where could competition arise, if at all?

3. Identify benefit
Could imported inputs, services or procedures improve competitiveness?

4. Define missing evidence
State the key fact needed before reaching a conclusion.

5. Separate actions
Firm response vs domestic reform vs accession/transition issue.

6. Report back
5 minutes: exposure • pressure • benefit • firm response • government issue • missing evidence.

Keep the report-back disciplined. The objective is balanced diagnosis, not a request for protection.

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What we want to learn from the exercise

Not enough
“The sector will lose because imports may increase.”

Better
“The sector faces import pressure, but firms using imported inputs may lower costs; adjustment depends on quality, productivity and certification.”

The goal is a balanced diagnosis that separates:

competition pressure • input benefits • firm capability • government action • missing evidence

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Bridge to Day 2: from sector impact to export opportunity

Session 2
Which sectors are exposed and able to adjust?

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Session 3
Which markets and opportunities are commercially credible?

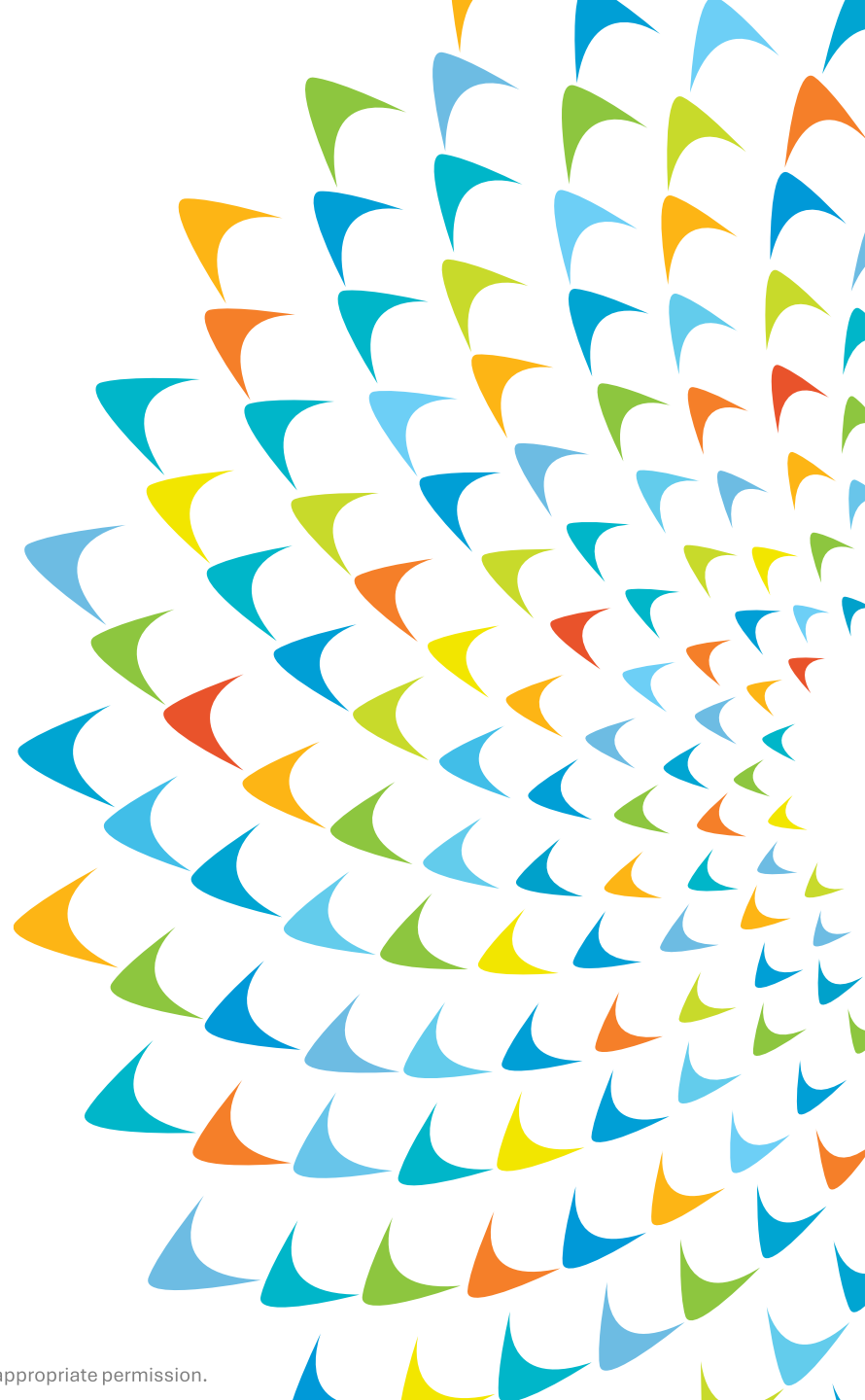
Next step: apply the same evidence-based logic to specific export markets.

Product capability + demand + tariff + regulation + firm capacity = potential opportunity

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Thank you!



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