



Ministry of Finance and Economy of Turkmenistan



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## What does joining the WTO mean for me?

A GUIDE FOR BUSINESS

# **Glossary** – some key terms

Term	Meaning
Anti-dumping duties	A supplementary tariff charged on specific products (and sometimes even from specific production facilities), in cases where a producer has sold goods in a foreign market at an unfair price (e.g. below cost) and caused harm to the domestic industry.
Binding	A Treaty commitment by a trade partner not to worsen trade access (i.e. tariff rates, a tariff quota or services market access from a set or "bound" level.)
Commitment	Firm promises made in trade agreements.
Customs valuation	The valuation of a good for the purposes of applying customs duties (i.e. what is the price to which a tariff is applied? Is it actual price paid on export or established by some other method?).
Market Access	The conditions under which a foreign exporter or service provider may supply their goods or services in a partner country.
MFN	"Most Favoured Nation" treatment which is the best trade treatment available from a trade partner (i.e. the most preferential access). Under WTO rules this treatment should be offered to all other WTO members with very few and specific exceptions.
National Treatment	A commitment to treat foreign goods and service providers in the same way as domestic goods and service providers.
Rules of origin	Rules used to determine the "economic nationality" of a good in order to determine what tariffs or other trade conditions apply to it.
SPS	Sanitary and Phytosanitary measures are domestic measures taken to protect human, animal and plant health against pests and diseases.
твт	Technical Barriers to Trade – barriers that can arise due to technical product requirements, product standards and conformity testing before a good can be marketed.
TRIMS	Trade related Investment Measures are restrictions or conditions which are applied to foreign investment and have the effect of favouring domestic producers and exporters.
TRIPS	Trade-related Intellectual Property Agreement – this WTO agreement applies trade considerations (MFN treatment and national treatment) to intellectual property (patents, trademarks etc.).
WTO	World Trade Organization – the Geneva based multilateral organization responsible for managing global trade negotiations.

### **Benefits of WTO membership**

The goal of the WTO is to maintain an open and growing global trading system, which is fair, inclusive and able to resolve disputes between members to avoid damaging trade wars.

#### What is the WTO?

The World Trade Organization (WTO) is a global club of nations who have adopted rules to govern how they trade with each other.

These rules include general principles as well as conditions that apply to specific goods and services. The rules are negotiated and set collectively and consensually by the members in accordance with the institutional arrangements set out in the WTO Treaty.

Member countries are supported by a permanent WTO Secretariat based in Geneva, headed up by a Director General appointed by the Members.

#### Benefits of WTO Membership

**Clarity and predictability** – WTO membership creates clarity and predictability about the trading conditions affecting both domestic and foreign importers, exporters, service providers and investors. This provides business with the confidence it needs to plan and manage its activity.

**Trade diversification** – Evidence from new members that have joined since 1995, suggests that membership of the WTO has a bigger positive impact on the export of new products to new destinations than on existing products or partners.

**Development of pro-growth policies** – WTO membership encourages modernization of the domestic economy through services liberalization and investment.

**Global profile** – WTO membership creates greater awareness of investment and other business opportunities among both domestic and foreign businesses.

**Dispute Settlement** – WTO membership gives member countries more power to enforce their trade rights against bigger trading partners than they would otherwise have.

#### Key Facts



The WTO was founded in 1995 with 125 original members

Q As of August 2024, C A there are 166 members

22 further countries are engaged in accession negotiations



The value of world trade has increased by on average 5% a year since the WTO was founded

#### Key Principles of the WTO

Non-discrimination: A WTO member should not discriminate between trading partners (Most Favoured Nation treatment), and it should not discriminate between its own and foreign products, services or nationals (National Treatment).

**Opening trade:** WTO Members should aim to keep lowering their trade barriers. Where possible remaining trade barriers should be non-distortionary – using price measures (i.e. tariffs) rather than quantitative restrictions (i.e. quotas).

Predictability and transparency: WTO members should maintain a trade regime and supporting domestic policies that create predictability and transparency for foreign companies and investors, in order to promote investment and create jobs.

More fair competition: WTO rules discourage "unfair" practices, such as export subsidies and dumping products at below normal value to gain market share.

Support for less developed countries: The WTO supports the inclusion of developing countries into the global trading system. It provides for "Special and Differentiated Treatment" of less-developed countries and offers mechanisms to channel technical assistance to poorer members.

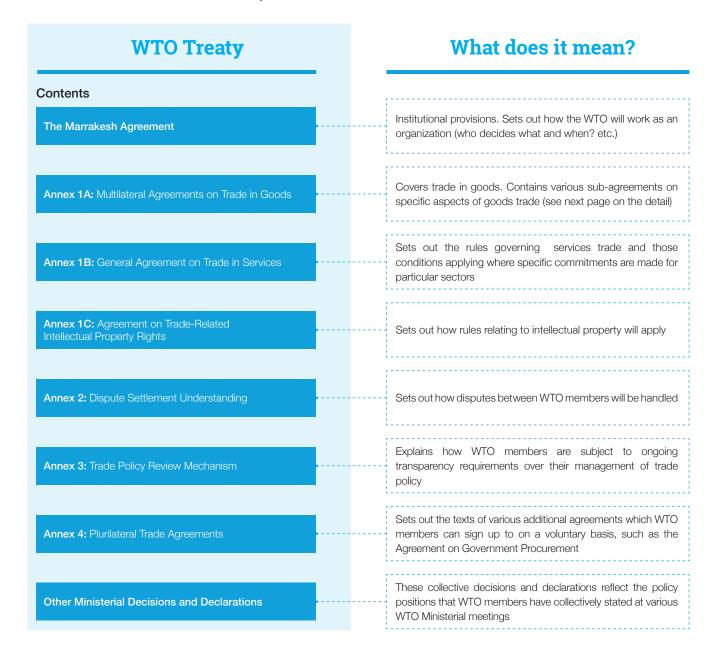
**Evolving trade agenda:** The WTO aims to respond to new challenges for the global trading system, such as how to balance environmental protection with open trade and how to combat the digital divide as e-commerce becomes increasingly important.

## What is in the WTO Treaty?

The WTO Treaty (known as the "Final Act embodying the results of the Uruguay Round of Multilateral Trade Negotiations") is the agreement that new members sign up to when they join. It consists of:

- An overarching agreement which sets the WTO up as an institution and sets out rules about how the organization works and the various decision-making bodies within it
- 2. A series of thematic agreements which cover different aspects of trade and sets out different rules for each area
- 3. A set of annexes which set out other decisions and interpretations of the agreement.

#### An overview of the contents for the Treaty is set out below.



Annexed to the Treaty are the specific trade commitments of individual WTO members to each other. These commitments include tariff rates on all goods and commitments on the opening up of domestic services sectors to foreign competition.

# What is in the Trade in Goods Agreement?

Annex 1A: Multilateral Agreements The Trade in Goods Agreement contains a number of on Trade in Goods more specific agreements that relate to trade in goods Sets out binding commitments from WTO members on Agreement on Agriculture agricultural market access, domestic support (e.g. price support) and export subsidies Establishes an agreed framework for the adoption and Agreement on the Application of Sanitary implementation of national domestic measures designed and Phytosanitary (SPS) Measures to protect animal, plant and human health. It is designed to prevent them becoming discriminatory or unjustifiably restrictive Establishes rules around the adoption and implementation of national conformity assessment, industrial standards and safety Agreement on Technical Barriers to Trade (TBT) requirements in products that may become unnecessary and disguised trade barriers. Agreement on Trade Related Prevents WTO members imposing requirements on investors Investment Measures (TRIMs) that affect fair competition for trade in goods Agreement on Implementation of Article VI of Sets out disciplines for the implementation of anti-dumping policy the GATT 1994 (Anti-Dumping Agreement) \_\_\_\_\_ Sets out the basis on which goods are valued for customs Agreement on Customs Valuation purposes Sets out the conditions under which WTO members can undertake Agreement on Pre-Shipment inspection inspection of goods in their country of origin. Procedures must be transparent, non-discriminatory and subject to appeal. Sets out the aspiration for future harmonization of rules of origin. Agreement on Rules of Origin Sets out disciplines for members to observe meantime. Creates committee to develop policy Creates rules on import administration to prevent this becoming Agreement on Import Licensing Procedures a trade barrier Agreement on Subsidies and Clarifies unfair use of subsidies and conditions under which **Countervailing Measures** trade partners may adopt retaliatory measures Agreement on Safeguards Sets out disciplines around the use of safeguards Covers measures to improve clearance of goods across borders, including advance rulings on customs handling, documentation Agreement on Trade facilitation and e-facilitation and border cooperation

### WTO accession process

WTO accession is a process of domestic reforms, accompanied by adjustments in the trade and economic policymaking laws and frameworks of an applicant country, designed to ensure that the obligations of membership can be met.

#### Who's joined

Since the founding of the WTO in 1995, 41 countries and separate customs territories have joined the organization. Any state or separate customs territory which has full autonomy in the conduct of its trade policy can apply to join the WTO.

#### How does WTO membership impact new members?

"It has been demonstrated that the accession process promotes domestic reforms that are necessary for countries to achieve competitiveness. It is also widely acknowledged today including in WTO reports, that members that have negotiated their terms have grown faster, been more successful at attracting investments and shown greater resilience during economic downturns."

(Speech by Ambassador Amina Mohammed, Deputy Secretary General UN, 2017)

#### How do countries join the WTO?

#### **Step 1**: Accession Request

#### What is involved?

A country wanting to join the WTO must make a formal request.

The negotiations commence once the applicant country has submitted details of its trade policy regime and supporting domestic policies (Memorandum on the Foreign Trade Regime (MFTR)).

#### Step 2: Accession Negotiations

#### What is involved?

The accession negotiations consist of three parts:

- 1. The Multilateral Negotiations: During this phase the applicant country's legislative and regulatory set up is scrutinised for compatibility with the WTO Treaty. Any gaps or incompatibilities may need to be remedied by changes in domestic law.
- 2. Bilateral Negotiations: The starting point for these negotiations are the Goods and Services market access "Offers" submitted by the applicant country. Any WTO Member can then request bilateral negotiations in order to seek better access. If one Member secures better access for their goods or services, then those terms apply to all WTO Members in accordance with MFN principles.
- 3. Plurilateral Negotiations: These cover negotiations on agricultural policies affecting trade and negotiations on additional voluntary agreements. These are technical negotiations undertaken with the WTO secretariat.

#### Step 3: The Final Steps

#### What is involved?

Once negotiations are complete, a final report is prepared by the Working Party for approval by all WTO Members.

Once this report and recommendation for membership has been approved at the biennial Ministerial Conference or General Council, there is a formal signing ceremony.

After the applicant country has completed any domestic formalities to ratify the WTO Treaty (i.e. turn the promises it has made during the accession process into commitments in domestic law), it can formally become as a member of the WTO.

## How does WTO accession affect Trade in Goods and Goods Producers?

What are the WTO's Rules on Trade in Goods?

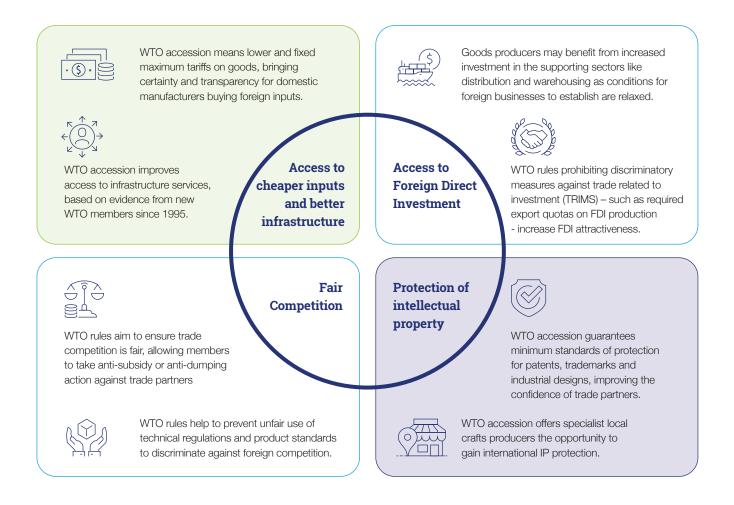
When a country joins the WTO its goods trade policies will need to conform to WTO rules. This means:

- Tariffs imposed on foreign imports must be fixed (bound) and will almost certainly need to be reduced
- If any export taxes are imposed, they will be discouraged in future
- Quantitative restrictions on imports (quotas) are prohibited
- The imposition of safeguards (i.e. restrictions on imports to protect a country's financial position) can only be done under strictly controlled circumstances
- Any investment measures which impose restrictions or limitations on trade in goods are prohibited (e.g. the requirement for a certain % of production by foreign investors to be exported)

For some domestic goods producers, the introduction of these rules may mean more foreign competition, but set against this WTO accession should bring wider benefits.

#### What does WTO Accession mean in practice for Goods Producers?

The various agreements that make up the WTO Treaty offer a wide variety of benefits to domestic producers, regardless of whether or not they export.



## What does WTO accession mean for farmers, food producers and agricultural traders?

#### What are the WTO rules on Agricultural Trade?

WTO Members established new rules in the WTO Treaty, intended to restore balance and fairness to the operation of global agricultural trade. The WTO Agriculture Agreement:

- Classified agricultural policy measures according to whether they were production distorting ("Amber box measures", such as price support), linked to production but not to quantity of production ("Blue box measures", such as direct payments to farmers), or neutral in their effect ("Green box measures", such as agricultural research). Amber and Blue box measures are subject to control and reduction.
- Improved market access into WTO Members with high levels of farm protection by converting high agricultural tariff rates into lower fixed tariff access for specific volumes of imports.
- Limited export subsidies and prohibited export restrictions, except in emergencies.
- Introduced rules to protect against unfair use of human and animal health measures (SPS).

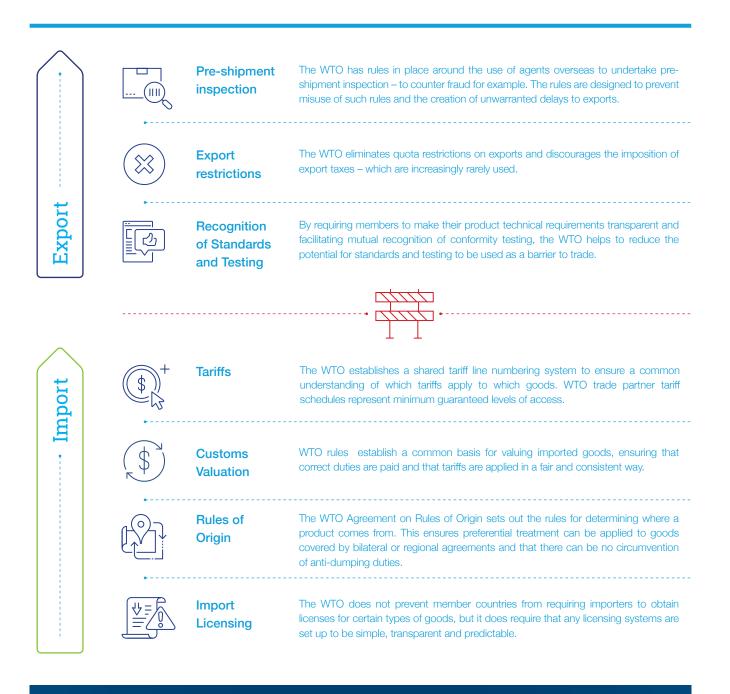
These rules together with many of the other agreements contained in the WTO Treaty, could bring a wide range of potential benefits to farmers in newly acceding countries.

Growing	WTO accession could make agricultural production more competitive	Lower domestic tariffs have the potential to make essential inputs cheaper – offering farmers better access to seeds, machinery and fertiliser.
Distribution	WTO accession could boost investment in domestic warehousing, distribution, processing and transport services and infrastructure	Accession increases the attractiveness of a country to foreign investment because of limitations on trade distorting investment measures (TRIMS), and because accession means better access to foreign markets for exported products. Better establishment conditions for foreign service suppliers in areas like transport and distribution also plays a role in improving access and lowering the cost of reaching both domestic and foreign markets.
Marketing	WTO accession offers new opportunities to market domestic agricultural products internationally	Through the designation of Geographical Indications (GIs) which can help to boost the recognition and incomes of local producers of specialist products. WTO membership also encourages the adoption of internationally recognized Sanitary and Phytosanitary standards (SPS) which will facilitate access to overseas markets.
Exporting	WTO accession provides better access to international markets	Exporters must normally be offered the same tariff access and conditions as other WTO members (MFN access).
Fairer Competition	WTO accession gives developing producer countries a greater say over how agricultural markets are governed and run	The WTO Agriculture Agreement contains (and aims to eliminate) trade distorting subsidies and price support. Through anti-dumping action, it also offers all members the opportunity to protect their producers from competing products that are priced at artificially low levels. And it prohibits the protectionist use of food and animal health standards to exclude foreign competition whilst allowing fair use to protect human, plant and animal health.

#### How WTO Accession Can Help Farmers and Food Producers?

# How can WTO Accession help exporters?

WTO rules govern all aspects of exporting and importing goods – creating clarity and predictability of requirements and procedures. They do not prevent WTO members from undertaking domestic policy actions relating to customs handling but they do ensure that such action is not used for discriminatory or protectionist purposes. This creates an improved environment for trade.



Trade facilitation Many WTO members have signed up to a voluntary agreement on trade facilitation which applies high common standards to the administrative treatment of imports, from offering rulings on customs valuation in advance of shipping, to offering expedited procedures.

## WTO Accession and Services

#### What services are covered by WTO rules?

The WTO General Agreement on Trade in Services (GATS) covers all services sectors apart from services related to the exercise of governmental authority (e.g. government administration, defence and security, judicial services), although services provided by the public sector more generally (e.g. health, education and infrastructure) are covered by WTO rules.



#### Modes of Services Trade

Services can be delivered in different ways, unlike goods. WTO members can give different treatment to services depending on how they are being delivered. The four modes of delivery are:

Crossborder services (mode 1): The service is delivered remotely by email, phone or cloud services

Consumption abroad (mode 2): A customer travels to another country to buy services. For example, tourism services.

**Establishment (mode 3):** A foreign service supplier sets up a business in the WTO member, for example, an international fast-food chain.

Movement of Natural Persons (mode 4): Delivery of services by individuals in person, either temporarily or through established businesses.

#### WTO Rules on services

It is left to WTO members to decide which of the high-level sectors shown opposite they want to open up to foreign providers (and at which sub-sectoral level (e.g. banking but not insurance under financial services), but all sectors are covered by some general rules, or obligations.

By joining the WTO, members commit to:

MFN - Treating all other WTO Members equally.

**Transparency** - Publishing any laws, regulations or other measures that affect trade in services.

Legal remedies - Providing a mechanism for managing complaints or disputes in relation to government measures on services.

More fair competition: WTO rules discourage "unfair" practices, such as export subsidies and dumping products at below normal value to gain market share.

#### What about Specific Sectors that WTO Members choose to open up?

On joining the WTO, members are expected to open most of their service sectors to allow, at least some level of, access by foreign providers.

Members must offer to other WTO members:

- Some market access in services (which may be defined at a much more detailed level than shown above) – a list or "schedule" of commitments by sector or sub-sector.
- Market access commitments should outline the "mode" of trade covered (see box opposite) and give a clear explanation of any limitations imposed on that market access (e.g. a requirement for auditors to be qualified nationally).
- Confirmation that they will abide by good trade disciplines and regulatory practice in the sectors that are opening up.

## How does WTO accession affect services providers?



Access to an improved environment for providing services

WTO membership offers national service providers – whether they export their services or not – a potentially improved environment for doing business. If the new WTO member chooses to open infrastructure sectors (financial services, telecoms, energy, health etc.) to foreign investment, then domestic businesses also stand to gain from any improvements that can be created in how they operate.



New Export Markets

The obvious opportunity that joining the WTO creates for services businesses in an acceding country, is access to guaranteed open markets for services in their trading partners, as the growth of services exports from new WTO members over the last 2 decades illustrates.



A chance to obtain foreign investment to support the development of the service business

WTO accession makes a country a more attractive foreign investment destination and individual service businesses may find that there are international partners wishing to invest in their businesses as a result.



An opportunity to review regulation of domestic services sectors and update them

An important part of the WTO accession process is the domestic legislative review undertaken in the early stages of negotiations. This is an opportunity for applicant countries to consider how they regulate different services sectors that may be opened to foreign suppliers. For domestic service businesses this is a great chance to improve and modernise how their sectors are run.



### New growth opportunities

WTO accession brings new growth opportunities for domestic services businesses. The better incorporation of a country into global supply chains, thanks to WTO membership, could bring new demands for domestic distribution companies, suppliers of services to exporters (customs agents etc.), not to mention local accountants, lawyers and architects.



Access to new international specialist skills and talent

The greater clarity around movement of people for business purposes, which comes with WTO accession, will potentially offer service businesses in acceding WTO countries with greater access to specialist international talent and experience.

## The Role of Intellectual Property in Trade

The creation and exploitation of intellectual property enables businesses to grow and develop. WTO rules reinforce international standards and apply them to trade in goods and services.

#### What is IP?

Intellectual property (IP) is the result of human creativity and is embodied in all kinds of goods and services, from new types of plants and seed types, textiles and clothing design, industrial designs and architectural designs, new processes, company trademarks, digital software, music, writing, film, performance and much more.



#### How does business benefit from IP protection?

- Protection of IP in patents and industrial designs allows businesses to obtain a reward for their ingenuity and creativity.
- Protection of trademarks enables businesses to trade without the risk of others pretending to be them.
- Copyright protection ensures that creative performers, software developers and authors receive royalties for their efforts.
- Geographical Indicators allow national producers to protect IP related to national or regional specific conditions that make a product unique.

### What does accession to the WTO mean for Intellectual Property policies?

- It requires all members to enshrine some key IP standards in their laws covering copyright, trademarks, Geographical Indicators (see agricultural exporters), industrial designs and patents.
- It requires transparency: WTO members must provide information to fellow members about how they protect and enforce intellectual property rights. New IP laws must be notified within 30 days of their entry into force and national contact points appointed and notified.
- It recognizes the particular challenges of Developing Countries. They are given some flexibility in implementing requirements and can get access to capacity building assistance.
- It provides a dispute settlement mechanism in case of differences of interpretation between WTO members on IP matters.

 It improves access of non-pharmaceutical producing LDCs to essential medicines by permitting compulsory licensing and making it easier for developing countries to use this mechanism without having to notify the WTO.

#### How does that benefit business?

- Businesses can have certainty that their IP will be protected to at least a minimum international standard when they trade with another WTO member country. This increases confidence for exporters and investors.
- Businesses can easily find out what their IP obligations are at home and abroad and more easily understand if they have changed.
- WTO membership does not prevent member countries from taking national measures to protect public interest but in doing so member governments must apply rules so that all concerned can have confidence that IP policy decisions is not being used for protectionist reasons.
- Businesses can access IP on fair terms.

## What Role for Business in WTO Accession and Beyond?

Although the WTO is an intergovernmental organization and business is not a party to the negotiations or the final agreement, the private sector still has an important role to play in ensuring any new member gets the most from their accession.

Consultation	Governments need to determine where their country's best interests lie when determining a negotiating position in the WTO. In order to make the best assessment of where the balance of national interest lies, government negotiators need good data and an understanding of what the impact of trade liberalisation or other related policy measures might be. Business is well placed to provide this.
Policymaking input	Most businesses have a view about what their governments could do better. WTO accession is an unrivalled opportunity to feed thoughts into government on the domestic legislative set-up for particular sectors and how it could be improved.
Making of Global Trade policy	Trade policy is constantly evolving and the WTO provides a forum for the private sector and civil society to contribute to future thinking. Business is well placed to input its thinking on how trade can reflect what it needs, whether in terms of environment and sustainability or e-commerce technology.
Participating in National Positioning	WTO accession is also an opportunity for a country to re-brand itself internationally, most notably in order to highlight its potential as an investment destination, but also to raise awareness of what it can offer in terms of tourism, as a logistics or manufacturing hub in a wider economic region, or as a source of skills. Government cannot do this re- branding alone and needs the help and support of businesses to succeed.
Sectoral networking	WTO accession also offers business an opportunity to build closer working relationships with counterparts and business associations in other countries.

It is important for business to realize that WTO Accession is not a goal in itself but a mechanism for developing a more attractive business environment that supports the creation of jobs, the attraction of investment and sustainable growth.

## **FAQs?** What difference WTO membership makes for the private sector?

Question	Answer
The WTO mainly benefits larger developed countries?	Larger developed countries have certainly benefited from open, multilateral trade but the creation of a rules-based environment through the WTO, ensures that trade is not designed simply for their benefit. The better integration of developing economies into the global trading system and supporting them to do so, are major themes of WTO discussions.
Don't the big trading countries decide everything at the WTO and smaller and poorer countries have to accept what they decide?	One of the reasons why the WTO makes slow progress is that it operates by consensus. For smaller, developing countries this means an unprecedented opportunity to influence trade policy. Small countries have won trade disputes against the US and other big economies at the WTO and numerous ambassadors and ministers of developing countries have chaired important discussions and framed debate on trade topics at the WTO.
Is the WTO still relevant as members do not seem to be able to agree on any new trade measures?	Although the WTO has not agreed on any headline grabbing deals in recent years, it has been responsible for progressing discussions between parties in many important areas, ranging from health and e-commerce through to subsidies on fishing and the domestic regulation of services.
Doesn't the imposition of trade restrictions by some countries during the pandemic demonstrate that the WTO doesn't work?	The experience of the COVID pandemic was instructive. It demonstrated that the WTO is flexible enough to allow countries to take emergency measures, but robust enough to ensure that trade restrictions imposed in times of crisis are short term, transparent and justified by public policy.
Doesn't joining the WTO undermine local businesses by creating more foreign imports and competition?	WTO accession is likely to create a more competitive environment for some domestic businesses but it will also increase competition in input markets, enabling domestic producers to improve the competitiveness of their products.
Would joining the WTO constrain our government's ability to set national policies?	To some extent. Whilst governments of WTO members have to abide by the trade commitments they have made, there is still wide freedom of manoeuvre left to governments on matters relating to public policy.

Information and more technical background about WTO Accession and many other

# Further resources

WTO Website

	trade topics.	
ITC Resources for business		
Market Access Map	ITC's Market Access Map provides information on applied customs tariffs including Most Favoured Nation tariffs and preferences granted unilaterally and in the framework of bilateral and regional trade agreements.	
<u>Global Trade Helpdesk</u>	Although the WTO has not agreed on any headline grabbing deals in recent years, it has been responsible for progressing discussions between parties in many important areas, ranging from health and e-commerce through to subsidies on fishing and the domestic regulation of services.	
Trade Obstacles Alert Mechanism	Helps to tackle trade barriers faced by small and medium-sized businesses. Provides a mechanism for SMEs to report barriers and be alerted to ones that may affect them.	
ecomConnect	A platform that brings together e-commerce game-changers who can help small businesses around the globe grow in an inclusive and sustainable way.	
<u>SheTrades.com</u>	SheTrades.com is an online platform designed to support women's participation in international trade by facilitating how women network, learn, and do business.	
Sustainability Map	ITC's Sustainability Map is a free online gateway that enables businesses to promote their sustainable practices, gain visibility in the international supply chain and connect to international buyers.	
<u>Trade Map</u>	ITC's Trade Map is an online database on international trade statistics, providing an array of useful indicators on export performance, international demand, alternative markets and the role of competitors from both the product and country perspectives.	
SME Trade Academy	An e-learning platform that offers over 100 free courses on export development, sustainability, trade support, entrepreneurship, e-commerce, and market analysis.	
Acknowledgements	This brochure has been produced by the International Trade Centre (ITC) with support from the European Union. It is designed to assist businesses and business associations in countries seeking accession to the World Trade Organization (WTO).	

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This publication was produced by the International Trade Centre (ITC) under the "Turkmenistan: Enhancing Trade Resilience and Integration" project funded by the European Union.

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