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## GEORGIA

Statement Circulated by Mr. Konstantin Zaldastanishvili,  
Minister of Trade and Foreign Economic Relations

It is high honour to take part in the 2nd Ministerial Conference of the WTO as well as to represent Georgia on the 50th Anniversary of the Multilateral Trading System.

After the first Ministerial Meeting Georgia has made a big step towards the accession to the WTO. The latter we consider as the most important stage on the road to the full inclusion of Georgia into the world trading system. Because of this fact, the Government of Georgia has declared that rapid entry into this international organization is the most important priority in its entire foreign economic policy. In connection with this fact, I would like to express my deep gratitude to Ambassador E. Herfkens, the chairperson of the Working Party of Georgia's acceding to the WTO; to the Members of the World Trade Organization; and to the Secretariat for their cooperation in the process of the accession of Georgia to the WTO. An additional important benefit for us is the stimulus that the accession process provides to more rapid development of market reforms in Georgia.

Georgia began the process of joining the WTO in 1996, when it officially applied for full membership and received observer status.

Under the Ministry of Foreign Affairs, the Commission on accession to the WTO was established in Georgia. Representatives from virtually all Ministries and Departments take part in the work of the Commission. Our work has also been substantially assisted by representatives of the European Union, the United States, and the World Bank, for which help we are very grateful.

In a short period of time, the Commission prepared the Memorandum on the Foreign Trade Regime, which was officially submitted to the Secretariat of the WTO in April 1997. We thank the Member States of the WTO for attentive study of this document. As a result, we received about 400 questions on the Memorandum, the replies to which we submitted in September 1997.

At the beginning of December 1997, in the headquarters of the WTO here in Geneva, bilateral consultations were conducted with representatives of the United States, Canada, the European Union, Japan, and Australia. The main subject of these consultations was discussion and clarification of questions concerning Georgia's foreign trade regime. These consultations contributed substantially to the process of our accession to the WTO.

At the beginning of this year, we submitted to the Secretariat our Initial Offers on goods and services.

Bilateral negotiations with the representatives of Australia, Canada, the Czech and Slovak Republics, the European Union, Hungary, Switzerland, Turkey, and the United States, which took place last week and yesterday, have also been very fruitful.

The first meeting of the Working Party on the Accession of Georgia to the WTO was held on 3 March 1998 and in accordance with the opinion of the WTO Member States it was quite successful, that, undoubtedly, brought us near the day of obtaining a full-member status of the WTO. After this meeting we received about 170 additional questions. The draft version on replies on this questionnaire we have already circulated.

Moreover, as results of the aforementioned bilateral meetings we submitted to the WTO Secretariat our revised initial offers on goods and services.

Let me now to invite your attention to several positive developments in Georgian legislation since the submission of the Memorandum on Foreign Trade Regime. For example, in compliance with our commitments in the Memorandum, such important laws as the Civil Code, the Tax and Customs Codes, the Maritime and Aviation Codes, the "Law on Privatization of State Property", the "Law on advertisement" have been adopted and have already come into force. Experts from key international organizations made important contributions to the development of these laws, which fully comply with international norms.

At the present time, Parliament is considering such important bills as the "Law on Trademarks", the "Law on Copyright", the "Law on Patents", and others. The draft "Law on Government Procurement" is in the process of development in the appropriate ministries. The requirements of the WTO have been fully taken into account in the development of these documents.

In addition, the Parliament has made a commitment that, beginning 1 September 1998, all new legislation adopted in Georgia must be in full compliance with the legal norms of the European Union.

In this connection, note should be taken that the Georgian-European Centre for Economic Policy and Legal Consultation ("GEPLAC") which has been recently established in Tbilisi under the aegis of the European Union, has actively begun to assist in the process of harmonizing our legal system with the EU and WTO standards.

It is important also to mention the significant contribution of the Caucasus Mission of the United States Agency for International Development (USAID) and its Centre for Institutional Reform and the Informal Sector (IRIS) to the harmonization of our legal system in general and specifically to the accession of Georgia to the WTO.

Active work has started on the transformation of the old Soviet system of standardization and certification to a new one corresponding to international standards. The first real step in this was the adoption of two important documents: the "Law on Certification of Products and Services" and the "Law on Standardization". Together with their Georgian colleagues, foreign experts are actively involved in this work. Also, on 1 January 1998, Georgia became a correspondent-member of the International Standards Organization (ISO). On 17 October 1997, Georgia applied for membership in the Codex Alimentarius Commission as well. This application was officially registered by the Secretariat of the Commission in January this year.

Nowadays, the appropriate structures of the Government of Georgia are in the process of converting from the Harmonized System of Nomenclature of Goods 1992 to the Harmonized System 1996.

It is also important to note that, effective from 1 January of this year, Georgia applies the destination principle with respect to indirect taxation of imports and exports.

Not content to be a passive observer of further liberalization of the world trading system, Georgia is considering the important initiatives that have been adopted covering trade in information technology and pharmaceuticals. In addition, a Presidential Decree on "The Common Plan of Privatization of Separate Sectors of the Georgian National Economy" has been adopted, which envisages restructuring, de-monopolization and privatization of the entire telecommunications network of the country. These measures will be implemented with the participation of the World Bank and the conduct of international tenders.

With respect to intellectual property rights, Georgia is a member of the Paris Convention on Protection of International Property Rights, the Bern Convention on Protection of Works of Literature and Art, and the Treaty on Patent Cooperation. The necessary intergovernmental procedures for accession of Georgia to the Protocol of the Madrid Convention on International Registration of Marks have just completed.

Georgia pays great attention to regional cooperation. We welcome the prospect of cooperation within the framework of such regional organization as the Black Sea Economic Cooperation (BSEC). We have also concluded a Partnership and Cooperation Agreement between Georgia and the European Union.

The active support of international organizations and individual country donors has greatly helped the Government of Georgia to implement market reforms.

The latest statistical data demonstrate the rapid improvement of the Georgian economy. In 1997, real growth in GDP was 11.3 per cent against 10.6 per cent in 1996. The annual inflation rate was fixed at the level of 7.3 per cent in 1997, and is projected to decline further to 3.1 per cent in 1998. Price liberalization has been completed. The national currency introduced in 1995 -- the lari -- is stable. The foreign debt of Georgia, which totals \$1.6 billion, has been entirely restructured.

The banking system of Georgia is being actively reformed. As a result of increased liquidity requirements, the number of banks has been reduced from 229 to 53. Ten of these have been established with the participation of foreign capital. Most Georgian banks have joined the international "SWIFT" system of payments. Special attention should be drawn to the fact that Georgia has accepted Article 8 of the IMF Agreement.

There are also positive trends in the development of foreign trade. In 1996, Georgia had trade relations with 82 countries; last year this number increased to 93. Foreign trade turnover increased 30 per cent in 1997, rising to a total of one US\$1.108 billion. Exports amounted to US\$250 million. There was a growth of exports, but imports also increased, due especially to the need to import energy and grains.

From May 1996 through the end of 1997, 161 private foreign investments, totalling US\$135 million, were registered in Georgia. Investors from 36 countries have put their money in Georgia. One stimulus to this investment was the adoption in 1996 of the "Law on Promotion and Guarantee of Investment Activity", which provides for national treatment of investments.

Adoption and enforcement of such laws as the "Law on Monopoly and Competition", the "Law on Entrepreneurship", and the "Law on Bankruptcy" have played a significant role in increasing business activity and competition in Georgia.

Small privatization is virtually complete in Georgia. More than 11,492 small enterprises have already been privatized. 1,160 medium and large enterprises have already been converted into joint stock companies. The fact that privatization has included such strategic branches of the economy as energy, transport, and the bread industry points out the depth of the process. It is noteworthy that during 1997, the total amount of capital attracted by privatization tenders was more than US\$100 million.

To emphasize the importance of Georgia's rapid accession to the WTO, we would like to invite your attention to the important effects that accession will have on world trade. What do I mean?

Georgia, with a population of just over five million people, occupies a strategically located territory of approximately 70,000 square kilometres. With its deepwater ports on the Black Sea, Georgia provides the most direct transit corridor between the Black and Caspian Seas.

Great attention has recently been focused on the development of the Transport Corridor Europe-Caucasus-Asia (TRACECA), which is sometimes described as a restoration of the "Great Silk Road." The fact that this route, which would run through the Black Sea and across Georgia to the Caspian Sea, would shorten the sea routes connecting Europe with Asia by approximately 8,000 kilometres is an indication of its importance.

Because Georgia is a central country for the carriage of both energy and goods along the Silk Road, the rapid accession of Georgia to the WTO would significantly assist the realization of this project.

In conclusion, on behalf of the Government of Georgia, let me once more assure you that we will do everything that we are required to do in order to fulfil the commitments we are undertaking in acceding to the WTO.

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