

WORLD TRADE ORGANIZATION

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Working Party on the Accession of Georgia

ACCESSION OF GEORGIA

Progress Report

I. BACKGROUND

Georgia submitted its application for accession to the World Trade Organization in July 1996. Observer status was granted, and a Memorandum on the Foreign Trade Regime was submitted on April 7, 1997. Responses to a large number of questions submitted by Members were submitted on 13 October, 1997, and market access offers were submitted February 2, 1998 (services) and February 19, 1998 (goods). Working Party I in March, 1998, and Working Party II in October, 1998, together with bilateral negotiations with a number of interested Members, have made substantial progress towards completing market access negotiations on tariffs and services and on bringing Georgia's foreign trade regime into compliance with WTO requirements.

This report summarizes developments as of June 1, 1999, taking into account progress since the conclusion of the last bilateral round of negotiations in April, 1999.

II. LEGISLATIVE AND REGULATORY ACTIONS

The following specific actions have been taken to enact or revise legislation or regulations to meet specific WTO requirements:

Customs Valuation Regulations:

The Customs Department prepared detailed regulations to implement the provisions of the WTO Agreement on the Implementation of Article VII of the GATT 1994 ("Customs Valuation Agreement"). The Ministry of Justice formally approved these regulations, including the Decisions of the WTO Customs Valuation Committee concerning "Valuation of Carrier Media Bearing Software" and "Treatment of Interest Charges" (WTO/VAL/6&8), and the Interpretive Notes provided in Annex I of the Customs Valuation Agreement, on May 31, 1999.

Due to the fact that CVA Article 13 is not consistent with existing Georgian law, it cannot be implemented by regulation. A conforming amendment to the Customs Code, expected to be approved by Parliament in early June, will implement this provision.

Rules of Origin Regulations

The Customs Department prepared detailed regulations covering the requirements of the WTO Agreement on Rules of Origin. The Ministry of Justice formally approved these regulations on May 31, 1999.

Antidumping, Countervailing Duties, and Safeguards Regulations

The Government of Georgia proceeds its policy to refrain from applying any antidumping, countervailing or safeguard measures until WTO consistent legislation has been implemented.

Presidential Decree on Managing the WTO Relationship

The Ministry of Trade and Foreign Economic Relations has prepared a draft Presidential Decree assigning the responsibilities for managing various aspects of the relationship between Georgia and the WTO after accession is achieved. Having such a decree in place will help Georgia to transition smoothly from the accession to the post-accession phase. Issuance by the President is expected in June, 1999.

Excise and VAT Taxes

Excise stamps were introduced at the retail level on March 20, 1999 for cigarettes, and on March 30 for alcoholic beverages other than beer. Both importers and domestic producers pay the full tax at the time of issuance of the stamps.

In late May, 1999, the Ministry of Finance was negotiating with the International Monetary Fund the precise levels of excise tax to be applied to alcohol and cigarettes. The Draft Law on Amendment and Changes to the Tax Code has been prepared which appears to be in consistency (meeting Article III of the GATT) with WTO requirements. Amendments to the tax code implementing the new excise rates on alcoholic beverages are expected to be passed by Parliament during June. The amendments also provide for observing the national treatment clause with regard to VAT exemptions.

Georgia undertakes a commitment that upon accession to the WTO it will observe the provisions of Article III of the GATT with regard to taxation of tobacco products.

Intellectual Property Rights

Work has continued in many areas related to the TRIPs agreement. In particular:

- (a) On August 20, 1998, Georgia formally adhered to the Protocol of the Madrid Agreement on the International Registration of Marks.
- (b) A new TRIPs-consistent patent law was approved by Parliament in February, 1999, and entered into force on May 27, 1999 (three months after publication on February 27th). This law has been notified to WTO.
- (c) The draft copyright law, which will supplement the provisions of the Civil Code on copyright, has passed the first hearing in Parliament. This law has been prepared in close cooperation with WIPO experts, and is available in English for WTO review. Passage is expected in early June 1999.
- (d) A new TRIPs-consistent trademark law was approved by Parliament in February, 1999, and entered into force on May 27, 1999 (three months after publication on February 27th). This law has been notified to WTO.

- (e) A draft law on Geographic Indications and Appellations of Origin has passed the first hearing in the Parliament of Georgia. The draft has been notified to WTO. Passage is expected for early June 1999.
- (f) A draft law on protection of layout designs of integrated circuits has passed the first hearing in the Parliament of Georgia. Passage expected for early June 1999.
- (g) A draft law on border measures to enforce TRIPS requirements with respect to copyright and trademark has been drafted and submitted to the Parliament. Passage is expected in June 1999.
- (h) Amendments to the criminal code to enforce copyright and trademark provisions of TRIPS have passed first reading in the Parliament and will be enacted in June, 1999. The amendments to the codes of criminal, civil, and administrative procedure designed to improve enforcement of intellectual property rights are in preparation.
- (i) The President approved the regulations establishing the National Center of Intellectual Property.
- (j) A table describing the state of compliance with TRIPS, on an article-by-article basis, is attached to the Draft Working Party Report.

Land Privatization

The Law on Declaration of Private Ownership of Land in Use by Physical and Private Legal Persons, adopted October 28, 1998, provides that non-agricultural land can be privatized by any Georgian natural or legal person, including 100% foreign-owned legal persons. Under this law, privatization of urban land has been proceeding rapidly; as of May 1, 1999, approximately 3000 parcels have been privatized. Agricultural land may be privatized by Georgian natural persons under the Law of Agricultural Land Ownership of March 22, 1996. Under this law, approximately 800,000 hectares of agricultural land have been privatized by about 1 million farmers as of May, 1999.

Business Licensing Law

A new law concerning licensing of business activities was approved by Parliament on May 14, 1999. The law provides explicitly for national treatment of both domestic and foreign-owned businesses in Georgia, and restricts the authority of ministries to control businesses through the issuance of licenses to those industries involving safety, consumer protection, environmental protection, or national security issues that are specifically listed in the law. The new law has been notified to WTO.

Administrative Procedure Code

A new Administrative Procedure Code, which will establish the procedures by which judicial appeal of administrative actions may be pursued, has been prepared and is scheduled for Parliamentary consideration in June, 1999. The law has been prepared with the assistance of experts provided by USAID and European donors. Although certain rights of appeal are contained in specific laws or regulations (for instance, there is a specific right of appeal contained in the customs valuation and rules of origin regulations), the Administrative Procedure Code will systematize such rights in all areas, thus covering such additional WTO-related areas as business licensing, appeal of export or import license denials, etc. The draft Code was notified to WTO in January, 1999.

Government Procurement Legislation

A new law on government procurement, based on the UNCITRAL model law and prepared with the help of European experts through GEPLAC, passed Parliament on December 11, 1998. Further work will be undertaken to amend this law in order to be fully compliant with the Agreement on Government Procurement. A list of the government entities to which the law will apply will be provided to WTO before the date of accession. Georgia intends to join the Agreement on Government Procurement. It will request for observer status in the Committee on Government Procurement. Upon accession to the WTO, Georgia will initiate negotiations for membership in the Agreement on Government Procurement by tabling an entity offer. It also confirms that, if the results of the negotiations are satisfactory to the interests of Georgia and the other members of the Agreement, Georgia will complete negotiations for membership in the Agreement by 31 December 2000.

Accession to International Conventions

On 16 April 1999, Georgia acceded to the Convention and Statute on Freedom of Transit of 20 April 1921; the Convention on Transit Trade of Land-Locked States (New York, 8 July 1965); and the International Convention on the Harmonization of Frontier Controls of Goods (Geneva, 21 October 1982). Georgia has also acceded to the Basel Convention on trans-boundary transportation of dangerous wastes.

III. ADMINISTRATIVE ACTIONS

Information Technology Agreement

Georgia has prepared the necessary schedules for accession to the Information Technology Agreement, and will submit these to the WTO secretariat for review in the near future.

Pre-Shipment Inspection

The Government, following discussions with the World Bank and the IMF, has tentatively selected a PSI contractor. Contract negotiations are in progress as of late May, 1999. The Government is familiar with the Agreement on Pre-Shipment Inspection and the December, 1997, Report of the Working Party on Pre-Shipment Inspection. The PSI contract and any implementing regulations will be consistent with the Agreement on Pre-Shipment Inspection.

Customs User Fee

The existing Customs User Fee of 0.3% will be reduced to 0.2% on June 1, 1999, and further reduced to 0.15% upon accession to WTO. The amendments to the Law on Customs Fee providing for these changes were approved May 28, 1999, with effect from June 1.

Sanitary and Phytosanitary ("SPS") Measures

Based on discussions with the Ministries of Foreign Affairs and of Agriculture, IRIS provided short-term technical assistance to assist the various ministries concerned with sanitary and phytosanitary import control measures to revise their procedures to meet WTO requirements. A detailed working plan was prepared to bring Georgian procedures into conformance with WTO requirements. An "Enquiry Point" has been established as required by WTO. An Interministerial Coordinating Body for SPS Implementation ("ICB") has been established, chaired by the Deputy Minister of Agriculture responsible for international issues. A working-level body has been established under the ICB, with representatives of each concerned agency identified. A Project

Director and staff have been appointed, and an office provided and equipped. As of July, 1988, the enquiry point was in full operation.

A Presidential decree ensuring compliance with the disciplines of the SPS Agreement has been prepared and is expected to be issued in June 1999.

Agricultural Subsidies

With technical assistance from GEPLAC (TACIS) and IRIS (USAID), Georgia's agricultural subsidies during the period 1996-98 have been reviewed and the necessary documents submitted to WTO for analysis. Georgia believes that all identified subsidies fit easily within the "Green Box" category under the criteria of Annex 2 to the WTO Agreement on Agriculture.

Technical Barriers to Trade

A Presidential Decree on Measures Implementing the Requirement of the WTO Agreement on Technical Barriers to Trade was adopted on 5 December 1998. In addition, the draft Law on Amendments to the Standardization Law has been prepared to ensure full compliance with the various requirements of the TBT Agreement. These amendments are expected to be enacted in June, 1999. The required TBT enquiry point has been established which is expected to be in full operation in the beginning of June, 1999. A decree has been issued which provides for removing of 120 items from the list of products (initially there were 240 items subject to mandatory certification) subject to mandatory certification. Finally, agreement has been reached with Japan to provide technical assistance to bring Georgia's procedures for enforcing technical standards into conformance with WTO requirements. The Government of Georgia has elaborated the precise plan of actions for bringing Georgia's standardization system in full compliance with WTO requirements. This document has been submitted to the WTO Secretariat for review.

IV. PREPARATION OF MARKET ACCESS OFFERS

Tariff Offer

A completely revised tariff offer has been prepared in HS96 format at the six and eight-digit level. This offer substantially responds to tariff requests made by negotiation partners in the bilateral negotiations, including the Sectoral Initiatives. Bilateral tariff negotiations are virtually complete with all negotiating partners.

Services Offer

On the basis of previous bilateral negotiations, Georgia's market access offer in the services area has been revised to meet the requests of negotiating partners. Georgia believes that this offer meets all requests for revision put forward at previous negotiating sessions. It is expected that negotiations on services will be concluded with all partners in June, 1999.

V. PRIVATIZATION PROGRESS

The privatization process in Georgia has been essentially completed for small and medium-sized companies, privatizing more than 13000 small and medium-sized enterprises. Privatization of larger companies, including those in the energy and telecommunication sectors, water supply and sewage, gas distribution, ports, airports and the railroad, is proceeding on a case-by-case basis. In this regard, a significant achievement was the sale in early January of TELASI, the electric distribution system for Tbilisi, to a U.S. energy company.
