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Working Party on the Accession of Armenia

DRAFT REPORT OF THE WORKING PARTY ON THE ACCESSION OF ARMENIA

Revision

I. Introduction

1. At its meeting on 17 December 1993, the Council of Representatives established a Working Party to examine the application of the Government of Armenia to accede to the General Agreement on Tariffs and Trade (GATT 1947) under Article XXXIII, and to submit to the Council recommendations which might include a draft Protocol of Accession. In a communication dated 31 January 1995 (WT/L/25), the Government of Armenia applied for accession to the Agreement Establishing the World Trade Organization (WTO) pursuant to Article XII of the WTO Agreement. Following Armenia's application and having regard to the Decision adopted by the General Council on 31 January 1995 (WT/GC/M/1), the Working Party on the Accession of Armenia to the GATT 1947 was transformed into a WTO Accession Working Party. The terms of reference of the Working Party were also contained in document WT/L/25.

2. The Working Party met on 24 January and 23-24 September 1996, 14 May 1997 [and ...] under the Chairmanship of H.E. Mr. D. Kenyon (Australia).

Information

3. The Working Party had before it, to serve as a basis for its discussions, a Memorandum on the Foreign Trade Regime of Armenia (WT/ACC/ARM/1), and the questions submitted by Members on the Armenian foreign trade regime together with the replies of the Armenian authorities thereto (WT/ACC/ARM/2 and Corr.1; WT/ACC/ARM/5; and WT/ACC/ARM/8). In addition the representative of Armenian made available to the Working Party the following material:

[1] In order to facilitate the identification of changes to the earlier version of the Report, additions to the text are in bold and deletions are struck out.

- Decree of the Government of the Republic of Armenia No. 40 of 13 February 1993, "Additional Measures on State Regulation of International Economic Activities";
- Resolution No. 31 of 21 February 1995, "On Regulation Regarding the Establishment, Registration, Licence and Suspension of Activities of Banks and Their Branches and Agencies and Those of Foreign Banks Operating in the Republic of Armenia"
- Law on Amendments and Additions to the Republic of Armenia Law on the "Value-Added Tax" of 10 December 1994;
- Law of the Republic of Armenia on Property Tax;
- Law on Making Amendments in the Republic of Armenia Law on Excise Tax of 30 November 1994;
- Law on Pledge Collateral;
- Law on Bankruptcy of Enterprises and Individual Entrepreneurs of 15 June 1995;
- Law on Making Amendments in the Republic of Armenia Law on Corporation Tax of 19 December 1994;
- Draft Law on Standardization and Certification;
- Law on Patents of 21 August 1993;
- Law on Income Tax of 8 February 1995;
- Law on Land Tax of 27 April 1994;
- Law on State Agrarian Inspections;
- Statute of the Peasant and Collective Peasant Farms of 22 January 1991;
- The Land Code of 29 January 1991;
- Supreme Council Resolution on the Maximum Sizes of the Land Lots in Property of the Peasant and Peasant Collective Farms;
- Resolution No. 581 of 16 December 1994, "On Corroboration of the Temporary Regulations for Auditing Activities in the Republic of Armenia";
- Government Decision of 17 January 1995, "On the Procedure of Granting Licenses for Importation and Exportation of Goods (Works, Services) in the Republic of Armenia";
- Government Resolution No. 67 of 8 February 1995, "On the State Procurement Order of 1995 of the Republic of Armenia";
- Government Resolution No. 4 of 19 August 1995, "On Confirmation of the Temporary Regulations for Trademarks and Service Marks";
- Government Resolution No. 606 of 29 December 1994, "On Rates of the Excise Tax";
- Government Resolution No. 88 of 23 February 1994, "On the Order of Submitting Statistical Reports Regarding the Importation and Exportation of Services in the Republic of Armenia";
- Council of Ministers Resolution No. 161 of 5 March 1991, "On the Order of Exercising Diverse Types of Economic Activities on the Territory of the Republic of Armenia";
- Decree of the Government of the Republic of Armenia No. 124 of 29 December 1995 On Non-Tariff Regulation of the Commodities (Operations, Services) Import and Export in the Republic of Armenia;
- Statement of the Central Bank of the Republic of Armenia on Joining to Article VIII of the IMF Agreement.;
- The Law of the Republic of Armenia of 30 June 1996, "On Central Bank of Armenia";
- The Law of the Republic of Armenia of 30 June 1996, "On Banks and Banking";
- The Law of the Republic of Armenia of 10 June 1996, "On Bankruptcy of Banks";
- Decree of the Government of the Republic of Armenia No. 124 of 29 December 1995, "On Non-Tariff Regulation of the Commodities (Operations, Services) Import and Export in the Republic of Armenia";
- Amendments to the Law, "On Privatization and Denationalization of State-Owned Enterprises and Unfinished Construction Sites";
- List 2 of the Resolution of the Government of the Republic of Armenia No. 415 of 1995,"On types of Activities that are Subject to Licensing in the Territory of the Republic of Armenia";
- Statute of the Ministry of Economy of the Republic of Armenia of 20 June 1996, "On Issuing Inferences on Minimal Pricing of Exports of Products from Ferrous and Non-ferrous Metals not Produced in Armenia, as well as their Scrap";

- Statute of the Ministry of Health of the Republic of Armenia of 20 June 1996, "On Issuing Inferences on Import and Export of Pharmaceuticals into and from the Republic of Armenia";
- Statute of the Ministry of Environment Protection and Mineral Resources of the Republic of Armenia of 20 June 1996, "On Issuing Inferences on Export of Wild Animals and Plants Included in the Red Book (Endangered Species Listing) of the Republic of Armenia";
- Statute of the Ministry of Agriculture and Food of the Republic of Armenia of 20 June 1996 On Issuing Inferences on Import of Plant Protection Agents into the Republic of Armenia.
- Decree of the Ministry of Health of the Republic of Armenia, "On Regulation of Pharmaceutical Activity and Ensuring the Quality of Drugs and Medical Facilities";
- Programme of the Government of the Republic of Armenia, "On Privatization of State Enterprises and Unfinished Construction sites of the Republic of Armenia for 1996-1997"; and
- Amendment of 1 May 1996 to Annex N 1 to Decree of the Government of the Republic of Armenia No. 615 of 6 December 1993, "On Determining the Customs Duties";
- Law of the Republic of Armenia "On Customs Duties" of 30 December 1998;
- Law of the Republic of Armenia "On Customs User Fees of 30 December 1998;
- Decree of the Government of Armenia "To Define the Rules for Determining the Country of Origin of Goods";
- Civil Code of the Republic of Armenia of 5 May 1998;
- Civil Procedure Code of 20 January 1998;
- Criminal Procedure Code of 20 January 1998;
- Law of the Republic of Armenia "On Trade Names" of 12 May 1997;
- Law of the Republic of Armenia "On Trade and Service Marks and Appellations of Origin of Goods";
- Patent Law of 21 August 1993;
- Law of the Republic of Armenia "On Copyright and Neighbouring Rights" of 27 May 1996;
- Draft Law of the Republic of Armenia "Protection of Secret Information";
- Draft Law of the Republic of Armenia "On Protection of Selection Achievements";
- Law of the Republic of Armenia "On Legal Protection of Topographies of Integrated Circuits" of 3 February 1998;
- Draft Proposals on the Amendments in the Armenian Law on Patents Dealing with the Provisions of the WTO Component Agreement TRIPS;
- Regulation "On Importation of Goods Subject to Certification in the Republic of Armenia into the Customs Territory of the Republic of Armenia" of 16 January 1998;
- Decree No. 15 of the Government of the Republic of Armenia "On Compulsory Certification of Goods and Services in the Republic of Armenia" of 16 January 1998;
- Regulation "On Application of Certificate of Compliance when Realising and Advertising (Rendering Services) the Certified Goods Subject to Compulsory Certification in the Republic of Armenia" of 16 January 1998;
- Regulation "On Fees for the Compulsory Certification in the Republic of Armenia" of 16 January 1998;
- Decree No. 171 of the Republic of Armenia "On Establishment of Agrarian Regulations" of 11 March 1998;
- List of Toxic and Biological Means Permitted for the Use in the Republic of Armenia to Struggle Against Pests, Diseases and Weeds of Agricultural Cultivated Plants, Forestry and Ornamental Plants;
- List of Quarantine Pests, Diseases of Plants and Weeds for the Republic of Armenia;
- List of Quarantine Plants, Food, Seeds and Seedlings of Plant Origin for Quarantine Protection Purposes;
- Law of the Republic of Armenia "On Agrarian State Inspections" of 15 May 1996;
- Regulation "On Cooperation Between the Customs Authorities, Border Veterinary Inspection Stations and State Plant Quarantine Services of the Republic of Armenia" of 27 January 1998;
- Draft Law of the Republic of Armenia "On Plant Protection and Plant Quarantine";
- Law of the Republic of Armenia "On Veterinary Medicine";

- Government Decree No. 26 of the Republic of Armenia "On the Measures to Ensure the Implementation of the Separate Articles of the Laws of the Republic of Armenia on "Standardization and Certification" and the "Uniformity of Measures" of 20 January 1998; and
- Decree of the Government of Armenia No. 26 "Procedure on the Implementation of State Metrology Control Over the Quantity of Withdrawn Commodities" 20 January 1998.

Introductory statements

4. In an introductory statement, the representative of Armenia said that since declaring independence from the former Soviet Union in 1991, Armenia had vigorously pursued free market reforms within a democratic framework, notwithstanding acute political and economic difficulties. Economic decline had been reflected in sharp reductions in output, falling incomes, reduced trade flows, severe shortages of energy, and scarcity of food and other consumer goods. Despite this adversity, the Government had persevered with the economic reform programme, placing particular emphasis on liberalization, stabilization, and economic restructuring. Most agricultural land was privatized shortly after independence and privatization in other sectors was moving ahead. Demonopolization and deregulation had removed barriers to private sector participation in all but a few areas of economic activity. Price controls were only applied to a limited number of essential goods and services, and were being phased out. Foreign investment was encouraged. On the macroeconomic side, stabilization policy was a government priority, given the challenge of the difficult budgetary position, combined with the need to contain inflationary pressures and maintain exchange rate stability. The Government had successfully brought monthly inflation down to a single digit level, from the triple-digit levels prevailing at the end of 1993. By the end of 1997 the annual inflation was 21.9 per cent, and the expected annual inflation for 1998 would fall to a level of 1 to 3 per cent. The Government was strongly committed to securing a sound and stable macroeconomic framework for future economic growth and development. Fuller integration into the world economy, and continuing diversification of Armenia's economic relations with other countries, were central planks of the Government's reform efforts. The Government of Armenia believed that these objectives could only be attained through open trade policies that emphasized specialization on the basis of international comparative advantage. It was for this reason that the Government of Armenia attached priority to its accession to the World Trade Organization, and wished to complete negotiations for membership at the earliest opportunity.

5. The Working Party welcomed Armenia's application for accession to the Agreement Establishing the WTO. Several members of the Working Party acknowledged that Armenia had undergone a rapid process concerning reform and trade liberalization which, notwithstanding internal and external difficulties, appeared to be succeeding in permitting economic growth. These members

expressed support for Armenia's integration into the multilateral trading system and indicated their readiness to pursue the negotiations in earnest.

II. Economic Policies

- Foreign exchange and payments

6. In response to questions from members of the Working Party concerning Armenia's foreign exchange reserves and the convertibility of the Dram, the representative of Armenia stated that gross official reserves made up US$ 225.7 million as of 28 October 1997 and covered about 2.8 months of imports. Gross official reserves had risen from 0.7 months of import cover in 1994 to 2.3 months in 1996. Gross official reserves had risen to 3.5 months of import cover by the end of 1998. On 29 May 1997, Armenia had accepted the Article VIII of the International Monetary Fund's Agreement and the obligations implied by Sections 2, 3 and 4 thereof and has committed to refrain from imposing restrictions on carrying out payments and transfers, and from engaging in discriminatory currency arrangements or multiple currency practices without IMF approval. According to the Resolution No. 141 "On Foreign Exchange Regulation and Administration of Control", there were no restrictions on current account operations. After being licensed by the Central Bank natural persons and legal entities were allowed to act as foreign exchange dealers. The Central Bank of Armenia (CBA) determined the daily exchange rate as a midpoint of the previous day's buying and selling operations in foreign exchange market (the participants of foreign exchange market are those dealing with over-the-counter market, stock exchanges, foreign exchange bureaus, etc.). Foreign exchange dealers and banks were free to establish their own exchange rates for transactions. Non-resident banks could be authorized to participate in the domestic foreign exchange market on conditions equal to those set for resident banks. Legal entities and natural persons, residents and non-residents of Armenia could open and hold their current accounts in foreign banks without any restrictions. Residents of Armenia could implement operations related to movement of capital without any restrictions unless otherwise specified by CBA. Non-residents could implement operations related to movement of capital according to the "Law on Foreign Investments" of the Republic of Armenia. All bilateral clearing arrangements based on barter had been eliminated.

- Income Tax

7. The representative of Armenia stated that according to the Law on Income Tax, which entered into force on 1 January 1998, personal income tax was determined based upon the annual amount of the taxpayer's income. In determining the taxable income the following deductions could be made from a gross income: deductible income, personal deductions, and expenses. Gross income was

deducted by dram 8,000 for each month during which an income was earned. The following income tax rates were levied on annual taxable income:

Annual taxable income	Amount of income tax
Less than dram 120, 000	15 per cent of the amount of income
More than dram 120,000 but less than or equal to dram 320,000	dram 18,000 added to 25 per cent of the amount of income exceeding dram 120,000
More than dram 320,000	dram 68,000 added to 30 per cent of the amount of income exceeding dram 320,000

The following categories of receipts were exemptions from income for tax considerations: social security allowances under Armenian legislation, lump-sum allowances to families of military servicemen killed or handicapped, alimony payments, earnings of individuals for delivering blood and pectoral milk or for other type of donor activities.

- Land Tax

8. The representative of Armenia stated, that the land usage in Armenia was charged. The land tax was imposed on the private landowners and users of land under State property. The land tax was determined as an annual fixed charge for a land plot unit. For agricultural land the land tax rate was established at 15 per cent of calculated net income determined by the estimated cadastre value of the land, and for the land for non-agricultural usage the land tax rate was established at 1 per cent of the estimated cadastre value of the land. In order to promote the development of plant-raising, the newly established and immature orchards and vineyards were exempted from payment of land tax. In the event of adverse agricultural circumstances, in order to reduce a tax burden, the Government, by consent of the National Assembly of Armenia, may grant certain tax exemptions to some taxpayers or to groups of taxpayers. In a new Draft of the Law on Land Tax, which was submitted to the National Assembly of Armenia, the property character of land tax was accentuated, and tax calculation methods were simplified. In particular, for both agricultural and non-agricultural land plots the amount of tax would be calculated based on their value, and that value would be determined according to the same Law.

Profit Tax

9. The representative of Armenia stated that according to the new Law on Profit Tax, which entered into force on 1 January 1998, profit tax was imposed on residents and non-residents. For residents the profit tax would be charged on taxable profit obtained in Armenia and abroad. For non-residents the profit tax would be charged on taxable profit obtained from Armenian sources. For

residents the amount of profit tax charged on taxable profit would be determined according to the following table:

Amount of Taxable profit	Profit tax
Less than dram 7 million	15 per cent of taxable profit
More than dram 7 million	dram 1.05 million added to 25 per cent of the amount of profit exceeding dram 7 million

The amount of the profit tax, charged on the income from organizing and running gambling and lottery games, would be equal to 70 per cent of the profit obtained. The following types of revenues were contemplated to be obtained from Armenian sources:

- income obtained by non-residents from their entrepreneurial activities within Armenian territory;
- passive income obtained by non-residents from residents or non-residents;
- other income obtained by non-residents within the Armenian territory;

The tax charged on income obtained by non-residents from the Armenian sources would be levied according to the following rates:

Type of Income:	Profit tax rate
Interests	0 per cent
Insurance offsets received in a result of insurance; payments received for reinsurance, incomes received from shipment (freight)	5 per cent
Dividends, Royalties; income received from property rent; property value increment and other passive incomes (except incomes received from shipment (freight)), as well as incomes received from other Armenian sources	15 per cent

Taxpayers engaged in production of agricultural products would be exempted from the profit tax payments , as well as the following entities registered in the Tax Inspectorate would be exempted from the profit tax payments:

- public and religious organizations; Armenian political parties;
- condominiums; non-profit organizations, established and operated exclusively for religious, benevo1ent, scientific purposes, for testing for public security purposes, for environmental protection, development and propaganda of literature, culture and education, protection of consumer rights, promotion and organization of amateur sports, for protection of human, women's, children's and old people's rights , in case if any part

of the income of these organizations was not distributed among their members or other persons and was used exclusively for statutory purposes;

- libraries, museums, secondary schools, boarding schools, asylums for old people and children, in case if any part of the income of these organizations was not distributed among their members or other persons and was used exclusively for the statutory purposes.

If after 1 January 1998, the actually invested share of the foreign investor in the statutory fund of the resident enterprise with foreign investments is at least dram 500 mi1lion the amount of the profit tax levied on that resident enterprise would be reduced by:

In case of termination of the taxpayer's activities in the period of privileges, the amount of the profit tax for this period would be calculated at the full rate for the whole period of activities.

Year when the established investment benchmark in the statutory fund of a resident enterprises would be fulfilled	Proportion of profit tax reductions from the tax liability of the resident enterprise with foreign investment, allowed for the respective years	
	100 per cent	50 per cent
1998	1999 and 2000	2001-2008 inclusive
1999	2000 and 2001	2002-2009 inclusive
2000	2001 and 2002	2003-2008 inclusive
2001	2002 and 2003	2004-2007 inclusive
2002	2003 and 2004	2005-2006 inclusive
2003	2004 and 2005	
2004	2005 and 2006	
2005	2006 and 2007	
2006	2007 and 2008	
2007	2008 and 2009	

- **Property tax**

10. The representative of Armenia added that by the adoption of the Law on Property Tax the fixed assets tax was replaced by the property tax.. The property tax was a direct tax, levied on buildings and vehicles that belonged to natural and legal entities as private property or property for commercial usage. The calculation of the tax levied on buildings was determined based on their value (which was also determined according to Law on Property Tax), whereas the calculation of the tax levied on vehicles was determined based on the power capacity of its engine. The revaluation of buildings was carried out once every three years, according to procedures, set out by the same Law. In cases where the value of residential building was less than 3 million dram, it was exempted from property tax. For residential buildings with a value above 3 million dram, respective tax rates were determined according to a rate scale, varying within a range of 0.1-0.8 per cent.

11. The representative of Armenia stated that in accordance with the Law on Property Tax, the property tax levied on buildings for public and production usage was established at 0.6 per cent of their value. For vehicles, respective tax rates were determined at rates of dram 50-500, depending on their type. In the case of motor vehicles, property tax was determined, based not only on power capacity but also on age.

- State ownership and privatization

12. In response to requests for information concerning the privatization of State owned assets, the representative of Armenia stated that the process of privatization started in Armenia since the beginning of 1991, when according to decision of the Government 335 small enterprises in the sphere of distribution, meals and catering, and other services had been privatized. The Law on Privatization and Denationalization of Enterprises and Unfinished Construction Sites was adopted in 1992 which served as legal base for the whole legislation in field of privatization in the ensuing period. The national Assembly adopted a number of Privatization Programmes, under the guidance of which the privatization process has been carried out. The first annual Programme on Privatization and Denationalization of Enterprises and Unfinished Construction Sites was adopted by Parliament on 12 January 1994. That programme envisaged privatization of 1,985 large and medium enterprises representing various branches of Armenian industry, as well as 2,754 small enterprises (in the sphere of distribution, meal and catering, and other services). On 27 September 1995 the National Assembly also adopted the Programme on Privatization of 1995, and the adoption of that Programme was based on the Programme of Privatization of 1994 with certain amendments and changes. The next Programme of Privatization, adopted by the National Assembly on 20 March 1996, was envisaged for the years 1996-1997. The following privatization targets were set by that Programme: 3,809 entities were offered for privatization, of which 195 were in industry, 22 in transportation, 82 in construction, 3 in telecommunications, 70 in agriculture, 3 in material and technical logistics, 191 in the public utilities sector, 2,385 in the social sector, **2.38**~~5~~ in the automobile maintenance sector, 16 in the natural deposits sector, 66 enterprises of the Yerevan Municipality, 1,763 in the distribution and meal serving sector, 760 in the household services sector, as well as 395 unfinished sites of housing construction. The Privatization Programme which is currently in force was adopted by the National Assembly in 26 December 1997 and was envisaged for the years 1998-2000. Taking into account that the previous Programmes of Privatization of 1995 and 1996-1997 were still being implemented, the Privatization Programme of 1998-2000 was designated to incorporate in its privatization targets all those companies and small enterprises, which were included in the privatization schedules of the previous two programmes but of which privatization was not accomplished by the date of enactment of the new Programme. This amendment was stipulated by the necessity to ensure the uniformity of guidance in the

privatization process. It should be mentioned that either previous Laws and Programmes on Privatization or the Law on Privatization of State owned Assets, approved by the National Assembly in 17 December 1997 did not create any legal barriers for the participation of foreign natural and legal persons in the privatization of State-owned assets and did not discriminate between foreign and Armenian natural and legal persons. By 1 ~~November 1998~~**July 1999**, ~~1,430~~ **1,492** medium and large enterprises had been privatized, of which ~~1,007~~**1,101** enterprises had been privatized through the open subscription of shares - 62 through share auctions, ~~127~~**132** were privatized to employees - ~~49~~**57** through tenders ~~7~~**9** of which were international, ~~16~~**18** through auctions, and ~~169~~**184** were privatized to lessees. For this group of enterprises the major form of privatization was open subscription of shares (practiced for 75 per cent of privatized entities). Privatization of ~~503~~**304** enterprises failed, mainly because of high prices, poor business prospects and heavy indebtedness, privatization of ~~169~~**62** also failed at a second attempt. The Government adopted Decisions on privatization of ~~1,858~~**1,967** large and medium enterprises (including ~~15~~**47** Decisions on dissolution of enterprises). The following enterprises were privatized through international tenders: "Armentel" State Enterprise, Yerevan Brandy plant, Hotel "Armenia" and Hotel "Ani". The privatization of the State power, production and distribution network, as well as "Armenian Airlines" Company was anticipated. In the power sector ten hydro-electric power stations had been already privatized, two of which to foreign persons. The Armenian network of gas distribution was privatized, resulting in the establishment of "ArmRusGasArd" CSC. The table below represents more detailed information on the process of the privatization accomplished in Armenia during years 1995-199~~8~~**9**.

According to the "Privatization programme for 1998-2000" enterprises of the following sectors (over 150 enterprises) are not subject to privatization:

- **civil defence and mobilization establishments;**
- **target ranges and military sites;**
- **minting, state decorations, seals and stamps producing enterprises;**
- **basic research institutions;**
- **geographic, cartographic, topographic, hydrometeorological enterprises, enterprises exercising control over conditions and protection of environmental and natural resources;**
- **state strategic reserves and storage facilities;**
- **enterprises providing sanitary-epidemiological, veterinary, plant and forestry protection services;**
- **pedigree enterprises and centres, grain growing stations and laboratories, special crop cultivation enterprises, state nurseries;**

- **standardization and metrology services;**
- **railways, public highways, Yerevan metro;**
- **enterprises producing radioactive materials (and appliances for them) as well as enterprises involved in research and constructing activities in this area;**
- **enterprises of reformatories and corrective labour establishments;**
- **secondary and high educational entities, scientific- pedagogic institutes under the Ministry of Education and Science of Armenia.**

These sectors mainly cover the activities reserved to the State in the exercise of its unique responsibilities, including the preservation of national security, public order, and the health and safety of the population.

	Open stock companies	Closed stock companies	Sale of assets to the lessee	Auctions	Tenders	International tenders	Companies dissolved	In 1998	Total	Unfinished construction sites
Government's decision	**1,341** ~~1,346~~	**144** ~~141~~	**192** ~~174~~	**33** ~~36~~	**193** ~~126~~	**17** ~~20 1~~	**47**	**109** ~~178~~	**1,967** ~~1.858~~	**117** ~~474~~
Total: of which	**1,294** ~~1,315~~	**144** ~~141~~	**191** ~~174~~	**33** ~~34~~	**192** ~~121~~	**17** ~~19~~	**47**		**1,918** ~~1,819~~	**117** ~~93~~
Privatization in process	**5** ~~17~~	**-** ~~2~~	**3** ~~1~~		**5** ~~12~~	~~7~~			**13** ~~39~~	
Privatization suspended	**188** ~~229~~	12	**4**	**15** ~~19~~	**139** ~~67~~	**8**		**57** ~~196~~	**366** ~~336~~	**82** ~~66~~
Privatization finished	**1,101** ~~1,069~~	**132** ~~127~~	**184** ~~169~~	**19** ~~16~~	**48** ~~42~~	**9**		**33** ~~187~~	**1,492** ~~1,430~~	**35** ~~27~~
Total: of which	**1,190** ~~1,315~~	**132** ~~141~~	**184**	**18** ~~34~~	**48** ~~121~~	**9**			**1,492** ~~1,819~~	**117** ~~93 3~~
Industry	**381** ~~409~~	**47** ~~50~~		**5** ~~6~~	**10** ~~6~~	**1**			**449** ~~476~~	
Agriculture	**359** ~~351~~	36		10	10	**1**			**416** ~~408~~	
City construction	188	8			**17** ~~15~~				**213** ~~211~~	
Culture	30	6							36	
Trade and services	37	6		2					45	
Transportation	**30** ~~27~~	14		**1**					**45** ~~41~~	
Communication	11	1				**1**			13	
Health	1	**6** ~~4~~							**7** ~~5~~	
Others	**64** ~~21~~	**8** ~~5~~			**11** ~~9~~	**1**			**85** ~~35~~	

	Evaluations made	Privatized 1994-~~1997~~**1999**	Privatized through auction	Subject to sale through auction
Small enterprises	**8,139** ~~7.989~~	**6,769** ~~6,576~~	**255** ~~247~~	**67** ~~253~~

	Paid (thousand drams) Total	of which by certificates	by drams	~~Number of certificates paid~~	~~of which in 1997 by certificates~~	~~(thousand drams) by drams~~
Medium to large enterprises	**100,019,385.7** ~~78,195,961 35,082,916.4~~	**39,770,740** ~~39,294,740 34,893,460~~	**60,248,645.7** ~~38,901,221 189,456.4~~	~~1,964,737 1,744,673~~	~~1.642,880 7,978,180~~	~~38,711,111 1,929.4~~
Unfinished construction site	**492,410** ~~184,240~~ ~~89,25,465,049.3568~~	**176,180** ~~175,300 88,800~~	**316,230** ~~8.940 768~~	~~8,765 4,440~~	~~62,220 73,820~~	~~3.293 748~~
Small enterprises	**25,465,049.3** ~~24,063,215 19,156,172.7~~	**23,841,780** ~~23,405,940 18,959,980~~	**1,623,269.30** ~~657,275 196,192.7~~	~~1,207,776 985,478~~	~~2,054,660 5,732,900~~	~~449,546 30,666.4~~
Total	**125,976,845** ~~102,.443,417 54,328,657.1~~	**63,788,700** ~~62,875,980 53,942,240~~	**62,188,145** ~~39,567,443 386,417.1~~	~~3,181,278 2,734,591~~	~~3,759,760 13,784,900~~	~~39,163,951 33,343.8~~

13. The representative of Armenia added that the there was still concern with effective implementation of the privatization programme, particularly in connection with changing the overall concept of privatization, and the desirability of certificate versus money privatization was deeply questioned. As in other transition economies, prompt positive effects (in two to three years) from privatization proved to be overstated, and a more realistic approach currently prevailed which was oriented at maximization of money gains from privatization. From this point of view the mixed approach recently became more preferable, simultaneously ensuring a progressive increase of the share of money privatization in total. According to the new Law on Privatization of State-owned Assets the Authorized Privatization Body, and therefore the Government, was entitled to a greater flexibility in privatizing each single, with respect to the choice of the form of privatization, as well as with respect to the terms of payment for privatized assets. The Government also began the process of dissolution of those enterprises which had been offered for privatization according to legislation and of which the privatization had failed. The transparency of information relating to privatized enterprises was ensured. Detailed information on privatized enterprises was readily available in the mass media.

14. In response to a further question, the representative of Armenia stated that Armenia had privatized almost 90 per cent of agricultural land and made land titles freely transferable. The small share of land still in State hands is reserve land and land used for certain kinds of agricultural support activities described in paragraphs 101-104 below. The Government of Armenia did not have a timetable for the privatization of agricultural land still in State hands.

15. The representative of Armenia confirmed that to ensure full transparency and to keep WTO members informed of its progress in the reform of its transforming economic and trade regime, Armenia would provide annual reports to WTO Members on developments in its programme of privatization along the lines of the information provided to the Working Party, and on the other issues related to its economic reforms as relevant to its obligations under the WTO. The Working Party took note of this commitment.

- **Investment regime**

16. The representative of Armenia stated that the 1994 Law on Foreign Investments regulated Armenia's policies towards foreign investment. The Law was designed to attract investment from foreign sources. It provided guarantees against nationalization and provided that ~~confiscation~~**expropriation** could only take place following a judicial decision. In the unlikely event of ~~confiscation~~**expropriation**, full compensation would be payable. Foreign investors were

indemnified against damages resulting from illegal actions by Government, or from the improper performance by Government of its obligations (as determined in a Court of Law). The Law also guaranteed investors the right to repatriate profits and assets without hindrance. In the event that foreign investment legislation was changed after an investment has occurred, the investor concerned was entitled to an exemption from any less favourable provisions during a five-year period.

17. The representative of Armenia further noted that from 1 January 1998 the Law on Profit Tax introduced a new order for the taxation of the profit of enterprises with foreign investments in accordance with which, if the share of foreign investors in the statutory fund is at least 500 million dram, the profit tax of enterprises with foreign investments will be reduced by 100 percent of the amount of profit tax for the two years following the year of investment. The reduction of the profit tax for the following years is shown in the Table in paragraph 9 above. In case of termination of the enterprises with foreign investments in the period of these ten years the profit tax for the privileged period would be calculated at full amount for the whole period of their activity. Enterprises with any foreign ownership had been entitled to indefinite duty-free treatment on all their imports of capital equipment and recurrent inputs. According to the Decree No. 124 the privileges for foreign investors on the licensing of the products for import and export activities were exempted, and the following procedure established: the non-tariff regulations of the unified system of export and import of goods and services was extended to all economic entities of the Republic of Armenia, irrespective of the form of ownership and the place of registration. Foreign investors were free to choose their own insurers. No investment performance requirements are maintained. There were no requirements for foreign investors to export a certain amount of product, and the Government did not intend to introduce any such requirements. Foreign investors received full national treatment.

18. The representative of Armenia stated that any restrictions on investment were generally applied on a non-discriminatory basis as between national and foreign investors. By the Constitution of the Republic of Armenia the foreign citizens and persons without citizenship did not have the right to own land. **The representative of Armenia further added that according to the Land Code of the Republic of Armenia foreign citizens, juridical persons, other economic entities, international organizations had the right to lease land on the territory of the Republic of Armenia.**

- **Pricing policies**

19. In response to requests for an update on the progress of price reform, the representative of Armenia stated that since 1995, almost all government-mandated price controls had been removed. The only domestic prices that were still subject to regulation were those for irrigation, urban electrical

transport, electricity, hot water, gas, heating, sewage services, garbage collection, rent in State-owned housing, and telephone services. Those prices were still subject to regulation because State-owned enterprises were the exclusive or dominant suppliers, or in case of telephone services, the private supplier enjoyed exclusive rights on provision of services. All administered prices were adjusted on a regular basis to maintain their real value. ~~The only remaining direct price control was on flour (through the setting of maximum profit margins for flour mills). Minimum export prices were in place for ferrous and non-ferrous metal scrap, but only for the purpose of calculating the corporate tax liabilities of enterprises dealing in these scrap metals.~~

20. The representative of Armenia added that subsidies on bread, municipal electric transport and garbage collection, and cross-subsidies on water and sewerage had been eliminated. The subsidies on district heating and hot water (the only remaining consumer subsidies) were under review. In the case of district heating, which less than one-third of households actually receive, the issue of provision of targeted heating subsidies to vulnerable groups would be resolved as part of the overall reform of social assistance.

21. The representative of Armenia confirmed that as of the date of accession price controls on products and services in Armenia have been eliminated with the exception of those listed in paragraphs 19 and 20 of this report, and that in the application of such controls, and any that are introduced or re-introduced in the future, Armenia will apply such measures in a WTO-consistent fashion, and take account of the interests of exporting WTO members as provided for in Article III:9 of the GATT 1994. He also confirmed that the goods and services listed in paragraph 19 and 20 had been published in the Government's official newspaper and any products subject to State price controls in the future, including any changes in the initial list reported at the time of accession, would be published in the official newspaper. The Working Party took note of this commitment.

III. Framework for Making and Enforcing Policies

Powers of executive, legislative and judiciary, administration of policies on WTO-related issues

22. The representative of Armenia said that that the legislature of the Republic of Armenia is the National Assembly, which consisted of 190 deputies. Upon parliamentary elections in 1999 the number of deputies will be 131. The plenary powers of the National Assembly terminate in June of the fourth year after its elections, on an opening day of a first session of the newly elected National Assembly when its plenary powers commence. The deputies and the Government are authorized to

submit Bills for approval by the National Assembly. The National Assembly elects the Chairman by majority vote for the whole period of its plenary powers. The Chairman conducts sessions, administers material and financial resources of the National Assembly and ensures the performance of its ordinary activities. Armenian laws were adopted by the National Assembly. Laws entered into force upon signing by the President of the Republic and following promulgation, if no other date was stipulated by respective Law. This procedure applied to all legislative amendments and rectifications, including those relating to the establishment or alteration of tariffs and taxes. The President of the Republic observed the adherence to Constitution, ensures ordinary conduct of activities of legislative, executive and judiciary powers. The President of the Republic was elected by popular vote every five years. The President issued decrees and orders, which were subject to implementation throughout the Republic of Armenia. These decrees and orders should not be in conflict with the Constitution and laws.

23. The representative of Armenia added that the Government carried out the executive power in the Republic of Armenia and comprises the Prime Minister and Ministers. The President of the Republic appointed and dismissed the Prime Minister, as well as upon recommendation of the Prime Minister appointed and dismissed the members of the Government. Resolutions of the Government were signed by the Prime Minister, and were ratified by the President. The Prime Minister was responsible for the day-to-day running of the Government and for coordination of activities of other Ministers. The Prime Minister issued resolutions, which should be signed also by the Ministers, responsible for implementation, in cases, envisaged by the Order of Governmental Activities.

24. The representative of Armenia said that in conformity with the Constitution of the Republic of Armenia, the judiciary powers were executed exclusively by the Courts, in accordance with the Constitution and legislation. In executing justice Judges were independent and obeyed only to law. The guarantor of the independence of judicial bodies was the President of the Republic, who was the Head of the Council of Justice. The Minister of Justice and the Procurator General were the Deputy Heads of the Council of Justice. The Courts of general competence were the Courts of First Instance, the Review Courts and the Court of Appeals. The Constitutional Court comprised nine members, five of which were appointed by the National Assembly, and another four were appointed by the President of the Republic. The Constitutional Court adopted resolutions and verdicts. These resolutions were final, could not be challenged and entered into force upon promulgation. According to the Constitution of the Republic of Armenia, the Constitutional Court should decide on conformity of the provisions of the Agreement Establishing the WTO and of other WTO Agreements with the Constitution of the Republic of Armenia before submitting them for ratification to the National Assembly. If norms, other than those provided by the laws of the Republic, were provided in these

Agreements then the norms provided in that Agreement shall prevail. International treaties and agreements that contradicted the Constitution may be ratified after making a corresponding amendment to the Constitution.

25. The representative of Armenia said that according to the Constitution of the Republic of Armenia beginning from 1 January 1999 all economic disputes should be referred to the jurisdiction of the Courts of First Instance. Disputes between legal persons and individual citizens were referred to the Courts of First Instance and may be appealed ~~by~~ **according to the order**, stipulated by Armenian legislation. Armenian legislation did not contemplate any differential treatment between CIS and non-CIS legal persons. Resulting on-going judicial and legal reforms a number of legislative acts were developed and adopted. In particular, economic litigation shall be handled through the new Civil Procedure and new Criminal Procedure Codes, which had been enacted on 17 June 1998 and 1 July 1998 respectively, and had entered into force on 1 January and 12 January 1999 respectively. Thus Armenia established judicial review by the courts of general competence of administrative decisions taken in the area of intellectual property rights protection and customs issues. By 1 October 1999, the Courts of First Instance will be authorized to review administrative decisions in all areas covered by WTO provisions, including rulings in antidumping, safeguard and countervailing duty investigations. **The representative of Armenia informed that according to the Law on Administrative Infringements administrative decisions could be appealed to the higher authority within the administrative body after which it could be appealed to the court.**

26. **The representative of Armenia confirmed that from the date of accession Armenia's laws would provide for the right of appeal of administrative rulings on matters subject to WTO provisions to an independent tribunal in conformity with WTO provisions, including Article X:3(b) of the GATT 1994. The Working Party took note of this commitment.**

27. The representative of Armenia added that as a result of the changes in the structure of the Government in mid 1997, the Ministry of Industry and Trade undertook the primary responsibility in most aspects of policy affecting international trade in goods and services. The Ministry of Finance and Economy was responsible for fiscal policy, but decisions on tariffs were made together with the Ministry of Industry and Trade. The Central Bank was responsible for monetary policy, exchange rate policy and the banking system. Within the structure of the Ministry of Industry and Trade the Armenian Patent Office was responsible for industrial property protection matters, and the Armenian National Copyright Agency was responsible for copyright protection.

28. The representative of Armenia said that in matters of policy affecting trade in goods and services, the Central Government retained full authority. **Subcentral and** ~~local~~**Local** administrative bodies have no jurisdiction or authority to establish regulations or taxes on goods and services in Armenia independent of the central authorities **in matters covered by provisions of the WTO Agreement**. Within the framework of the process of Armenia's accession to the WTO, the obligations assumed by the Government of the Republic of Armenia**, including the WTO Agreement and Armenia's Protocol of Accession** were subject to implementation throughout the Republic of Armenia. The Working Party took note of these commitments.

29. The representative of Armenia informed the Working Party that after the signing of the WTO Accession Protocol by the Government of Armenia, all WTO Agreements will be submitted for review to the Constitutional Court of Armenia. Legal conclusion of Armenia's WTO Accession will be accomplished upon ratification of all WTO agreements by the National Assembly. **He confirmed that international treaties and agreements ratified by the National Assembly, including WTO Agreements, had precedence over domestic laws or other acts in Armenia.** The representative of Armenia further confirmed that upon the legal conclusion of Armenia's WTO Accession and entering into force of all WTO Agreements in Armenia they would be immediately enacted within the Republic of Armenia. **All**~~and~~ the laws and legislative instruments necessary for the application of the provisions would be adopted as provided in the Protocol of Accession and will be in place prior to that time. The Working Party took note of these commitments.

IV. Policies Affecting Trade in Goods

- Market Access Negotiations

30. Armenia undertook negotiations on market access in goods with interested members of the Working Party. The Schedule of Concessions and Commitments resulting from those negotiations is in Annex I to the Appendix of the Draft Protocol of Accession of Armenia.

- Registration requirements

31. The representative of Armenia informed the Working Party that with certain exceptions necessary to safeguard human, animal and plant health and the environment, the former State monopoly in foreign trade in Armenia was abolished in 1989, and was replaced by a registration requirement for the conduct of such activity. Enterprises or private entrepreneurs engaging in trading (including importation) were required to be registered in the State Register of Enterprises. By a Decree of the

President of the Republic of Armenia of 4 January 1992 entitled On Foreign Economic Activity, all enterprises or branches, subsidiaries and representations thereof registered and operating in the territory of Armenia, regardless of their form of ownership, were granted the right to conduct foreign economic activity without any additional registration requirements. The State registration of enterprises and private entrepreneurs in the Republic of Armenia, as well as the procedure and conditions for the use of information provided through the registration process were defined in the Law on State Register of Enterprises of 2 September 1993. The founder(s) of an enterprise or authorized persons thereof, in accordance to Article 12 of the Law on State Register of Enterprises, should submit the following documents to the regional department of the State Register: application; statutory documents; license on activity if necessary; the resolution on the registration of the firm's name by the Patent Office of Armenia, as well as the document affirming the payment of the State fee. Upon the verification of submitted documents the information required by Article 11 of the same law was entered on a State registration card and forwarded to the central body of the State Register for the purpose of uniform codification, granting of State register number and issuing a certificate of State registration. The State registration was verified by the State Registration Certificate given by the State Register. Any changes and amendments in statutory documents, or changes in any data entries verified by State registration, were also subject to State registration. For the purpose of intermediate, the following documents should be submitted to the regional department of the State Register: application; resolution of the governing body of enterprises on making changes and amendments in statutory documents; document containing these changes and amendments, as well as the document affirming the payment of the State fee. Any entrepreneural activities without State registration were prohibited in the Republic of Armenia. Natural persons were permitted to import limited quantities of items into Armenia for personal use without registration, although for a sale thereof they must be registered as sole entrepreneurs. Individual entrepreneurs could conduct business operations following registration in accordance with Article 4 of the Law on State Register of Enterprises. Foreign enterprises are entitled to carry out entrepreneural activities in the Republic of Armenia through their branches, affiliates and subsidiaries, registered in the State register of Enterprises of Armenia, as well as through joint ventures. No registration was required in Armenia for any enterprise operating from outside the national territory as an exporter to Armenia.

32. The representative of Armenia confirmed that the former State monopoly in foreign trade in Armenia had been abolished and that no restrictions on the right of foreign and domestic individuals and enterprises to import and export goods and services within Armenia’s customs territory existed, except as provided for in WTO Agreements; that individuals and firms were not restricted in their ability to import or export based on their registered scope of business; and that the criteria for registration of

companies in Armenia were generally applicable and published officially and generally available to traders for their review. **He further confirmed that from the date of accession, Armenia would ensure that all of its laws and regulations relating to trade in goods and all fees, charges or taxes levied on such rights would be in full conformity with its WTO obligations, including Articles VIII:1(a), XI:1 and III:2 and 4 of the GATT 1994 and that it would also implement such laws and regulations in full conformity with these obligations.** The Working Party took note of these commitments.

- Customs tariff

33. The representative of Armenia stated that the Law on Customs Tariffs, approved by Parliament in August 1993, provided legislative authority for setting tariffs and dealing with customs matters. Decree No. 615 issued by the Government in December 1993 introduced new customs duties, and these were further modified by Decree No. 224 issued in May 1994 and by Decree No. 39 issued in January 1995. According to the new Constitution of the Republic of Armenia, adopted in 1995, the alterations to the Tariff were required to be approved by the National Assembly upon presentation of the Parliamentary Permanent Financial Credit, Budgetary and Economic Commission. The Law on Customs Tariffs Rates, adopted by the National Assembly in April 1997, introduced the new list of customs duties~~, which were now in operation~~. The ~~latest~~ rectification of the Law on Customs Tariffs was accomplished by the adoption of the Law on Amendments to the Law on Customs Tariffs in September 1997. In December 1998, the Law on Customs Duties was adopted by the National Assembly. The Law on Customs Duties covered the following sections: customs duties and types thereof; customs valuation; and customs tariffs rates. Thus an integration **of** the Law on Customs Tariffs of the Republic of Armenia and the Law on Customs Tariffs Rates of the Republic of Armenia had been made. The Law was in full compliance with the relevant WTO provisions. Armenia had been using the Harmonized System of Commodity Classification since 1991.

34. The representative of Armenia said that customs tariffs were expressed in ad valorem terms and levied on c.i.f. values. At present, ~~195~~**258** items were specified in Armenia's tariff schedule, reflecting the fact that majority of product categories identified at the two-digit level of the Harmonized System carried the same rate of duty. In response to questions from Working Party members concerning the possibility of disaggregating the tariff to the four or greater digit level, the representative of Armenia. stated that as a result of ongoing disaggregation the former number of ~~132~~**195** items had been increased up to the present number of ~~195~~**258**. The representative of Armenia further added that if it proved necessary the Government of Armenia would continue disaggregating its tariff schedule from its present

level. After adoption of the new Law on Customs Tariffs Rates the previous system of five tariff rates was terminated and only two tariff rates remained - zero and 10 per cent. More than ~~fifty~~**sixty** per cent of the items in the tariff schedule were subject to duty rate of zero (~~98~~**161** items) with remaining 97 items subject to 10 per cent duty rate. Taking into account the volume of imported goods belonging to each of those groups, the weighted average tariff was about 4 per cent. Tariff revenue was projected to account for about 9.79 per cent of the Government's total tax collections and about 8.19 per cent of the total budget revenue in 1998. Estimated figures for 1999 were 10.05 per cent and 8.63 per cent, respectively.

35. The representative of Armenia stated that the rates of customs duty would not be increased beyond levels bound in Armenia's WTO Schedule of Concessions, which is annexed to the Protocol of Accession of Armenia. The Working Party took note of this commitment.

- Other duties and charges levied on imports

36. The representative of Armenia confirmed that there were no other duties and charges levied on imports except **ordinary customs duties and** the fees for services rendered by Customs agencies described in paragraphs 39-41 below. Any such charges applied to imports ~~after~~ **from the date of** accession would be in conformity with WTO provisions **of Armenia's Protocol of Accession. The representative of Armenia confirmed that regarding import/export documentation there was no requirement for authentication of the documentation by Armenian consulates overseas, and there was no fee charged in this respect**. ~~[~~The representative of Armenia stated that Armenia would bind all duties and charges, other than ordinary customs duties, at zero in Armenia's Market Accession Schedule under Article II**:1(b)** of the GATT 1994, annexed to the Protocol of Accession of Armenia.~~]~~ The Working Party took note of this commitment.

- Tariff rate quotas

37. The representative of Armenia stated that Armenia did not apply [any import quotas, including] tariff rate quotas. The representative of Armenia confirmed that his Government had no plans to introduce tariff rate quotas.

- **Tariff exemptions**

38. The representative of Armenia stated that all tariff exemptions other than those granted in the context of free trade area agreements were granted on a MFN basis. Such exemptions were granted in respect of the following:

- essential equipment imported by foreign enterprises and joint ventures (with at least 30 per cent foreign ownership) and designated for a supplement of enterprises' statutory funds;
- goods in transit through Armenian territory;
- trucks and vehicles, regularly operating as freight and passenger carriers through the Armenian territory, as well as fuel, food, tools and other minor items necessary for temporary use to perform these operations;
- foreign exchange, bonds and other securities;
- humanitarian supplies;
- specific goods temporarily imported to the Armenian territory and further exported without being processed, such as fair and exposition exhibits, commodity patterns and package, professional equipment of temporary visitors, advertising materials, live animals, etc.;
- prosthetic and orthopaedic equipment and spare parts thereof;
- goods imported to duty-free shops or to bonded warehouses for subsequent exportation from the Armenian customs territory;
- goods and articles, imported at expense of credits, received by the Republic of Armenia;
- any other instances foreseen in international agreements, including free trade agreements;

- **Customs fees and charges for services rendered**

39. Some members of the Working Party stated the *ad valorem* customs fee levied by Armenia on imports was inconsistent with the provisions of the WTO, in particular, Article VIII of the GATT 1994. They also noted that a transition period to bring the fee into conformity with Article VIII was not appropriate. Armenia should conform with the requirements of Article VIII from the date of its accession, and from that time the proceeds of the fee should only be used for the operation of customs clearance facilities and total annual revenues from the fee should not exceed the cost of customs clearance of the imported goods. Following accession, information on the method of calculation of the fee and the cost of provision of customs clearance facilities should be provided to WTO Members upon request.

40. In response to questions from Working Party Members about Armenia's system of customs fees, the representative of Armenia stated that **according to the amendment to Government Decree No. 615, which had entered into force on 1 May 1996, *ad valorem*, customs fee of 0.3 per cent had been charged on imports, with the upper limit of 600,000 AMD (approximately US$ 1,200).** ~~a customs fee of 0.15 per cent was charged on imported goods. The 0.15 per cent tax was calculated on the c.i.f. value plus applicable customs duty. No customs fee was charged on importation by the Armenian Government on clearing operations made on the basis of international agreements, on temporary imports, on imports of raw materials for construction under bilateral inter-republican contracts, on goods imported directly through the State budget, and on humanitarian aid. Imports subject to clearing arrangements under inter-republican contracts signed with countries of the Former Soviet Union (FSU) had previously been exempted from the customs fee, but this exemption had been discontinued, and FSU countries were no longer exempted from the customs fee. No other import charges or fees were levied. Under an amendment to Decree No. 615 of 6 December 1993, which entered into force on 1 May 1996, the customs user fee was increased from 0.15 per cent to 0.3 per cent. In 1995, approximately US$1 million was collected as customs charges. This revenue was used for the development of the customs administration in Armenia. Resolution 282 concerning the endorsement of the Statute of the reserve fund of the Customs Department, outlined how the fees levied were disbursed (being one of the sources of the formation of the reserve fund): 70 per cent of the moneys in the reserve fund were allocated for and spent on the creation and strengthening of the material and technical basis of the system, with the objective of improving and developing the customs domain; 25 per cent of the moneys in the reserve fund were allocated for and spent on the payroll of the employees of the customs service, providing them with material incentives and improving their social conditions; 5 per cent of the moneys in the reserve fund were allocated to the fund of the head of the Customs Department, which he/she uses for contingency expenses within his/her jurisdiction. The Government of the Republic of Armenia adopted the Law on the Implementation of the Amendments and the Supplements to the Law on Customs Tariffs of 18 August 1993, which entered into force on 19 September 1997. Under this Law the customs user fee was charged on declared goods of an amount equal to 0.3 per cent of the customs value, but no more than dram 600,000 (about US$1,200). The customs fee was not charged on importations made under credits given to the Armenian Government, on humanitarian aid, as well as for benevolent purposes.~~ The Law on Customs Fee, adopted by the National Asssembly on 30 December 1998, ~~had~~ abandoned the *ad valorem* principle for charging of customs fees **replacing it with a uniform fee of dram 3,500 (about US$ 6.5) for customs processing and specific weight-related fee of dram 300 per ton (about US$ 0.55) for freight inspection. According to Article 3 of the Law on Customs Fee, starting from 1 January 1999 the following customs fees were applicable:** ~~The~~

~~representative of Armenia stated that from the date of its accession to the WTO the customs fee would be brought into conformity with the provisions of Article VIII of the GATT 1994.~~

1. **For carrying out customs formalities (except cargo processing) related to goods and other articles as well as to transportation of currency and foreign currency by banks, crossing the customs border of the Republic of Armenia, 3,500 drams.**
2. **The amount of customs user fees paid for cargo processing:**
   a) **1,000 drams for carrying out customs control for each cargo under 1 ton of weight;**
   b) **300 drams for each additional (or incomplete) ton for cargo over 1 ton of weight,**
3. **When customs formalities related to goods, or some parts of these formalities are carried out elsewhere than in places determined by Customs bodies, for each corresponding action customs user fees shall be twice the amount determined by Article 3 of the Law on Customs Fee.**
4. **For issuing the documents (forms) by Customs bodies - 1,000 drams.**
5. **For Customs escorting on the territory of the RA - 10,000 for each 100 km.**
6. **For providing Customs warehousing by Customs bodies:**
   a) **1,000 drams daily for cargo under 1 ton of weight, but not exceeding 0,01% of Customs value of cargo.**
   b) **1,000 drams daily per ton for cargo weighing 1 ton or more but it should not exceed 0,01% of Customs value of cargo.**
7. **For the purposes of Customs inspection of vehicles, the amount of customs user fee is:**
   a) **2,000 drams for a car with less than 10 passenger seats,**
   b) **5,000 drams for all other vehicles.**

According to Article 4 of the Law on Customs Duties the following goods are exempt from Customs user fees:

a) **those goods that during transportation enter customs territory of RA within the framework of humanitarian aid programs.**
b) **accompanying goods, transported by natural persons (other than entrepreneurs) across the Customs border of RA except vehicles for individual use.**

c) the part of goods imported by physical persons other than entrepreneurs, which was not subject to Customs duties.

d) cultural values, temporarily exported with a notification of intended return

e) vehicles carrying out regular international conveyances in the process of transportation.

The fee was also applied to exports and to import purchases by the Government of Armenia. Proceeds from customs fee collection were transferred to the State budget.

~~41. The representative of Armenia further informed that by 30 December 1998 Armenia had revised its customs fee, previously 0.3 percent ad valorem, with a maximum fee level of dram 600,000 (about US$1,200), replacing it with a uniform fee of dram 3,500 (about US$6.5) for customs processing and specific weight-related fee of dram 300 per ton (about US$0.55) for freight inspection. In this regard, Armenia would implement a fee level that would ensure that the fee collected would approximate the cost of the customs services rendered in processing imports. The fee has also been applied to exports and to import purchases by the Government of Armenia. Proceeds from application of the fee only would be used to fund import and export processing activities and to process trade subject to the fee. Total annual revenues from the fee would not exceed the cost of the customs services provided. Following accession, information on the method of calculation of the fee and the cost of provision of customs processing would be provided to WTO Members upon request. The Working Party took note of these commitments.~~

41. **The representative of Armenia confirmed that from the date of accession, Armenia would not reintroduce an ad valorem customs fee. The fee for customs processing established under the Law on Customs Fee adopted on 30 December 1998, would be applied in conformity with WTO obligations, in particular Articles with VIII and X of the GATT 1994. The level of applied fee would not exceed the approximate cost of customs processing of individual import and export transactions. Revenues from the fee would be used solely for customs processing of imports and exports, and total annual revenue from collection of the fee would not exceed the approximate cost of customs processing operations for the items subject to fees. He also confirmed that revenues from the fee were not used for customs processing of imports exempted from the fee. Information on application and level of the fee, revenues collected and their use, would be provided to WTO Members upon request. The Working Party took note of these commitments.**

- **Application of internal taxes to imports**

42. The representative of Armenia informed the Working Party that Armenia's tax system had been completely overhauled since 1992, as part of the Government's overall policy of economic transformation towards a market economy. On 14 April 1997 the National Assembly of the Republic of Armenia adopted the new Law on Taxes. Under this Law the taxes, applied in Armenia, were as follows:

- value added tax;
- excise tax;
- profit tax;
- income tax;
- property tax;
- land tax.

In particular, two indirect taxes were imposed on imports and domestic production in Armenia - the value added tax, which was charged on the turnover of goods and services, and the excise tax, which was charged on realization of certain goods. The direct taxes were included in paragraphs 9-13 above, where the following taxes were described: profit tax and income tax, which were levied on the residents and non-residents; property tax which was levied on the buildings and vehicles of natural and juridical persons owned as a private property or for commercial usage; and land tax imposed on private landowners and users of land under State property.

- **Value Added Tax**

43. The representative of Armenia informed that after the Law on Value Added Tax entered into force on 1 July 1997, the destination principle of VAT application was valid in relation to any country, which meant that Armenian exports to any destination were charged at zero rate, and any imports to Armenia were charged at the rate of 20 per cent. In this regard, Armenia ensured MFN treatment in the application of VAT to imports. The VAT was uniformly charged at the rate of 20 per cent on sales of domestic and imported goods and services The value added tax was calculated and levied by customs bodies on goods imported to Armenia with above zero customs tariff rates, ~~determined by~~**listed in** the Law on Customs ~~Tariff Rates.~~**Duties, irrespective of the countries of exportation.** On goods imported to Armenia with zero customs tariff rates, **listed in the Law on Customs Duties,** the value added tax was calculated and levied by the Tax Inspectorate upon sale or

utilization of goods. The items exempted from VAT, in particular, included: the urban electrical transport, tuition for education in secondary schools, exercise books and music books for schoolchildren; realization of children's food; scientific research work; realization of the veterinary drugs; realization of domestically produced agricultural products by the producer activities related to provision of pensions; some financial operations and services, etc. In addition, zero-rate tax was applied to: the taxable turnover of goods exported outside of the customs territory of Armenia; the goods imported for official usage by diplomatic and consular representations or by equated with them other international, intergovernmental (interstate) organizations, as well as goods and services acquired by these organizations on the territory of Armenia; transit of foreign pay-loads through the territory of Armenia; construction and relevant (designing, research, etc.) works performed at the expense of the resources of Armenian Diaspora communities, foreign countries, foreign and international intergovernmental (interstate) and non-governmental (public) and religious organizations within the scope of humanitarian aid and benevolent or other social programmes. The full list of VAT exemptions was provided to the Working Party in the Law on Value Added Tax.

- **Excise Tax**

44. In response to the questions concerning excise tax the representative of Armenia added, that according to the Law on Excise Tax, excise tax was imposed on domestic and imported goods. Excise tax on imported goods was collected by the customs authorities, and excise tax charged on local production was collected by the Tax Inspectorate According to the Law on Excise Tax, excise tax imposed on natural persons and legal entities, as well as those enterprises without the status of legal entity, which were producing/realizing in the Republic of Armenia or importing into the Republic of Armenia the following goods:

- caviar;
- beer;
- grape and other wine;
- wine spirits, spirits and strong alcohol;
- cigars, cigarillos and cigarettes with tobacco and substitutes thereof;
- gasoline;
- diesel fuel;
- natural leather garments and accessories;
- fur and furskin articles (excluding workers' and military semi-coats made of sheep furskin);
- glass crystal;
- china, jewellery; and

- bijouterie.

For the goods produced in Armenia the subject of taxation was the turnover of the realization of the goods, based on the realization prices (without excise and value added taxes) was the subject of taxation. In the Republic of Armenia the taxpayers producing/realizing taxable goods in Armenia were paying the tax charged on domestically produced goods during ten working days following the realization of goods For goods imported into Armenia the subject of taxation was the customs value of the goods declared by the importer (applicant) of the goods (without value added taxes and customs tariffs). In the Republic of Armenia excise taxes charged on imported goods were levied by the customs bodies in ten days after importation.

45. The excise taxes were as follows:

HS number	Product description	Ad valorem tax
1604 30 100	Caviar	200
2203	Beer	50
2204 - 2206	Grape wine	50
2207; 2208	Strong alcohol	125
2402	Cigars, cigarillos and cigarettes with tobacco and substitutes thereof	100
2710 00 270	Gasoline	35
2710 00 290		
0 320		
0 00 340		
0 00 360		
0 00 690	Diesel fuel	10
4203	Natural leather garments	25
4301 - 4303	Fur and articles of furskin: of which:	
430310 300	workers' and military semi-coats made of sheep furskin	25
6911 7013 31	Glass crystal and china	25
7113 - 7117	Jewellery	15

46. The representative of Armenia stated that the Armenian Government recognized that it was a violation of the national treatment principle for excise taxes on domestic products to be lower than on imports of the same or a like product. Therefore, on 1 January 1997 Armenia equalized excise taxes on domestic goods and imports of the same or like products as part of the accession commitments (see the table in paragraph 45 above).

47. Some members of the Working Party noted that the non-application of these taxes to imports from FSU States may be seen to give rise to discrimination against products from non-FSU countries. The representative of Armenia stated that Armenia had switched to the destination principle of taxation with respect to imports from all sources. Armenia was therefore attempting to persuade its CIS trading partners of the desirability of charging these taxes at destination and not origin.

48. The representative of Armenia confirmed that, from the date of accession, Armenia would apply its domestic taxes, including value-added and excise taxes, in a non-discriminatory manner consistent with Articles I and III of the GATT 1994. In this regard, in accordance with the new Laws on VAT and on Excise tax, these taxes were applied at an equal rate on domestic and imported goods and Armenia applied the destination principle to value-added and excise taxes with respect to imports from all sources. In addition, the method of application of all indirect taxes applied to imports would be published and readily available to importers, exporters, and domestic producers. The Working Party took note of these commitments.

- **Non-tariff measures and import licensing**

49. The representative of Armenia stated that pursuant to the Resolution No. 124, 29 December 1995, which regulates non-tariff measures in Armenia, most imports were free of any prohibitions or quotas. The import restrictions were imposed for health, security, and environmental reasons. The items affected were all kinds of weapons, military technique and the consumables necessary for its production, technologies, equipment and locators of nuclear materials (including heating materials), special non - nuclear materials and services related to it, ionizing radiation sources, the importation of which was carried out through authorization issued by the Government of the Republic of Armenia.

50. The representative of Armenia stated that according to the Resolution No. 124 the following imports are subject to licensing:

	HS number
Pharmaceutical products, medicines	13.02, 29.38, 29.41, 30.03, 30.04;
Phytoprotection chemicals	38.08

Pharmaceutical products, which were imported into the territory of the Republic of Armenia, were subject to mandatory certification in accordance with Resolution No. 15 (19 January 1998) of the Government. For this purpose, the inspection of pharmaceutical products should be accomplished in

order to verify their conformity with standards, adopted in the Republic of Armenia, and a conformity certificate should be issued. **Certificates of conformity were issued by certification bodies accredited by the Department of Standardization, Metrology and Certification (SARM) according to procedures stipulated in Resolution #15 of the Government.** The following groups of products were listed for certification:

Pharmaceutical products	30.01-30.06
Vitamins	29.36

51. In response to questions concerning the importation of pharmaceutical products and medicines, the representative of Armenia stated that these have to be ~~authorized~~**permitted** by the Ministry of Health of the Republic of Armenia (except for veterinary drugs and related products). The importation of phytoprotection chemicals and veterinary drugs (HS 38.08) should be ~~authorized~~**permitted** by the Ministry of Agriculture, moreover the ~~authorization~~**permission** for importation of phytoprotection chemicals should also be sanctioned by the Inspection of Plant Protection in the Ministry of Agriculture. The by-law on issuing ~~authorization~~**permissions** for importing and exporting pharmaceuticals, stipulated that:

- ~~authorizations~~**permissions** for importation of pharmaceuticals were issued by the Pharmaceutical Department of the Ministry of Health of the Republic of Armenia (except for veterinary drugs and related products), and authorizations for importation of phytoprotection chemicals and veterinary drugs and related products were issued by the Ministry of Agriculture respectively;
- the ~~authorizations~~**permissions** were for single use only;
- to issue an ~~authorization~~**permission** the following documents and conditions were required:

(a) the licence for commercial activities involving pharmaceutical products in the Republic of Armenia (Resolutions 161/415 and 36). The Resolutions stipulated that the production and wholesale and retail trade in pharmaceutical products and medical utensils were subject to State licensing in the Republic of Armenia. Resolution 36 stipulated that:

- pharmaceutical and medical activities were subject to licensing in the Republic of Armenia;
- licensing was carried out by the Ministry of Health;
- licences were issued for a period of 5 years.

Licences for wholesale and retail trade in pharmaceutical products and medical utensils were issued by the State Licensing Committee of the Ministry of Health. The

procedures for issuing licences were approved by the Resolution 188. The same ~~licensing (including importation of pharmaceuticals and chemicals)~~ procedures **(including import permission for pharmaceuticals and chemicals)** applied to individuals who have received medical and pharmaceutical education in foreign countries. And in the case of the existence of international agreements signed by the Republic of Armenia the procedures specified in the agreement applied (Resolution 188, 24 July 1996). Foreign specialists invited to implement programmes of international and intergovernmental agreements were not subject to licensing.

(b) Imported or exported pharmaceutical products and agricultural chemicals must be registered in the Republic of Armenia. The registration of pharmaceutical products and medical utensils was performed in the Republic of Armenia in accordance with the recently passed Law "On Medicines" and in compliance with registration requirements, approved by the Pharmaceutical Department of the Ministry of Health. The authority to make changes and amendments in the list of registered phytoprotection chemicals allowed for importation was delegated to the Inspection of Plant Protection in the Ministry of Agriculture, pending the establishment of the State Interdepartmental Committee for Registration of Phytoprotective chemicals.

(c) There must be conformity of the quality of imported or exported pharmaceutical products to the quality standards accepted in the Republic of Armenia~~. In this respect Resolutions 417 and 205 regulated the procedures of importation and exportation of products subject to obligatory certification.~~ **In this respect** Resolution #15 of the Government **regulated the procedures of importation and exportation of products subject to mandatory certification and** stipulated the list of those products, importation and exportation of which were subject to mandatory certification.

(d) Imported and exported pharmaceuticals should have at least one year of expiration period, except for the pharmaceuticals whose period of expiration was less than one year (the latter should have at least two-thirds of the period of expiration at the time of importing).

52. The representative of Armenia further stated that any person, firms and institutions wishing to apply for an import ~~licence~~**permission** may do so provided they are registered as a juridical person or a sole entrepreneur undertaking a business activity in Armenia, subject to possession of appropriate license to perform pharmaceutical activities. Registration as a juridical person or sole entrepreneur was an automatic procedure, subject to no restrictions, except of those activities which require a state licensing. The applications for ~~licenses~~**permissions** were required to be determined within fifteen days

of receipt of an application. In response to questions from some members regarding whether ~~licenses~~**permissions** could be issued more quickly, the representative of Armenia stated that since the fifteen day stipulation was a maximum period, in practice ~~licenses~~**permissions** could be obtained within a shorter time period. If goods arrived without ~~a license~~ **permission**, they could only be cleared through customs upon production of the necessary import ~~license~~**permission**.

53. The representative of Armenia said that requests for ~~authorization~~**permission** could be refused and issued authorizations could be suspended if (a there was incorrect and/or insufficient information in the presented documents, (b) the period of validity of the pharmaceutical products was exceeded, (c) the actual quantity of product did not correspond to the quantity stated in importation documents (d) the imported pharmaceuticals were not registered in Armenia (e) the quality of imported pharmaceutical products did not correspond to quality standards accepted in the Republic of Armenia. Unjustified delays and refusal to issue ~~authorization~~**permission**, as well suspending and cancelling issued certificates, could give rise to judicial procedures within 30 days after the refusal or suspension.

54. The representative of Armenia added that to receive ~~an authorization~~**permission** for importation of pharmaceutical products the following documents were required: an application form, a document/contract relating to the acquisition of the pharmaceutical products, a licence to trade in pharmaceutical products in Armenia, a certificate of quality issued by the producer The importation ~~license~~**permission** and the conformity certificate were issued after the collection of a corresponding fee.

55. The representative of Armenia further noted that ~~authorizations~~**permissions** were issued for the period necessary to carry out the engagements, but no longer than one year. The validity ~~of an authorization~~**a permission** could be extended upon the substantiated request of an applicant. The body issuing the ~~authorization~~**permission** could suspend its validity or cancel it. ~~Licences~~**Permissions** were not transferable among importers.

56. The representative of Armenia confirmed that, from the date of accession, Armenia would eliminate and would not introduce, re-introduce or apply quantitative restrictions on imports or other non-tariff measures such as licensing, quotas, bans, permits, prior authorization requirements, licensing requirements, and other restrictions having equivalent effect that cannot be justified under the provisions of the WTO Agreement. He further confirmed that the legal authority of the Government of Armenia to suspend imports and exports or to apply licensing requirements that could be used to suspend, ban, or otherwise restrict the quantity of trade would be applied from the date of accession in conformity with the requirements of the WTO, in particular Articles XI, XII, XVIII, XIX, XX, and XXI of the GATT

1994, and the Multilateral Trade Agreements on Agriculture, Sanitary and Phytosanitary Measures, Import Licensing Procedures, Safeguards and Technical Barriers to Trade. In this regard he also stated that the same kind of requirements contained in Resolution No. 124, 29 December 1995 relating to imports would be equally applied to imports and to the purchase or sale of similar domestic products. Any exemptions from those requirements would be equally applied to imports and the output of domestic firms. The Working Party took note of these commitments.

- **Minimum import prices**

57. The representative of Armenia noted that Armenia did not maintain a system of minimum import prices.

- **Customs Valuation**

58. Some members of the Working Party referred to the Agreement on Customs Valuation and to certain inconsistencies of the Customs Regulations of Armenia in respect of customs valuation. These Members requested more detailed explanations with regard to the implementation by Armenia of specific provisions of the Customs Valuation Agreement, in particular Articles 7, 8, 10, 11 and 12 thereof.

59. The representative of Armenia informed the Working Party that Armenia's system of customs valuation was based on the transaction value. The Armenian regulations relating to customs valuation were contained in the Government Order attached to Decree No. 615, 6 December 1993~~ and were entirely based on the provisions of the WTO Agreement on the Customs Valuation~~. At the same time the Armenian regulations for establishing the customs value were also reflected in the Law on Customs Tariffs of 18 August 1993. **The current regulations relating to customs valuation were contained in The Law on Customs Duties adopted by the National Assembly on December 1998. According to the Law, a primary method for determination of customs value was the transaction value method. The Law provided for the same six methods of valuation laid out in the Agreement on Implementation of Article VII of the GATT 1994, In response to further questions, the representative of Armenia stated that Paragraph 3 of the Article 12 of the Law on Customs Duties provided a possibility of reversal of the order of application of valuation methods specified in Article 5 and 6 of the Customs Valuation Agreement upon request of an importer. In response to questions of some members of the Working Party concerning sales between related persons, the representative of Armenia stated that the provisions concerning sales between related persons**

were not incorporated in the Law on Customs Duties. Provisions concerning the sales between related persons were incorporated in the Draft Customs Code of Armenia which was currently under consideration of the Government.~~The latter did not contradict the provisions of the WTO Agreement on the Customs Valuation. The Regulation Order provided for the same six methods of valuation laid out in the Agreement on Implementation of Article VII of the GATT 1994, and stipulated that the first method (transaction value) should generally be used. Armenia was a member of the World Customs Organization.~~ **The representative of Armenia said that in relation to Article 11 of the Customs Valuation Agreement, Paragraphs 2 and 3 of Article 13 of the Law on Customs Duties provided for appeal procedures concerning the decisions and actions of Customs authorities. Paragraph 4 of Article 12 of the Law on the Customs Duties included provisions regarding the circumstances specified in article 5.2 of the Valuation Agreement. The representative of Armenia also added that the concept of "price paid or payable" was also covered by Paragraph 1 of Article 7 of the Law on the Customs Duties adopted in December 1998. The representative of Armenia informed that Armenia was a member of the World Customs Organization.** ~~He added that Decree No. 615 contained many detailed provisions relating to the valuation of goods by the Customs. In response to questions from some members of the Working Party concerning Armenia's sales between related persons, the representative of Armenia stated that the fact that sales took place between related persons would not, of itself, prevent use of the transaction value, unless it was determined that the declared invoice value did not represent the price actually paid or payable for goods. Paragraph 8 of Decree No. 615 permitted importers to seek a written explanation of any rejection by the customs authorities of a declared invoice value as the price actually paid or payable in respect of an import transaction between related parties. In response to questions concerning the obligation contained in Article 1.2(b) of the Agreement on Implementation of Article VII of the GATT 1994, the representative of Armenia stated that Decree No. 615 did not contain a provision giving effect to Article 1.2(b) of the Agreement on Implementation of Article VII of the GATT 1994. In response to further questions he stated that Decree No. 615 provided that damaged goods were valued taking into account the effects of the damage, and duties were charged on the assessed value. No duties were payable on lost goods. In response to further questions, the representative of Armenia stated that no provision had been made in Decree No. 615 for the reversal of the order of application of the valuation methods specified in Articles 5 and 6 of the WTO customs valuation agreement. Paragraph 24 of Decree No. 615 provided for the circumstances envisaged in Article 5.2 of the WTO customs valuation agreement. There were no cases so far in which the provisions of Article 5.2 have been implemented. Article 6.2 of the Agreement, dealing with access to information possessed by residents of other countries in the context of determining computed values had not been implemented by Decree No. 615. The representative of Armenia further added that in accordance with Paragraph 3 of Article 12 of the Draft~~

~~Law on Custom Duties, adopted in December 1998, the sequence of implementation of the customs valuation methods 4 and 5 can be changed upon the request of importer.~~

60. ~~The representative of Armenia said that in relation to Article 7 of the Customs Valuation Agreement, paragraphs 27 and 28 of Decree No. 615 provided for the determination of customs values when none of the other five methods available can be applied. Paragraph 27 of Decree No. 615 required that the customs authorities make available relevant information when the value was determined by any method other than one of the five available. In relation to the prohibitions found in Article 7.2, paragraph 28 of Decree No. 615 stated that neither retail prices in the domestic market, nor the prices of locally produced goods, nor export prices to third countries, nor any other price determined at will or on an inexact basis, may be used for customs valuation purposes when none of the five available valuation methods are applicable. In response to concerns raised by some members of the Working Party that Decree No. 615 was insufficiently precise, the representative of Armenia stated that paragraph 28 of Decree No. 615 referring to the determination of prices at will or on an inexact basis is intended to rule out the use of minimum customs values, arbitrary or fictitious values, or computed values not using the provisions of the Agreement. The Government of Armenia recognized, however, that Decree No. 615 lacks specificity in certain key areas, and was committed to remedying this situation. In relation to further legislative approximation to Article 7 of the Customs Valuation Agreement, the representative of Armenia said that the Law on Customs Duties adopted by the National Assembly incorporated a separate Chapter on Customs Valuation.~~ **The representative of Armenia said that in relation to Article 7 of the Customs Valuation Agreement, Article 12 of the Law on Customs Duties provided for the determination of customs values when none of the other five methods available can be applied.** According~~ly,~~ **to** Paragraph 6 of Article 12 of the Law**:** ~~stipulated the following:~~

> "In cases when the customs value of goods imported to the Republic of Armenia cannot be determined in accordance with paragraphs 1-5 of the present Article, then the customs value should be determined by any other relevant method in accordance with provisions of the present Article, and on the basis of relevant information available in the Republic of Armenia. No customs value shall be determined on the basis of :
>
> (a) the selling prices of domestically produced products in the Republic of Armenia;
>
> (b) [any system which provides for the acceptance for customs purposes of the higher of two alternative values
>
> (c) selling price of goods on the domestic market of the country of exportation;
>
> (d) the cost of production other than computation values determined for the identical or similar products, in accordance with the Paragraph 5 of the present Article;

(e) prices of goods designated for importation to other countries;

(f) minimal customs values;

(g) arbitrary prices."

The ~~present~~ **above** list entirely conformed to ~~the corresponding article~~ **Article 7** of the **Customs Valuation** Agreement.

61. ~~The representative of Armenia said that in relation to Article 8 of the Customs Valuation Agreement, paragraph 12 of Decree No. 615 required that the transaction value applied for customs duty purposes should include all the additional costs referred to in Article 8.2 of the WTO Customs Valuation Agreement~~ The representative of Armenia **said** ~~added~~ that in relation to Article 8 of the Customs Valuation Agreement, Paragraph 2 of Article 7 of the Law on Custom Duties provided for the following:

Customs value includes:

(a) contract price of goods acquired in the country of exportation.

(b) freight expenses, including loading, unloading, handling and insurance, incurred during the shipment of goods to the customs border of the Republic of Armenia

(c) commission and mediation (broker commission) expenses incurred in the country of exportation or in connection with the shipment of goods to the customs border of the Republic of Armenia

(d) value of the following goods or services, rendered to the supplier by the importer, directly or indirectly, in full or partially, in connection with the manufacturing of the imported goods:

(e) materials, components and other parts incorporated in imported goods;

(f) tools and other similar items used in the production of the imported goods;

(g) materials consumed in the production of the imported goods;

(h) engineering, development, design work and artwork, undertaken outside the Republic of Armenia, and necessary for the production of the imported goods;

(i) royalties and license fees that the importer must pay, directly or indirectly, for selling imported goods.

In response to questions concerning the rate of exchange applied by the Customs, the representative of Armenia stated that the exchange rate used was derived from the daily foreign exchange auctions held by the Central Bank of Armenia. The Central Bank announced exchange rates daily and these rates are published in the press, as required by Article 9.1 of the Customs Valuation Agreement. **In response to questions concerning the mechanism for protection of confidential information, the**

representative of Armenia stated that the provisions concerning confidentiality of information were incorporated in the Draft Customs Code in conformity with provisions of Article 10 of the Customs Valuation Agreement. ~~Confidentiality, was assured by paragraph 5 of Decree No. 615. In response to questions concerning the mechanisms for protection of confidential information, the representative of Armenia stated that paragraph 5 of Decree No. 615 provided that confidential information shall only be used for customs purposes and not divulged to third parties except by prior consent. This met the obligation contained in Article 10 of the Customs Valuation Agreement.~~

62. In response to requests for a detailed description of the process for review of customs valuation decisions, the representative of Armenia said that in relation to Article 11 of the Customs Valuation Agreement, **paragraphs 2 and 3 of Article 13 of the Law on Customs Duties** ~~paragraph 9 of Decree No. 615~~ provided for **appeal procedures on the decisions and actions of Customs authorities. The Article provided for appeal of a customs decision to a higher customs authority or to a court. The higher customs authority should make its decision regarding the appeal and inform the applicant about the decision in one month.** ~~administrative appeal of a customs decision to a higher customs authority. Legal persons (firms or sole entrepreneurs) could make judicial appeals to a special arbitration authority in cases involving valuation decisions. That arbitration was binding. The special arbitration authority was the same as the national courts. The representative of Armenia added that the Paragraphs 2 and 3 of the Article 13 of the Law on Customs Duties provided provisions for appeal procedures concerning the decisions and actions of Customs authorities.~~

63. The representative of Armenia said that as required by Article 12 of the Customs Valuation Agreement, relevant national laws, regulations, decisions and rulings were published in the Bulletin of ~~Decrees of~~ the Government of Armenia or in the Manual of the ~~Supreme Council~~ **National Assembly** of the Republic of Armenia~~. In relation to the obligation contained in Article 13 (last sentence) of the Customs Valuation Agreement, when the customs value of goods cannot be immediately determined, importers were entitled to remove their goods from customs control upon payment of provisional duties based on the assessment of the customs authorities. The importer then had three months in which to challenge the assessment. Alternatively, an importer could provisionally clear goods against a bank guarantee valid for one month. If a valuation issue was not settled within one month, a further two-month period was provided for an importer to challenge an assessment, against provisional payment of the assessment made by the customs authorities. The duty assessment, whether adjusted or not from the original assessment of the customs authorities, became final after the three-month period.~~ **In relation to obligation contained in Article 13 (last sentence) of the Customs Valuation Agreement, when the customs value of goods cannot be immediately determined, paragraph** ~~Paragraph 8 of Decree No.~~

~~615 provides that an importer is entitled, within seven days of a written request, to receive a written explanation of a valuation decision of the customs authorities. The interpretative notes of the WTO Agreement on Customs Valuation had not been systematically included in Decree No. 615.~~ The representative of Armenia added that ~~in relation to Article 13 of Customs Valuation Agreement, Paragraph~~ 11 of Article 12 of the Law on Custom Duties provided for the following: In case when the customs bodies deemed necessary a verification or further scrutiny of the customs value, declared by the applicant in the corresponding declaration, importers were entitled to remove their goods from customs control against a bank guarantee valid for one month, in an amount equal to the disputed value, on condition of subsequent clearance in accordance with the final decision.

Paragraph 8 of Article 12 of the Law on customs duties provided that an importer should be entitled, within five business days upon a written request, to receive a written explanation of a valuation decision and a method used by the customs authorities.

64. The representative of Armenia stated that all the provisions of the WTO Agreement on the Implementation of Article VII of GATT 1994 would be adopted as an integral part of Armenia's Customs Code upon Armenia's accession to the WTO. All relevant laws, and particularly, the Customs Code of Armenia, would be in full conformity with the requirements of the Agreement on Implementation of Article VII of the GATT 1994 before 1 October 1999. In particular, the interpretative notes of the Agreement would be fully incorporated in Armenia's customs valuation laws, and the Decision of 24 September 1984 on the Valuation of Carrier Media Bearing Software for Data Processing Equipment" would be adopted to ensure that valuation of software was based on the value of the media. The Working Party took note of these commitments.

- **Other customs formalities**
  - **Rules of origin**

65. The representative of Armenia stated that the rules of origin applied by Armenia followed the principles stated in the Agreement on Rules of Origin. Origin rules were defined in terms of wholly originating products, a change in the tariff classification of the good, processing criteria, and the value-added criterion. The choice of approach for determining origin depended on the product concerned and any relevant international agreement in respect of which origin rules were being applied. However, with the exception of wholly originating products, the change in tariff heading criterion (at 4-digit level in the HS classification) was used unless an alternative was stipulated. According to the procedure of determination of the country of origin attached to the Resolution of the Government 615, the country of

origin was considered to be the country where the entire product has been manufactured or where it had undergone sufficient processing. The following goods were considered to be ~~entirely produced~~ **wholly obtained** in a country:

- minerals mined in the territory of a country or inside its territorial waters;
- plant produce grown or harvested in the territory of a country;
- animals born or bred in the territory of a country;
- products received from the animals born or bred in the territory of a country;
- product of hunting, fishing or sea operations in the territory of a country;
- product of the high seas operations, that is produced in the high seas by vessels belonging to the country or leased by it;
- secondary raw materials or the waste resulting from the production and other activities carried out in the territory of a country;
- product~~s~~ of high technologies received in the open space on spaceships belonging to the country or leased by it;
- goods produced in the country in question, that have been exclusively produced in accordance with the points above.

In case when two or more countries have participated in the production of a product, the origin of the goods is determined based on the criteria of sufficient processing. The following were the criteria for the sufficient processing of goods:

- any alteration in the first four digits in the position of the classification of a product (the product description code) that has occurred as a result of processing the product;
- implementation of production or technological operations that were either sufficient or insufficient to consider the product as originating from the country where such operations have taken place;
- ad valorem rule - the alteration in the value of the product, when the proportion of the added value or the value of the materials used exceeded a certain measure of the price of the product

Moreover, the following were considered as not meeting the requirement of the criteria on sufficient processing:

- operations geared towards the preservation of the product during its storage or transportation;
- operations of preparation of the goods for sale or transportation (taking apart, consolidation, sorting, repackaging of the products);
- simple assembly operations;

- merging, smelting of the parts (components) of products without lending them such features as would essentially differ from the initial components.

The customs authorities were entitled to require origin certificates in respect of: (i) goods subject to quantitative limitation; the change in tariff; (ii) imports under preferential trading arrangements; (iii) for the protection of the environment, public health and safety and national security; and (iv) in situations where the authorities consider that inadequate information as to origin has been supplied. Certificates of origin must be signed by suppliers and verified by the relevant national certifying body. The evaluation with respect to the origin of imported goods was carried out by the ArmExpertise subsidiary of the Chamber of Commerce of Armenia. In case of doubt as to the origin of goods imported into the Republic of Armenia the Customs referred to the ArmExpertise, which examined the product, the waybills and the certificates of origin of the product and passes a decision on the origin of the product. At the same time, according to ~~Point 2~~**Paragraph 2** of the directive No. 478MV of 26 April 1996 of the head of the Customs Directorate of the Republic of Armenia, in case of absence of the above mentioned certificate, the certificates issued **by** SARM or by the ArmExpertise subsidiary of the Chamber of Commerce of Armenia were accepted as documents confirming the origin of the product. In accordance with the legislation of the Republic of Armenia currently in effect, importers had the right to appeal ~~controversial~~**disputable** issues to a superior customs authority. The administrative and judicial obligations with respect to this procedure applied to all entities.

66. The representative of Armenia added that at present the Draft Customs Code of Armenia was elaborated, which incorporated relevant provisions on Rules of origin. The Customs Code was drafted in full conformity with relevant WTO provisions. In particular the precise definitions for goods ~~fully~~**wholly obtained** ~~originated~~ from the country's natural recourses, tariff classification changes, **value** added ~~value~~ principle, and sufficient ~~recycling~~ **processing** principle were given. Rules of origin, which were presented in the Draft **Customs Code as well as in the Draft** Decree of the Government of Armenia **on Determination of the Origin of Goods**, did not pursue, directly or indirectly, any trade objectives, were described in positive standards and did not create obstacles for free trade, in accordance with WTO provisions. The representative of Armenia added that the **provisions of the new Customs Code on rules of origin were applied to CIS imports as well as to imports of other countries and that certificates of origin were accepted for imports from CIS countries as well as from non-CIS countries. The absence of the certificate of origin by itself could not be the only reason to deny the entry of the goods into the territory of the Republic of Armenia. The provisions of the Draft Customs code on rules of origin comply with the requirements of Article 2(h) and Annex II, paragraph 3(d)**~~. Government of Armenia would bring all its laws and regulations, and particularly the Customs Code, into full conformity with the requirements of the Agreement on Rules of Origin before 1~~

~~October 1999 and would act in full conformity with the provisions of that Agreement from the date of its accession to WTO. The Working Party took note of this commitment.~~ **The representative of Armenia confirmed that from the date of accession its laws and regulations on rules of origin would be in conformity with provisions of the Agreement on Rules of Origin and other WTO provisions. Concerning the requirements of Article 2(h) and Annex II, paragraph 3(d), i.e., that for non-preferential and preferential rules of origin, respectively, the relevant Armenian authorities would provide, upon request, an assessment of the origin of the import and outline the terms under which it will be provided. The Working party took note of this commitment.**

- **Pre-shipment inspection**

67. In response to questions, the representative of Armenia stated that Armenia did not at present employ the services of any pre-shipment inspection companies. However, the Government of Armenia had recently announced an international tender to submit competitive bids for selecting a company in charge of implementing pre-shipment inspection to imports from all directions.

68. The representative of Armenia stated that ~~if~~ any pre-shipment inspection system ~~was~~ introduced in the future it would be applied in conformity with the requirements of the Agreement on Pre-shipment Inspection **and that Armenia would take into account the recent WTO review of this Agreement. The representative of Armenia stated that any pre-shipment inspection system would be temporary until such time as the Armenian customs authorities would be able to carry out these functions properly**. The Working Party took note of this commitment.

- **Anti-dumping, countervailing and safeguards regimes**

69. In response to questions, the representative of Armenia stated that Armenia did not, at present, have an anti-dumping, countervailing or safeguards regime. The representative of Armenia confirmed that, from the date of accession, Armenia would not apply measures for safeguard, anti-dumping or countervailing duty purposes if conforming legislation to apply such measures consistent with the provisions of the WTO Agreement on **the Implementation of Article VI, on** Safeguards, ~~Anti-dumping,~~ and **on** Subsidies and Countervailing Measures was not in effect in Armenia. **In the elaboration of any legislation concerning such anti-dumping, countervailing and safeguard measures, Armenia would ensure their full conformity with the relevant WTO provisions, including Articles VI and XIX of the GATT 1994 and the Agreements on the Implementation of Article VI, the Agreement on Subsidies and Countervailing Measures and**

the Agreement on Safeguards. After such legislation was implemented, Armenia would apply any anti-dumping duties, countervailing duties and safeguard measures in full conformity with the relevant WTO provisions. The Working Party took note of this commitment.

- **Export regulations**
  - **Export restrictions and export licensing system**

70. The representative of Armenia stated that the Resolution No. 124, 29 December 1995 on Non-Tariff Regulation of the Commodities (Operations, Services) Import and Export in the Republic of Armenia regulated Armenia's export licensing regime. Export licences were required for textiles (to the European Communities only), for medicines, and for certain live animals and plants. The export licences on textiles were required pursuant to an agreement with the European Communities, but no restrictions on these exports were currently in place. The licences for medicines, live anions and planets were generally not restrictive - rather, they were designed to ensure public health and safety. The exportation and importation of weapons, military technique and the consumables necessary for its production, technologies equipment and locators of nuclear materials (including heating materials), special non-nuclear materials and services related to it, ionizing radiation sources were carried out through authorization issued by the Government of the Republic of Armenia. All other products may be freely exported from Armenia. The system applied to exports to all destinations, except in the case of the licensing requirement for exports of textiles and clothing to the European Union. The licensing requirements were not intended to restrict the quantity or value of exports. Rather, they were intended to protect the national interest and human, animal or plant life or health, and the environment. The representative of Armenia stated that the Government did not consider that at this time, a better way existed of achieving these objectives.

71. The representative of Armenia noted that Armenia's export licensing system closely paralleled the import licensing system. As on the import side, exportation of pharmaceuticals and rare animals and plants were subject to non-restrictive licensing, designed to protect health and the environment. Export licensing procedures for pharmaceutical products were the same as import licensing procedures, and were regulated by the same Resolutions. In addition, exports of textiles and clothing to the European Communities were subject to licensing under a bilateral agreement with the European Communities, and licences are also required for exports of rare objects or artifacts considered part of the national patrimony. The licensing of textile and clothing exports to the European Communities allowed these items to be monitored, but they are not currently subject to restrictions of any kind.

72. The representative of Armenia said that Armenia maintained export licensing requirements on the following items:

	HS number
Pharmaceutical products	05.10; 12.11; 13.02; 29.38; 29.41;
Raw materials for pharmaceutical production	30.00
Textiles and clothing to European Union	
Objects considered part of the national patrimony	
Rare wild animals and plants included in the Red Book of the Republic of Armenia	

The Red Book of the Republic of Armenia identifies approximately one hundred rare animals and birds, and 390 rare plants in respect of which licences would be required and whose exportation may be controlled.

73. The representative of Armenia stated that according to the Resolution No. 124, the exportation of pharmaceutical products and medicine had to be authorized by the Ministry of Health of the Republic of Armenia. The exportation of rare wild animals and plants included in the Red Book of the Republic of Armenia was carried out through authorization issued by the Ministry of Nature and Environment. Exports of objects considered of interest to the national patrimony must be authorized by the Ministry of Culture. In the case of textile and clothing exports to the European Communities European Communities, the Ministry of Industry and Trade would have exclusive responsibility for issuing export licences. Requests for authorization could be refused and issued authorizations could be suspended if (a) there was incorrect information in the presented documents, (b) the period of validity of the pharmaceutical products was exceeded, (c) the production serial numbers of imported pharmaceuticals did not correspond with the submitted quality certificates, (d) the imported pharmaceuticals were not registered in Armenia. The Ministry of Industry and Trade may deny an export licence to an applicant in respect of exports to the European Communities if exports of the items concerned were to exceed a certain quantitative limitation. Since this has not occurred so far, Armenia has not developed any mechanisms for administering export quotas.

74. The representative of Armenia said that any persons, firms and institutions wishing to apply for an export licence may do so provided they are registered as a juridical person or a sole entrepreneur undertaking a business activity in Armenia. As in the case of the importation of pharmaceutical products, to receive an authorization for exportation of pharmaceutical products the following documents were required: an application form, a certificate relating to the acquisition of the pharmaceutical products, a licence to trade in pharmaceutical products in Armenia, documents

relating to the acquisition and sale of pharmaceutical products (contract, invoice, etc.), and a certificate of quality issued by the producer. Authorizations are issued within 15 days from the date of the application. Since the fifteen-day stipulation is a maximum period, in practice licences may be obtained within a shorter period. An export licence will generally not be granted immediately upon request, but in practice the necessary procedures may be completed within a day or two. The fee for an export licence is equal to the month's minimum salary in the republic of Armenia. Licences are not transferable among exporters. A licence application and/or an exportation could be made at any time during the year. Authorizations are issued for the period necessary to carry out the engagements, but no longer than one year. The validity of an authorization can be extended upon the substantiated request of an applicant. The body issuing the authorization can suspend its validity or cancel it. Unjustified delays and refusal to issue authorization, as well suspending and cancelling certificates, can give rise to judicial procedures.

75. The representative of Armenia stated that any export licensing requirements or other export restrictions would applied be in conformity with WTO requirements. The Working Party took note of this commitment.

- **Other measures**

76. The representative of Armenia noted that in order to prevent exports at artificially low prices, or the under-invoicing of exports, the Resolution 124 established a list of minimum prices each quarter for a list of selected commodities as a reference base for tax purposes. The reference prices were equally applied to all export destinations. With effect from 29 December 1995, this list only covered ferrous and non-ferrous metals, (HS 72.00, 72.04, 74.0-74.14. 75. 76.0-76.14, 78.80, 81.0, 81.13). According to Resolution 124 commodities of the mentioned list could be exported at prices less than the minimum established prices. However, the corporate tax liabilities of firms that export ferrous and non-ferrous metals and scrap were calculated on the basis of these reference prices if the declared export price is below the reference amount. In this case the exporter was required also to present the certificate of conformity of the Agency of Standardization Measurement and Certification (SARM). The Customs Bodies of the Republic of Armenia must inform the Tax Inspectorate about the transaction within a month. With effect from 21 April 1999, the list of minimum reference prices was eliminated.

- **Export subsidies**

77. The representative of Armenia stated that Armenia did not offer any export incentives or export subsidies of any kind at the present time, nor did Armenia have any duty drawback or temporary admission arrangements in respect of dutiable imports used in export production. The Government believed that export expansion was vital to Armenia's future economic viability. For this reason, consideration was being given to various ways of stimulating exports, particularly through promotional activities. The Government did not, however, intend to rely on export subsidies as part of an export expansion programme.

78. The representative of Armenia confirmed that the Government did not maintain subsidies which met the definition of a prohibited subsidy, within the meaning of Article 3 of the Agreement on Subsidies and Countervailing Measures, and did not seek transitions to provide for the progressive elimination of such measures within a fixed period of time. **He further stated that Armenia would apply export promotion measures in conformity with WTO requirements.** The Working Party took note of this commitment.

- **Internal policies affecting trade in goods**
  - **Industrial policy, including subsidies**

79. The representative of Armenia stated that Armenia's industrial policy aimed to ensure more efficient use of domestic resources within a market-oriented framework. A central policy objective affecting industry was privatization. Approximately 30 per cent of all enterprises in Armenia are publicly owned, while 70 per cent are non-public. He stated that the Government estimated that approximately 95 per cent of industrial output emanated from the public sector. The representative of Armenia added that as a result of ongoing privatization, as well as due to registration of newly established private enterprises, the share of publicly owned enterprises in Armenia gradually declined to 8 per cent of the total by the end of 1997, and to further 7 per cent by the end of 1998. Correspondingly, the public sector accounted for 57 per cent of industrial output by the end of 1997, which declined further to 52 per cent of industrial output in the end of 1998. In response to questions the representative of Armenia stated that pending completion of the privatization programme, the Government required State-owned enterprises to operate according to market principles. Enterprises in Armenia were required to acquire their inputs on the open market. Most firms had not yet put proper market-economy accounting systems into use, but they were developing them. In response to requests for information concerning the payment of direct subsidies, the representative of Armenia stated that since the beginning

of 1995, almost no direct subsidies had been granted to industry. In previous years direct subsidies had been provided on a fairly large scale via concessionary credits to firms. He further noted that the Government in general did not retain production subsidies in the industrial sector, and no indirect subsidies were applied on water and electricity supplies in the agricultural after 1996.

80. The representative of Armenia said that the only beneficiaries of direct subsidies in 1995 were the firms engaged in the production of strategic (military) equipment, for whom subsidies are to be granted for further construction and the equipping of plant. The beneficiary firms do not export their products. Any remaining indirect subsidies that might arise as a result of clearing arrangements were disappearing because of the contraction (and eventual elimination) of inter-governmental clearing contracts. The procurement via State orders, which could also entail indirect subsidies, was being replaced by competitive tendering procedures, however, the Government maintained the freedom to grant certain privileges to domestic bidders. In 1998 the Government recommenced the practice of write-offs of tax fine arrears in order to support the rehabilitation and restructuring of a few selected large enterprises, such as Armenmotor Company and Yerevan Jewellery Plant. For analogous purposes, tax fine arrears were written off for those enterprises which incurred indebtedness because of default against shipments being made within the framework of inter-governmental clearing contracts and procurements via State orders.

81. The representative of Armenia further added that because the continuing reform of policies might indirectly confer subsidies on industries, the Government also maintained a substantially deregulated business environment which, when combined with the Government's open investment policies, meant that there were effectively no barriers to market contestability. Firms were free to enter and exit sectors on the basis of their own market-based decisions. Additional measures designed to safeguard and strengthen this business environment were the establishment of anti-monopoly and bankruptcy laws. The Law on the Bankruptcy of Banks and the Law on the Bankruptcy of Juridical Persons, of Enterprises Without the Status of a Juridical Person, and of Entrepreneurs entered into force respectively on 1 October 1996 and on 1 March 1997. The relevant statutes were under preparation.

82. The representative of Armenia stated that the Government of Armenia would ensure that its subsidy regime was in full conformity with the Agreement on Subsidies and Countervailing Measures from the date of its accession to the WTO. The Working Party took note of this commitment.

- **Technical Barriers to Trade ~~/Sanitary and Phytosanitary Measures~~**

83. The representative of Armenia noted that, after the declaration of independence, Armenia took steps to establish and develop its national systems of standardization, metrology and certification. Relevant laws regulating those systems are the Law on Standardization and Certification and the Law on Uniformity of Measurements accepted by the National Assembly on 30 April 1997. The two laws incorporated the core principles of the WTO TBT Agreement. The Law on Standardization and Certification provided the legal basis in the Republic of Armenia for the standardization as well as certification of products, services, labour (processes) and quality systems. This would be mandatory for the bodies of State governance, as well as for enterprises, institutions and private entrepreneurs and would define~~d~~ the means for the protection of interests of consumers and the State through the elaboration and application of normative documents on standardization. It also defined the rights, obligations and responsibility of the participants in the certification process. The Law on Uniformity of Measurements defined the legal basis for ensuring the uniformity of measurements, regulated the relations of the bodies of State governance with enterprises, institutions and private entrepreneurs on issues relating to the production and issuance of measurement instruments, and the use and repairs thereof. It was directed at protecting the rights and rightful interests of consumers and the State from the negative impact of inaccurate results of measurements. The Department for Standardization, Metrology and Certification (SARM) was denoted as coordinator of standardization, metrological and certification activities in Armenia, and its rights and obligations were defined by the Law on Standardization and Certification and the Law on Uniformity of Measurements. Being the national body in charge of the administration related to standardization, certification and metrology in Armenia its responsibilities included the creation and administration of national standardization and certification systems; the adoption of national standards and classifications; the application of international standards; the publication of official information in the fields of standardization and certification; accreditation of certification bodies and testing laboratories; dealing with appeals and disputes on certification matters, etc~~. SARM was in the structure of the Ministry of Industry and Trade.~~ SARM was presided over by the State Chief Inspector, whose rights and obligations were contained in Article 27 of the Law on Standardization and Certification and Article 24 of the Law on Uniformity of Measurements. SARM is a collegial body that takes decisions by majority vote.

84. The representative of Armenia added that the National Standardization System was established with a mission to provide:

- the safety of the products, labour (processes) and services for the natural environment, human life, health and property;

- the technical and informative compatibility and interchangeability of products;
- the improvement in quality of the products, labour standards and services ;
- uniformity of measurements;
- preserving of all types of resources;
- the security of economic objects, in the event of occurrence of technical and other disasters and emergencies;
- the necessary conditions to ensure the defense of the country and the readiness for mobilization.

The main provisions of that system and its procedures for preparation, adoption and application of Armenian standards were established by national basic standards of AST 1 series. About 210 Armenian standards had been developed by the technical committees and adopted by SARM since 1993. The great part of the standards applied in Armenia were international and regional standards. More than 18,000 interstate standards of CIS countries were included in the national fund of standards. 860 international standards have been accepted in Armenia at present and 30 per cent of national standards would be aligned to international standards by 2000. **The representative of Armenia informed that the new Draft Law on Standardization and Draft governmental Decree on Technical Regulations were elaborated in conformity with provisions of the TBT Agreement. Definitions of standards and technical regulations in these acts were in full compliance with respective definitions in Annex 1 of the TBT Agreement.** For the preparation, adoption and application of standards, SARM followed the TBT Code of ~~Standards~~ Good Practice and will sign it from the date of Armenia's accession to WTO. SARM was cooperating with standards organizations in other countries and is a member of the International Organization for Standardization from 1 January 1997. Presently SARM is member of ISO, EASC, which enables Armenia to participate through technical committees in the elaboration of international and regional standards and to apply these standards in Armenia. The only enquiry point operating in Armenia and the only body responsible for notifications was SARM, which would implement the obligations established in accordance with Articled 10 of the TBT Agreement. Besides the publication of a monthly journal (Hayast), which provides current information on issues relating to standards and certifications. SARM used the INTERNET communication system for notification. A new resolution of the Government was being prepared for the clarification of rights and responsibilities of SARM as an enquiry point, and those of the WTO Affairs Department in the Ministry of Industry and Trade as a notification.

85. In response to questions concerning to mandatory certification, the representative of Armenia stated that Armenia applied manufacturer's declaration supported by post-market surveillance procedures, as well as internationally accepted pre-market ~~certification~~ **conformity assessment such as**

product type and sample testing, which concerned to the products subject to mandatory certification. Both certification mechanisms were fixed in the Law on Standardization and Certification. Such less expensive and less trade restrictive methods of conformity assessment, as manufacturer's declaration and conformity mark, are also being foreseen in the Draft Law on the "Conformity Assessment of Products and Services". According to the Draft Law, **a certificate on conformity and a registered declaration on conformity had the same legal power, and** domestic and foreign manufacturers and service providers ~~will be~~ **were** granted similar rights in applying declarations on conformity of products or services. Mandatory certification activities were coordinated by SARM and conducted by certification bodies and testing laboratories accredited by it according to the Law on Standardization and Certification and regulated by Resolutions 417, 205, 136, which proceeded from the law and introduced the list of products subject to mandatory certification in the Republic of Armenia taking into consideration the necessity of the control over the safety of products, labour, services for the natural environment, the human life, health and property, as well as the protection of consumers' rights. Presently this is the full list of products subject to pre-market certification. These products were selected taking into consideration the reports received from the inspection bodies, the **list of** toxins received from the Ministry of Agriculture, Sanitary-Anti-epidemiological State Centre, from media, consumers and data from Statistics Department. The drafts of these Resolutions were submitted for discussion and comments to the relevant ministries, major enterprises and traders, other institutions that displayed an interest in it. The following products were subject to mandatory certification according to Resolution No. 15, 16 January 1998:

Description	CN code
Meat and edible meat offal	0201-0204, 0206- 0210
Fish and crustaceans, molluscs and other aquatic invertebrates	0302-0307
Milk and cream	0401-0406
Birds' eggs	0407, 0408
Natural honey	0409
Edible vegetables and certain roots and tubers	0702-0704, 0706 10 000, 0707, 0709-0712, 0713 10 900
Edible fruit and nuts; peel of citrus or melons	0801-0812, 0813 10 000-0813 40 300
Coffee, tea	0901, 0902
Rice	1006
Wheat and production of wheat and other cereals	1101-1104, 1108
Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	1501, 1502, 1507 10 900,1509-1512, 1515 19 900,1516, 1517
Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	1601-1605

Description	CN code
Sugar and sugar confectionery, gums	1701-1704
Cocoa and preparations containing cocoa	1801, 1804-1806
Preparations of cereals, flour, starch or milk; pastry products	1901, 1902, 1905
Preparations of vegetables, fruit, nuts or other parts of plants	2001-2009
Miscellaneous edible preparations, yeast, ice-cream	2101-2105, 2106 90 100
Beverages, spirits and vinegar	2201-2209
Tobacco and manufactured tobacco substitutes	2401-2403
Table salt	2501 00 910
Oil products	2707, 2710, 2711
Vitamins	2936
Pharmaceutical products	3001-3006
Fertilizers	3101-3105
Perfumes, beauty or make-up preparations, preparations for use on the hair, dental pastes and powders	3303, 3304, 3305, 3306
Soap, organic surface-active agents	3401, 3402
Matches	3605
Insecticides, hydraulic brake fluids, anti-freezing preparations and prepared de-icing fluids	3808, 3819, 3820
Articles of plastics	3923, 3924
Pneumatic tires of rubber of a kind used on motor cars and lorries	4011 (ex. 4011 30 100), 4013
Babies dummies of rubber	4014 90 100
Articles of apparel and clothing accessories, knitted or crocheted, including briefs and panties, babies' sportswear, swimwear, stockings, socks, gloves	6107-6109, 6111, 6112, 6115, 6116
Boys' or girls' underpants, sportswear, ski suits, swimwear, other garments	6207, 6211
Babies' bed linen	6302
Cooking or heating apparatus of a kind used for domestic purposes, non-electric	7417
Table, kitchen or other household articles and parts thereof, of aluminum; sanitary ware and parts thereof, of aluminum	7615
Spoons, forks, knives and similar kitchen or tableware	8215
Electro-mechanical tools for working in the hand, with self-contained electric motor; electro-mechanical domestic appliances, with self-contained electric motor; electric space heating apparatus; electric filament or discharge lamps	8508, 8509, 8516, 8536, 8539 (ex. 8508 10, 8508 80, 8508 90. 8509 90, 8516 80, 8516 90, 8536 10, 8536 20, 8536 30, 8536 41, 8536 90, 8539 10, 8539 40, 8539 90)
Instruments and appliances used in medical, surgical, dental or veterinary sciences	9018
Gas arms (for example, spring, air or gas guns and pistols, truncheons); gas revolvers	9304
Electric chandeliers	9405 (ex. 9405 10, 9405 50, 9405 60, 9405 91, 9405 92, 9405 99)
Toys	9502, 9503
Cigarette lighters, gas fuelled	9613

Requirements for products covered by mandatory certification in Armenia were kept to a minimum. They were established in accordance with the technical regulations, adopted by SARM in coordination with the interested ministries and departments, according to Resolution No.15 of the Government. Compulsory were only the requirements concerning to safety, health and the protection of the environment. Mandatory certification procedures applied were the same for both imported and domestic products. Certificates were issued for product types or batches based on testing of samples, analysis of production system, quality system certification or declaration of supplier depending on the scheme of certification. These internationally accepted certification schemes were fixed by AST 5.3. The procedures of mandatory certification were established with reference to the AST 5.1 standards, application of which became mandatory, according to the Resolution No. 15 of the Government. Unlike to most of CIS countries, certification activities in Armenia due to the Law on Standardization and Certification were regulated by the only authorized body - SARM, so avoiding overlap of requirements set by different regulatory bodies. **Procedures on recognition of certificates issued by foreign certification bodies were specified in AST 5.8 standard.** SARM had signed cooperation agreements on mutual recognition of conformity assessment with appropriate bodies of several countries such as Russian Federation, Ukraine, Belarus, Georgia, Turkmenistan, Kazakstan, Moldova, Kyrgyz Republic, Tadjikistan, Uzbekistan, Slovak Republic, China and Iran. These were Agreements on Mutual Recognition of Conformity Assessment Results. SARM was carrying out negotiations with appropriate bodies of other countries, particularly with Bulgaria, India, Romania and the United States, to sign similar agreements on cooperation. **In response to questions regarding compliance with provisions of Article 6.1 of the TBT Agreement the representative of Armenia stated that in the absence of agreements on mutual recognition, AST 5.8 standards allow for simplified procedures on acceptance of certificates and conformity marks issued by certification bodies of other countries if Armenian authorities were satisfied that conformity assessment procedures in those countries offered adequate assurance of conformity.**

86. **The representative of Armenia informed the Working Party that the following legislative acts related to Technical Barriers to Trade were being drafted and would be enacted in the Republic of Armenia upon the date of its WTO accession:**

Legislative Act	Projected date of enactment
Armenian Law on Conformity Assessment	**1.10.99**
Armenian Law on Standardization	**15.11.99**

The representative of Armenia stated that all relevant laws relating to Technical Barriers to Trade would be brought into conformity with the requirements of the Agreement on Technical

Barriers to Trade by the date of Armenia's accession to the WTO without recourse to any transition period. The Working Party took note of these commitments.

- **Sanitary and Phytosanitary Measures**

87. The representative of Armenia added that SARM cooperated with the Ministries of Health and Agriculture in matters relating to sanitary and phytosanitary measures. Having the objective to protect human health, safety and environment, the Government of Armenia had introduced the list of goods, some of which fall in the scope of SPS Agreement, subject to mandatory certification (Resolution 15 of 16 June 1998) which was evidence for the fact that Armenia had started the process of elaboration of Sanitary and Phytosanitary Measures. In 1996, the National Assembly adopted the Law on State Agrarian Inspections. The law defined the legal, economic and organisation principles of State Agrarian Inspections in the Republic of Armenia. Articles 6 and 7 of the Law, particularly outlined the activities of the State Inspection for Agriculture, concerning cultivation of lands, use of fertilizers, the struggle against plant diseases, insects and weeds, transportation of toxic substances and mineral fertilizers, conditions of conservation and annihilation, as well as livestock breeding with respect to veterinary services. Resolution No.17 of the Government (11 March, 1998) the "National Agrarian Rules" were established. The latter dealt with the protection of population from diseases common to man and animals, the prevention and eradication of contagious and non-contagious animal diseases, transportation, conservation, use and annihilation of veterinary medicaments and disinfectants. **The list of plant pests, weeds and diseases of quarantine significance for the Republic of Armenia was also established by this Resolution.** For the implementation of the Law on State Agrarian Inspections, a draft Law on Plant Protection and Plant Quarantine, as well as the Draft Law on Veterinary Medicine had been worked out. The Law on Plant Protection and Plant Quarantine defined the legal, economic and organisation principles of the State Services of Plant Protection and Plant Quarantine of the Republic of Armenia, and regulated relations between farms, enterprises, organizations and individuals within the territory of the Republic of Armenia. **The Law regulated procedures of phytosanitary control during importation/exportation of plants or products of plant origin. Main concepts and requirements of the International Plant Protection Convention were taken into account in the Draft Law. The possibility for taking into consideration the phytosanitary conditions and requirements of an importing country for issuing phytosanitary certificates were also provided in this Draft Law.** At present the Draft Law on Plant Protection and Plant Quarantine has been submitted to the Government.

88. The Law on Veterinary Medicine defined the legal, economic and organisation principles of the State Service of Veterinary Medicine of the Republic of Armenia, fixed the regulation for the prevention of diseases of animals, for the protection of population from diseases common to man and animals, and for providing the population with quality products according to veterinary and sanitary conditions. The law regulated relations between the State body in charge of veterinary medicine and enterprises, organizations, entrepreneurs, and individuals on the territory of the Republic of Armenia. **The law established procedures of state veterinary inspection during importation/exportation of animals and products of animal origin.** The Draft Law on Veterinary Medicine had been submitted to the National Assembly for approval. **Armenia is a member of International Epizootic Office since December 1997 and follows guidance and standards of this organization. Both Draft Laws were compatible with requirements of the SPS Agreement.**

89. **The representative of Armenia informed that Armenia is a member of International Codex Alimentarius commission and shall follow its standards and guidance in establishing procedures on food safety. At present the main document establishing sanitary rules and norms, allowed limits of toxic compounds, additives, contaminants in the food and foodstuffs are so called SanPins (Sanitary and Hygienic Rules and Norms), issued by the Ministry of Health of the Republic of Armenia based on the scientific data and risk assessment conducted by research institutes.**

90. The representative of Armenia informed the Working party that the following legislative acts related to ~~Technical Barriers to Trade and~~ Sanitary and Phytosanitary Measures were being drafted and will be enacted in the Republic of Armenia upon the date of its WTO Accession:

~~Legislative act~~	~~Projected date of enactment~~
~~Armenian Law on Conformity Assessment~~	~~01.09.99~~
Armenian Law on Veterinary Medicine	01.09.99
Armenian Law on Plant Protection and Plant Quarantine	01.10.99
~~Armenian Law on Standardization~~	~~01.10.99~~

The representative of Armenia stated that all relevant laws relating to ~~Technical Barriers to Trade and~~ Sanitary and Phytosanitary Measures would be brought into conformity with the requirements of the ~~Agreements on Technical Barriers to Trade and~~ **Agreement on** Sanitary and Phytosanitary Measures by the date of Armenia's accession to the WTO without recourse to any transition period. The Working Party took note of these commitments.

- **Trade-Related Investment Measures (TRIMs)**

91. The representative of Armenia stated that Armenia did not maintain measures that were not in conformity with the Agreement on Trade-Related Investment Measures and would therefore not seek a transition for the progressive elimination of such measures within a fixed period of time. The Working Party took note of this commitment.

- **State Trading Enterprises**

92. In response to questions the representative of Armenia stated that the State monopoly over foreign trade of the Former Soviet Union was abolished in 1989, and was replaced by a registration requirement for the conduct of such activity. By a decree of the President of the Republic of 4 January 1992 entitled On Foreign Economic Activity, all enterprises registered and operating in the territory of Armenia, regardless of their form of ownership, had the right to conduct foreign economic activity, and are not subject to any additional registration requirements.

93. Some members of the Working Party noted that certain telecoms enterprises were engaged in State-trading pursuant to Article XVII of the GATT 1994. In response to requests for information on enterprises engaged in State trading in the Republic of Armenia, the representative of Armenia stated that based on the definition of State-trading set out in the Interpretation of Article XVII of the General Agreement on Tariffs and Trade 1994, Armenia maintained one State trading enterprise in the telecommunications sector. Basic telecommunication services, mobile and international data transmission and value-added services have been reserved to Armentel, a joint-stock company owned by the Government of Armenia and a foreign private supplier, in exchange for commitments by Armentel to develop Armenia's telecommunications infrastructure.

94. The representative of Armenia stated however that Resolution 161 of March 1991, as amended by Resolution 415 of June 1995, reserved certain activities exclusively to the State and required that certain other activities were licensed by the authorities. List 1 attached to Resolution 161 identified eight types of activities that were reserved exclusively for the State. These were: (i) the sale and purchase of weapons, armaments, narcotics, explosives, radioactive materials and other strong substances; (ii) the production and repair of weapons, armaments and explosives; (iii) the preparation of drugs, narcotics, poisonous and strongly acting substances; (vii) the issuing of money and preparation of State medals; and storage, preservation and utilization of gold and other precious metals and substances of military significance. All these reserved activities involved the State in the exercise of its unique

responsibilities, including the preservation of national security, public order, and the health and safety of the population. List 2 of Resolution 415 indicated those activities that required prior authorization and the body responsible for providing the authorization. As with the items on List 1, few involved manufacturing activity. All the items on list 2 were controlled for similar reasons to those items in List 1. Licensing of economic activities included under List 2 is non-restrictive in the sense that licensing decisions are not motivated by trade protection considerations. In response to questions from Working Party members, the representative of Armenia stated that the coverage of these reservation powers was under review. No State monopoly existed in respect of the production of pharmaceuticals. However, both State and private enterprises required licences from the Ministry of Health in order to produce pharmaceuticals.

95. In response to questions whether Armenia intended to report its State monopoly of natural gas distribution under Article XVII, the representative of Armenia replied that Armgas had not been granted exclusive or special rights or privileges in the market for natural gas distribution. Armgas was State-owned and the Government had determined that this enterprise would be the only State-owned enterprise to distribute gas. But this does not prevent any other entity with majority private ownership from purchasing gas or from involvement in gas distribution. In light of this situation, the Government of Armenia did not believe it was required to notify Armgas under Article XVII.

96. The representative of Armenia said that no State or private enterprises operating in Armenia had exclusive or special rights or privileges granted by the Government of Armenia to conduct international trade in goods or services except those mentioned in paragraph 93. However, he noted that a low-interest loan had been granted to the State enterprise Hayhatsahatik (ArmCereal) in February 1996 to acquire and stockpile wheat from the European Union Counterpart joint assistance wheat fund.

97. The representative of Armenia confirmed that his Government would apply its laws and regulations governing the trading activities of State-owned enterprises and other enterprises with special or exclusive privileges and would otherwise act in full conformity with the provisions of the WTO Agreements, in particular Article XVII of the GATT 1994 and the Understanding on that Article; and Article VIII of the GATS. The Working Party took note of these commitments.

- **Free zones, special economic zones**

98. The representative of Armenia stated that Armenia did not maintain any free trade zones in which special duty privileges of any kind were granted. Armenia had, however, established a Frontier Trade Area in the Meghri Region, on the border with Iran. The Frontier Trade Area was established to

promote trade between Armenia and Iran. Under the arrangement, Armenian enterprises were encouraged to establish a presence in the border area and Iranian enterprises were encouraged to do the same on their side of the frontier. Forty citizens from each country were entitled to freely enter each other's border areas in order to explore business and trading opportunities, but no special customs regime or privileged duty treatment was associated with any exchanges agreed on the basis of these contacts.

- Government procurement

99. The representative of Armenia informed the Working Party that government procurement in Armenia was governed by Government Resolution number 67 if 8 February 1995 "On the State Procurement Order of the Republic of Armenia". Pursuant to that Resolution, when government entities wished to procure goods, they could do so either through any procurement agent or directly from the marketplace on their own behalf. Under the new approach to procurement introduced in that Resolution, no procurement entity, either State-owned or private, enjoyed special rights or privileges. All interested parties could participate in procurement activities under the common rules. These purchases, which were given effect through State Orders, were financed directly from the budget, and involved the acquisition of goods and services by government entities for their own consumption (i.e. not for resale or use as inputs into production). In the past, these arrangements had sometimes involved implicit subsidy elements for the suppliers concerned, since prices under State Orders had not necessarily corresponded to market prices. As markets developed, however, and more competition occurred, both among Armenian enterprises and with imports, subsidized procurement was becoming a less frequent occurrence.

100. The representative of Armenia said that with effect from 1995, State Orders in excess of US$50,000 for items including: electric energy, various health services training and education, geological exploration, television broadcasting, water supplies and sewerage were subject to competitive tender. In response to questions, the representative of Armenia stated that tender announcements are made in official periodicals of the Government of Armenia. The main criteria for selecting bids included the prices, the quality of the products or services offered, operational, technical and service characteristics, national security requirements, terms and conditions of payment, and terms and conditions of delivery. Foreign enterprises received equal treatment to Armenian enterprises. The tenders were administered by the Ministries and Departments concerned, or by their representatives. The representative of Armenia informed the Working Party that currently the Law on Government Procurement was under preparation in the Ministry of Finance and Economy (recently formed upon the

structural changes of the Government of Armenia). Pursuant to this Law, a governmental authority regulating the field and supervising all kinds of State procurements would be established. Stringent criteria would be set governing qualification, tendering, bidding, evaluation, performance and appeal procedures. The provisions of the Law on Government Procurement of the Republic of Armenia would be in conformity with the WTO Agreement on Government Procurement, in particular the national treatment and non-discrimination principles would be guaranteed consistent with Article III of the Agreement on Government Procurement. The adoption of the Law was projected prior to the date of Armenia's accession to the WTO.

101. In response to questions from members of the Working Party, the representative of Armenia stated that the Government of Armenia had decided to commence negotiations to join the Agreement on Government Procurement from the date of accession. In this connection, Armenia would request observer status in the Committee on Government Procurement prior to accession to the WTO and would submit an entity offer within three months of accession to the WTO. **He also confirmed that, if the results of the negotiations would be satisfactory to the interests of Armenia and other members of the Agreement, Armenia would complete negotiations for membership in the Agreement by 31 July 2001.** The Working Party took note of this commitment.

- Transit

102. The representative of Armenia stated that Armenia permitted ~~the~~**an** unimpeded and tax-free transit of goods through its territory, with the exception of those goods whose importation ~~is~~**was** prohibited, i.e. weapons, components used in the production of weapons, explosives, nuclear materials, poisons, narcotics, strong psychotropic substances, devices for use in opium smoking, and pornographic material. These items would only be able to transit Armenian territory with the explicit consent of the Government of Armenia. Transit goods remain**ed** under customs supervision while they ~~are~~**were** on Armenian territory. Armenia was party to a plurilateral agreement on transit trade within the framework of the CIS Treaty on Economic Union. This agreement provided that signatories should not tax or impede transit trade through their territories. Armenia had also signed a bilateral agreement on this subject with Georgia. Similar agreements with Iran and the Ukraine were under consideration.

103. **The representative of Armenia confirmed that the Government would apply the laws and regulations governing transit operations and would act in full conformity with provisions of the WTO Agreement, in particular with Article V of the GATT 1994. The Working Party took note of this commitment.**

- **Agricultural policy**

104. The representative of Armenia said that as in the case of industry, the Government of Armenia does not maintain State planning of any kind in the agricultural sector. The Government provided indirect subsidies, such as: charging only variable costs on water and electricity supplies from farmers; provision of low-interest loans to consumers of agricultural water for the redemption of their debts to the energy suppliers; provision of short-term low-interest project loans to farmers through the Agricultural Cooperative Bank; provision of cereal seeds through "seed-loans"; and granting tax exemptions for producers of basic agricultural products, as a main means of support to the agricultural sector. The support provided to agricultural producers was aimed to assist farmers to overcome structural and operational difficulties during the transition toward the market oriented economy. In contrast to the slow pace in industry, Armenia has privatized almost 90 per cent of agricultural land, and made land titles freely transferable. Agricultural support tables were being prepared using the 1995-1997 period as the base period for the calculations of the aggregate measurement of support which would be used to specify Armenia's domestic support commitments.

105. The representative of Armenia added that as far as inputs were concerned, two large State enterprises, Hayagrospasarkum (Armagroservice) and Hayberriutyun (ArmProsperity) were dominant suppliers of agricultural services and inputs such as agricultural machines and spare parts thereof, seeds, chemicals and fertilizers. In 1996, 66 per cent of each of these enterprises had been privatized while 34 per cent had remained State-owned in the form authorized by the Ministry of Agriculture (holding). Despite the fact that the competition remained somewhat constrained in the input market, there were no restrictions to stop other suppliers from entering it. More new private enterprises have been entering the market and increasing their market shares, particularly in the market of fertilizers. This tendency was expected to be continued with the development of conditions of competition in the market. He further added that these enterprises had no exclusive or special rights or privileges granted by the Government of Armenia in the field in which they operated.

106. The representative of Armenia said that in the past the Government of Armenia did not consider direct subsidies as a part of the development programme of the agricultural sector. Indirectly, however, farmers have benefited from the Government's policy of charging only variable costs on water and electricity supplies, from the provision of low-interest loans to consumers of agricultural water for the redemption of their debts to the energy suppliers; short-term low-interest project loans to farmers through the Agricultural Cooperative Bank; "seed-loans"; and from the granting of tax exemptions for

producers of basic agricultural products. Variable cost pricing policies have applied to all users of electricity and water. However, full cost pricing (cost recovery pricing) was introduced for electricity in 1995, and for water during the course of 1996. In addition, the Government supported a range of activities dedicated to reparation of irrigation network, to restructuring of financial and communication infrastructure, to training farmers in improved agricultural techniques, to upgrading seed and livestock quality, to conducting pest and disease control, and to providing technical advice and extension services. These measures fit with the green box of domestic support tables as far as the provided services were available to all farmers and involved budgetary outlays. The Government intends to further increase the direct support to agricultural producers.

107. The representative of Armenia stated that the Government of Armenia paid no export subsidies on exports of agricultural products. Accordingly the Government of Armenia would bind its agricultural export subsidies at zero level in the relevant part of the Schedule of Concessions on Goods. The Working Party took note of this commitment.

V. Trade Related Intellectual Property Rights (TRIPS)

108. The representative of Armenia stated that the first step in the direction of intellectual property protection was the establishment of the Armenian Patent Office in 1992. Since December 1992, it has been possible to file applications for patents in respect of inventions, and as from August 1993, to register utility models and industrial designs. During 1993-96, the Armenian Patent Office received 695 applications for inventions from local Armenians and 364 applications from foreigners. An applicant not a national of Armenia and not domiciled in Armenia must conduct his affairs through a patent attorney registered with the Armenian Patent Office.

Intellectual property policy

109. In response to requests for information concerning the intellectual property policy of the Government of Armenia, the representative of Armenia stated that the Government of Armenia was currently engaged in a substantial programme of legislative reform. During 1993-4, the Armenian Patent Office received some 3,000 applications for trade marks, service marks and appellations of origin. By 1 December 1998 the Armenian Patent Office had received about 1,300 applications for inventions - of which 850 were submitted by local Armenians and 450 by foreigners, and approximately 5,500 applications for trademarks according to National Procedure - of which 4,874 applications were submitted by foreigners and 626 by local Armenians. However, the reception of these applications for

registration began after the issue of Resolution No. 4 of 19 August, 1995, "On Confirmation of the Temporary Regulations for Trademarks and Service Marks" and Patent Office Order of 24 October 1995, "On re-registration of former Soviet Union valid certificates for trade and service marks". In May 1997, the Armenian National Assembly adopted the Law on Protection of Trade and Service Marks and Appellations of Origin, and the Law on Protection of Trade Names. The provisions of the adopted statutes were fully consistent with international norms in this area. A distinctive feature of the first of these Laws was the legal equality established between trademarks and service marks. The representative of Armenia confirmed that the following legislative acts related to intellectual property protection were currently enforced in the Republic of Armenia:

	Legislative act	Date of enforcement
1.	Armenian Law on Patents	25. 08.93
2.	Armenian Law on Copyright and Neighbouring Rights	27.05.96
3.	Armenian Law on Trademarks, Service Marks and Appellations of Origin of the Goods	21.06.97
4.	Armenian Law on Protection of Trade Names	01.07.97
5.	Armenian Law on Protection of Topographies of Integrated Circuits	14.03.98
6.	Civil Code	01.01.99
7.	Civil Procedure Code	01.01.99
8.	Criminal Procedure Code	12.01.99

The representative of Armenia further confirmed that the following legislative acts related to intellectual property protection were being drafted and will be enacted in the Republic of Armenia upon the date of its WTO Accession:

	~~Legislative act~~	~~Projected date of enactment~~
~~1.~~	~~Amendments to Armenian Law on Patents~~	~~01. 09.99~~
~~2.~~	~~Amendments to Law on Copyright and Neighbouring Rights~~	~~01. 09.99~~
~~3.~~	~~Amendments to Law on Trademarks, Service Marks and Appellations of Origin of the Goods~~	~~01. 09.99~~
~~4.~~	~~Amendments to Law on Protection of Trade Names~~	~~01. 09.99~~
~~5.~~	~~Amendments to Civil Procedure Code~~	~~01.10.99~~
~~6.~~	~~Amendments to Criminal Procedure Code~~	~~01.10.99~~
~~7.~~	~~Customs Code (provisions related to the "Special Requirements related to Border Measures" provided by Section 4, Part III of the TRIPs Agreement)~~	~~01.10.99~~
~~8.~~	~~Criminal Code~~	~~01.10.99~~
~~9.~~	~~Armenian Law on Selection Achievements (related to the protection of plant varieties and animal breeding)~~	~~01.10.99~~
~~10.~~	~~Armenian Law on Competition (including the~~	~~01.11.99~~

~~regulation of unfair competition and protection of undisclosed information)~~	

Legislative act	Projected date of enactment	Coverage
1. **Amendments to Armenian Law on Patents**	**15. 09.99**	**(Articles 27, 30, 31, 34 of the TRIPS Agreement)**
2. **Amendments to Law on Copyright and Neighbouring Rights**	**15.10.99**	**(Articles 12, 14ter of the Berne Convention and Article 10 of the TRIPS Agreement)**
3. **Amendments to Law on Trademarks, Service Marks and Appellations of Origin of the Goods**	**15.10.99**	**(Articles 5 (C), 6bis, 6^{septies}, 10 of the Paris Convention and Articles 15, 16,17,19, 22, 23, 24, 46, 47 of the TRIPS Agreement)**
4. **Amendments to Law on Protection of Trade Names**	**15.10.99**	**(Article 8 of the Paris Convention)**
5. **Amendments to Civil Procedure Code**	**01.11.99**	**(Articles 46, 47, 50 of the TRIPS Agreement)**
6. **Amendments to Criminal Procedure Code**	**01.11.99**	**(Articles 46, 47, 50, 61 of the TRIPS Agreement)**
7. **Customs Code**	**01.11.99**	**("Special Requirements related to Border Measures" provided by Section 4, Part III of the TRIPS Agreement)**
8. **Criminal Code**	**15.11.99**	**(Articles 10bis, 10ter of the Paris Convention and Articles 46, 47, 50, 61 of the TRIPS Agreement)**
9. **Armenian Law on Selection Achievements**	**15.11.99**	**(related to the protection of plant varieties and animal breeding Article 27 of the TRIPS Agreement)**
10. **Armenian Law on Competition (including the regulation of unfair competition and protection of undisclosed information)**	**01.12.99**	**(Articles 10bis, 10ter of the Paris Convention and Article 39 of the TRIPS Agreement)**

The Working Party took note of these commitments.

- **Responsible agencies for policy formulation and implementation**

110. The representative of Armenia said that policy formulation in the field of industrial property was the responsibility of the Patent Office of the Republic of Armenia, and policy formulation in the field of copyrights was the responsibility of the Ministry of Industry and Trade through the Armenian National Copyright Agency within its system. The policy implementation in the area of industrial property (patents, utility models, industrial designs, trademarks and service marks, trade names, layout designs of integrated circuits and appellations of origin) was the responsibility of the Armenian Patent Office. The Patent Office was responsible for approving industrial property right applications, maintaining the State Register of industrial property rights, issuing an official bulletin reflecting its decisions, and cooperating with foreign institutions and international organizations. The Patent Office was also responsible for the regime covering trademarks.

- **Participation in international intellectual property agreements**

111. The representative of Armenia stated that on 22 April 1993, Armenia became a Member of the World Intellectual Property Organization (WIPO). On 17 May 1994, Armenia also deposited a declaration of continued application of the Paris Convention for the Protection of Industrial Property, Madrid Agreement Concerning the International Registration of Marks and the Patent Cooperation Treaty.

- **Application of national and MFN treatment to foreign nationals**

112. Some members of the Working Party noted that although the representative of Armenia had stated that foreigners enjoy national treatment in both civil and criminal procedures before the courts, its replies to questions concerning administrative review proceedings, dealing with the powers of judicial branches of government, suggested that the jurisdiction of economic courts was not available to foreigners from outside the CIS. The representative of Armenia stated that all citizens enjoy equal rights under the law, for example, the Law on Patents provided that all foreigners enjoyed the same rights as nationals of Armenia in relation to all patent matters, including protection of patents and legal remedies against infringement. The above mentioned Law on Protection of Trade and Service Marks and Appellations of Origin, and the Law on Protection of Trade Names similarly envisaged full national and MFN treatment for foreigners. This was also the case in respect to the Law on Copyright, and any future laws and regulations adopted in the sphere of intellectual property protection.

- **Fees and taxes**

113. The representative of Armenia stated that fees were payable upon filing of an application and granting of a patent. Similar arrangements were in place for trademarks and service marks and copyright. All fees were set so as to be limited in amount to the approximate cost of services rendered, and the granting and protection of intellectual property rights was not subject to taxation, as any fee is collected on behalf of the budget. The fees for legal protection of Industrial property, established by the Law on State Fees of the Republic of Armenia, were identical for resident Armenians and non-residents.

- **Substantive standards of protection, including procedures for the acquisition and maintenance of intellectual property rights**
  - **Copyright protection**

114. The representative of Armenia stated that the National Copyright Agency was established in 1993. More than 2,000 authors and their artworks were registered with the Agency. In the framework of its activities the Agency also registered those organizations which made use of artworks, such as theatres, concert organizations, or organizations using works of arts and crafts for industrial purposes. Copyright policy implementation was the responsibility of the National Copyright Agency, which registered copyrights, assisted individuals to secure copyrights, provided advisory services, and collected and paid royalties due to authors and their successors in title.

115. The representative of Armenia added that in accordance with the Law on Copyright and Neighbouring Rights, which was adopted by the National Assembly in May 1996, the National Copyright Agency provided protection for copyrights in the territory of the Republic of Armenia The present Law on Copyright and Neighbouring Rights had been elaborated in accordance with the provisions of the Bern Convention on Protection of Works of Art and Literature. It provided protection for the property rights of computer programs and compilations of data, as well as for the neighbouring rights, i.e., the rights of phonogram and videogram producers and broadcasting and television stations.

  - **Trademarks, including service marks**

116. The representative of Armenia informed the Working Party that in May 1997, the Armenian National Assembly adopted the Law on Protection of Trade and Service Marks and Appellations of Origin and the Law on Protection of Trade Names. As mentioned earlier, a distinctive feature of the first

of these Laws was the legal equality established between trademarks and service marks. The Law set out the terms and conditions of trademark protection, the kinds of trademarks that may not be registered, the procedures for registering trademarks, the rights of appeal against decisions relating to trademarks, the circumstances in which trademarks may be used, and the documentary requirements for registering a trademark. Trademark protection was granted for 10 years, renewable for successive periods of 10 years. The provisions of the Law were in full conformity with Articles 15,16.1 and 17–21 of the TRIPS Agreement. As regards the provisions of Article 16.2 and 16.3 of the TRIPS Agreement concerning established trade and service marks, these were also taken into account in the adopted Law on Protection of Trade and Service Marks and Appellations of Origin (unlike the former Resolution No. 4 of 19 August, 1995), and they would be detailed in further elaborated regulations.

117. The representative of Armenia stated that the above-mentioned Law on Protection of Trade and Service Marks and Appellations of Origin and the Law on Protection of Trade Names came into force in July 1997.

- **Geographical indications, including appellations of origin**

118. Some members of the Working Party asked how Armenia would protect geographical indications under the Law on Protection of Trade and Service Marks and Appellations of Origin, and whether that legislation would be in conformity with Articles 22 to 24 of the TRIPS Agreement. The representative of Armenia stated that geographical indications were not explicitly mentioned in Resolution No 4 of 19 August, 1995, so the protection for this kind of property would not be provided until the Law on Protection of Trade and Service Marks and Appellations of Origin became operative. The representative of Armenia stated that the provisions of this adopted Law were in conformity with Articles 22 to 24 of the TRIPS Agreement. The relevant provisions in the mentioned Law had been developed in compliance with the provisions of the Paris Convention (Articles 1(2), 10, 10ter, 10bis, 6quinquies B.3), the Madrid Agreement on the Repression of False or Deceptive Indications of Source on Goods (Articles 1(1), 1(2)), and the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (Articles 2(1), 2(2), 3, 6).

- **Industrial designs**

119. The representative of Armenia stated that industrial designs were protected by the Law on Patents. In particular, the Article of the Law, which established the necessary conditions for patentability of industrial designs, was consistent with Articles 25 and 26 of the TRIPS Agreement. In

response to requests for information concerning the specific protection for textile designs provided for in Article 25(2) of the TRIPS Agreement, the representative of Armenia stated that although textile designs were not explicitly mentioned in Article 8 of the Law on Patents, they were nevertheless covered under that provision. There was also a similar reference in Article 2. ("The Types of Industrial Design") and Article 5 (d) ("The Composition of Application") of The Rules of Preparation and Filing the Application of Industrial Design", adopted by Armenian Patent Office on 10 February 1994.

- **Patents**

120. The representative of Armenia stated that the Law on Patents was adopted in August 1993. Under the law, patents are granted for inventions, utility models and industrial designs. The term of patent was 5 years for inventions (temporary patent, which was granted on a basis of limited examination of the invention), and 20 years, when the patent was granted on a basis of comprehensive examination. These periods were counted from the date of filing and as far as patents granted on a basis of comprehensive examination were concerned, the Law provided for a three-year period of deferred examination after the date of initial filing. Patents were granted subject to requirements that the object of the patent is new, involves an inventive step and is capable of industrial application, and that no conflict arose with respect to public order and security, good morals and law. Where a patentee fails to exploit the patented object within four years from the date the patent was secured, any party interested in the use of the invention, utility model or industrial design may request that a compulsory licence be issued. As far as patents for inventions were concerned, the Law provides for the so-called "deferred examination" for a three-year period. A full examination of a patent application was carried out as a rule only upon request and payment of a fee by the applicant or any other interested party. Some members of the Working Party asked whether Armenia's Law on Patents was in full conformity with Articles 27 to 34 of the TRIPS Agreement, and requested further information on the conformity of Armenia's system of compulsory licensing.

121. The representative of Armenia stated that the Law on Patents was in conformity with Articles 27 to 34 of the TRIPS Agreement, and amendments concerning compulsory licensing would be made to the Law on Patents from 1 September 1999. The Working Party took note of this commitment.

122. The representative of Armenia said that the owner of a security deed (patent or certificate) for invention or industrial design granted by the Patent Office of the Soviet Union , which was still in force, could file with the Armenian Patent Office for an Armenian patent at any time during the validity period of the exclusive rights (20 years after the initial filing). Further, an applicant who had filed an

application before 8 December 1992, to obtain a security deed on an invention or an industrial design with the intention of obtaining protection also in Armenia, and if the application was still pending with the Patent Office of the Russian Federation, had a right, before 30 December 1996, to file a request with the Armenian Patent Office that the application be further processed under Armenian legislation. In the ten-year period to 1990, residents of Armenia registered 6,000 inventions with the Patent Office of the Soviet Union. The Law on Patents specified the nature of patentable material, the conditions for patentability, the rights of patent holders, the conditions of compulsory licensing, the procedures for granting patents, and dispute settlement.

- **Plant variety protection**

123. The representative of Armenia stated that Armenia currently has no laws dealing with plant variety protection. In response, some members of the Working Party asked how it was proposed plant varieties would be protected in the future. The representative of Armenia stated that a Draft Law on Selection Achievements, covering both the protection of plant varieties and animal breeding was being drafted and would be submitted to the National Assembly for approval. It was intended that this legislation would enter into force from 1 September 1999. The Working Party took note of this commitment.

- **Layout designs of integrated circuits**

124. In response to questions concerning the system for protection of layout designs of integrated circuits, the representative of Armenia stated that the Law on Protection of Layout Designs of Integrated Circuits which had been adopted on 3 February 1998 and entered into force on 14 March 1998.

- **Requirements on undisclosed information, including trade secrets and test data**

125. In response to requests for information concerning the protection of trade secrets and undisclosed information in Armenia, notably in view of Article 39 of the TRIPS Agreement, the representative of Armenia stated that Armenia had not yet developed provisions for the protection of trade secrets and undisclosed information. Legislation to cover the protection of undisclosed information was being drafted by the Ministry of Industry and Trade. It was intended that this legislation will cover both the regulation of unfair competition and protection of undisclosed information and will enter into force from 1 November 1999. The Working Party took note of this commitment.

- **Measures to control abuse of intellectual property rights**

126. In response to a question, the representative of Armenia stated that legislation regulating unfair competition was being drafted and will enter into force from 1 November 1999. The Working Party took note of this commitment.

127. The representative of Armenia also stated that compulsory licensing was provided for under the Law on Patents. In cases involving national security, public order or emergencies, the Government could insist on compulsory licensing, provided the patent holder had not worked the patent within four years of registration. Article 16 of the Law on Patents stated that in the interests of national defense, maintenance of public order or in an extreme situation, the Government without the authorization of the right holder, could permit a third party to use the subject matter of a patent, obliging the latter to provide compensatory remuneration to the right holder. Any dispute over the amount of compensation had to be settled in the courts. A compulsory licence could only be obtained if a patent has not been used within four years and if the proposed user has made efforts to obtain authorization from the right holder. A licence could not be awarded to a third party if the owner of a patent could establish that the failure to use the patent was attributable to factors beyond the owner's control. Similarly, under the adopted Law on Protection of Trade and Service Marks and Appellations of Origin, at the request of any person trademark protection could be nullified by a court decision, if a trademark has not been used within five years of the date of registration or preceding the date of request for nullification. A trademark owner has the right to defend the non-use of a trademark, and block a decision to remove the property right if the reasons for not using the trademark were beyond the control of the owner.

- **Enforcement**

  - **Civil judicial procedures and remedies**

128. The representative of Armenia stated that civil court procedures were always available to deal with legal matters relating to intellectual property protection. The courts were empowered to order the payment of damages and court expenses. The other remedies envisioned in the TRIPS Agreement are also within the decision-making authority of Armenian courts. In response to questions concerning foreigners' rights to enforce intellectual property rights, and whether the remedies, procedures and penalties were in conformity with Articles 42 to 49 of the TRIPS Agreement, the representative of Armenia stated that the civil courts in Armenia were fully empowered to provide the remedies referred to in the above mentioned Articles of the TRIPS Agreement. Civil remedies could not be ordered as a

result of administrative procedures. Foreigners enjoyed the same rights as Armenian nationals in this area. Remedies against criminal behaviour were available under Armenia's courts and penal system. Foreigners have the same access to these remedies as Armenian nationals. The Government was considering the amendment of existing legislation and introduction of additional legislation containing remedies that were framed in more specific terms for the enforcement of intellectual property rights. The missing provisions were included in the Civil Procedure and Criminal Procedure Codes, which had been adopted on 17 June 1998 and 1 July 1998 respectively and had entered into force on 12 January 1999.

129. Some members of the Working Party asked whether Armenian judicial authorities had the authority to order injunctions or provisional measures against infringement of intellectual property rights, as provided for in Articles 44 and 50 of the TRIPS Agreement, and whether administrative authorities enjoyed similar authority. In response the representative of Armenia stated that the judicial authorities had the power to order injunctions or provisional measures. Article 33 of the Law on Patents indicated the areas in which remedies may be sought through the courts in the area of patent protection. Article 45 of the Law on Protection of Trade and Service Marks and Appellations of Origin, as well as Articles 42 to 44 of the Law on Copyright and Neighbouring Rights provided similar provisions in the case of trademarks , service marks, copyrights and neighbouring rights.

- **Provisional measures**

130. The representative of Armenia stated that the Courts of First Instance also have the necessary authority to take the provisional measures envisioned in Article 50 of the TRIPS Agreement.

- **Administrative procedures and remedies**

131. The representative of Armenia stated that civil remedies could not be ordered as a result of administrative procedures in Armenia.

- **Special border measures**

132. Some members asked whether Armenia had a system of border enforcement against intellectual property rights infringements in accordance with Articles 51 to 60 of the TRIPS Agreement. The representative of Armenia replied that although no explicit provisions had so far been developed in this area, the judicial authorities were empowered to take the kinds of measures envisioned in Articles 51 to

60 of the TRIPS Agreement. The part of the procedures, sanctions and fines that were previously lacking were provided for in the above-mentioned new Civil Procedure and Criminal Procedure Codes. The remaining will be covered by the Criminal and Customs Codes respectively which were now under preparation by the relevant commissions of the National Assembly, the Ministry of Justice, and the Ministry of Finance and Economy. According to the commitments undertaken by Armenia its legislation would be in conformity with the WTO provisions from 1 October 1999. The Working Party took note of these commitments.

- **Criminal procedures**

133. The representative of Armenia stated that at present Article 140 of the Criminal Code provided, that infringement of copyright, publication (disclosure) of an invention before the application filing, appropriation of invention's authorship, as well as coercion or inclusion into collaboration of persons not participating in the creation of an invention, should be punished by imprisonment not to exceed two years or by a fine not to exceed dram 300. Article 157 of the same Code stated that deceiving purchasers and customers should be punished by imprisonment not to exceed two years or by a fine not to exceed dram 400. In addition, as mentioned above, the missing provisions were expected to be included in the new Criminal Code, which is now under preparation by the relevant commissions of the National Assembly and the Ministry of Justice. The latter would be in conformity with the provisions of Part III of the TRIPS Agreement. The relevant legislation would enter into force from 1 October 1999.The Working Party took note of these commitments.

- **Laws, decrees, regulations and other legal acts relating to the above.**

134. Some members of the Working Party stated that since 1992, Armenia had had bilateral commitments for the protection of intellectual property rights. Armenia should accelerate its legislative process to ensure the full implementation of the TRIPS Agreement from the date of its accession to the WTO. In addition, some members of the Working Party requested clarification of the status of the draft Law on Trade Marks, Service Marks and Appellations of Origin in Parliament, and whether the legislation was in full conformity with Articles 15 to 21 of the Agreement on Trade-Related Aspects of Intellectual Property Rights. The representative of Armenia replied that on May 1997, the Armenian National Assembly adopted the Law on Protection of Trade and Service Marks and Appellations of Origin and the Law on Protection of Trade Name which were in full conformity with Articles 15 to 21 of the TRIPS Agreement, including the rights specified in Article 16.

- **Statistical data on applications for and grants of intellectual property rights, as well as any statistical data on their enforcement**

135. In response to requests for information concerning the numbers of patent applications filed in Armenia, the representative of Armenia stated that during 1993-96, 1059 patent applications had been filed with the Patent Office. In 544 cases a decision for granting a provisional patent was adopted, in 128 cases a patent was refused or the application was withdrawn, and 515 applications were under examination. During 1994-96, 15 applications for obtaining industrial design patents were filed, 8 from foreigners, and each was granted a patent. As regards trade and service marks and appellations of origin, after adoption of the Law on National Duty in September 1996, 1513 applications passed the preliminary examination and 513 trade and service marks were registered by the Armenian Patent Office. Under the new legislation more than 1200 authors, theatre and concert organizations were registered by the National Copyright Agency.

136. The representative of Armenia stated that the Government of Armenia would apply the provisions of the Agreement on TRIPS no later than the date of its accession to the WTO, without recourse to any transitional periods. The Working Party took note of this commitment.

VI. Policies Affecting Trade in Services

- **General**

137. In response to questions, the representative of Armenia informed members of the Working Party that Armenian laws and regulations, and the policy framework did not generally distinguish between trade in goods and trade in services. The rights to trade were enshrined in the Law on Enterprises and Entrepreneurial Activities. All enterprises must be registered and the register is open to public scrutiny. These requirements apply to all juridical persons, whether they are corporations or sole entrepreneurs.

138. In reply to requests for an explanation of the Government of Armenia's understanding of the different modes of supply, the representative of Armenia noted that in terms of the modes of supply identified in the General Agreement on Trade in Services (GATS), the Law on Enterprises and Entrepreneurial Activities was relevant for enterprises selling services across frontiers (mode 1), for service supply through commercial presence (mode 3), and for natural persons who are independent service suppliers (mode 4). Consumption abroad (mode 3) was not covered in this context. Armenia had not developed any policies that restricted the consumption of services abroad. Moreover, Armenian

nationals and residents were at liberty to travel abroad and consume services within foreign jurisdictions if they so wish.

139. As far as commercial presence (mode 3) and natural persons who are independent service suppliers (excluding that part of mode 4 dealing with employees of service suppliers) are concerned, the Law on Foreign Investments covered investment in both goods and services. The law established the legal framework for all types of investment involving foreign capital, including joint ventures and wholly-owned enterprises and subsidiaries, whether the foreign investor is an individual or an enterprise. No restrictions were imposed on the temporary presence of natural persons in Armenia, whether as employees of foreign service suppliers or as independent suppliers of services. In the latter case, however, the service supplier would be required to register in Armenia as a business or sole entrepreneur.

140. Armenia's Schedule of Specific Commitments in Services is reproduced in Part II of the Annex to the Draft Protocol of Accession.

VII. Trade Agreements

141. Some members of the Working Party requested that Armenia provide detailed information on the range of Free and Barter Trade Agreements to which Armenia was a party. Other members requested information so that the Working Party could examine whether Armenia’s plurilateral and bilateral Free Trade Agreements were consistent with Article XXIV of the GATT 1994. In response to these requests, the representative of Armenia informed the Working Party that Armenia had developed a network of plurilateral and bilateral trade agreements with various countries. A number of the arrangements were short-term in nature, designed to respond to particular needs, other agreements were viewed as more durable, representing the Armenian Government’s perception of the directions in which future trade relations should develop. As a member of the World Trade Organization, Armenia would keep its bilateral and regional trade agreements under review, not only to ensure legal consistency, but also to ensure the coherence of Armenia’s trade relations with a broad multilateral framework.

- Plurilateral or regional agreements

142. In response to further requests for information on Armenia's trade regional trade agreements, the representative of Armenia stated that the Treaty of Economic Union was a framework agreement signed by nine Heads of State of the Commonwealth of Independent States (CIS) in 1993 (Azerbaijan,

Armenia, Belarus, Kazakstan, Kyrgyz Republic, Moldova, Russia, Tadjikistan, and Uzbekistan). The treaty envisaged that signatories will move to the eventual establishment of a customs union and common market among CIS countries, however, each signatory might exercise its own discretion on the pace and timing of integration into economic structures of the CIS. Other economic and financial components of the CIS treaty related to a payments union, cooperation on investment, industrial cooperation, and an agreement on customs procedures. The treaty set out quite specific commitments in many of these areas (as well as on cultural, scientific, and defence matters). Because the treaty was essentially an evolving framework document, it did not "operationalize" these commitments. Instead, the specifics of preferential trading relationships were defined in bilateral free trade agreements and in clearing agreements.

143. Also in response to requests for further information, the representative of Armenia explained that Armenia was also a member of the Black Sea Economic Cooperation (BSEC) Organization, along with ten other countries (Albania, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and Ukraine). This agreement covered a number of fields, including economic cooperation and trade, investment, scientific and technical cooperation, the establishment of a BSEC Bank, and cooperation on transport and communications. The agreement did not make any provision for preferential trade, although it envisaged the possibility of free trade zones in the future. More generally, the organization seeks to cement relations among neighbouring countries through cooperation in such areas as transport, international payments and industrial development.

144. Some members asked whether Armenia had concluded an economic cooperation agreement with the European Union. The representative of Armenia confirmed that the Partnership and Cooperation Agreement between the European Union and Armenia had been signed on 22 April 1996, and the Interim Agreement on Trade and Trade Related Issues between the European Union and Armenia had been signed on 20 December 1996. The Interim Agreement entered into force from the end of 1997, after exchange of ratification instruments. The Agreement did not provide for any trade preferences.

- **Bilateral free trade agreements and trade and economic cooperation agreements with CIS countries**

145. In response to questions of some members about Armenia's bilateral agreements with CIS countries, the representative of Armenia stated that bilateral free trade agreements (FTAs) had been signed with Georgia, Kyrgyz Republic, Moldova, Russian Federation, Tadjikistan, Turkmenistan and

Ukraine. The initial bilateral free trade agreement had been authenticated with Kazakstan. The bilateral free trade agreements had been ratified with the Russian Federation (1993), Kyrgyz Republic (1995), Turkmenistan (1995), Georgia (1996), Ukraine (1996) and became legally binding. When the free trade agreements were established and operationalized, tariffs were set up at zero level, and non-tariff restrictions were eliminated. **The representative of Armenia further responded that the FTAs had been an outgrowth of the trade and economic cooperation agreements that Armenia signed with CIS countries. Most of these early agreements were negotiated annually, they envisaged free trade and they included lists of products that the parties agreed to trade with one another. Particularly after 1992 product lists tended to become indicative with no prior agreement on prices, and the commitments were only partially fulfilled. From 1995 the practice of product commitments was eliminated.** However, under the FTA with the Russia Federation, each party could exempt from duty free treatment any export items subject to quotas, licences and export taxes. Since Armenia did not maintain any export restrictions (other than those generally applicable for public security, health and safety reasons), there was nothing on Armenia's exception list under the free trade agreement. Russia maintained certain export restrictions which could be covered by the exception provisions of the FTA, but in practice, these often did not apply because of the trade and economic cooperation agreements that Armenia also signed annually with Russia~~(see below)~~. No other exceptions to duty-free treatment for imports were contemplated in the Russian-Armenian free trade agreement. Within the period after signing of a bilateral Free Trade Agreement with Armenia (1992-1997), the Russia Federation had substantially liberalized its foreign trade (removed quotas, export taxes etc.). Its legislation on tariff and non-tariff regulation of exports did not provide for a list of specific products. This ensured the conformity of the FTA between Armenia and the Russian Federation with the WTO rules on free trade. The bilateral protocol, signed on 28 August 1997, confirmed the fact that substantial deviations from the free trade regime between Armenia and Russia were eliminated. There are no exemptions from duty free treatment in the ratified bilateral agreements with Turkmenistan, Ukraine, Kyrgyz Republic and Georgia.

~~143. The representative of Armenia further responded that the FTAs were an outgrowth of the trade and economic cooperation agreements that Armenia signed with CIS countries immediately after independence, and which in many cases are still operational. Most of these early agreements were negotiated annually, they envisaged free trade and they included lists of products that the parties agreed to trade with one another. The purpose of these agreements was to try to ensure that pre-existing trade links were not ruptured altogether in the disarray that followed the breakup of the Soviet Union. The specificity of product-wise commitments varied considerably, including as to the identification of prices and quantities to be exchanged. Particularly after 1992, product lists tended to become indicative, with~~

no prior agreement on prices, and the commitments were only partially fulfilled. In 1993, for example, product commitments under these agreements were met to the extent of 20-50 per cent, and figures for 1994 were considerably lower. From 1995 the practice of product commitments was eliminated.

- **Bilateral clearing arrangements**

146. In response to requests for information in relation to Armenia's barter trade agreements with other countries, the representative of Armenia stated that barter was the essence of the remaining clearing arrangements maintained by Armenia. Barter was borne of necessity and was not a preferred policy. Barter was deemed essential in the immediate post-independence period, in order to preserve the only trade links that Armenia had at that time, and was a feature of the trade and economic cooperation agreements described above. Moreover, barter offers a modicum of energy security, which in that environment remained of paramount importance to the Government. In addition, transport difficulties and a poorly functioning payments system had often made governmental support a sine qua non of doing business with FSU countries. As these kinds of constraints were relaxed, barter was expected to disappear. The Government was committed to eliminating barter arrangements as soon as practicable and recognized that its role as trader or as intermediary in trade inhibited the establishment of independent networks and contacts with foreign buyers by enterprises which was an essential determinant for exporting success. In1995 the only barter arrangements were those with Turkmenistan for gas, and with Russia for crude oil and mazout. The agreement with Turkmenistan involved the purchase of 2.2 billion cubic meters of gas at US$80 per thousand cubic meters. Payment for the gas was in both cash (US$30 per thousand cubic meters) and in counterpart products (US$50 per thousand cubic meters). Counterpart products included such items as metals, chemical products, machinery, products of light industry, and products of food industries (including brandy, wine, jams, and cigarette filters). The clearing arrangements stated the quantities and prices of goods guaranteed in exchange for the energy. In the case of the 1995 Agreement with Turkmenistan, however, an additional list of products that might be exchanged had been included, in order to provide additional flexibility. The agreement with Russia involved the purchase by Armenia of 200,000 tons of mazout and 200,000 tons of crude oil under the contract. The terms of this agreement were more rigid than those for Turkmenistan, and the composition, quantity and prices of goods fixed in the contract negotiation were not subject to any change. This latter feature is akin to what a product list represents under a trade and cooperation agreement. Thus, the final composition of goods for exchange is established during the currency of the contract.

147. In response to requests for amount of trade flows arising from barter trade agreements, the representative of Armenia said that the 1993 clearing arrangements ~~(which existed with Georgia, the Russian Federation and Turkmenistan, and included metals, paper wood products and industrial raw materials as well as energy)~~ involved 74 per cent of total exports and 56 per cent of total imports. The respective figures in 1994 were 46 per cent for exports and 29 per cent for imports. ~~Domestic producers were at liberty to choose whether or not to supply goods for the clearing arrangements. But in view of the difficulties many enterprises faced in overcoming transport and payments problems relating to exports, the Government generally encountered little difficulty in securing the necessary supplies from local industries to fulfill the clearing contracts.~~ As far as transport and payments problems were being settled, the importance of barter trade gradually decreased and by late 1995 deliveries under the clearing arrangements were abandoned in practice. In response to requests for current state of barter trade arrangements the representative of Armenia stated that in 1996 the Government announced its intention to cease the barter trade, and none of former barter arrangements was recommenced. The Government of Armenia does not envisage conducting barter or clearing settlements in the future.

- **Bilateral trade and cooperation agreements**

148. The representative of Armenia also stated that trade and cooperation agreements had also been signed with many non-CIS countries, including Argentina, Austria, Bulgaria, China, Estonia, Greece, Hungary, India, Iran, Latvia, Lithuania, Poland, Romania, Syria, the United States and Vietnam. The possibility of such agreements with a number of other countries is under active consideration. These agreements seek to strengthen economic links, but do not contain any provisions for preferential trade.

- **Other non-trade bilateral agreements**

149. The representative of Armenia noted that Armenia had also signed a series of other agreements on investment and on customs relations. The reciprocal investment promotion and protection agreements sought to encourage investment between the parties, primarily by guaranteeing national and more favourable treatment, non-expropriation (expropriation, an extremely rare measure, may be executed only due to public needs, upon providing preliminary adequate and effective compensation for the ~~confiscated~~**expropriated** investments), and unrestricted transfers of investment funds and returns from the investments, implementation of international arbitration practices in the case of disputes between parties, as well providing guarantees against legislative changes. Investment agreements had been signed with 22 countries: Argentina, Austria, Bulgaria, Canada, China, Cyprus Egypt, France, Georgia, Germany, Greece, Iran, Ireland, Italy, Kyrgyzstan, Lebanon, Romania,

Turkmenistan, Ukraine, the United Kingdom, the United States and Vietnam. Agreements on customs relations are intended to ensure cooperation and smooth working relations between the customs services of the signatories. Such agreements have been signed with Georgia, Iran, Tadjikistan, Turkmenistan and Ukraine.

150. In response to further requests for clarification of the compatibility of Armenia's free trade agreements with the CIS States with Article XXIV of the GATT 1994, the representative of Armenia stated that within the framework of the 1994 Free-Trade Agreement among the countries of the Commonwealth of Independent States (CIS), Armenia's plurilateral and bilateral free-trade agreements eliminated duties and other restrictive regulations on substantially all trade between the parties. Armenia considered that these arrangements were consistent with Article XXIV of GATT 1994. It may be noted that at present Armenia does not conduct trade with all of the CIS countries, but in respect of those countries with which Armenia does trade, Armenia imposes no taxes or barriers on its imports and exports. These agreements do not cover trade in services.

151. The representative of Armenia confirmed that Armenia would observe the provisions of the WTO **Agreement** including Article XXIV of the GATT 1994 and Article V of the GATS in its trade agreements, and that it would ensure that the provisions of these WTO Agreement for notification, consultation, and other requirements concerning preferential trading systems, free trade areas, and customs unions of which Armenia was a member were met from the date of accession. **He confirmed that Armenia would, upon accession, submit notifications and copies of its free-trade area and customs union agreements to the Committee on Regional Trade Agreements (CRTA). He further confirmed that any legislation or regulations required to be altered under its trade agreements would remain consistent with the provisions of the WTO and would, in any case, be notified to the CRTA during its examination.** The Working Party took note of these commitments.

- Plurilateral trade agreements

152. The representative of Armenia informed the Working Party that the Government of Armenia ~~will accede~~**would join** ~~to~~ the Agreements on Trade in Civil Aircraft~~. and to the Information Technology Agreement,~~ reflecting corresponding tariff commitments in its Schedule of Concessions on Trade in Goods. ~~Upon the legal conclusion of Armenia's WTO accession, Armenia will commence negotiations to join the Agreement on Government Procurement. Correspondingly, Armenia will request observer status in the Committee on Government Procurement prior to accession to the WTO~~

~~and will submit an entity offer within 3 months of accession to the WTO.~~ The Working Party took note of these commitments.

VIII. Transparency- Publication of Information

153. ~~Some members of the Working Party requested that the Government of Armenia confirm that from the date of accession, all laws, regulations, rulings, decrees or other measures related to trade in goods or services will be published in its official publication for public review at least two weeks prior to implementation, unless a longer period is specified under the relevant WTO Agreement.~~ The representative of Armenia confirmed that, from the date of accession, all laws, regulations, rulings, decrees or other measures related to trade in goods or services would be published in its official publication for public review at least two weeks prior to implementation, unless a longer period is specified under the relevant WTO Agreement, **and that no law, rule, etc., related to trade in goods and services would become effective prior to such publication. He further stated that Armenia would fully implement** ~~that in accordance with~~ Article X of the GATT 1994~~,~~ **and the other transparency requirements of WTO Agreements requiring notification and publication.**~~the published measures would be accessible to traders prior to implementation, and that no law, rule, etc., related to trade would become effective prior to such publication.~~ The Working Party took note of these commitments.

Notifications

154. The representative of Armenia said that at the latest upon entry into force of the Protocol of Accession, Armenia would submit all notifications required by an Agreement constituting part of the WTO Agreement. Any regulations subsequently enacted by Armenia which gave effect to laws enacted to implement any Agreement constituting part of the WTO Agreement would also conform to the requirements of that Agreement. The Working Party took note of these commitments.

Conclusions

155. The Working Party took note of the explanations and statements of Armenia concerning its foreign trade regime, as reflected in this report. The Working Party took note of the commitments given by Armenia in relation to certain specific matters, which are reproduced in paragraphs, 15, 21, 26, 28, 29, 32, 35, 36, 41, 48, 56, 64, 66, 68, 69, 75, 78, 82, 86, 90, 91, 97, 101, 103, 107, 109, 121, 123, 125, 126, 132, 133, 136, 151, 152, 153 and 154 of this Report. The Working Party took note that these

commitments had been incorporated in paragraph 2 of the Protocol of Accession of Armenia to the WTO.

156. Having carried out the examination of the foreign trade regime of Armenia and in the light of the explanations, commitments and concessions made by the representatives of Armenia, the Working Party reached the conclusion that, Armenia should be invited to accede to the Agreement Establishing the WTO pursuant to the provisions of Article XII. For this purpose the Working Party has prepared the draft Decision and Protocol of Accession reproduced in the Appendix to this report, and takes note of Armenia's Schedule of Specific Commitments on Services (document ...) and its Schedules of Concessions and Commitments on Agriculture and Goods (document ...) that are attached to the Protocol of Accession. It is proposed that these texts be approved by the General Council when it adopts the Report. When the Decision is adopted, the Protocol of Accession would be open for acceptance by Armenia, which would become a Member thirty days after it accepts the said Protocol. The Working Party agreed, therefore, that it had completed its work concerning the negotiations for the accession of Armenia to the Agreement Establishing the WTO.

[to be completed]

APPENDIX

ACCESSION OF ARMENIA

Draft Decision

The General Council,

Having regard to the results of the negotiations directed towards the accession of Armenia to the Marrakesh Agreement Establishing the World Trade Organization and having prepared a Protocol for the Accession of Armenia.

Decide, in accordance with Article XII of the Marrakesh Agreement Establishing the World Trade Organization, that Armenia may accede to the Marrakesh Agreement Establishing the World Trade Organization on the terms set out in the said Protocol.

PROTOCOL FOR THE ACCESSION OF ARMENIA TO THE MARRAKESH AGREEMENT ESTABLISHING THE WORLD TRADE ORGANIZATION

DRAFT

The World Trade Organization (hereinafter referred to as the "WTO"), pursuant to the approval of the General Council of the WTO accorded under Article XII of the Marrakesh Agreement Establishing the World Trade Organization (hereinafter referred to as the "WTO Agreement"), and the Government of Armenia, (hereinafter referred to as "Armenia"),

Taking note of the Report of the Working Party on the Accession of Armenia to the WTO Agreement in document ... (hereinafter referred to as the "Working Party Report"),

Having regard to the results of the negotiations on the Accession of Armenia to the WTO,

Agree as follows:

Part I - General

1. Upon entry into force of this Protocol, Armenia accedes to the WTO Agreement pursuant to Article XII of that Agreement and thereby becomes a Member of the WTO.

2. The WTO Agreement to which Armenia accedes shall be the WTO Agreement as rectified, amended or otherwise modified by such legal instruments as may have entered into force before the date of entry into force of this Protocol. This Protocol, which shall include the commitments referred to in paragraph 155 of the Working Party Report (document WT/ACC/ARM/1/Rev.3), shall be an integral part of the WTO Agreement.

3. Except as otherwise provided for in the paragraphs referred to in paragraph 155 of the Working Party Report, those obligations in the Multilateral Trade Agreements annexed to the WTO Agreement that are to be implemented over a period of time starting with the entry into force of that Agreement shall be implemented by Armenia as if it had accepted that Agreement on the date of its entry into force.

4. Armenia may maintain a measure inconsistent with paragraph 1 of Article II of the GATS provided that such a measure is recorded in the list of Article II Exemptions annexed to this Protocol and meets the conditions of the Annex to the GATS on Article II Exemptions.

Part II - Schedules

5. The Schedules annexed to this Protocol shall become the Schedule of Concessions and Commitments annexed to the General Agreement on Tariffs and Trade 1994 (hereinafter referred to as the "GATT 1994") and the Schedule of Specific Commitments annexed to the General Agreement on Trade in Services (hereinafter referred to as "GATS") relating to Armenia. The staging of the concessions and commitments listed in the Schedules shall be implemented as specified in the relevant parts of the respective Schedules.

6. For the purpose of the reference in paragraph 6(a) of Article II of the GATT 1994 to the date of that Agreement, the applicable date in respect of the Schedules of Concessions and Commitments annexed to this Protocol shall be the date of entry into force of this Protocol.

Part III - Final Provisions

7. This Protocol shall be open for acceptance, by signature or otherwise, by Armenia until ...

8. This Protocol shall enter into force on the thirtieth day following the day upon which it shall have been accepted by Armenia.

9. This Protocol shall be deposited with the Director-General of the WTO. The Director-General of the WTO shall promptly furnish a certified copy of this Protocol and a notification of acceptance by Armenia thereto pursuant to paragraph 8 to each Member of the WTO and to Armenia.

10. This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at Geneva this .... day of .... one thousand nine hundred and ninety ..., in a single copy in the English, French and Spanish languages, each text being authentic.

ANNEX I

SCHEDULE ... - ARMENIA

Part I - Goods

To be circulated in document ... .

Part II - Services

To be circulated in document ... .

[to be completed]