

**WORLD TRADE  
ORGANIZATION**

**WT/MIN(98)/ST/44**

18 May 1998

(98-2020)

---

**MINISTERIAL CONFERENCE**

**Second Session**

**Geneva, 18 and 20 May 1998**

Original: English

**GEORGIA**

Statement Circulated by Mr. Konstantin

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

The first meeting of the Working Party on the Accession of Georgia to the WTO was held on 3 March 1998 and in accordance with the opinion of the WTO Member States it was quite successful, that, undoubtedly, brought us near the day of obta48.16 667.92 Tm/F17 11fTBT1 0 0 1 329.52 66BT1 0 0 1 476.1

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

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

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

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

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

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

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

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

From May 1996 through the end of 1997, 161 private foreign investments, totalling US\$135 million, were registered in

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

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

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

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

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