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Negotiating Group on Market Access

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MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Communication from Armenia, Georgia, Kyrgyz Republic and Republic of Moldova

Revision

Introduction

1. The paragraph 38 of the Doha Declaration, as well as the paragraph 1.d and other sections of the General Council's Decision (1 August 2004) underline the difficulties faced by "small low-income economies in transition" in their efforts to implement economic and trade policy reforms.
2. At the same time, paragraph 11 of Annex B of the same Decision instructs the Negotiating Group on Market Access to further elaborate on the provisions for recently acceded Members in order to take into account their extensive market access commitments undertaken as part of their accession and that staged tariff reductions are still being implemented in many cases.
3. Armenia, Georgia, Kyrgyz Republic and Republic of Moldova are newly independent states, which acceded to the WTO in recent years (1998-2003). These countries have undertaken an unprecedentedly high level of liberalization commitments in goods and services, including non-agricultural products. Two of these countries (Georgia and Republic of Moldova) were included in paragraph 9 of the Doha Declaration, which recognized the extensive market access commitments made by those countries which had acceded to WTO just before the Doha Ministerial Conference. Based on the legal framework created by this paragraph the group of Recently Acceded Members was formed within the framework of WTO. Ever since Doha, Georgia and Republic of Moldova have been actively and constructively participating in the negotiating process within the framework of the group of RAM's.
4. This paper endeavours to highlight that, in terms of development, these "small low-income economies in transition" are at the same stages of development, if not lower, as other developing countries and LDCs, but have much more stricter WTO commitments. Therefore, we request that these "low-income economies in transition" be granted special flexibilities which are identical to those already provided to LDCs and other vulnerable developing countries.¹

The level of development and other characteristics of our economies

5. According to the development statistics provided by the World Bank, the annual per capita Gross National Income of Armenia (US\$ 875) and Georgia (US\$ 877) are at the bottom range of the income level for the lower-middle income countries (US\$ 766-3,035 in 2003). Both the Kyrgyz Republic (US\$ 382) and the Republic of Moldova (US\$ 542) are classified among 61 low-

¹ Reference is made to the communication made by a group of recently acceded Members during the special session of the Negotiating Group on Market Access (01/02/2005).

income economies with a per capita GNI of less than US\$ 765 in 2003.² Recent substantial reductions of import tariffs after our accession to the WTO have led to the serious reduction of production in many industries and rise of unemployment in several key industrial sectors.

6. In addition, three of our countries (Armenia, Kyrgyz Republic and Republic of Moldova) as landlocked countries are facing additional difficulties in economy and trade.

7. In this context, the OECD DAC includes "low-income countries in transition" in the list of developing countries and territories, together with a number of African and Asian countries.³

8. Many developed countries such as the United States, Canada, the European Union, Japan and Switzerland extended their Generalized System of Preferences (GSP) to "low-income countries in transition" as to LDCs and eligible developing countries.

9. According to trade statistics, our participation in world trade is really insignificant. The share in world total exports was as follows (in 2002-2003): Armenia – 0.01%, Georgia – 0.004%, Kyrgyz Republic and Republic of Moldova – 0.008% both. Since our economies are mostly agriculture-oriented, the share of non-agricultural exports is even much more lower.

10. The exports of our countries are destined to a limited number of markets and concentrate on a very limited number of products.

11. These facts underline that the economic growth and stability of our societies as a whole are as, if not more, susceptible to changes in trading conditions as those of WTO Members which are considered developing countries and least-developed countries.

The level of commitments made under our terms of accession to the WTO

12. Armenia, Georgia, Kyrgyz Republic and Republic of Moldova have made extensive market access commitments under their terms of accession to the WTO heading to a substantially liberalised market access.

13. Our tariff bindings on non-agricultural products are already 100 per cent. Furthermore, these tariffs are bound at very low levels (simple average is 6,67 per cent, see table below), as compared to the Uruguay Round final bound tariffs of developing country and LDCs Members (simple average: 29.4 per cent in developing countries and 45.2 per cent in LDCs).

14. Armenia, Georgia, Kyrgyz Republic and Republic of Moldova also joined a number of different "zero-to-zero" and "harmonization" sectorial initiatives of the Uruguay Round.⁴

15. While we are continuing our efforts to fully implement our commitments, we do face serious problems in terms of adjustment costs in our highly fragile economies. The rapid liberalization

² <http://www.worldbank.org/data/countryclass/OGHIST.xls>

³ www.oecd.org/dac/stats/daclist

⁴ Armenia: agricultural equipment, chemicals, most construction equipment, medical equipment, most paper, pharmaceuticals, steel and ITA; Georgia: agricultural equipment, most chemicals, most construction equipment, ITA, furniture, most medical equipment, paper, steel and toys; Kyrgyz Republic: agricultural equipment, chemicals, most construction equipment, ITA, most medical equipment, pharmaceuticals, paper, steel, toys and most furniture; Republic of Moldova: chemicals, most medical equipment, pharmaceuticals, toys and ITA (WT/ACC/10/Rev.2).

process, resulting from our accession to the WTO, has created additional structural difficulties to our industries and aggravated the social situation in our countries and we need to have access to other new markets of developed and developing countries.

16. The end of implementation periods for our terms of accession, including tariff reductions, is between 2005 and 2007. Hence, there is an overlap between accession commitments and new commitments under the Doha Round.

Non-agricultural Products – Final Bound Tariffs

| | Armenia | Georgia | Kyrgyz Republic | Republic of Moldova |
|---|-------------------|-------------------|-------------------|---------------------|
| Reduction commitments | <i>Up to 2007</i> | <i>Up to 2005</i> | <i>Up to 2005</i> | <i>Up to 2005</i> |
| Simple average of <i>ad valorem</i> tariff bindings (%) | 7.5 | 6.5 | 6.7 | 6.0 |
| Distribution of <i>ad valorem</i> tariff bindings: (%) | | | | |
| 0 (duty-free) | 39.2 | 23.6 | 22.5 | 25.6 |
| 0.1-5.0 | 7.8 | 20.6 | 10.5 | 19.6 |
| 5.1-10.0 | 11.1 | 23.4 | 58.9 | 46.4 |
| 10.1-15.0 | 41.8 | 32.0 | 7.8 | 11.0 |
| 15.1-20.0 | 0.0 | 0.3 | 0.0 | 0.1 |
| Share of non <i>ad valorem</i> tariff bindings (%) | 0.0 | 0.0 | 0.2 | 0.0 |
| Minimum <i>ad valorem</i> duty | 0.0 | 0.0 | 0.0 | 0.0 |
| Maximum <i>ad valorem</i> duty | 15.0 | 20.0 | 20.0 | 20.0 |

17. Simulation of the currently discussed formulas such as the Swiss formula and the so called "Girard" formula shows that Armenia, Georgia, Kyrgyz Republic and Republic of Moldova would have to make substantial additional tariff cuts with much lower final bound rates than the vast majority of developing country Members. That would cause even more serious adjustment costs to our vulnerable economies, since, in most cases, our applied tariffs are equal to the bound rates. Thus, in the medium-term, our economies clearly need some reasonable and temporary flexibilities to improve the quality of integration into the multilateral trading system and enhance the diversification of our production and export bases.

Special flexibility for small low-income economies in transition

18. In this respect, we request the Negotiating Group on Market Access to agree that our countries be granted the same flexibilities with regard to the non-agricultural market access as have already been agreed for LDCs and other vulnerable developing countries.

19. Participation in new sectoral initiatives should be strictly voluntary.

20. We expect that our concerns and proposals, as expressed in this paper, will be fully included in the modalities and implemented in the negotiations.

DAC List of Aid Recipients – As at 1 January 2003

| Developing Countries and Territories (Official Development Assistance) | | | | | | |
|---|--|---|--|---|--|---------|
| Least-developed Countries (LDCs) | Other Low-Income Countries (Other LICs) (per capita GNI < \$745 in 2001) | Lower Middle-Income Countries (LMICs) (per capita GNI \$746-\$2975 in 2001) | Upper Middle-Income Countries (UMICs) (per capita GNI \$2976-\$9205 in 2001) | High-Income Countries (HICs) (per capita GNI > \$9206 in 2001) | | |
| Afghanistan Angola Bangladesh Benin Bhutan Burkina Faso Burundi Cambodia Cape Verde Central African Rep. Chad Comoros Congo, Dem. Rep. Djibouti Equatorial Guinea Eritrea Ethiopia Gambia Guinea Guinea-Bissau Haiti Kiribati Lao, P.D.R. Lesotho Liberia Madagascar | Malawi Maldives Mali Mauritania Mozambique Myanmar Nepal Niger Rwanda Samoa Sao Tome and Principe Senegal Sierra Leone Solomon Islands Somalia Sudan Tanzania Timor-Leste Togo Tuvalu Uganda Vanuatu Yemen Zambia | *Armenia *Azerbaijan Cameroon Congo, Rep. Côte d'Ivoire *Georgia Ghana India Indonesia Kenya Korea, Dem. Rep. *Kyrgyz Rep. *Moldova Mongolia Nicaragua Nigeria Pakistan Papua New Guinea *Tajikistan *Uzbekistan Viet Nam Zimbabwe | *Albania Algeria Belize Bolivia Bosnia and Herzegovina China, People's Rep. of Colombia Cuba Dominican Rep. Ecuador Egypt El Salvador Fiji Former Yugoslav Rep. of Macedonia Guatemala Guyana Honduras Iran Iraq Jamaica Jordan *Kazakhstan Marshall Islands Micronesia, Federated States | Morocco Namibia Niue Palestinian Administered Areas Paraguay Peru Philippines Serbia & Montenegro South Africa Sri Lanka St Vincent & Grenadines Suriname Swaziland Syria Thailand **Tokelau Tonga Tunisia Turkey *Turkmenistan **Wallis and Futuna | Bolivarian Rep. of Venezuela Botswana Brazil Chile Cook Islands Costa Rica Croatia Dominica Gabon Grenada Lebanon Malaysia Mauritius **Mayotte Nauru Panama **St Helena St Lucia ----- Threshold for World Bank Loan Eligibility (\$5185 in 2001) ----- **Anguilla Antigua and Barbuda Argentina Barbados Mexico **Montserrat Oman Palau Islands Saudi Arabia Seychelles St Kitts and Nevis Trinidad and Tobago **Turks and Caicos Island Uruguay | Bahrain |

* Central and Eastern European Countries and New Independent States of the former Soviet Union (CEECs/NIS).
** Territory.

Source: Derived from OECD DAC list.