

SECTOR POLICY CONVERGENCES IN  
TECHNICAL RULES/STANDARDS AND CUSTOMS  
IN AZERBAIJAN  
TO SUPPORT EU EASTERN PARTNERSHIP INITIATIVE

Authors:

Dr. Vugar Bayramov  
Elchin Rashidov

Edited by Tim McNaught

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CESD, Center for Economic and Social Development ([www.cesd.az](http://www.cesd.az))  
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***Acronyms***

CESD – Center for Economic and Social Development

CIS – Community of Independent States

CCT – Common Customs Tariff

CU – Customs Union (or Community’s Customs Union)

DCFTA – Deep and Comprehensive Free Trade Area

GATT – General Agreement on Trade and Tariffs

GoA – Government of Azerbaijan

EaP – EU Eastern Partnership Initiative

EC – European Commission

ECD – EC Delegation in Azerbaijan

ENP – European Neighbourhood Policy

EU – European Union

ISO – International Standards Organisation

PASOS – Policy Association for an Open Society

PCA – Partnership and Cooperation Agreement between Republic of Azerbaijan and EU

PTTBI – Policy Think Tank Bridging Initiative

SASMP – State Agency for Standardization, Metrology and Patent of Azerbaijan Republic

SSC – State Customs Committee of Azerbaijan Republic

TBT – Technical Barriers to Trade

TRIPS – Trade-Related Aspects of Intellectual Property Rights

WTO – World Trade Organization

## **SUMMARY**

The overall goal of this paper is to understand how Azerbaijan can converge its Trade and Customs Policy with the European Union to meet the economic integration goals set in the EU Eastern Partnership Initiative in Azerbaijan. More specifically, the paper is interested in harmonizing standardization, Technical Barriers to Trade, and customs legislation with the European Union. This goal is met by developing the following:

- Policy landscape map in standardization, TBT and customs in EU and Azerbaijan
- Analysis of, facilitation of, and assistance in the accession of Azerbaijan to the World Trade Organization (WTO), and promotion of overall European integration in the context of the subject areas
- Policy gap analysis and regulatory needs assessment for sector policy convergences in the above areas
- Relevant policy recommendations

It is found that current Customs and Standardization Codes are not in line with EU standards. With foreign assistance from the UNDP and co-financing by the European Commission, Azerbaijan has developed a modern draft Customs legislation that meets EU and international standards. However, it has not been adopted by Parliament and needs executive approval. As far as standardization, Azerbaijan is currently in negotiations to accede to the World Trade Organization. This is reliant on complying with the TBT Agreement, which ensures that standards do not create unnecessary obstacles to trade. Azerbaijan has recently established an Enquiry Point to facilitate exchange of standardization information with future WTO members, but still needs support in its implementation and with further TBT Agreement reforms. Some success has also been achieved through a recently completed EU funded two-year Twinning Project between the Azerbaijan State Agency for Standardization, Metrology and Patents and EU partners in Germany and Austria. Future continued collaboration is recommended for more successful EU convergence.

Therefore, it is recommended that Azerbaijan diligently and efficiently continue the WTO negotiations process, as accession would serve as a great leap in encouraging European integration and future further access to the EU Single Market. Apart from the direct impact on EaP priority areas listed above, these reforms are also expected to provide an easier and more effective framework for facilitating the movement of goods, services, information and people, and will therefore demonstrate positive side effects in promotion of other components of EU strategy in the region, and in socio-economic integration and development of the neighbouring countries. Timely intervention with clear policy and advocacy goals is therefore

highly efficient and politically important for regional countries, including Azerbaijan, and for promotion of EaP and overall EU principles and priorities.

## **SUMMARY OF POLICY RECOMMENDATIONS**

### ***Recommendations for Government of Azerbaijan***

The Government of Azerbaijan has shown slow but promising measures towards modernizing its Customs and Trade sectors to facilitate a greater integration with the European Union. However, there are still many steps—listed in the following recommendations—that need to be taken to fulfill economic integration goals set by the European Partnership Initiative:

- WTO Accession must remain a top priority for the Government of Azerbaijan
- Parliament should approve the new Customs Code that was drafted as part of a UNDP project in 2006/2007 with the State Customs Committee of Azerbaijan
- Special trainings and seminars should be held to ensure that Customs employees are able to efficiently implement and operate the new system.
- Draft law on standardization that brings legal approximation to EU standards and was completed as a result of an EU Twinning Project in 2008-2010 should be adopted by the Government of Azerbaijan
- Azerbaijan should build on such initiatives as the Azerbaijan Standards Institute, which provides a training center that places importance on improving human capital of state employees and the development of specialists
- Continued participation with EU partners in Twinning Projects

### ***Recommendations for European Commission***

The European Union has proved that it can play a vital role in the modernization and integration of the trade and customs sectors in Azerbaijan. The following are recommendations to the EC for enhancing its efforts in these areas:

- Continue success of Twinning projects that provide legislation and expert support for harmonizing technical standardization practices in Azerbaijan with the European Union
- Support Azerbaijan accession to WTO through increased negotiations and through assistance on development of Competition Code legislation that is in compliance with EU agreements and conventions
- Technical Regulations and Standards – to provide mechanism for developing Impact Assessment studies in Azerbaijan for the gradual introduction of the Global directives into the national legislation. Intensify exchange of results of such studies among Eastern Partner States. Establish mechanism for communication of results of such studies to wider circles of civil society.
- Customs cooperation and border control – organize training for the chambers of commerce who issue the certificates of origin and enhance the cooperation between customs offices and business representatives
- Continue support of customs legislation and implementation of new IT equipment at Azerbaijan borders
- To use roadmaps where appropriate, with clearly defined benchmarks and dates to reach the specific goals in the field of commonly agreed policies.
- Include the representatives of civil society as permanent participants in the EaP intergovernmental platforms, panels and other related programs.

## **INTRODUCTION**

The EU single market with about 500 million consumers is the largest in the industrialized world, making it specifically attractive for neighbouring countries to harmonize their laws and regulations for better trade relations and economic integration. There is a huge economic, social and geopolitical reason and interest at government and societal levels in Azerbaijan towards effective European integration. Moreover, EU expressed its interest in sectoral convergences with EU policies and policy reforms in Azerbaijan via the Partnership and Cooperation Agreement (PCA) between EU and Azerbaijan, and European Neighbourhood Policy (ENP). The EU's recent widening towards South-eastern Europe provided the EU with growing responsibility to help the neighbouring countries address socio-economic challenges, and create closer political ties and energy security strategies with more involvement of the neighbouring countries.

The Eastern Partnership (EaP) endorsed by the European Council in March 2009 aims at development of a specific Eastern dimension of ENP. EaP emphasizes several priority areas and growing cooperation, including a border management program, the Southern corridor, integration of economies, improved mobility and contacts among people and businesses. All these make convergence of policies of EaP countries in the field of *trade and cross-border cooperation* with respective policies of EU very important to facilitate the implementation of EaP priorities and overall EU policy and goals in Azerbaijan and the region.

The Center for Economic and Social Development (CESD), therefore leads the initiative along with two foreign and seven local partner organizations to conduct research, advocacy and capacity-building on policy convergence in the identified priority sectors in Azerbaijan. CESD has deployed its full administrative capacity to carry activities in the above areas and has involved two (local and international) experts. The international expert has conducted capacity building among local counterparts, whereas the CESD local expert has developed this paper. The paper aims for convergence of Azeri policies in trade and cross-border cooperation with respective EU policies and consequently addresses two areas: 1) (removing, lessening and smoothing the) technical barriers to trade (TBT), and 2) customs. The work on TBT in this paper is based on technical rules and standards in trade, whereas the work in the second area is based on analyzing the Azeri and EU laws in customs.

CESD has been set up to promote research and analysis into domestic economic and social issues for the purpose to positively influence the public policy decision-making processes. The Center is a leading Azerbaijani think tank specializing in economic and social policy issues, working with and establishing a bridge between the government and the various representatives of civil society. While collaborating with other think tanks, CESD has principal and conceptual differences in its main focus area and functions, and this is reflected in its mission, strategy, and daily activities. As a leading economic think tank, CESD is trying

to promote good governance in Azerbaijan. The Center has extensive expertise in EU-related projects, capacity building and legal and policy harmonization. CESD has also extensively worked on policy development in trade and cross-border communication with international donors in Azerbaijan, as well as with neighbouring countries as strategic partners (Kazakhstan, Georgia, etc.). CESD, therefore, on the one hand produces studies focused on enhancing *civic participation*, an important engine for rule of law and government accountability, building the “bridge” between the two important actors – government and civil society – and also provides necessary advocacy along with other stakeholders to strengthen these activities. The Center has extensive relationships with civil society members in Azerbaijan, including NGOs dealing in legal, economic and social reforms, and media (CESD experts are interviewed daily).

The work is done and the paper is developed with support of the Policy Association for an Open Society (PASOS) and within the PASOS Policy Think Tank Bridging Initiative (PTTBI) program. PASOS ([www.pasos.org](http://www.pasos.org)) aims to promote and protect democracy, human rights and open society values – including the rule of law, good governance, and economic and social development – by supporting civil society organizations that individually and jointly foster public participation in public policy issues at the EU level, in other European and global structures, and in the wider neighbourhood of Europe and Central Asia. The objective of this support by PASOS is to enhance research and advocacy skills of EaP country-based policy institutes through joint research projects with EU member state think tanks, to facilitate the achievement of deliverable results in the EaP negotiation process, to advocate for policy development, implementation and monitoring, to increase the knowledge of ENP and EaP in beneficiary countries and to improve the awareness of EaP country needs in the EU policy making community.

The paper analyzes and proposes necessary modifications in TBT and customs law in Azerbaijan. Apart from the direct impact on EaP priority areas listed above, these reforms are also expected to provide an easier and more effective framework for facilitating the movement of goods, services, information and people, and will therefore demonstrate positive side effects in promotion of other components of EU strategy in the region, and in socio-economic integration and development of the neighbouring countries. Timely intervention with clear policy and advocacy goals is therefore highly efficient and politically important for regional countries, including Azerbaijan, and for promotion of EaP and overall EU principles and priorities.



## **GOALS AND OBJECTIVES**

The paper is developed within and is part of the CESD project of ‘Sector Policy Convergences in Trade and Cross-Border Cooperation in Azerbaijan – to Support EU Eastern Partnership Initiative’ and aims to complement the project and provide analysis and promote reforms in the priority areas. The project seeks the policy analysis and advocacy towards the EaP principles and priorities of better economic integration with the EU and increased mobility and contacts between people and the identified priority areas technical barriers to trade (TBT) and customs.

The overall project is implemented within the context of the broad objective of promoting EU values, Azerbaijan’s socio-economic integration with EU, and the economic, political and social development of Azerbaijan in line with the priorities set out in the EU Eastern Partnership initiative (EaP). Specifically, the project seeks to provide (1) policy analysis, (2) advocacy and (3) capacity building in Azerbaijan towards EaP principles and priorities of better economic integration with the EU and increased mobility and contacts between people through sectoral policy convergence with EU in trade and cross-border cooperation. This paper fulfils the first objective (policy analysis) of the project and serves also as a tool for the second and third objectives (advocacy and capacity building).

Specifically the paper seeks the development of:

- Policy landscape map in TBT and customs in Azerbaijan
- Analysis of facilitation of and assistance in the accession of Azerbaijan to the World Trade Organisation (WTO), and promotion of overall European integration in the context of the subject areas
- Policy gap analysis and regulatory needs assessment for sector policy convergences in the above areas
- Relevant policy recommendations
- Strategy including the role of state and civil society actors for promoting EU values and awareness and EaP priorities and principles in above areas to develop rapport between EU and Azerbaijan.

There is a large gap in the policy analysis as well as awareness and effective involvement in the areas of TBT and customs in Azerbaijan to effectively facilitate the sector policy convergence and European integration. Timely intervention with clear policy and advocacy goals is therefore highly efficient and politically important for promotion of EaP and overall EU principles and priorities. The policy convergences in these areas will have direct impact on each EaP priority listed above; in addition, some positive indirect and side effects are expected in other EaP priorities and overall EU policy and goals in the region and

Azerbaijan. Moreover, these are the areas that have the most importance and demonstrate bottlenecks to be addressed towards EU-Azerbaijan cooperation first, as identified in the sector assessment in next sections.

## **RESEARCH METHODOLOGY**

There exists a large gap in research in the areas of TBT and customs in Azerbaijan to effectively facilitate policy convergence and European integration. To begin this research, meetings and discussions with relevant stakeholders were held to identify possible and desired areas of cooperation in TBT and customs, and to assess and incorporate the efforts made by both parties in this area. These initial activities are followed by the study and comparison of existing legislation and policies in the EU and Azerbaijan to identify possible and desired areas of policy convergence to develop regulatory needs analysis. These will comprise the preliminary background to develop policy in each area that also includes the sector diagnostic work with concentration on needs (staff, training and regulatory) analyses towards the objectives outlined in the earlier section.

Then, further analyses are conducted to explore the convergence possibilities and expected outcomes. Recommendations on sector policy convergence are developed with consideration of socio-economic development goals, EU strategic interests, and analysis of possible impacts on the economy (including ongoing activities and strategy) and other areas important to develop regulatory impact analyses. The outline of the selected priority sectors (TBT and customs) also maps the policy landscape identifying the gaps for convergence and harmonization, and contains information on existing legislation and policies to be adopted or amended. Any convergence of policies with EC technical rules is carried with consideration of national and sector strategies elaborated by Azeri government. In particular, the emphasis is placed on the adaptation with the directives that are the most likely to facilitate trade between the EU and Azerbaijan.

Finally, although the CESD expert solely conducts the research, the overall project involves and uses the experience of two foreign partners (one from an EU member state and another from an EaP country) in addition to seven associate partners from Azerbaijan. The foreign partners have broad experience in EU funded policy analyses and structural reforms in the region. Both organizations have conducted EU sectoral programs in the region and are very familiar with the situation in Azerbaijan, and have wide experience in the selected priority areas addressed in this paper and therefore, their contribution—including the lessons learned—was very valuable for the successful implementation of the project.

## **POLICY LANDSCAPE IN PRIORITY AREAS**

The analysis below indicates that the priority areas of TBT and customs in this paper have a larger importance and demonstrate bottlenecks to be addressed towards EU-Azerbaijan cooperation first, and EaP policy convergences in these areas will also have indirect impact on every EaP priority, including the border management program, the Southern corridor, integration of economies, and improved mobility and contacts among people and business.

Below is the analysis of TBT and customs, including the mapping of the policy landscape and analysis of, facilitation of, and assistance in the accession of Azerbaijan to WTO, and promotion of overall European integration in the context of the subject areas.

### ***EU Customs Policy***

For EU businesses, the starting point is the bilateral EU-Azerbaijan relationship and the Partnership and Cooperation Agreement (PCA), especially its trade and investment provisions. As the PCA's trade and investment provisions are largely based on WTO principles, Azerbaijan's accession will reinforce at an international level those principles and protections existing at bilateral level and establishing this added degree of legal certainty is absolutely key to ensure greater trade and investment by EU businesses to the benefit of Azerbaijan's economy beyond just the energy sector.

The added transparency imposed by the WTO is a prerequisite for trade and investment in the majority of the areas of greatest interest to EU businesses, besides oil and gas and hydrocarbon transit:

- Financial services
- Consumer goods
- Agriculture and food
- Information technology
- Telecommunications
- State procurement

WTO accession commitments in these areas are a guarantee for EU businesses that, regardless of the levels of practical implementation, Azerbaijan is bound and potentially subject to that discipline.

The Customs Law is an essential element of the EU single market and has huge implications for its four basic freedoms (free circulation of goods, persons, services and capital). With no

internal economic frontiers it is the catalyst for the economic integration of the European Union. Thus the effects of the Community's Customs Union (CU) are far reaching. To set up, develop and run a single common market, wherein goods circulate freely, can only be achieved within the framework of a CU where common rules are applied at external borders. CU is a secure basis for highly developed integration.

Without the Community's CU, the EU common commercial and development policy, its common agricultural market and an effective coordination of economic and monetary policies would not be possible.

The basic principles of CU are:

- to establish universally accepted rules and principles that have proved their efficiency;
- to abolish gradually the customs duties that applied in trade between the original six member states and to introduce a Common Customs Tariff (CCT) applicable to goods imported from third countries. On 1st July 1968 the tariff union was accomplished. Since then any new Member State joining the Community has undergone the process of abolishing duties on intra-Community trade and aligning its external tariff to the CCT;
- a growing harmonization and further simplification of customs procedures resulting from the necessity to facilitate trade, e.g. the Single administrative document and the Combined nomenclature were introduced. In parallel, the EEC-EFTA Convention on a Common transit procedure was signed on 20 May 1987; and
- the consolidation of virtually all the Community customs provisions into a single coherent text, the Community customs code and its implementing provisions which entered into force on 1 January 1994.

CU was one of the EU's earliest milestones. It abolished customs duties at internal borders and put in place a uniform system for taxing imports into the EU from third countries. As a result, internal border controls subsequently disappeared and today customs officers are found only at the EU's external borders.

The main objectives of the Common Customs Policy of the EU are:

- to foster world trade;
- to promote fair trade relations;
- to increase the attractiveness of the EU as a location for industry and trade and contribute to the creation of new jobs;
- to promote development elsewhere;

- to assist the candidates for accession in their future role;
- to ensure protection for the Community's citizens and business in all areas involving imports or exports in a clear, uniform, simple way as efficiently as possible;
- to 'ring fence' the single market, securing the maximum benefit from it for everybody;
- to facilitate a practical system to collect revenues, customs duties, VAT and excise duties; and
- to collect essential statistics on trade.<sup>i</sup>

### ***Azerbaijan Customs Policy***

The State Customs Committee of Azerbaijan Republic (SCC) which is the main State authority in the area of customs was established by the Presidential Decree Nr. 561 on 30 January 1992. SSC adopts in the area of customs legislation: decrees, regulations and instructions. Since 1995 these acts are regularly published in the Committee official newspaper "Gömrük xəbərləri" (Customs news). The list of normative acts is presented in Annex 1.

According to the Statute of SSC approved by the Decree of the President Nr. 7 from 27 October 1998, the Committee is the central executive authority which implements state customs policy and has the following functions:

- Realisation of single customs policy;
- Provision of unity of the customs territory;
- Organisation and improvement of customs;
- Securing economic interests and economic safety of Azerbaijan Republic;
- Use of progressive methods of customs regulation;
- Control after execution of which was obligated on it;
- Securing compliance with the customs and other legislation.

The Committee bears responsibility for:

- Fighting customs crimes and preventing illegal carriage of narcotic drugs, weapons, articles of artistic, and items of historical and archaeological importance;

- Collecting taxes, customs duties, excise duties and other customs payments on goods transferring customs border;
- Controlling the accuracy of defining customs value of goods;
- Issuing licenses and keeping the records;
- Providing efficient use of equivalent customs procedures;
- Keeping customs statistics on foreign trade and specific customs statistics;
- Organizing forming goods nomenclature of foreign economic activity;
- Establishing the system of information and consultation;
- Creating conditions for realisation of rights to appeal of physical and legal persons;
- Representing the interests of the State in international organizations and implementing international obligations.

Many aspects of organisation of customs activity are reflected also in the Law on approval of the Statue of “The service of the Customs Authorities” from 7 December 1999.<sup>ii</sup>

The Government of Azerbaijan has taken the following legislative steps to promote foreign investment ;

- 1992 Law on the Protection of Foreign Investments
- 1992 Law on Foreign Investment Activity
- Bilateral Investment Treaties
- Azerbaijan Investment Company
- Law on the Special Economic Regime for Export Oil and Gas Activity (2 February 2009)
- Law on Special Economic Zones (14 April 2009)

More recently, the GoA has made improvements with its draft Customs legislation. As part of a \$1,694,320 reform project co-financed by the European Commission and implemented by the United Nations Development Programme in 2006-2007, steps were successfully made to prepare Azerbaijan Customs draft legislation in line with EU and international standards. Improvements were also made specifically in modernizing information technologies for customs processing.<sup>iii</sup> Separately, Azerbaijan introduced the Single Window system in 2009. “In a theoretical sense, a Single Window can be described as a system that allows traders to lodge information with a single body to fulfill all import- or export-related regulatory requirements.”<sup>iv</sup> Therefore, the Single Window environment aims to

accelerate and simplify the flow of information between traders and the government. This will help increase the flow of trade by streamlining the process and decreasing the transit time of goods going across the borders.

### ***EU Policy on Standardization and Technical Barriers to Trade***

Before the harmonization of technical rules or standards of trade in the EU, irregularities between national standards created Technical Barriers to Trade (TBT) that negatively impacted the flow of goods between EU countries. Currently, the three main governing standards organizations in Europe include European Committee for Standardization (CEN), the European Committee for Electro-technical Standardization (CENELEC), and the European Telecommunications Standards Institute (ETSI). These organizations play a central role in limiting TBT in the European Union and enhancing the ability of trade to flow freely throughout the region. CEN and CENELEC both have one voting member representing the national standards body of each of the 30 member countries, which include the 27 European Union member states, and the 3 countries of the European Free Trade Association. All ratified European standards are then voluntarily adopted as national standards in each country.

Moreover, the European Council created the “New Approach” in 1985 that sets essential requirements that products must meet before they can be distributed on the European Market. As long as manufacturers provide a ‘technical file’, they can choose any technical way to meet these requirements. However, by far the easiest way is to follow the relevant ‘European Standard’, which will gain you access to the European Single Market.

A main TBT that presents problems for international trade is when a country changes technical regulations required for all products without giving manufacturers or governments of other countries time to review the changes. In addition to the 98/34 notification procedure that requires Member states to go through a three-month examination period by other Member States when adopting a new draft, the European Commission has also adopted the WTO TBT notification procedure. Both of these procedures limit barriers and enable competitive and open trade for the Internal European Market. More specifically, the TBT Agreement of the WTO requires all members “to notify their draft technical regulations and conformity assessment procedures and to respect the principles of non-discrimination between national and imported products, proportionality and equivalence.”<sup>v</sup> This procedure gives WTO Members and producers to have the chance to review all changes to product requirements. The access to open information allows manufacturers to make the necessary changes to their products in order to compete in the international market.

### ***Azerbaijan Policy on Standardization and Technical Barriers to Trade***

The current State Agency on Standardization, Metrology, and Patents of the Republic of Azerbaijan (AZSTAND) was established by Decree No. 623 on December 27, 2001 to become the main authority for creating and enforcing standardization policy in Azerbaijan. It is backed by the following 6 State standards of law “On Standardization”: (AZS 1.0-96, AZS 1.2-96, AZS 1.3-96, AZS 1.4-96, AZS 1.5-96, AZS 1.6-96). AZSTAND is officially a member of the International Standards Organization.

One of the most recent positive steps taken by the Azerbaijan government was the establishment of an Enquiry Point on July 28, 2010. This is an important movement towards meeting the requirements of the TBT agreement for joining the WTO. A basic requirement of the TBT agreement is notifying other WTO members about changes to domestic technical regulations that could have an influence on international trade. WTO members submit changes to the WTO secretariat in Geneva, giving 60 days for other member countries to make comments or suggestions. The WTO requires members to establish an Enquiry Point in each member country to act as the information center for providing documents about new or modified technical regulations.

In addition, AZSTAND established the Azerbaijan Standards Institute in 2007 for the development of national standards in the Republic of Azerbaijan. The Institute includes a Training Centre that provides education training to personnel and works to develop specialists in international standards and the latest technical progress.

Finally, AZSTAND has participated in a EU funded Twinning Project with EU Partners in Germany in Austria. This two-year 1.8 million USD project is titled “Strengthening of Standardisation, Metrology, Conformity Assessment and Accreditation in SASMP - Standards Agency Azerbaijan” and includes the Federal Ministry of Economics and Technology, Germany and the Austrian Standards Institute, Austria. As will be further discussed in this paper, this collaboration has brought serious efforts to modernize Azerbaijan standardization and has laid the groundwork for vital future joint efforts

### ***Azerbaijan WTO Accession Process***

The Government of Azerbaijan (GoA) officially applied to the WTO Secretariat to become a WTO member in 1997, thus resulting from the establishment of Azerbaijan's Working Party in the same year. A group by GoA had been established, with a view to



tackling problems before the country in the accession period. GoA submitted a Memorandum on its Foreign Trade Regime on 22 April 1999. Later on, the Permanent Mission of the Republic of Azerbaijan had provided replies to additional questions submitted by Members on the Memorandum on the Foreign Trade Regime - Australia, Japan, the European Union states, and the United States.

Azerbaijan has reached agreement with Georgia and Moldova on bilateral negotiations meanwhile negotiations with other selected countries including US, EU continues. In order to continue negotiations on fair trade principles in the wake of joining the WTO and to develop the documents to be submitted to the WTO by the coordination from related structures, as well as to provide a single economic policy in WTO negotiations, an appropriate Commission consisting of high-rank government officials according to the 22 August 2003 order by the Cabinet of Ministers had been established. To tackle these items, the Commission/Committee had designed nine Working Groups.

## **POLICY CONVERGENCE DISCUSSION**

Trade is an essential element of the EU single market with its four basic freedoms: circulation of goods, persons, services and capital. With no internal economic frontiers it is the catalyst of the EU economic integration.<sup>vi</sup> Policy convergence of varying requirements for products of the different trading nations is considered as an essential task to reduce production costs and to increase transparency for traders. Therefore, the convergence of technical requirements for products to those provided by the EU-Acquis reduces barriers to trade and gives positive incentives to international trade. Transition to the market economy is characterized by competition. This necessarily implies the maintenance of coherent, efficient and transparent standardization and certification rules in order to achieve high quality and safety of products as well as services.

TBT and cross-border cooperation (customs) are consequently important fields to analyze for development of mutual relationships and convergence of policies in these areas. It directly serves to the purpose of EaP, emphasizing *increased mobility, better economic integration and contacts between people*. These are also totally in line with the overall EU policy and goals in the region and Azerbaijan, including ENP and PCA with the latter establishing a framework for the development of closer co-operation between the parties in the areas of trade, investment, economics, legislation and culture. TBT and customs (cross-border cooperation) are therefore selected as priority sectors that explicitly reflect EaP priorities (such as economic integration) and implicitly serve to others (such as mobility and border management program).

The implementation of such a system also ensures a higher level of legal certainty for all economic operators and thus contributes to further stimulate the modernization of the economy. In a global economy of increasing world trade, technical rules and standards, which

are necessary for safety reasons and consumer and environment protection, should not be applied as a tool to impede trade. In such a case, technical rules and standards would indeed become an instrument of protectionist policy, which is forbidden according to the principles of the GATT. The aim of the ISO is to harmonize the development of standards, the establishment of uniform testing methods, label requirements and terminology.

When Azerbaijan becomes a WTO member, it will also have to comply with the most favoured nations clause and, as far as technical regulations are concerned, to treat imported goods from CIS and from other parts of the world on equal footing. Technical regulations should furthermore not be more restrictive than necessary in order to fulfil legitimate objectives such as: the protection of human health and safety, life and health of animals and plants, and protection of the environment. Enhancing Azerbaijan's Accession is important because DCFTA and Association Agreement will be offered only once these countries have joined the WTO. Since Deep and Comprehensive Free Trade Area (DCFTA) and Association Agreement will cover substantially all trade, including energy, and aim at the highest possible degree of liberalization (with the asymmetry in the pace of liberalization appropriate to the partners' economies, WTO Accession is becoming one of priorities in Azerbaijan.<sup>vii</sup>

A quick look at the Azerbaijan's standardization and conformity assessment procedures system reveals that relevant laws, decrees and resolutions include in some cases characteristics that are not compliant with international and European rules in the area. Convergences as close as possible to relevant EU sectoral policy rules is the best way of ensuring that Azeri policies and system comply with the WTO Agreement on Technical Barriers to Trade, while providing for the most favourable conditions in order to foster trade between Azerbaijan and the EU. Policy convergences are to be made in the more general context of legislative adaptations currently taking place in other CIS countries in respect of technical barriers to trade and standardisation.

In recent years, some of these countries, such as, for instance Moldova, Georgia and Kyrgyzstan have joined the WTO and are in the process of reforming their standardization and certification systems in order to comply with the requirements of the TBT Agreement. Similar reforms are underway in Russia, Ukraine, Kazakhstan, countries struggling to accede to the WTO. As a consequence, the majority of CIS Member States are moving from the former soviet standardization system based on the GOST standards towards a legal framework consistent with WTO principles. Since Azerbaijan has trade relationships with all of these countries, the adaptation of its rules, structures and procedures therefore also helps ensuring that its trade patterns within the CIS will not be impeded in future due to diverging technical rules.

As mentioned in the Concept Note for the EaP, there are priorities under the EaP, Partnership and Cooperation Agreement (PCA) and the ENP Action Plan, which need special attention in the 2011-2013 programming period to support the efforts of Azerbaijan to accede to WTO. The Eastern Partnership offers a long term prospect of an Association Agreement,

including a DCFTA and further integration into the EU economy and a stronger focus on regional and cohesion policy. The document mentioned that the EaP will facilitate trade between Azerbaijan and the EU, to assist Azerbaijan in its preparations for the WTO accession as well as to support Azerbaijan's gradual alignment with the EU's internal market as a result of increased regulatory convergence with the EU.

Azeri government has signed the Partnership and Cooperation Agreement with the EU, and is included in the EU European Neighbourhood Policy (ENP) and the Eastern Partnership programs. PCA establishes a framework for the development of closer co-operation between the parties in the areas of trade, investment, economics, legislation and culture; all with big implications for TBT and cross-border cooperation. These provide high opportunities for integration into European market, and require WTO accession discussed below. The EU programs could bring substantial efficiency and welfare gains to neighbouring countries, via liberalized access to the EU's single market. Legal changes in the areas of customs and financial services should promote trade facilitation and business creation. Convergence toward EU regulatory standards may not matter much if the ENP does not significantly improve the new neighbours' access to the single market.

Under Article 43 of the PCA, Azerbaijan shall endeavour to ensure that its legislation will, gradually, be made compatible with that of the Community. One of the key areas of the legislative co-operation that are stipulated in paragraph 2 of Article 43 is the Customs law. This is reinforced by Article 45 of the PCA that is concerned with co-operation of the Parties with a view to ensuring that Azerbaijan's international trade is conducted in conformity with the rules of the WTO.<sup>viii</sup>

Complying with WTO provisions is important in this context. EaP expects Azerbaijan to become a WTO member or at least an associate member soon to extend the duration of the program in the country. Now Azerbaijan is negotiating with WTO for getting accession. The local entrepreneurs (especially rural) do not receive necessary information regularly. This now hinders the accession.

Therefore there is a demand for publishing information on Principles and guidelines of WTO, brochures, the bilateral relations and the negotiations between the GoA and WTO and its possible effects on the economic atmosphere, the advantages and disadvantages of accession to WTO for local entrepreneurs. The provisions on TBT and customs regulation are mainly reflected in General Agreement on Tariffs and Trade (GATT) from 1947. Article I of GATT sets the general principle of most favoured nation treatment, which means that "any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded to the like product originating in or destined for the territories of all other contracting parties".

Another important issue is regulation of transit procedure in Article V of GATT. According to this Article parties shall provide "freedom of transit through their territory, via the routes most convenient for international transit, for traffic in transit to or from the territory

of other contracting party". "No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport". Each country is obliged to accord to traffic in transit to or from the territory of any other contracting party treatment no less favourable than the treatment accorded to traffic in transit to or from any other third country.

Article VI prohibits dumping by which products of one country are introduced into the commerce of another country at less than the normal value of the products and countervailing duties to the export or import of products. GATT regulates in detail the conditions of valuation of goods for customs purposes (Article VII), fees and formalities, which are connected with importation and exportation (Article VI), marks of origin (Article IX) and elimination of quantitative restrictions (Article XI).

Several provisions concerning customs regulation are reflected in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). In particular, Section 4 of the Agreement contains special requirement related to border measures of the member-states that are directed to the enforcement of intellectual property rights. They enable a right holder to apply for the suspension by the customs authorities of the release into free circulation of goods, which are suspected to be counterfeit trademark or pirated copyright goods.<sup>ix</sup>

## **RECOMMENDATIONS AND CONCLUSION**

### ***Recommendations for Government of Azerbaijan***

The Government of Azerbaijan has shown slow but promising steps towards modernizing its Customs and Trade sectors to facilitate a greater integration with the European Union. However, there are still many steps that need to be taken to fulfill economic integration goals set by the European Partnership Initiative. The process involved with Azerbaijan's accession to the WTO can simultaneously contribute to a more open and trade-friendly environment that follows the spirit of European integration.

In fact, WTO accession must remain a priority for Azerbaijan as:

- It is key to effective economic diversification
- It will render the domestic market more competitive
- It will help domestic companies compete abroad

Despite its strategic location, rapid economic growth and economic reforms, Azerbaijan must adhere to the principles and disciplines of the WTO to attract greater levels of trade and investment by EU businesses that are warranted in the long run

As much as for its rich but concentrated domestic market, Azerbaijan is of interest to EU businesses from a regional perspective as a promising platform or bridge for expansion. Given Turkey's WTO membership and Russia's impending WTO accession, Azerbaijan's WTO status will necessarily become an increasingly important consideration for EU businesses. As EU businesses elaborate their regional business strategies, WTO membership could well be the decisive factor in attracting trade and investment in Azerbaijan over its neighbors.

Inconsistency and a lack of transparency in the implementation of customs rules and procedures are routinely cited by EU businesses as major hurdles to increased trade with Azerbaijan. EU businesses also highlight greater transparency and consistency in the application of other regulatory provisions and government tenders as necessary to encourage more investment. Through the discipline and coordination that may be imposed under the PCA and WTO in conjunction, EU businesses are accustomed to addressing such issues in many emerging markets and by increasing transparency and predictability, in a rules-based trade system, the resulting gains for the local economy are likely to be very significant.

By joining WTO, the CIS countries have committed to adjusting local regulations to comply with international norms and to replacing the GOST (Soviet) system with those that meet

WTO standards. As a norm, implementation of this commitment has been a **legal limbo**. Consequences are the following:

- The GOST system of standards is not recognized in the major export markets (i.e. restricts the acceptability of products in non-GOST markets)
- Barrier to international trade, barrier to innovation as well as costly for businesses

In addition to standards themselves, the procedures through which products are evaluated for conformity to regulatory requirements have important implications for market efficiency and trade expansion.

Example: quality infrastructure (metrology, accreditation, standardization and certification) systems in Kazakhstan and Kyrgyzstan. In this case, negative impact will be on the output of local production, the ability of local suppliers to export products and services, and the start-up costs for new businesses.

Perhaps one of the greatest needs of the Azerbaijan Government with reform efforts has been foreign assistance is drafting modern legislation to meet the requirements of the WTO and other international trading partners. Azerbaijan has shown interest in seeking foreign assistance by participating in multiple programs. An example is the program implemented by the United Nations Development Programme and co-financed by the PCA and TACIS programs, which was entitled “Modernization of Customs Service in Azerbaijan.” The project aimed at developing customs legislation that was in line with European legislation and international standards. Azerbaijan’s cooperation with an international team of experts led to a successful draft of a new customs code. This is a very positive step for Azerbaijan in becoming a more transparent and efficient trading partner and also follows the goals laid out in the "State Programme on Development of Customs System of the Republic of Azerbaijan in 2007-2011", which was developed by Presidential Decree in February of 2007. However, this code is still waiting final approval by the President and the Cabinet of Ministers and has not become official law. It is recommended that the Parliament approve this new Customs Code to replace the current outdated Customs Code that was developed in 1997. In addition, if this new Customs Code is adopted, special trainings and seminars should be held to ensure that Customs employees would be able to efficiently implement and operate the new system. Moreover, changes to Customs Code will also help with Azerbaijan’s process of accession to the WTO.

Our research also found that Ukraine could be a Useful Analogy for EU Businesses, since;

- Ukraine’s PCA with the European Union entered into force in 1998, approximately at the same time as Azerbaijan’s (1999)

- However, EU businesses' confidence in Ukraine has increased markedly since the country's WTO accession in 2008
- Practical implementation by Ukrainian authorities of many key trade and investment provisions remains problematic
- However, EU businesses are more reassured because recourse is now available under multiple legal regimes
- Ukraine has thus figured more prominently in regional business strategies, whether to supply Ukrainian domestic consumers or as a platform for exports to the European Union, Russia and South-Eastern Europe

The paper found that producers in the CIS countries members of the WTO face;

- diminished demand for their products,
- increased competition from foreign producers, and
- lower prices and release of their potential competitiveness.

Joining the WTO is a great step towards being more connected with European Union trading partners and the international trading community as a whole. Accession to the WTO requires Azerbaijan to comply with the Technical Barriers to Trade Agreement that would simultaneously comply with trading requirements set by the EU. This agreement aims to create a transparent environment where no technical rules unnecessarily impede trade between countries. As part of the WTO process, Azerbaijan has begun liberalizing its trade regime and has drafted new legislation on TBT and has established an Enquiry Point. Therefore, it is recommended that Azerbaijan continue the accession process without the delays that have existed in the 13 years since it officially began the negotiations process.

The WTO membership will also lead to increases in direct foreign investment flows and expansion of export opportunity of import-oriented industry. Practices of WTO members show that following accession, the results are different for each member. The WTO accession attracts direct foreign investment; it not only increases the investment into the membership, but also leads to economic growth. For example, serious improvements are observed in the amount of foreign investment after Kyrgyzstan, a "pioneer" in the CIS-space, joined the WTO. Notably, the WTO is a unique international global institution regulating trade relations between nations. The WTO activity is based on agreements between it and the states. These agreements rest upon negotiations conducted between the countries and are ratified by these countries parliaments. The WTO charter indicates that its key goal is to assist producers, exporters and importers of commodities or services to manage and expand their businesses. WTO membership will promote foreign investment flow into Azerbaijan's export sectors. And it means assumption of commitments to protect the right of creditors and from this viewpoint, the regional governments cannot pursue discrimination policy in the foreign

investment field after WTO accession. Horizontal investments (investments into the local market) will be directed to the regions where population is densely concentrated and vertical investments (export investments) will target the overseas sectors where more qualified employees are accumulated. On the other hand, regardless of Azerbaijan's WTO membership, the improvement of the investment environment will promote long-term economic growth.

By WTO experts' estimates, the liberalization of foreign trade may be implemented more rapidly through regional and bilateral trade agreements. The number of Regional Trade Agreements (RTAs) has been steadily increasing over the last 20 years as has the share of preferential trade in world trade. By the beginning of 2005 more than 250 RTAs had been notified to the WTO, of which 130 were reported after 1995. Of these: 170 are currently in force. The total amount of agreements in force could come close to 300 towards the end of next year. The regional and bilateral trade agreements may give an impetus to the processes on multilateral trade agreements. The most recognized regional trade agreements may include: the European Union, the European Free Trade Association, the North American Free Trade Agreement, the Southern Common Market, the Association of Southeast Asian Nations, Asian Free Trade Area and the Common Market of Eastern and Southern Africa, and the Economic Cooperation Organization. The WTO membership will help Azerbaijan take advantage of going beyond the regional frontiers. Besides, the regional trade agreements within the CIS-space are not effective. For this purpose, it is not worth comparing WTO membership with regional trade agreements. Moreover, the countries prioritizing regional trade agreements are WTO members. For example, the countries of the European Union are WTO members and these states are represented in this organization in the form of sole institution. And the majority of WTO members have joined one or more regional trade agreements. So, Azerbaijan's WTO accession will not have a negative impact on its position and role in the regional trade agreements. In fact, it will help make it a more attractive trading partner for the European Union.

As far as standardization systems, the current Azerbaijan laws are not fully compliant with international and European rules in the area. Convergence as close as possible to relevant EU sectoral policy rules is the best way of ensuring that Azeri policies and system comply with the WTO Agreement on Technical Barriers to Trade, while providing for the most favourable conditions in order to foster trade between Azerbaijan and the EU. By following "European Standards" for products, Azerbaijan will be setting itself up for an access to the European Single Market, which requires standardization and no product discrimination. Azerbaijan has made some advances through the EU funded Twinning Project titled "Strengthening of Standardisation, Metrology, Conformity Assessment and Accreditation in SASMP - Standards Agency Azerbaijan". This two-year project was recently completed in October of 2010. The project resulted in completion of a draft law on standardization that brings legal approximation to EU standards. However, the Azerbaijan Parliament has not officially adopted this new law. Draft law on technical requirements and conformity



assessment for products was also prepared as result of the project. It is recommended that the GoA places importance on creating the human resources necessary to handle these eventual new changes and to adapt these new draft laws when the institutional framework in place can manage such changes. Policy convergences are to be made in the more general context of legislative adaptations currently taking place in other CIS countries in respect of technical barriers to trade and standardization. This will also assist Azerbaijan with increasing trade with other regional countries. Since joining the WTO will require Azerbaijan to not discriminate against foreign imported products, Azerbaijan must begin taking steps to revamp the local production industry and prepare factories for the import of competitive goods.

For instance, Azerbaijan could aim at fostering, in a first stage, compliance of imported products (depending on the priority set forth by the Azeri government; e.g. import of compatible agricultural and food products such as nuts, fruit and vegetable juices) with international standards. On the other hand, Azerbaijan may decide to initially encourage compliance of its domestic production with international standards. Such a policy convergence might for instance be carried out with a view to enhance exports of its domestic productions to geographical areas other than the CIS (Commonwealth of Independent States) countries.

Another reason might be to develop local production in connection with future import of cheap and compatible products following accession to the WTO. Emphasis on the national production might thus be targeted at the economic areas where harmonization is the most lagging behind. Another option could also be to select as a priority the industrial or service sectors that hold the largest share of the economy, should they present the best prospects for exports. No matter which path Azerbaijan chooses to take in regards to standardization, it is very important that the government follows the lead of other standardization bodies, such as the European Committee for Standardization that brings “together all interested parties such as manufacturers, consumers, and regulators of a particular material, product, process or service” when setting regulations.<sup>x</sup> It is very important that a dialogue is created and that manufacturers are given the correct information, time, and resources needed to change standards needed for more effective regional trade.

### ***Recommendations for European Commission***

All of these measures of Trade and Customs modernizing are very important in making Azerbaijan more integrated with the EU. However, while the EU’s presence is large in Azerbaijan with its EaP, ENP and PCA, as well as multiple development projects and programs implemented with involvement of state and civil society actors, EU awareness still remains very low in Azerbaijan. It is lower than the awareness in neighboring countries and lower than one would expect given the range and scale of EU involvement in Azerbaijan and the region. This ignorance applies now not only to society in general, but also to civil society organizations and state officials/public servants, including even many of those involved with

EU projects and programs. This is why the promotion of EaP as an urgent task in the context of raising the awareness of EU and its policies, programs and priorities in the national and regional levels. It is recommended that the EC play a larger role in this process.

For that reason, advocacy and communication have to be planned within this context towards effectively identifying and reaching the target groups and promoting the outputs of sector policy convergences discussed in this paper. Such an advocacy and communications strategy will have side effects on raising the awareness and interest in other EU activities in Azerbaijan and the region, including ENP, PCA and also WTO related reforms.

In addition, these are the following recommendations for the EC:

- Continue success of Twinning projects that provide legislation and expert support for harmonizing technical standardization practices in Azerbaijan with the European Union
- Support Azerbaijan accession to WTO through increased negotiations and through assistance on development of Competition Code legislation that is in compliance with EU agreements and conventions
- Technical Regulations and Standards – to provide mechanism for developing Impact Assessment studies in Azerbaijan for the gradual introduction of the Global directives into the national legislation. Intensify exchange of results of such studies among Eastern Partner States. Establish mechanism for communication of results of such studies to wider circles of civil society.
- Customs cooperation and border control – organize training for the chambers of commerce who issue the certificates of origin and enhance the cooperation between customs offices and business representatives
- Continue support of customs legislation and implementation of new IT equipment at Azerbaijan borders
- To use roadmaps where appropriate with clearly defined benchmarks and dates to reach the specific goals in the field of commonly agreed policies.
- Include the representatives of civil society as permanent participants in the EaP intergovernmental platforms, panels and other related programs.

In conclusion, in order for Azerbaijan to further integrate with European Union, the government must (1) adopt customs and trade legislation that moves to meet EU standards, (2) effectively include the input and cooperation of local entrepreneurs and producers (3) create an action plan that will allow for effective implementation of the new legislation and (4) ensure that these new implementations are monitored and prepared for any shocks from the new legislation. Azerbaijan has the ability to be a stronger EU trading partner. This integration will help facilitate the movement of services, information and people, in the region. It will also help strengthen the non-oil and gas sectors that need to be developed as oil revenues decrease over the next decade. The WTO accession is a good step towards being a more global and open trading partner. It can have great advantages in increasing investment, trade, transparency, and encourage large-scale technology transfers. It will also bring legislation against TBT, give Azerbaijan an incentive to conform to international standards, and open the country to increased foreign products that help to increase competition in domestic firms. To meet these goals, Azerbaijan must show strong leadership and commitment to meet the many international requirements. However, the tough short-term disadvantages during this transitional period will lead to a more diverse, transparent, and stable, long-term economy for Azerbaijan.

***Annex 1: Normative acts adopted by the State Customs Committee of Azerbaijan Republic***

- 1) Decree on “rules on issue, application and filling of the periodic customs declaration” Nr. 1095 from 22 December 1997;
- 2) Decree on “Statue on “Rules of use of deposit by the customs authorities of Azerbaijan Republic” Nr. 1102 from 25 December 1997;
- 3) Decree on rules on remission of extra-paid or extra-levied customs payments” Nr. 1104 from 25 December 1997;
- 4) Decree on “Statue on “Rules and conditions of declaration of goods brought into the territory of Azerbaijan Republic” Nr. 1106 from 25 of December 1997;
- 5) Decree on “Rules on carriage through the territory of Azerbaijan Republic under the transit procedure of luggage, cabin-baggage, foreign currency and personal means of transport, convoyed and not convoyed by physical persons” Nr. 14 from 8 January 1998;
- 6) Decree on “Rules on regulation of activity of duty free shop” Nr. 33 from 24 July 1998;
- 7) Decree on “Rules on customs formalities of goods brought to the customs territory of Azerbaijan Republic directly for re-export and taken from this territory” Nr. 34 from 24 July 1998;
- 8) Decree on “Approval of Statue of customs warehouses” Nr. 64 from 11 November 1998;
- 9) Decree on “Approval of Statue of temporary storage (temporary storage warehouses)” Nr. 66 from 11 November 1998;
- 10) Decree on “Approval of Statue of customs treatment on re-import of goods” Nr. 8 from 10 February 1999;
- 11) Decree on “Approval of Statue of abandonment in favour of the state” Nr. 13 from 17 February 1999;
- 12) Decree on “Approval of Statue of customs treatment on destruction of goods” Nr. 14 from 17 February 1999;
- 13) Decree on “Rules of transit customs treatment” Nr. 38 from 12 May 2004;
- 14) Decree on “Rules of collection of customs duty for customs formalities” Nr. 73 from 10 December 1999;

- 15) Decree on “Approval of Rules on “Securing of laying on deposit of the customs authorities of amounts of customs payments payable and their return in accordance with the customs treatments envisaged in the Customs Code” Nr. 18 from 21 February 2000;
- 16) Decree on “Organisation of admission, list, valuation, sale (assignment) and destruction of goods, means of transport and other things, confiscated and turned into property of the state” Nr. 28 from 12 April 2000;
- 17) Decree on Approval of “Statue on Rules of admittance of carriers to the international freight carriages with application of IFG (International Freight Carriage) notebook in Azerbaijan Republic” Nr. 58 from 30 August 2000;
- 18) Decree on “Approval of Statue of “Customs treatment on temporary import (export)” Nr. 64 from 29 September 2000;
- 19) Decree on “Statue of “Customs treatment on processing under customs territory” Nr. 25 from 12 April 2001;
- 20) Decree on “Rules of declaration of goods moving by physical persons through the customs territory of Azerbaijan Republic” Nr. 14 from 20 April 2001;
- 21) Decree on “Instruction on “Moving by physical persons through the customs territory of Azerbaijan Republic in simplified and privileged form of goods destined for non-industrial and non-commercial purposes” Nr. 070 from 28 August 2001;
- 22) Decree on “Customs control and customs formalities over vessels, used in the commercial navigation, other floating means of transport and goods, carried on those means of transport” Nr. 44 from 18 June 2002;
- 23) Decree on “Approval of rules of passing customs formalities and customs control by air transport, goods carried by those means of transport, crossing the customs territory of Azerbaijan Republic” Nr. 54 from 25 July 2002;
- 24) Decree on “Rules of customs formalities of firearms and their ammunitions, carried by physical persons through the territory of Azerbaijan Republic” Nr. 59 from 24 August 2002;
- 25) Decree on “Model rules of realization of customs formalities and customs control over goods and means of transport, carried through the territory of Azerbaijan Republic” Nr. 62 from 6 September 2002;
- 26) Decree on “Rules of customs examination during the customs control of goods and means of transport” Nr. 111 from 4 December 2003;

- 27) Decree on “Rules of carriage of cultural values, included in the list of protection by physical persons through the customs territory of Azerbaijan Republic” Nr. 118 from 12 December 2003;
- 28) Decree on ”Rules of realization of customs formalities in respect of means of transport” Nr 82 from 03 September, 2004;
- 29) Decree on “Rules of customs control of goods, containing objects of intellectual property and carried through the customs territory of Azerbaijan Republic” Nr. 074 from 03 August 2005.

***Annex 2: Normative acts adopted by the State Agency for Standardisation, Metrology and Patents of Azerbaijan Republic***

- 1) The state standardisation system of the Republic of Azerbaijan. Main Provisions. (AZS 1.0 – 96)
- 2) The state standardisation system of the Republic of Azerbaijan. Rules on preparation of state standards
- 3) The state standardisation system of the Republic of Azerbaijan. Rules on preparation, agreement, approval and registration of technical specifications (AZS 1.3 – 96)
- 4) The state standardisation system of the Republic of Azerbaijan. The sectoral standards (AZS 1.4 – 96)
- 5) The state standardisation system of the Republic of Azerbaijan. General requirements for layout, formulation, presentation and contents of standards (AZS 1.5 – 96)
- 6) The State Standardisation System of the Republic of Azerbaijan. Rules on preparation, agreement, approval and registration of sectoral standards (AZS 1.6 – 96).

***Annex 3: Amendments, drafted legislation acts, and other legislative acts***

**Amendments to Normative-legal basis**

1. Law of Azerbaijan Republic “On Normative Legal Acts”, Law of the Azerbaijan Republic on Customs Tariff
2. The Law of Azerbaijan Republic "on copyright and neighboring right".
3. The Law of Azerbaijan republic “on trademarks and geographical indications”
4. The Law of the Azerbaijan Republic “on Patent”
5. The Law of Azerbaijan Republic on state duty
6. The Law of Azerbaijan Republic “About wine growing and winemaking”
7. The Law of Azerbaijan Republic on Tobacco and Tobacco products
8. The Law of Azerbaijan Republic on Currency Regulation
9. Decree of the Cabinet of Ministers on “Main principles of transfer of commodities and means of transportation through the customs border of the Azerbaijan Republic” 12 January, 1998 No
10. Decree of the Cabinet of Ministers on Rates of custom duties on export-import operations in the Azerbaijan Republic No 80
11. Decree of the Cabinet of Ministers on determining the origins of Commodities
12. Presidential Decree N# 609 “On Further Liberalization of Foreign Trade in Azerbaijan”

**Drafted Legislation Acts**

1. The Law of Azerbaijan Republic on Food Products
2. The Law of Azerbaijan Republic sanitary - epidemiological health
3. The Law of Azerbaijan Republic veterinary
4. The Law of Azerbaijan Republic on Phytosanitary control
5. The Law of Azerbaijan Republic on Standardization
6. The Law Of The Republic Of Azerbaijan On Public Procurements
7. The Law Of The Republic Of Azerbaijan On Trade Actions

8. Customs Code of the Azerbaijan Republic
9. The Competition Code of the Azerbaijan Republic
10. The Intellectual Property Center for Combat against Piracy
11. The Law of the Republic of Azerbaijan “on Selection ...choosing from mutants, backcross and gene engineering
12. The Law of the Republic of Azerbaijan on Commercial Secret 4 December, 2001
13. The Law of Legal Protection of Topologies of Integral Schemes
14. The Law of the Republic of Azerbaijan on Selection 15 November, 1996
15. The civil procession legislation of the Azerbaijan Republic 28 December, 1998
16. , The criminal law of the Azerbaijan Republic 30 December 1990.
17. Azerbaijan Republic Civil Code
18. Decision of the President of Azerbaijan Republic “On additional measures in the field of granting the license to some activity types 2002

**Other Legislative Acts**

1. Law on Technical Regulation
2. The Law of Azerbaijan Republic on Standardization
3. The Law of Azerbaijan Republic on Food Products
4. The Law of Azerbaijan Republic sanitary - epidemiological health
5. The Law Of The Republic Of Azerbaijan On Public Procurements
6. Customs Code of the Azerbaijan Republic
7. The Competition Code of the Azerbaijan Republic
8. The Intellectual Property Center for Combat against Piracy
9. The Law of the Republic of Azerbaijan “on gene engineering”



**Annex 4: Presentation by Marc Beckmann from Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) at “Azerbaijan’s admission to the World Trade Organization: International practice” conference in Baku on October 27, 2010**

**1 ECONOMIC STRUCTURE**

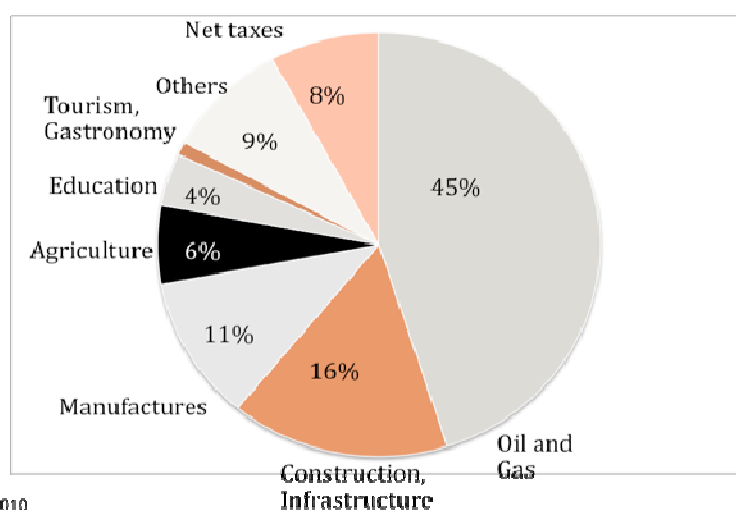
**Azerbaijan is amid the fastest growing economies of the world – but growth is strongly driven by oil and gas**

**GDP GROWTH RATES<sup>1</sup> [%, 2009]**

1. Comores	12.3
2. Azerbaijan	9.3
3. China	9.1
4. Ethiopia	8.7
5. Uzbekistan	8.1

1) World Bank, 2010

**BREAKDOWN OF GDP<sup>2</sup> [%, 2009]**



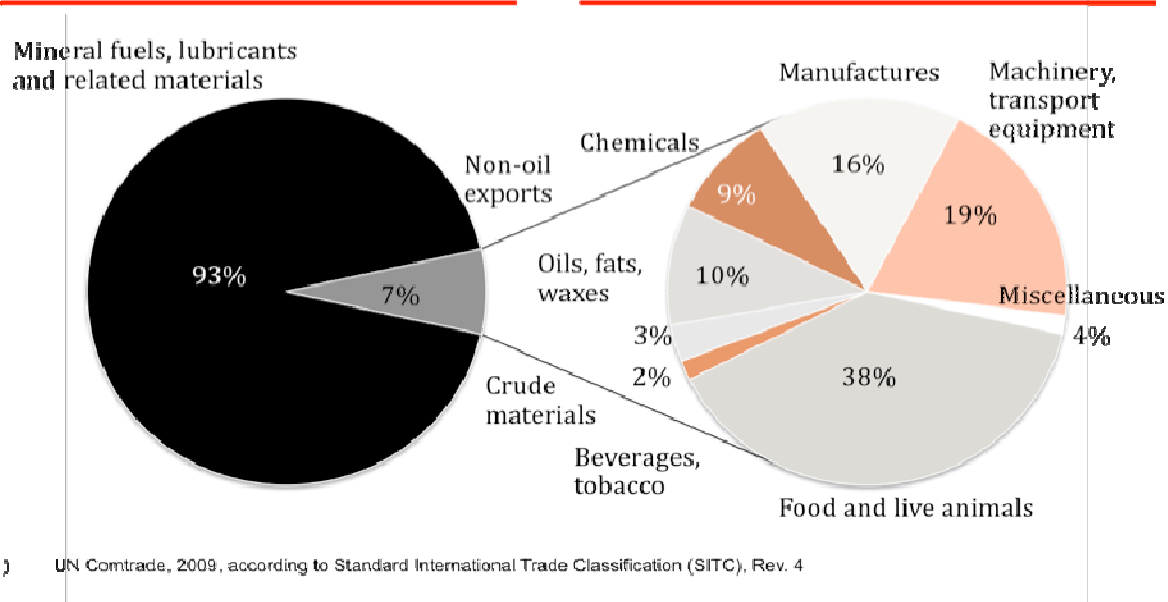
2) Germany Trade and Invest, 2010

**1 ECONOMIC STRUCTURE**

**Exports from Azerbaijan to world markets – Overview of main export commodities by sector**

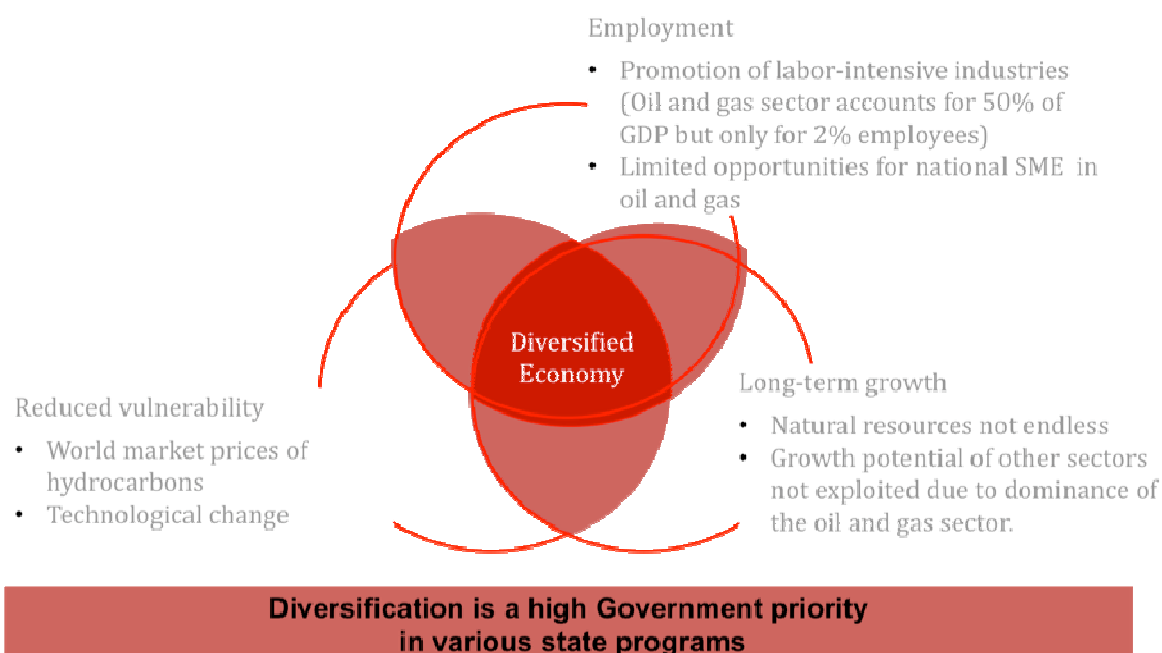
**OIL AND NON-OIL EXPORTS<sup>1</sup>**

**BREAKDOWN OF NON-OIL EXPORTS**



**2 WTO AND DIVERSIFICATION**

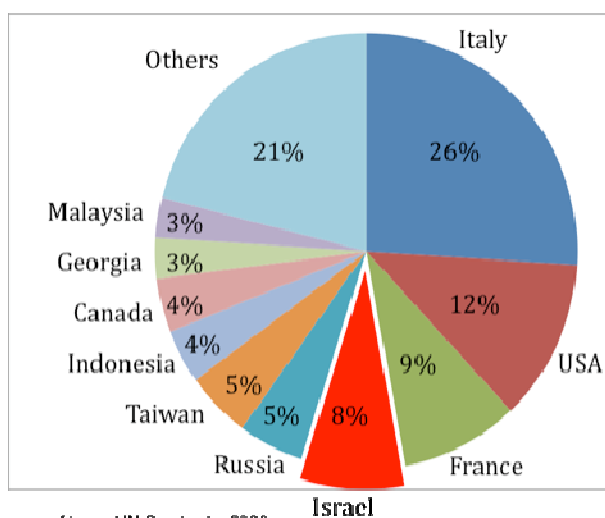
## Diversification – Positive impact on employment, resilience and long-term growth



**2** WTO AND DIVERSIFICATION

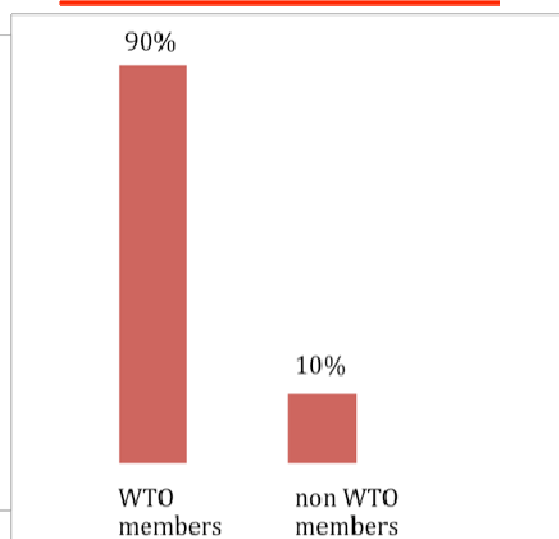
### Main trade partners of Azerbaijan – Overall majority of exports is shipped to WTO members

**MAIN DESTINATION MARKETS<sup>1</sup>**



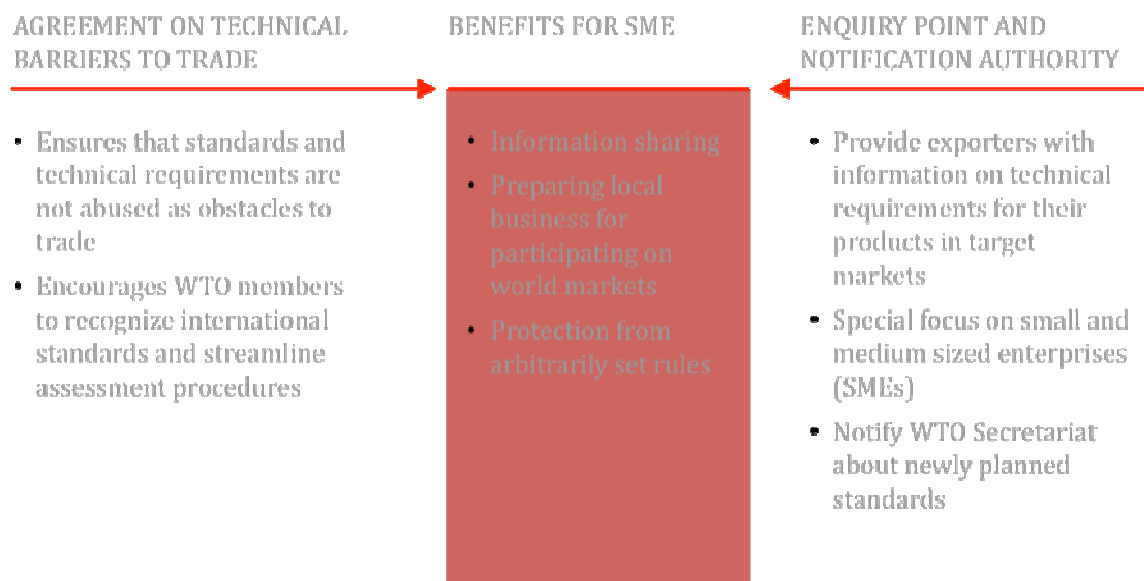
1) UN Comtrade, 2009  
2) Excluding others

**SHARE OF WTO MEMBERS<sup>2</sup>**



## 2 WTO AND DIVERSIFICATION

### Technical Barriers to Trade clearly illustrate benefits stemming from WTO accession



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European Committee for Standardization. FAQs. <http://www.cen.eu/cen/Pages/FAQ.aspx> (accessed November 1, 2010)

Heydar Aliyev Foundation. State Committee On Standardization, Metrology, and Patents of Azerbaijan Republic.

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<sup>i</sup> Jafar Alakbarov, Ulviya Abdullayeva, and David Parsons, *Scoreboard Report On Customs Law*, [http://pca.az/uploads/Customs\\_final.doc](http://pca.az/uploads/Customs_final.doc) (accessed November 1, 2010).

<sup>ii</sup> Ibid.

<sup>iii</sup> United Nations Development Programme, "Azerbaijan: Modernization of Customs Services in Azerbaijan," Public administration reform and anti-corruption in Europe & CIS, <http://europeandcis.undp.org/governance/parac/show/80FB8FE5-F203-1EE9-B27BFEEA6C9CE783> (accessed November 1, 2010).

<sup>iv</sup> United Nations. *The Single Window Concept*. Geneva, 2003. <http://unpan1.un.org/intradoc/groups/public/documents/UNECE/UNPAN019892.pdf> (accessed November 1, 2010).

<sup>v</sup> European Commission. "Single market for goods Prevention of technical barriers to trade." Enterprise and Industry. [http://ec.europa.eu/enterprise/policies/single-market-goods/prevention-technical-barriers-trade/index\\_en.htm](http://ec.europa.eu/enterprise/policies/single-market-goods/prevention-technical-barriers-trade/index_en.htm) (accessed November 1, 2010).

<sup>vi</sup> Jafar Alakbarov, Ulviya Abdullayeva, and David Parsons, *Scoreboard Report On Customs Law*, [http://pca.az/uploads/Customs\\_final.doc](http://pca.az/uploads/Customs_final.doc) (accessed November 1, 2010).

<sup>vii</sup> Ibid.

<sup>viii</sup> Ibid.

<sup>ix</sup> Ibid.

<sup>x</sup> European Committee for Standardization. FAQs. <http://www.cen.eu/cen/Pages/FAQ.aspx> (accessed November 1, 2010)