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**Working Party on the
Accession of Azerbaijan**

ACCESSION OF THE REPUBLIC OF AZERBAIJAN

Memorandum On The Foreign Trade Regime

In a communication dated 30 June 1997 (WT/ACC/AZE/1), the Government of the Republic of Azerbaijan applied for accession under Article XII of the Agreement Establishing the World Trade Organization (WTO). Having regard to the Decision adopted by the General Council on 31 January 1995, the existing Working Party on the Accession of the Republic of Azerbaijan to the GATT 1947 continued as a WTO Accession Working Party with the following terms of reference: "To examine the application of the Government of the Republic of Azerbaijan to accede to the World Trade Organization under Article XII, and to submit to the General Council recommendations which may include a draft Protocol of Accession". The membership is open to all WTO Members indicating their wish to serve on the Working Party.

In accordance with established procedures (WT/ACC/1), the Secretariat is circulating the Memorandum on the Foreign Trade Regime of the Republic of Azerbaijan. The legislation available in the Secretariat, in electronic formation, is listed in document WT/ACC/AZE/2/Add.1. WTO Members are invited to submit questions on the Memorandum to the Secretariat, in writing, by 21 May 1999 for transmission to the authorities of the Republic of Azerbaijan.

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I. INTRODUCTION

On 28 May 1918 the Azerbaijan People's Republic was established, the first Democratic Republic in the East. Although the Supreme Council of Paris (Versailles) Conference recognised its independence, the young Republic did not exist for a long time. As a result of the Bolshevik *coup d'état* Azerbaijan lost its independence in April of 1920 and became part of the former Soviet Union. But 70 years later, due to the aspirations and the will of the Azerbaijan nation, Azerbaijan re-emerged as an independent State. The national liberation movement was at its peak in the late 1980's, and as a result of the collapse of the Soviet Union, the Republic of Azerbaijan adopted its Constitutional Act called the "State Independence of the Republic of Azerbaijan" on 18 November 1991, thereby re-establishing its independence.

Political instabilities between 1992-1993, which were triggered by domestic and external factors, did not create a good environment for the development of democracy and a viable market-based economy. The economy had been devastated by more than 70 years of dramatic misallocation of natural resources under central planning. From another side, the occupation of a large part of the territory of Azerbaijan by Armenian military forces exacerbated economic and political difficulties and created massive refugee problems.

In 1993 Mr. Heydar Aliyev, a well-known politician and statesman, returned to his political position in order to establish the base for both political and economic stability.

The cease-fire, which was attained due to the efforts of Mr. Heydar Aliyev, the President of the Republic of Azerbaijan in May 1994, played a considerable role in strengthening Azerbaijan statehood and the development of its economy.

The Republic of Azerbaijan moved fast to gain international recognition and heralded the truth about Azerbaijan to the world. The Republic of Azerbaijan, which is a member of the United Nations Organisation and other influential international organisations, is an independent State that can affect the political and economic situation in the world.

The Constitution of Azerbaijan was adopted through the national referendum on 12 November 1995. After this, bases of democratic legislation for political and economic reforms were laid, and the process of formation increased.

Under the Constitution, the Republic of Azerbaijan is a democratic, legal, secular and unitary republic.

State power in the Republic of Azerbaijan is based upon the division of power as follows:

- The legislative power is implemented by Milli Mejlis;
- The executive power is empowered by the President of the Republic of Azerbaijan;
- The judicial power is implemented by the law courts.

The leader of the Azerbaijan State, the President of the Republic of Azerbaijan, is elected by general, equal and direct elections through free, personal and secret balloting, for a period of 5 years. The President nominates and dismisses the Prime Minister through approval of Parliament.

Milli Mejlis, which implements legislative power, is a one Chamber Parliament, consisting of 125 Peoples' Deputies. The deputies are elected through proportional and majority systems through general, equal and direct elections by free, personal and secret balloting. As a result of the democratic

election held on 12 November 1995, representatives of 8 political parties receive the mandate of deputy. The term of office of Milly Mejlis is 5 years.

The judicial power in the Republic of Azerbaijan is implemented by the Constitutional Court, Supreme Court, Economic Court of the Republic of Azerbaijan, as well as general and other specialised courts of the Republic of Azerbaijan.

The legislative, executive and judicial powers collaborate and are independent within their authorities in accordance with the Constitution.

Once political stability was consolidated, the Government launched an ambitious economic reform programme supported by financial resources from the International Monetary Fund (IMF), the World Bank, and other creditors. A drastic reduction in inflation and resumption of economic growth prove that macroeconomic conditions have stabilised.

The resumption of economic growth accompanied by a rapid expansion of foreign trade has prompted the Government of Azerbaijan to seek membership in the WTO.

The objective of the Government's strategy is reintegration of Azerbaijan's economy into international markets. The measures for liberalisation, related to the transition of Azerbaijan to a market economy, were the reasons for the establishment of the competitive environment.

Past trade policy and exchange regimes have completely changed. National currency is fully convertible, with some restrictions for capital account transactions.

The laws of the Republic of Azerbaijan provide guarantees for foreign investors. There are almost no restrictions in Azerbaijan for repatriation of income by foreign investors.

Although much has been done to liberalise foreign trade policies several considerations have prompted the Government's decision to seek membership in the WTO. Membership in the WTO would remove many negative problems from current politics, therefore this would enable the consolidation of liberal economic reforms.

Briefly, we consider the process of accession to the WTO as a catalyst of external sector reforms in compliance with the Uruguay Round Agreements.

I. ECONOMY, ECONOMIC POLICIES AND FOREIGN TRADE

1. Economy

- (a) General description (territory, population, economic specialisation, main economic indicators)

Territory

Azerbaijan occupies the south-eastern part of the Caucasus isthmus, a narrow strip of land between Europe and Asia. It is located along 825 kilometre of the Caspian Sea coastal line, and occupies an area of 86.6 thousand square kilometres. Azerbaijan borders with the Russian Federation in the north (length of border 390 kilometres), the Armenian Republic in the west (1,009 kilometres), Republic of Georgia in the north-west (480 kilometres), Turkey in the south-west (12 kilometres) and the Islamic Republic of Iran in the south (765 kilometres). Almost half of the territory of the country consists of mountains. There are nine climatic zones ranging from subtropical to highland tundra, with the temperature amplitude from - 45° C in highlands to +45°C in plains.

Population

As of 1 January 1999 the population of the country was 7.7 million people. The population has increased by 0.9 per cent since 1 January 1998. The urban population amounts to 52.3 per cent of the total, and the rural population 47.7 per cent. The population is relatively homogenous with Azerbaijanians accounting for 86 per cent. Around 90 ethnic groups including Russians, Tatars, Jews, Armenians, Lezgins, Kurds, Talishes, Avarians etc., account for the rest of the population.

The average density of population is 83 per one square kilometre. More densely populated regions are Absheron Peninsula (300 people per one square kilometre), Lenkoran (up to 115 people per one square kilometre) and other foothill parts of the Republic of Azerbaijan. The highlands are sparsely inhabited.

Baku (the capital of the Republic of Azerbaijan) has more than 2 million inhabitants. Other large cities are Sumgait, Gandja, Nahchivan, Mingechaur, and Ali-Bairamli.

The Most recent general census took place in January 1999.

Economic Specialisation

Azerbaijan has different industries. As a result of incorrect decisions taken by central planning regarding the industrial sectors and services in the former soviet republics, industry and agriculture was stagnant.

The most rapidly growing are the construction, retail and wholesale trade and others (mostly services). Table 1 presents the structure of Gross Domestic Product (GDP).

Table 1: Share of major sectors in GDP (%) in 1995 – 1998

	1995	1996	1997	1998
Industry	27.3	25.9	24.8	22.3
Agriculture	25.1	24.7	20.0	20.3
Transport and communication	17.4	10.2	11.9	12.9
Construction	3.7	9.3	13.8	16.4
Trade and public catering	4.8	5.2	5.5	5.7
Other	21.8	24.8	24.0	22.4

Sectors producing energy and energy products are highly important industrial sectors of the economy, as well as the oil and special machinery building industry; chemical and petrochemical industry; ferrous and non-ferrous metallurgy industry; industry of building materials; forestry industry; light industry; food industry and other main industries.

However, by far the most important are the oil extracting and oil processing sectors. Being the major natural resource, oil contributes 50 per cent of added value generated in industry. Oil and gas deposits in Azerbaijan are estimated at between 3.5 and 10 billion tons. This is also the sector that has attracted the largest inflows of foreign investment.

Machinery building complex (including petrochemical machinery building products), radio electronics, and precision instruments account for almost one fifth of the industrial aggregate output of Azerbaijan.

Agricultural holdings occupy 4 million hectares. Of these holdings only 22 per cent are located on arable land.

The major used crops are cotton, tobacco, wheat, rice, fruits and vegetables, etc.

Main economic indicators

Main economic indicators show achieved macroeconomic stability. In 1997-1998 GDP increased in comparison with 1996. The role of foreign trade is also very important for economic development.

In 1998 the foreign trade turnover was 1.683 billion, an increase of 6.8 per cent in comparison with 1997, including an increase in imports by 35.6 per cent and decrease in exports by 22.4 per cent.

Foreign experts foresee the economic growth of 7-9 per cent per annum over 1999-2000. The development of the oil sector and export of energy products together with the increase in investment for industry and agriculture will fuel economic growth. Domestic savings remain relatively low. Investment, however, will be largely financed from external sources rather than from domestic savings.

(b) Current economic situation

Azerbaijan has begun reaping benefits from the transformation programme launched in 1995. Thus, it has achieved very impressive results in macroeconomic adjustment: deflation was 2.4 per cent in 1998 while the annual inflation rate was above 1763 per cent in 1994 and GDP rebounded by 10 per cent.

At present positive changes influence tight monetary and fiscal policies positively, as well as an increase in FDI (foreign direct investment). The budget deficit in per cent of GDP fell from 13 per cent in 1994 to 2 per cent in 1998. The budget revenue increased due to better collection of taxes and an overall increase in economic activity. The State Customs Committee, collectors of duties and excise taxes, contributed 10.6 per cent to the total budget revenue in 1998. Taxes from foreign firms rose 2.6 times and are expected to grow.

Although the budget deficit at 2 per cent of the GDP remains relatively high, its financing will not have an impact on inflation.

The practice inherited from the former period, of financing the budget deficit through credits from the National Bank of Azerbaijan, has been terminated. Revenue from oil will partly finance the fiscal deficit.

Another sign of "normalisation" is the appreciation of the domestic currency against major currencies. Domestic currency appreciated by 16 per cent in comparison with the US Dollar between mid-1996 and mid-1998.

The conducive environment for market economy and existing export policy were the reasons for appreciation of national currency. The most important foundation for sustainable economic growth performance relates to the economic reforms of the programme. A foundation for sustainable economic recovery is private sector development. These reforms have been specially developed in 1997-1998.

The legal base for the voucher privatisation of medium-sized and large enterprises was established, and this process has been highly accelerated so far. Current procedures necessary for business activity have been completely changed and simplified.

396.5 billion Manats, which is equal to 101.6 million US Dollars, have been received during the privatisation process in the course of 1996-1998.

2. Economy

(a) Main directions of the implemented economic policies

In 1995 the Government launched the stabilisation programme. Although macroeconomic stabilisation has been largely achieved, structural reforms are still in process. The objective is to establish institutions to support the creation and functioning of competitive markets. The programme currently implemented has been established in close cooperation with international financial structures - International Monetary Fund, World Bank, European Bank of Reconstruction and Development.

The strategy of medium-term economic policy is twofold: acceleration of the transition to a market economy; and developing the country's oil resources without adverse impact on the rest of the economy. The strategy to address these objectives is based on demand and supply factors. Corresponding measures will be implemented to encourage domestic savings in order to dampen the difficulties of domestic demand in the non-oil sector of the economy. Furthermore, restrictions related to trade activity will be completely removed. At the same time there will be a chance for free repatriation of the capital account.

One of the perspective goals is the removal of the inherited central planning obstacles for growth in non-oil sectors of the economy. These include simplification of the tax system, privatisation, improvement of the banking sector, enforcement of legal protection to private property, streamlining public administration. These measures will boost private sector development.

The reduction of the State deficit (including oil capital, contract bonuses and others) to less than 1 per cent of GDP by 2000 remains the main aim of fiscal policy.

There has also been a change in financing of the budget. Fiscal deficits are now financed by treasury bills, utilisation of the oil funds, proceeds from privatisation, and disbursements of programme and project loans from the World Bank and other international creditors.

Monetary policy was subordinated to maintain low levels of inflation. Nominal as well as real interest rates declined due to lower inflation achievements and the improvement of the financial sector.

The objectives of current economic policy are:

- improvement of macroeconomic conditions for economic structure and economic development;
- strengthening the Manat and provision of its full convertibility;
- strengthening and simplifying the tax and payment regime;
- enlarging of reforms in the banking sector;
- strengthening the State's capacity to deal with corruption in public and private sectors.

Tactical and strategic goals of economic policies

Strategic goals of economic policy are accomplished in two major directions: to sustain current economic growth rates in a non-inflationary environment; and to provide balanced economic development that the growth in oil revenues (after 2000) may trigger. These goals are to be carried out while simultaneously establishing public foundations for competitive markets.

The development of Azerbaijan's oil wealth (and the use of its revenues) requires an appropriate legal and institutional structure. In order to prevent the State-owned energy enterprises from participation in commercial activity, new market energy sectors acting in accordance with newly established marketing principles will be established as will the financial relations between the oil sector and the State.

The goal is to maintain steady economic growth at a minimum of 6 per cent per year, while simultaneously removing barriers of development in the non-oil sector. Disciplined fiscal and monetary policies combined with microeconomic liberalisation are regarded as major tools to generate balanced economic development.

Another strategic objective is to establish a market-based agricultural sector. The 1996 Land Reform Law has provided a legal basis for individual ownership of land. The process of approval of State Statements on rights for land ownership develops rapidly.

Pricing policy

While five years ago around 80 per cent of prices were centrally controlled, now most prices are determined by interaction of demand and supply. Liberalisation of prices was one of the major measures of transition in the 1995.

In 1999, the Government will control prices of services and goods supplied by natural monopolies in the following industries: electrical power; heating energy; gas; oil and gas transportation; railway transport; telephone and mail communication services; public utilities; and housing rent.

Economic development plans

With the exception of political and institutional conditions for the development of infrastructure and establishing policy conducive to sustained economic development, the Government does not plan to become involved in development planning.

Privatisation plans

The transfer of property rights from the State to the private sector has been implemented in order to end the State's direct involvement in managing the economy.

The privatisation process is currently implemented in accordance with the "State programme on State property privatisation." This was implemented in the Republic of Azerbaijan in 1995-1998, which was approved by the Law on 29 September 1995, and has been recently ranked first by IMF among the CIS, in terms of the speed of privatisation process.

In accordance with "State programme on State property privatisation in the Republic of Azerbaijan in 1995-1998," State enterprises and ownership are divided into five categories:

- the enterprises and units which are prohibited to privatise;
- the enterprises and units which are privatised by the President's Decree;
- large enterprises and units which are privatised by the decision of the Cabinet of Ministers;
- enterprises and units which are privatised upon the decision of the State Property Committee (SPC) with the agreement of the local authorities; and
- other enterprises and units which are subject to obligatory privatisation.

Furthermore, the distinction has been made between the privatisation of small SOEs and medium and large SOEs. In the case of small-scale privatisation, 15 per cent of the enterprise is to be sold to the workers' collective on preferential terms and 85 per cent through open cash auction, investment and competitive tendering, and auctions. The first open cash auction in the small-scale privatisation programme was conducted in March 1996. Since the beginning of privatisation 27,712 enterprises and units have been privatised.

As for medium and large State-owned enterprises (SOEs), some of them have been reorganised into joint stock companies before privatisation. The State will retain 25 per cent of shares in closed-end investment funds. Whereas, the balance is to be allotted as follows: at least 50 per cent of the shares of enterprises are to be allocated to the State in voucher auctions, 15 per cent go to employees on preferential terms, and the remaining 10 per cent are sold through open cash auctions. Large-scale privatisation began with the distribution of privatisation vouchers (shares) in March 1997. At present the programme of privatisation is being rapidly accomplished.

In 1998, the share of private sector in the GDP was around 55 per cent. The share of the private sector in agriculture amounted to 95.3 per cent. In 1998 total budget revenues from privatisation were 141.4 billion Manats (around 36.154 million US Dollars).

Agrarian reforms have been implemented since 1995. The process of transferring the land to individual entrepreneurship is proceeding rapidly. Land can be freely purchased and sold.

The privatisation of plots occupied by privatised enterprises began in mid-1998. By 1 January 1999 there were 148 enterprises and units, and plots being privatised contributed to State revenues in the amount of 3.144 billion Manats (around 812 million US Dollars).

State monopoly over foreign trade of cotton and its products was abolished. All 17 cotton-cleaning factories have been privatised; among them 14 were privatised by foreign companies and the remaining three by local enterprises.

There are no measures that would grant exclusivity to one company or marketing enterprise in foreign trade.

Sectoral priorities

Dealing with competition policy in natural monopoly aspects of the energy sector is a major issue. This will strengthen the control over the natural monopolies through independent regulation of the natural monopoly aspects of electricity supply.

The State takes measures to attract foreign investment through simplifying the relationship between the energy sector and government and through the certification of energy suppliers.

The development of the gas production industry will be carried out under similar conditions, as were stipulated in oil contracts. There are several projects related to the development of onshore gas fields.

Regional development plans

Despite large regional inequalities, which have existed for decades, the Government does not have adequate resources to address them directly. Besides, most available resources are absorbed by reconstruction of war-damaged areas. Resettlement in the liberated areas of the involuntary displaced persons from the Nagorno-Karabagh region occupied by Armenian military forces is figured among the Government's priorities. There are more than one million displaced people and refugees in Azerbaijan. Preparations for the reconstruction programme have been in the process since 1996.

Under these circumstances, the emphasis has been on reformation of State finances so the result is that regions have greater discretion over their finances. Creating a better environment to upgrade business is another approach that is currently being followed.

(b) Monetary and fiscal policies

Monetary policy has been subordinated to consolidate progress achieved in lowering inflation. In the framework of a flexible exchange rate regime, pressures toward real exchange appreciation will not be conducted. Azerbaijan's National Bank monetary policy instruments will facilitate a smooth operation of the foreign exchange market. The new role of the State sector - in bringing it in line with transition to a market is underway, with Government continuing to withdraw from direct involvement in management of production and trade. In this way, the regulatory functions are strengthened. Significant changes have been implemented in budget planning. The programme of State sector restructuring is being developed together with the World Bank.

Tax legislation of the Republic of Azerbaijan, which can be adopted soon, will create favourable conditions for private sector development and attract direct investment in sectors other than oil extraction. New laws on corporate income tax, personal income tax, value added tax, land tax, property tax, excises, and road fund tax, etc. have been introduced.

Corporate income tax and taxes on other sources of income

The Law on "Profit Tax of Enterprises and Organisations," which was enacted on 24 December 1996 and entered into force on 1 January 1997 sets the following taxes and tax rates:

- corporate income tax – 30 per cent;
- tax on profits from retail sales, public catering and consumer services – 3 per cent (excluding value added tax);
- dividends and interests – 15 per cent;
- freight tax – 6 per cent;
- copy rights and licenses, rentals, and source of other incomes which is within the Republic of Azerbaijan – 20 per cent.

Personal income tax (PIT)

Personal income of citizens of the Republic of Azerbaijan, foreign citizens and persons without citizenship either having or not having permanent residence in the Republic of Azerbaijan are subject to PIT.

Persons who live in the Republic of Azerbaijan at least 183 days per calendar year are regarded as permanent residents of the Republic of Azerbaijan.

Gross personal income is subject to taxation on a progressive scale from the rate of 12 per cent to 40 per cent within a calendar year.

The private citizens are subject for tax pay tax rates 2-40 per cent from monthly income and income from work, based on civil-legal contracts.

Value added tax (VAT)

The rate of VAT is uniform and currently levied at 20 per cent.

As for foreign trade operations, there are some exceptions. The list of VAT-free imported goods is regulated by corresponding legislation.

Land tax

The Land Code of the Republic of Azerbaijan sets taxes on land. Land owners and users (except lessees) must pay land tax on an annual basis.

According to the Resolution of the Cabinet of Ministers of the Republic of Azerbaijan No. 43 adopted on 14 May 1997 the land tax for 1 hectare is calculated through multiplying the conditional numbers by 300 Manats. For the calculation of the land tax the table of pricing was approved by the above mentioned Resolution of the Cabinet of Ministries.

Road fund tax

In accordance with the Law of the Republic of Azerbaijan "On State Road Fund" the following kinds of taxes are in effect: fuel and oil tax; tax for use of roads (including individuals and transportation firms); purchase of vehicles; and transit tax.

- Tax on sale of fuel and oil is equal to 15 per cent of the total amount of sale less VAT paid;
- Tax from legal entities for use of roads is paid by enterprises and organisations independent of property and legal-organisational forms at the rate of 0.05 per cent (0.3 per cent for transportation firms) of the total revenue from sales;
- Tax from vehicle owners for use of roads is calculated as per power of an engine and at present it is equal to 110 Manats (\$ 0.03 US) per each horse power for private citizens and 275 Manats for legal entities paid annually;
- Tax on the purchase of vehicles is equal to 2 per cent of sale price;
- Transit tax is paid by legal and private citizens upon entering of the territory of Azerbaijan.

Extractive tax

Extractive tax is levied on the extraction of natural resources by individual citizens and legal entities. The Cabinet of Ministers of the Republic of Azerbaijan sets tax rates, which are *ad valorem* taxes in relation to the market value of extracted natural resources. Tax rates vary depending on the

resource. Current tax rates are 26 per cent on crude oil; 20 per cent on natural gas; 8 per cent on mineral water; and 3 per cent on non-ferrous metals.

Property tax

Property tax is paid by both private citizens and legal entities. Property tax is paid annually. The taxes are set in relation to a market value of a fixed asset less depreciation. The tax is levied on buildings and means of transportation.

Tax rates:

- for legal entities: 0.5 per cent of the value of asset;
- for private citizens: 0.1 per cent of the value of a real estate property;
- in the case of a vehicle, from 1.5 per cent to 5 per cent of the official minimal wage (5,500 Manats) per each horse power depending on the type of a vehicle.

Excises

In accordance with the Law “On Excise Tax” consumer goods are subject to excise tax. Under existing legislation private citizens and legal entities who/which produce and sell goods, which are subjects for excise tax, must pay excise tax.

Tax rates vary from 10 per cent to 90 per cent depending on the product. For a list of products subject to excise tax and their corresponding rates, see Table 2.

Table 2: Provisional list of the taxable to excise goods and rates of excise

Category of Goods	Rate
Ethyl alcohol	90
Liqueurs and vodka products, cognac and strong alcoholic beverages	85
Champagne, yeast	75
Various wines, beer, caviar, delicacy fish products, cupro-nickel products	50
Leather articles, natural fur and articles from it	45
Cut glassware and colour glassware	45
China tableware, plastics products, air-conditioners, carpets and machine-made carpet articles	30
Chocolate	40
Motor car tyres	60
Hand-made carpets and carpet articles	20
Tobacco goods:	1.
Class I cigarettes	20
Cigarettes of extra quality and I class	40
Class II and III cigarettes with filter	25

Category of Goods	Rate
Class IV cigarettes, etc.	15
Gasoline 95	65,03
Gasoline 92	65,23
Gasoline 76	65,76
Diesel fuel	29,83
Reactive fuel	39,46
Kerosene	33,46
Articles of precious metals and silver, perfume and cosmetics articles, radio sets, refrigerators and freezers, car and motorcycle repair services, air tickets selling to services abroad	10

Double taxation

Azerbaijan concluded and approved the Agreement on “Cancellation of double taxation and elimination of non-payment of taxes” with the following countries (see attachment):

United Kingdom	Norway	Uzbekistan
Georgia	Russian Federation	Germany
Kazakhstan	Turkey	

Proposed:

Pakistan	Belarus	Belgium
Poland	Sweden	France
Moldova	Netherlands	

These Agreements are applied to the entities of the countries, which signed them.

Capital and income taxes comprise income and capital taxes, taxes on components of capital and income, including profits from alienation of movable and immovable property, taxes on salaries and transfers paid by enterprises.

During tax collection in the Republic of Azerbaijan, the amounts of profit tax for enterprises and income tax for private citizens, paid out of the Republic of Azerbaijan in accordance with legislation of foreign countries, are taken into account. These amounts must not exceed the amount of tax subject to payment in the Republic of Azerbaijan in relation to profit and income obtained abroad.

(c) Foreign exchange and payments system, relations with International Monetary Fund, application of foreign exchange controls

In the process of transition from the central planning, the foreign exchange rate regime and payments system have been completely altered. All measures have been taken to meet obligations of Article VIII of the IMF Agreement. Azerbaijan’s exchange arrangements are in compliance with this Article. This was approved on 25 July 1997 by the National Bank of the Republic of Azerbaijan, which regulates operations related to currency accounts, and the conditions of conversion, repatriation and expatriation of assets, invested in economy. According to the “Rules”:

- imports (declared to customs officials) and transfers of foreign currency to the territory of the Republic of Azerbaijan are carried out without restrictions;
- all currency conversion operations are carried out through authorised banks which have received the licence of the National Bank for conduct of foreign exchange operations;
- conversion of foreign currency into Azerbaijan Manats for residents and non-residents is conducted without restrictions by authorised banks at Baku Inter-bank Currency Exchange, Inter-bank Currency market, Currency exchange offices, and through internal banking conversion by authorised banks;
- Azerbaijan's National Bank determines the official exchange rate against the US Dollar daily, so it is equal to the auction rate determined at the Baku Inter-bank Currency Exchange;
- In the case of domestic investment, any profits gained therefrom may be reinvested in local currency held in Azerbaijan or converted into foreign currency transferred without restrictions;
- Azerbaijan has maintained a very intensive and close relationship with the IMF since joining this organisation in 1992. The IMF has assisted Azerbaijan in restoring macroeconomic stability and establishing market-supporting institutions. In 1998 from resources provided by the IMF, \$331.9 million has been utilised.

(d) Foreign and domestic investment policy

Foreign investors (that is, enterprises or joint ventures with foreign equity capital ownership exceeding 30 per cent) are entitled to an exemption from duties on imports of assets, purchased from their equity. Azerbaijan has the policy of "open doors" in relation to foreign investment. The Law "On Protection of Foreign Investment", which was adopted on 15 January 1992 provides immunity for foreign investors against changes in subsequent legal acts (Article 10, Section II) for a period of 10 years. This Law also guarantees foreign investments against nationalisation (Article 11, Section II).

There are no restrictions for foreign investment, including the bank sector. Foreign investment is up to 68.8 per cent of the total. In comparison with 1997, the level of foreign investment in 1998 increased by 12.6 per cent (165 million US Dollars) and reached 1.5 billion US Dollars. Azerbaijan has the highest level of foreign investment per capita (124 US Dollars and 23.1 per cent of GDP) among CIS members.

(e) Competition policies

The establishment of competitive markets is one of the main objectives of economic reforms in Azerbaijan.

The State Committee on Antimonopoly Policy and Support for Entrepreneurship, established in 1993, is responsible for protecting consumers against monopolistic activity. Natural monopolies are also within the competence of the Committee and it has the power to fine companies for illegal activities. Any single entity or merger of companies with more than 35 per cent of the market share are automatically subject to an investigation.

The activities of the Committee are determined by the following major laws:

- The Law of the Republic of Azerbaijan "On Antimonopoly Activity" (4 March 1993);
- The Law of the Republic of Azerbaijan "On Unfair Competition" (2 June 1995);
- The Law of the Republic of Azerbaijan "On Entrepreneurs Activity" (15 December 1992);
- The Law of the Republic of Azerbaijan "On Enterprises" (1 June 1994);
- The Law of the Republic of Azerbaijan "On Joint Stock Companies" (24 November 1994);
- The Resolution of the Cabinet of Ministers of the Republic of Azerbaijan "Regulations for Activity of Natural Monopolistic Subjects of the Republic of Azerbaijan" (No. 109 of 15 August 1996).

3. Foreign trade in goods and services

With economic recovery underway, both the export and import of goods increased between 1995-1998, (Table 3). Annex 1 gives detailed statistical information on the structure and directions of foreign trade.

Table 3: Foreign trade of Azerbaijan in terms of value, 1995-1998 (in million of US Dollars)

	1995	1996	1997	1998
Exports	547	631	781	606
of which: oil products	282	395	452	418
Imports	668	961	794	1077
of which: machines and equipment	123	226	219	348

Oil sector activities determine foreign trade developments in Azerbaijan. The trade balance deficit was 15 per cent in terms of GDP in 1995, 17 per cent in 1996, 15 per cent in 1997, 11.4 per cent in 1998. However, if imports linked to oil sector development are netted out, the trade deficit would fall 10 per cent of GDP in 1995 to 6 per cent in 1998.

The services account balance was also 5.8 per cent of GDP in 1996, 8.7 per cent in 1997 and 9.9 per cent in 1998 (384 million US Dollars).

The services account deficit was dominated by oil sector activity: revenues from services in both transport and construction increased two times from 1996 to 1997 (Table 4).

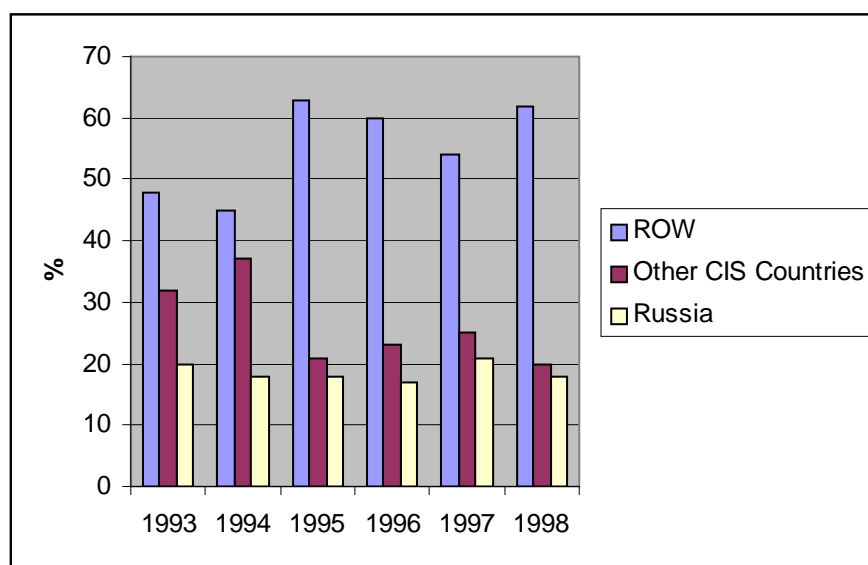
Table 4: Receipts and payments, 1995-1998 (in million of US Dollars)

	1995	1996	1997	1998
Receipts	172	149	342	252
Payments	312	426	726	532
Services Balance	-140	-277	-384	-280

Directions of trade

Following the demise of the Soviet Union there has been very significant changes of Azerbaijan's foreign trade. The share of CIS countries (former Soviet Republics excluding the Baltic countries) has decreased. It fell from 52 per cent in 1993 to 40 per cent in 1996 and increased to 46 per cent in 1997 and decreased again to 38 per cent in 1998. Foreign trade turnover fell from \$1.5 billion in 1993 to \$1.2 billion dollars in 1995 and then was \$1.6 billion in 1996-1997. In 1998 more than a half of the total foreign trade turnover (1.046 billion US Dollars or 62 per cent) was linked with non-CISs (Figure 1).

Figure 1: Azerbaijan's total registered foreign trade



Source: Azerbaijan State Committee on Statistics

In 1998 import of goods from non-CIS countries amounted to \$672 million, or 62 per cent of total import. Export stood at \$374 million, or 62 per cent of total export. Import from CIS countries totalled 405 million US Dollars or 37 per cent of import, and export to CIS countries were 232 million US Dollars or 38 per cent of total export.

Today, Russia is still the principal trading partner of Azerbaijan in the CIS, but its share became significantly lower than in the early 1990s. In 1998, Azerbaijan's imports from Russia of \$194 million US Dollars accounted for 18 per cent of the total, while exports of 106 million US Dollars accounted for 17 per cent of Azerbaijan's exports.

Decrease of foreign trade with Russia was related with the crisis in August 1998, which influenced all CIS members, including Azerbaijan. Export of some products from Azerbaijan to Russia, tobacco, some agricultural and industry products, decreased sharply. In comparison with 1997 export decreased to 41.1 per cent in 1998. As a result, the decrease of export from Russia to Azerbaijan has influenced domestic consumers negatively. The above-mentioned factors complicated the financial situation of a number of enterprises.

Despite the Azerbaijan Government's successful management of financial damages by means of emergency measures, it was unable to offset them completely.

As for other CIS economies, Ukraine supplied 8.6 per cent of Azerbaijan's imports and Georgia 2.3 per cent. These two countries accounted respectively for 2 per cent and 12.7 per cent of Azerbaijan's exports. Among non-CIS countries Iran (5.2 per cent of the total trade turnover), Turkey (21 per cent), Germany (3.1 per cent) and UAE (2.9 per cent) are Azerbaijan's most important trading partners.

Composition of imports and exports

In 1998 the major category of imports remained food, accounting for 16 per cent of total imports, equipment 32.5 per cent, energy was 3 per cent while that of iron and steel amounted to 12 per cent.

On the export side, cotton, minerals, fuel, oil and oil-products make up more than a half of Azerbaijan's exports. The biggest items are oil and oil products which generated \$418 million dollars or 72.3 per cent of Azerbaijan's total export earnings in 1998.

4. Domestic trade in services including value and composition of foreign direct investment

The paid services characterise the changes in domestic trade services sector. Following the collapse of central planning there was a significant increase in the share of services in Gross Domestic Product (GDP). The decline of industrial output was initially the reason for an increase in services.

The share of services rose to 22 per cent in 1995. There was an increase in paid services by 11 per cent in 1998 in comparison with the previous year.

While there is no reliable data available on the composition of foreign investment in services, statistics on foreign investments in the non-oil sectors of the economy showed some light. Of \$617 million dollars invested during that period, 33 per cent went to industry, 35.5 per cent to agriculture, 31.5 per cent to services and infrastructure. Hotels and supermarkets accounted for a large part of these investments. Furthermore, at present several foreign banks conduct their operations in Azerbaijan.

5. Information on financial movements related to nationals working abroad, remittances, etc.

The number of Azerbaijan citizens working outside of Azerbaijan is not significant. Therefore, remittances are negligible and not included in balance-of-payments statistics.

6. Information on growth in trade in goods and services over recent years and forecasts for years to come

The economic recovery has accompanied expansion in domestic trade in goods and services. Trade turnover in goods increased by 9.1 per cent in 1998 and is expected to expand (see Table 5).

Table 5: Domestic trade in goods and services, 1995-2000

	1995	1996	1997	1998	1999	2000
Goods turnover (in billions of Manats)	5,293	7,339	8,481	9,135	12,200	15,000
Real growth rate (in %)	2.3	14.1	17.3	9.1	12	10
Paid services (in billions of Manats)	583	965	1,148	1,350	2,000	2,250
Real growth rate (in %)	-25	16	11	11	10	8

III. FRAMEWORK FOR MAKING AND ENFORCING POLICIES AFFECTING FOREIGN TRADE IN GOODS AND TRADE IN SERVICES

The current foreign trade policy framework has shifted from supporting direct State micromanagement of foreign trade to a market-supporting framework.

The reforms, those already implemented and those envisaged, seek to enhance competition in domestic markets and promote export-oriented production through removing discrimination against foreign investors and producers of imported products.

While major pillars and institutions are in place, the development and enforcement of WTO-consistent policies in all areas covered by the Uruguay Round Agreements is yet to be completed. The Government will fervently strive to remove existing inconsistencies.

1. Power of the executive, legislative and judicial branches of government

In compliance with Article 99 of the Constitution of the Republic of Azerbaijan the President of the Republic of Azerbaijan implements the executive power.

The President of the Republic of Azerbaijan:

1. announces elections to Milli Majlis of the Republic of Azerbaijan;
2. submits the Republic of Azerbaijan State budget of the Republic of Azerbaijan to Milli Majlis for approval;
3. approves state economic and social programmes;
4. appoints Prime Minister of the Republic of Azerbaijan, dismisses Prime Minister of the Republic of Azerbaijan with the consent of Milli Majlis of the Republic of Azerbaijan;
5. appoints and dismisses members of the Cabinet of Ministers of the Republic of Azerbaijan; whenever necessary takes chair at the meetings of Cabinet of Ministers of the Republic of Azerbaijan;
6. makes decisions about the resignation of Cabinet of Ministers of the Republic of Azerbaijan;
7. establishes central and local executive power bodies within the limits of sums allotted in the State budget of the Republic of Azerbaijan;

8. cancels decrees and orders of the Cabinet of Ministers of the Republic of Azerbaijan and Cabinet of Ministers of Nakhichevan Autonomous Republic, and acts of central and local executive power bodies;
9. submits proposals to Milli Majlis of the Republic of Azerbaijan about appointment of judges of Constitutional Court of the Republic of Azerbaijan, Supreme Court of the Republic of Azerbaijan and Economic Court of the Republic of Azerbaijan; appoints judges of other courts of the Republic of Azerbaijan; appoints and dismisses General procurator of the Republic of Azerbaijan by consent of Milli Majlis of the Republic of Azerbaijan;
10. submits recommendations to Milli Majlis of the Republic of Azerbaijan about appointment and dismissal of members of Administration Board of National Bank of the Republic of Azerbaijan;
11. submits military doctrine of the Republic of Azerbaijan to Milli Majlis of the Republic of Azerbaijan for approval;
12. appoints and dismisses officers of higher rank to Military Forces of the Republic of Azerbaijan;
13. forms the executive office of the President of the Republic of Azerbaijan, appoints its head;
14. appoints and dismisses authorized representatives of the President of the Republic of Azerbaijan;
15. submits recommendations to Milli Majlis of the Republic of Azerbaijan about establishment of diplomatic representations of the Republic of Azerbaijan in foreign countries and under international organisations, appoints and dismisses diplomatic representatives of the Republic of Azerbaijan in foreign countries and in international organizations;
16. receives credential papers and letters of recall from diplomatic representatives of foreign countries;
17. concludes interstate and intergovernmental agreements, presents interstate agreements to Milli Majlis of the Republic of Azerbaijan for ratification and denunciation; signs decrees on ratification of international agreements;
18. announces referendum;
19. signs and issues laws;
20. settles questions concerning citizenship;
21. settles questions concerning granting political refuge;
22. grants pardon;
23. gives State awards;
24. assigns higher military and higher special ranks;
25. announces total or partial mobilization and demobilization;
26. takes decisions about calling up citizens of the Republic of Azerbaijan to urgent military service and transfer to the reserve of soldiers of urgent military service;
27. forms Security Council of the Republic of Azerbaijan;

28. submits recommendation to Milli Majlis of the Republic of Azerbaijan about consent for use of Military Forces of the Republic of Azerbaijan in implementation of duties other than their normal duties;
29. announces state of emergency and martial law;
30. on consent of Milli Majlis of the Republic of Azerbaijan announces a war and concludes peace agreements;
31. forms special security bodies within the limits of sums allotted from State budget of the Republic of Azerbaijan;
32. settles other questions which under the present Constitution do not pertain to the competence of Milli Majlis of the Republic of Azerbaijan and court bodies of the Republic of Azerbaijan.

According to Article 81 of the Constitution Milli Mejlis realizes the legislative power.

Milli Mejlis of the Republic of Azerbaijan enacts the constitutional laws, laws and regulations in term of its competence.

Milli Mejlis of the Republic of Azerbaijan establishes general rules concerning the following matters:

1. use of rights and liberties of a person and citizen specified in the present Constitution, state guarantees of these rights and liberties;
2. elections of the President of the Republic of Azerbaijan;
3. elections to Milli Majlis of the Republic of Azerbaijan and status of deputies of Milli Majlis of the Republic of Azerbaijan;
4. referendum;
5. judicial system and status of judges; procurator's office, the bar and notary's offices;
6. legal proceedings, execution of court verdicts;
7. elections to municipalities and status of municipalities;
8. state of emergency; martial law;
9. State awards;
10. status of private citizens and legal entities;
11. objects of civil law;
12. transactions, civil-legal agreements, representation and inheritance;
13. right of property, including legal regime of State, private and municipal property, right of intellectual property, other proprietary rights; liability right;
14. family relationships, including guardianship and trusteeship;
15. basis of financial activity - taxes, duties and charges;
16. labour relationships and social maintenance;
17. interpretation of crime and other violations of law; establishment of responsibility for these acts;
18. defense and military service;

19. governmental employment;
20. basis of security;
21. territorial arrangement; regime of State borders;
22. ratification and denunciation of international treaties;
23. communications and transport;
24. statistics; metrology and standards;
25. customs;
26. commerce and stock exchange activity;
27. banking business, accounting, insurance.

In accordance with Article 125 of the Constitution of the Republic of Azerbaijan only Courts may implement legal procedures and justice.

According to the Law of the Republic of Azerbaijan “On Courts and Judges”, adopted on 10 June 1997, the following are referred to the system of Courts of the Republic of Azerbaijan:

- district (city) courts;
- the Court of the Republic of Azerbaijan on felons;
- military courts;
- military courts of the Republic of Azerbaijan on felons;
- Local economic courts;
- Economic courts for settlement of disputes related to international agreements;
- Supreme Court of the Nachchivan Autonomous Republic;
- Court of Appeal of the Republic of Azerbaijan
- Economic Court of the Republic of Azerbaijan;
- Supreme Court of the Republic of Azerbaijan.

2. Government entities responsible for making and implementing policies affecting foreign trade

The following Government entities are responsible for making and implementing policies affecting foreign trade:

- Milli Mejlis of the Republic of Azerbaijan;
- The President of the Republic of Azerbaijan;
- The Cabinet of Ministers of the Republic of Azerbaijan;
- The Ministry of Commerce of the Republic of Azerbaijan;
- The Ministry of Economy of the Republic of Azerbaijan;
- The Ministry of Finance of the Republic of Azerbaijan;
- National Bank of the Republic of Azerbaijan;

- State Customs Committee of the Republic of Azerbaijan;
- State Committee on Antimonopoly Policy and Support for Entrepreneurship of the Republic of Azerbaijan;
- Main State Tax Inspection of the Republic of Azerbaijan.

Implementation of the regime of regulation of trade policy has evolved since the collapse of central planning.

The Ministry of Commerce is a central body of executive power which implements internal and foreign trade State policies and management of relations with international trade organisations. The Ministry of Commerce coordinates the activity of other central executive bodies in the field of internal and foreign trades in compliance with the existing legislation.

The main responsibilities of the Ministry of Commerce are determined by the Constitution, Laws of the Republic of Azerbaijan, international agreements, Orders and Decrees of the President, the Cabinet of Ministers of the Republic of Azerbaijan and the Presidential Decree of the Republic of Azerbaijan "Regulations about Ministry of Commerce of the Republic of Azerbaijan" No. 626 adopted on 26 July 1997.

The State monopoly on foreign trade was completely removed.

The Cabinet of Ministers of the Republic of Azerbaijan sets tariffs with recommendations of other Government agencies.

3. Division of authority between central and sub-central form of governments

The heads of local executive authorities carries out the executive power in the regions (districts, cities).

The President of the Republic of Azerbaijan appoints and dismisses the heads of local executive authorities. The President of the Republic of Azerbaijan identifies the authorities of local bodies.

In accordance with Article No. 142 of the Constitution of the Republic of Azerbaijan the municipalities implement self-government. The municipalities are instituted by the elections. Rules of election of municipalities and the status of municipalities are determined by law.

At present the corresponding laws about municipalities are being discussed by Milli Mejlis.

4. Any legislative programmes or plans to change the regulatory regime

The regulatory regime has been under constant change since 1994. Its major objective is, on the one hand, removing the legacy of Soviet Laws from the legislative framework, and on the other hand, establishing the legal and regulatory bases of democracy.

Given the complexity of the task, this process is still underway. Along with enforcement, the legislative norms ("About Police", "Criminal Code", "About Advocacy" and "About Notary", other legal drafts), which are now under consideration, the norms mentioned determine the implementation of democratic measures (election of local bodies, and identification of their status).

5. Laws and Legal Acts

The list of the laws and legal acts, documents and other normative-legal decrees, regulating activity of Customs Authorities, imports, exports, transit, rules on foreign investments, and economic questions influencing trade in goods and services is shown in Annex 2 of the Memorandum.

6. Description of judicial, arbitral or administrative tribunals or procedures

Judicial power in Azerbaijan is implemented through the Constitutional Court of the Republic of Azerbaijan, Supreme Court of the Republic of Azerbaijan, Economic Court of the Republic of Azerbaijan, general or specialised law courts of the Republic of Azerbaijan.

It is implemented through Constitutional, civil and criminal legal proceedings and other forms of legislation provided for by law.

Judges are independent, they are subordinate only to Constitution and laws of the Republic of Azerbaijan, and they cannot be replaced during the term of their authority.

The Economic Court of the Republic of Azerbaijan is the highest law court for the settlement of economic disputes. It carries out control over activity of respective specialised law courts in an order envisaged by law.

The Judges of Economic Courts of the Republic of Azerbaijan are appointed by Milli Majlis of the Republic of Azerbaijan on recommendation by the President of the Republic of Azerbaijan.

IV. POLICIES AFFECTING TRADE IN GOODS

The foreign trade regime has been dramatically liberalised, especially over the last three years. Export controls were scrapped in 1996, as were export tariffs and the compulsory requirement to surrender a portion of hard currency earnings at below market exchange rates. Many procedures related to foreign trade operations were simplified. Last but not least, a new streamlined tariff structure based essentially on two rates was introduced in 1997.

1. Import Regulation.

(a) Registration requirements for engaging in importing

There is no registration requirement to become involved in importing.

(b) Characteristics of national tariff, customs tariff nomenclature (HS), types of duties, general description of the customs tariff structure, application of m. f. n. tariff rates, tariff preferences

In 1997 a new two-rate tariff structure was introduced with rates of 15 per cent and 5 per cent. Thus Azerbaijan has a simple tariff structure of two rates. However, in addition, a number of products are granted duty free access to Azerbaijan's domestic markets. The weighted average applied tariff rate was 4 per cent in 1997 - 1998. The main system used for coding purposes is Harmonised Commodity Description and Coding System (HS).

Although the existing laws allow for the following types of customs duties to be applied *ad valorem* tariff has been applied:

- *ad valorem*, calculated in relation to the customs value (usually invoice);

- specific duties, calculated at the fixed cost per unit of goods;
- combined, combining *ad valorem* and specific tariffs.

Since January 1st 1997, there are no preferential tariff rates: imports from all sources are subject to the same tariff. Although Azerbaijan has signed preferential trading agreements with seven states of the CIS - Georgia, Kazakstan, Moldova, Russia, Turkmenistan, Uzbekistan and Ukraine - their trade liberalising provisions have not taken effect.

(c) Tariff quotas, tariff exemptions

There are no tariff quotas in Azerbaijan.

There are three types of tariff exemptions. First, there is a list of products which are exempt from duties (and VAT as well). Among others these include: seeds; feeds; fertiliser; animals for breeding; pharmaceutical products; capital equipment; equipment (including spare parts) used in agriculture; packaged baby food and syringes.

The second type is applied to the property contributed by foreign investors to the equity capital of the joint ventures established in Azerbaijan.

The third type of tariff exemptions also apply to goods envisaged for official use by the diplomatic representations and international organisations, humanitarian aid, free technical assistance, and in-kind contributions of foreign investors to joint ventures established in Azerbaijan.

(d) Other duties and charges, specifying any charges for services rendered

The following *ad valorem* customs charges are imposed on exports and imports:

- State enterprises pay an *ad valorem* fee of 0.15 per cent of the customs value of goods but no less than the equivalent of three minimum monthly wages¹;
- in-kind contributions to a joint venture are subject to the *ad valorem* rate of 0.25 per cent but no less than the equivalent of two minimum monthly wages;
- exports and imports in barter transactions are subject to the rate of 0.25 per cent but no less than the equivalent of four minimum monthly wages;
- convertible currency exports and imports are subject to the *ad valorem* rate 0.25 per cent but no less than \$5 dollars (or its equivalent converted at the official rate of Manat);
- goods shipped for further processing are subject to the *ad valorem* rate of 0.25 per cent;
- goods imported or exported under humanitarian aid are not subject to a customs charge.

(e) Quantitative import restrictions, including prohibitions, quotas and licensing systems

The import of goods listed in Annex 1 (arms and military equipment, spares required for their manufacturing, gun powder, explosives, pyrotechnic facilities, nuclear materials and technologies, facilities and equipment, special non-nuclear materials, radioactive sources, including radioactive wastes, drugs, chemical poisons, military related scientific-technical information and technology) of

¹ The minimum monthly wage of 5500 Manat

the “Procedures on regulation of import-export transactions in the Republic of Azerbaijan” approved by the Decree of the Azerbaijan President dated 24 June 1997, will be exclusively carried out in accordance with the Resolution of Cabinet of Ministers. Otherwise, import of these products is prohibited.

For the import of chemical elements used for cultivation of plants, medicines used in veterinary biological preparations and medical preparations, the Ministry of Commerce issues a licence after consultation with appropriate Government agencies. Otherwise, import of these products is prohibited.

The import of ethyl (edible) alcohol, alcohol beverages (excluding beer) and tobacco products are subject to quantitative restrictions. Within quantitative quotas, determined annually by the Ministry of Economy, the Ministry of Commerce is in charge of issuing import licenses. See Annex 3.

(f) Import licensing procedures

Annex 3 of the Memorandum gives details of licensing procedures for imports of ethyl (edible) alcohol, alcohol beverages and tobacco products.

(g) Other border measures, e.g. any other schemes that have border effects

There are no other border measures.

(h) Customs valuation

The system of customs valuation in Azerbaijan closely follows the principles set in the Agreement on Implementation of Article VII of GATT. Valuation is usually based on the transaction value of the goods subject to adjustments due to the inclusion of cost insurance and freight charges as well as VAT (if applicable) and excise tax (if it applies to a product). In case of dispute over accuracy of the transactions value, one or more of standard GATT valuation options may be used.

Annex 4 provides a detailed description of appropriate order of determination of customs value (customs valuation) .

(i) Other customs formalities

The importers have to submit the customs declaration on imports accompanied by an invoice or other proof of the price actually paid, certificate of origin, and a shipment document.

(j) Pre-shipment inspection

The Republic of Azerbaijan does not regularly use pre-shipment inspection services, nor does it have any legal regulations on pre-shipment inspection. However, in some cases pre-shipment inspection has been used by private sector importers to meet consumer protection requirements and technical standards. Pre-shipment inspection for veterinary controls is also used.

(k) Application of internal taxes on imports

The same rules of taxation apply to domestically produced goods as well as imports. There are no internal taxes levied specifically on imports.

(l) Rules of origin

Since Azerbaijan does not have preferential trade agreements and all imports are subject to the same rules whatever their origins, the origin of imports does not have to be controlled. Certificates of origin are required mainly for statistical purposes.

The principles and rules for identifying the country of origin embodied in the Law of the Republic of Azerbaijan "About Customs Tariff" (June 1997) are broadly in line with the Kyoto Convention. These tests or criteria to assess "sufficiency of transformation" adopted in the Law include, among others:

- a change in tariff heading;
- determining a list of specific processing operations which do or do not confer upon the products involved the origin of the country in which the operation was realised;
- the use of the percentage of value-added generated (or the percentage of materials utilised in transforming the product) in a country.

(m) Anti-dumping regime

Although the existing legislation allows for an anti-dumping undertaking, no mechanism for applying anti-dumping has been introduced. A draft law has been worked out and it is currently under approval.

(n) Countervailing duty regime

Azerbaijan has not developed a countervailing duty regime. No countervailing duties have ever been imposed.

(o) Safeguard regime

There is no special safeguard regime in Azerbaijan.

2. Export Regulation

(a) Registration requirements for engaging in exporting

Except for obtaining the status of a legal entity, there are no special registration requirements for engaging in export activity.

(b) Customs tariff nomenclature, types of duties, duty rates, weighted averages of duty rates

Customs export duties are not imposed on exported goods regardless of their type.

(c) Quantitative export restrictions, including prohibitions, quotas and licensing system

Exports of goods listed in Annex 1 (arms and military equipment, spares required for their manufacturing, gun powder, explosives, pyrotechnic facilities, nuclear materials and technologies, facilities and equipment, special non-nuclear materials, radioactive sources, including radioactive wastes, drugs, chemical poisons, military related scientific-technical information and technology) of the "Procedures on regulation of import-export transactions in the Republic of Azerbaijan" approved by the Decree of the Azerbaijan President dated 24 June 1997 will be exclusively carried out in

accordance with the Resolution of Cabinet of Ministers. Otherwise, exports of these products are prohibited.

Exports of goods indicated in the Annex 2 of the “Rules of Regulation of export-import operations” (steppe animals, wild plants and bones of animals from excavations, raw materials for medicines, poison of snake and bee, as well as poison of scorpions, works of art) are not allowed unless a special permit is obtained from the Ministry of Commerce. The Ministry is obliged to consult the decision with appropriate competent Government agencies.

(d) Export licensing procedures

The export of goods and services are not licensed, except as indicated under sub-paragraph “c” above.

(e) Other measures, e.g. minimum export prices, voluntary export restrictions, orderly marketing arrangements

There are no such export restricting measures.

(f) Export financing, subsidy and promotion policies

The Government is not involved in promoting export through subsidies. Exporting firms rely solely on commercial credits.

(g) Export performance requirements

No such requirements exist in the Republic of Azerbaijan.

(h) Import duty drawback schemes

There is no duty-drawback mechanism in Azerbaijan.

3. Internal policies affecting foreign trade in goods

(a) Industrial policy, including subsidy policies

Except for the development of infrastructure, completing privatisation of large State-owned enterprises and establishing an environment friendly to private sector development, the Government is not directly involved in shaping the performance of industrial sectors. Enterprises involved in foreign trade, either export or import, are not subsidised by the State.

(b) Technical regulations and standards, including measures taken at the border with respect to imports

A certificate of conformity is required for some products. See Annex 5.

(c) Sanitary and phytosanitary measures, including measures taken with respect to imports

The Law “About the Sanitary and Epidemiological Welfare” bans the import of products that could trigger spreading of infections dangerous to people, animals, plants and food products. At customs clearance of imported goods, certificates confirming the quality and origin of goods are required.

(d) Trade related investment measures

There are no trade-related investments measures in Azerbaijan.

(e) State-trading practices

There are no governmental or non-governmental enterprises, including marketing boards, with exclusive rights or privileges in export or import operations.

(f) Free zones

There are no free zones on the territory of the Republic of Azerbaijan. However, the draft law of the Republic of Azerbaijan "About Free Zones" is under consideration. This Law will determine the legal and economic ramifications of the establishment of free zones.

(g) Free economic zones

No free economic zones.

(h) Trade-related environmental policies

The Law of the Republic of Azerbaijan "About Nature Protection and Nature Utilization" is a cornerstone of Azerbaijan's environmental policies. In its present form it has little bearing, if any, on trade.

(i) Mixing regulations

There are no mixing regulations in the Republic of Azerbaijan.

(j) Government-mandated counter-trade and barter

The Government regulates counter-trade and barter through the following measures:

- registration and monitoring of barter operations (the Ministry of Commerce is responsible);
- requirement that a barter operation is completed within and reception of goods in equivalent amount is fixed for 90 days.

(k) Trade agreements leading to country-specific quotas allocation

Azerbaijan has not signed such agreements.

(l) Government procurement practices, including general legal regime and procedures for tendering, dealing with tenders and awards of contracts.

Government procurement and sourcing policies, regulated by the law "About Tender" of 4 February 1997 and the Decree 524 of the President of the Republic of Azerbaijan (12 December 1996) together with the Provision "About Purchases of Goods (works, services) by State Enterprises", require competitive tendering for all purchases exceeding 250 million Manat (around \$64,000).

The procurement laws seeks to assure transparency of tendering procedures, which are open to pre-qualified firms, both domestic and foreign.

(m) Regulation of trade in transit

The transit of goods can be realised by any public route. Transit is subject to transport charges which vary according to the size of cargo, type of transportation, etc. Goods in transit between two customs stations of the Republic of Azerbaijan should be delivered into a customs station of arrival within terms established by the customs authorities at the point of departure.

4. Policies affecting foreign trade in agricultural products.

As a result of privatisation of State-owned farms and collective farms, the State facilitated the establishment of ownership in an agricultural infrastructure. There is no policy influencing prices and profit, excluding the artificial irrigation system.

(a) Imports

All import procedures described in Section IV 1(b), (c) apply to agricultural imports. No other border measures are applied to agricultural goods other than the sanitary and phyto-sanitary measures.

(b) Exports

There is no special export regime applicable to agricultural goods and no export subsidy measures are in place.

(c) Export prohibitions and restrictions

There are no export prohibitions or restrictions on agricultural products.

(d) Export credits, export credit guarantees or insurance programmes

There are no export credits other than those available from the commercial banks. There is no system of export credit guarantees and any insurance programmes.

(e) Internal policies

The focus of agricultural policy has been on the change in structure of ownership (privatisation of Soviet-style collective and State-owned farms) and establishing a system of technical/informative aid to generate support to farmers. There are no explicit subsidies provided to the agricultural sector. The only source of implicit subsidy is that water usage charges are below full cost recovery levels.

5. Policies affecting foreign trade in other sectors.

(a) Textiles regime

There is no special textiles regime in place.

(b) Policies affecting foreign trade in other major sectors

Except for the oil sector, the Government is not involved in sector specific policies.

V. TRADE-RELATED INTELLECTUAL PROPERTY REGIME

1. General introduction

An intellectual property framework that has a legal base supported by State policy, is at the initial stages of development. New laws consistent with minimum standards of intellectual property protection, as set in the TRIPs Agreement, are yet to be prepared, although some progress has been made.

(a) Intellectual property policy

In line with reforms introducing an economic regime based on development of private entrepreneurship and integration into the international system, the medium-term Government policy objective is to provide effective legal protection to all types of intellectual property including trademarks, geographical indicators, industrial designs, layout designs of integrated circuits, copyright and patent protection.

Azerbaijan has already become party to several international agreements.

(b) Responsible agencies for policy formulation and implementation

The agencies responsible for formulation and implementation of the policy in the field of the intellectual property are the State Committee for Science and Technology of the Republic of Azerbaijan (Patent and Licence Department) and the Agency for Copyright under the Cabinet of Ministers of the Republic of Azerbaijan.

(c) Membership of international intellectual property conventions and of regional and bilateral agreements

Since 21 December 1995, the Republic of Azerbaijan has been a participant of the:

- Convention on the World Intellectual Property Organisation (WIPO);
- Paris Convention for the Protection of Industrial Property;
- Madrid Agreement on the International Registration of Marks;
- Patent Cooperation Treaty (PCT);
- Eurasia Patent Convention.

On 27 November 1998 the Republic of Azerbaijan joined "The Bern Convention on Protection of Literary Works and Works of Art".

Azerbaijan has concluded bilateral agreements in the field of protection of the industrial property with Russian Federation, Moldova, Uzbekistan, Kazakstan, Kyrgyz Republic and Georgia.

(d) Application of national and m.f.n. treatment to foreign nationals

In accordance with the Law of the Republic of Azerbaijan "About Patents", adopted on 25 July 1997, the foreign legal and physical persons have the same rights in this field as the citizens of the Republic of Azerbaijan.

(e) Fees and taxes

The Resolution of the Cabinet of Ministers of the Republic of Azerbaijan No. 286 of 7 June 1993 sets the fees for the juridical actions connected with the receipt of the protection documentation on the industrial property's object, keeping them in action, and for committing other actions related to the industrial property.

Regulation of the issues of the payments and taxes relating to the copyrights from foreign persons is implemented in accordance with the Laws of the Republic of Azerbaijan "On Taxes on profit from the private citizens" (Article 12) and with the Law "On income taxes of enterprises and organisations".

2. Substantive standards of protection of intellectual property rights, including procedures for the acquisition and maintenance

(a) Copyright and related rights, including rights of performers, producers of phonograms and broadcasting organizations

Personal (non-proprietary) and proprietary (economic) rights of authors are provided in accordance with Articles 14 and 15 of the Law of the Republic of Azerbaijan "On copyright and related rights", Article 33 of the same Law of the performer's rights, Article 34 of the phonograms producer's rights, the Article 35 of the rights of the broadcasting organisations.

(b) Trademarks, including official marks

Trademarks, including official marks are protected by Law "On trademarks and geographical indicators" of the Republic of Azerbaijan of 12 June 1998.

(c) Geographical indicators, including appellations of origin

Protection of the geographical indicators, including the name of the place of origin are regulated by the law "On trademarks and geographical indicators" in accordance with the legislative procedure.

(d) Industrial designs

Protection of the industrial drafts shall be made on the basis of the law "On Patents".

(e) Patents

Protection of the inventions and useful models (patents) shall be made on the basis of the Law "About Patents".

(f) Plant variety protection

The regulation of vegetable variety protection is provided in accordance with the Law "About Nature Protection and Nature Utilization".

(g) Layout designs of integrated circuits

Legal protection of layout designs of integrated circuits is not currently carried out on the basis of Law.

- (h) Requirements on undisclosed information, including trade secrets and test data

Without consent of the proprietor the acquisition and use of test data and information related with commerce and financial secrets, is prohibited by Article 16 of the Law of the Republic of Azerbaijan “About Antimonopoly Activities”.

3. Measures on control abuse of intellectual property rights.

In accordance with Article 46 of the Law of the Republic of Azerbaijan “On Copyright and related rights” competent officials and bodies take appropriate measures to restore violated intellectual rights and related rights on the basis of the Civil-Procedural and Criminal-Procedural Codes of the Republic of Azerbaijan.

4. Enforcement

- (a) Civil judicial procedures and remedies

The protection of intellectual property rights is carried out through court regulations. Thus, when considering the relevant cases, the courts can apply the sanctions envisaging the compensation of the damage caused, return of the property acquired illegally, and also the compensation amounting from 100 to 50 per cent of the minimum monthly wage.

- (b) Provisional measures

Provisional measures are not applied.

- (c) Any administrative procedures and remedies

At present, no special border measures are envisaged.

- (d) Criminal procedures

In accordance with the Article 140 of the Criminal Code of the Republic of Azerbaijan, imprisonment of up to 2 years is for the infringement of copyrights. Penalty sanctions for the infringement of copyrights are also stipulated by the Code of Administrative Infringements of the Republic of Azerbaijan.

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

The following are the Laws and legislative acts regulating the issues in the sphere of intellectual property:

- The Law of the Republic of Azerbaijan “On Patents” of 25 July 1997;
- The Law of the Republic of Azerbaijan “On Copyright and related rights” of 8 October 1996;
- Decree of the President of the Republic of Azerbaijan “On application of the Law of the Republic of Azerbaijan “On copyright and related rights” of 8 October 1996;
- Resolution of the Cabinet of Ministers of the Republic of Azerbaijan “On issues related to the application of the Law of the Republic of Azerbaijan “On copyright and related rights” of 2 May 1997.

6. Statistical data on applications and grants of intellectual property rights, as well as any other statistical data on their enforcement.

Since 1995, 1117 applications for patents have been submitted (31 patents were issued in 1995; 82 in 1996; 79 in 1997 and 96 in 1998).

More than 5 thousand petitions to re-organise trade marks of the former Soviet Union to the trade marks of the Republic of Azerbaijan have been submitted, and 2735 applications have been submitted for new trademarks (792 trademarks of the Republic of Azerbaijan were registered in 1995, 250 in 1996, 1892 in 1997 and 2152 in 1998).

At present, 2647 trademarks have been recognised at the territory of the Republic of Azerbaijan through the international bureau of the World Intellectual Property Organisation within the framework of the Madrid Agreements.

VI. TRADE-RELATED SERVICES REGIME

1. General

One of the main issues connected with the transition to a market economy is the development and expansion of services, which is becoming actual for many activities. Its role is increased in the GDP and in the foreign trade (see: goods and services). Regulation of the problems connected with the service provision shall be carried out in accordance with the Law of the Republic of Azerbaijan "On Entrepreneurial Activity."

2. Policies affecting Trade in Services

- (a) Government departments, agencies, professional associations or other bodies with authority or a role relevant to the conduct of service activities

According to the Presidential Decree No. 637 of 4 September 1997 the State issues licenses for conducting service activities. Depending on the kind of service activity, issuance of a licence may be conditional upon meeting ecological, sanitary and other relevant standards. State bodies responsible for issuing the licenses are also responsible for supervising that activity.

- (b) Judicial, arbitral or administrative tribunals or procedures providing for the review of, or remedies in relation to, administrative decisions affecting trade in services

Such procedures are the same as those described in Section III, paragraph 6.

- (c) Provisions, including those in international agreements, concerning qualification requirements and procedures, technical standards and licensing and/or registration requirements for the supply of services

Annex 7 lists qualification requirements and procedures and refers to the relevant legislation.

Most professional services require a university degree. The most strict requirements are those related to professional services in finance, health and aviation services.

- (d) Provisions regulating exclusive services activities and operation of monopolies

The policy of the Republic of Azerbaijan is to promote open competition in service sectors. The Government does not grant any entity, regardless of ownership, exclusive or monopolistic right to provide services.

- (e) Provisions relating to safeguard measures as they apply to trade in services

Azerbaijan does not have any safeguard measures for trade in services.

- (f) Provisions relating to international transfers and payments for current transactions of services

Policies and provisions discussed under Section II. 2 (c) apply to international transfers and payments for current transactions of services.

- (g) Provisions relating to capital transactions affecting the supply of services

Rules discussed in Section II. 2 (c) apply to capital transactions concerning payments for the supply of services.

- (h) Provisions governing the procurement by governmental agencies of services

Provisions of Government procurement of services are the same as those governing procurement of goods (Section IV. 3 (1)).

- (i) Provisions concerning any form of aid, grant, domestic subsidy, tax incentive or promotion scheme affecting trade in services

There are no such provisions.

3. Market Access and National Treatment

- (a) Limitations on the number of service suppliers

There are no limitations on the number of service suppliers.

- (b) Limitations on the total value of service transactions or assets

There are no such limitations.

- (c) Limitations on the total number of service operations or on the total quantity of service output

There are no such limitations.

- (d) Limitations on the total number of natural persons that may be employed in a particular service sector

There are no such limitations.

- (e) Restrictions on, or requirements of specific types of legal entity through which a service may be supplied

There are no such limitations or requirements.

- (f) Limitations on the participation of foreign capital

There are no such limitations.

- (g) Measures relating to financial operation which influence national services or service suppliers

There are no such limitations.

4. Most-Favoured-Nation Treatment

The same principles apply to foreign suppliers of services, regardless of nationality.

VII. INSTITUTIONAL BASE FOR TRADE AND ECONOMIC RELATIONS WITH THIRD COUNTRIES

1. Bilateral or plurilateral agreements relating to foreign trade in goods and services (Annex 8A refers).

The Republic of Azerbaijan has concluded a number of bilateral agreements on foreign trade in goods and services including free trade agreements with member countries of Commonwealth of Independent States (CIS).

2. Economic integration, customs union and free-trade area agreements (Annex 8B refers).

Despite the agreements mentioned above, and a free-trade agreement with all CIS member states, no exporter from any single country has preferential access to Azerbaijan's domestic markets.

3. Labour markets integration agreements.

During the last years the Republic of Azerbaijan has concluded a number of agreements with other countries on interaction and cooperation in the sphere of labour. These include:

- Intergovernmental Agreement with Kyrgyz Republic "On cooperation in labour activity and social security of labour migrants";
- Intergovernmental Protocol of Intent with Bakhreyn on the cooperation in the sphere of labour;
- Communiqué on cooperation with Kuwait on labour issues;
- Agreement on issues of labour migration with the Ministry of Labour and Social Security of Population of the Turkish Republic.

The work was initiated in preparation for a "Single Programme of Migration Administration in the Republic of Azerbaijan" within the UN frameworks.

The registration of people wishing to work overseas and a data bank is being carried out with the purpose of exposure to the international labour markets and integration of the national market with the foreign labour markets.

4. Multilateral economic cooperation, membership in the multilateral economic organizations, trade-related programmes of other multilateral organizations.

After having gained independence, the Republic of Azerbaijan made strong steps towards entering a number of the largest international organizations.

Up to now our country is a member of the following economic organisations:

-	Black Sea Economic Cooperation (BSEC)	- 1992
-	Organisation of Economic Cooperation	- 1992
-	World Meteorological Organisation	- 1993
-	World Veterinarian Organisation	- 1995
-	International Civil Aviation Organisation (ICAO)	- 1992
-	International Labour Organisation	- 1992
-	International Maritime Organisation	- 1992
-	United Nations Industrial Development Organisation (UNIDO)	- 1993
-	International Telecommunications Union	- 1992
-	Islamic Fund of Science and Technological Development	- 1992
-	Islamic Centre of Trade Development	- 1992
-	Islamic Statistics Centre	- 1992
-	International Fund for Agricultural Development	- 1995
-	United Nations Food and Agricultural Organisation (FAO)	- 1995
-	UN Economic Commission for Europe (UNECE)	- 1992
-	World Intellectual Property Organisation	- 1995
-	World Customs Organisation	- 1993
-	UN Development Programme	- 1992
-	UN Conference on Trade and Development (UNCTAD)	- 1992
-	Economic and Social Commission for Asia and Pacific Ocean (UN)	- 1993
-	The World Bank	-1991
-	The International Monetary Fund	- 1992
-	European Bank of Reconstruction and Development	- 1992

The Republic of Azerbaijan has the status of observer in the following organisations:

-	World Trade Organization	- 1997
-	European Electric Charter	-1994
-	UN Council on Economics and Social Issues	- 1992

ANNEX 1

STATISTICS AND PUBLICATIONS

I. FOREIGN TRADE STATISTICS FOR GOOD AND SERVICES: RESPONSIBLE AGENCIES

The National Bank, State Customs Committee and State Statistics Committee are responsible for collecting and processing foreign trade statistics for goods and services.

II. PUBLICATIONS RELATED TO STATISTICS

Bulletins of the State Statistics Committee are the main publications containing statistics on foreign trade of goods and services. They are published monthly. In addition, the State Statistics Committee publishes the *Statistical Yearbook*. Besides the official publications of the departments, relevant information is also published in mass media.

III. STATISTICAL DATA:

(a) Main economic indicators:

(i) Production development

	1995	1996	1997	1998
Real GDP (percentage change on a year earlier)	-12.0	1.3	5.8	10,0
Of which				
Industry	-21.4	-6.7	0.3	2.2
Agriculture	-7.2	3.0	-6.9	3.9
Investment in fixed assets	90.0	65.7	58.7	45

(ii) GDP per capita

	Measure	1995	1996	1997	1998
Gross Domestic Product	Thousand of Manats	1420	1808	2023	2079
GDP converted at annual average exchange rate	US Dollars	321	421	507	537
Share of State Sector	%	66	62	54	45

(iii) State budget in 1998 (in per cent of GDP)

	1994	1995	1996	1997	1998
Total Revenue	33.8	17.6	17.6	19.7	14.5
Total Expenditure	45.9	22.4	20.4	21.4	16.6
Fiscal Balance (deficit)	-12.1	-4.9	-2.8	-1.7	-2
Domestic financing	12.1	0.3	-0.2	-0.4	5.5

The major sources of State budget total revenue:

- Excise – 4.1 per cent
- Royalty tax – 7.4 per cent
- Taxes from foreign economic activity (customs duties and excise taxes on imports) – 10.6 per cent
- Tax on profit – 14.1 per cent
- VAT - 31 per cent
- Personal Income Tax - 17.5 per cent

Shares of selected sectors in budget expenditure:

- education – 21.4 per cent
- Social Protection Fund– 23.3 per cent.

(iv) *Production of the basic goods*

	Units	1995	1996	1997	1998
Amount of industrial production	Billion Manats	8,865	11,315	12,490	11,638
Rate of growth	%	78.6	93.3	100.3	102.2
Amount of non-State sector	%	5.5	7.5	14.7	26.4
Production of needed goods					
Electric power	KWh	16,957	16,704	16440	17,906
Oil extraction	Thousand tons	9,161	9,100	9076.8	11,424
Benzene	Thousand tons	1,040	1,022	901.5	629.9
Diesel fuel	Thousand tons	2,168	2,090	2143.2	2,042.4
Fuel for jet engines	Thousand tons	509	525	575.8	695.6
Mazut furnace	Thousand tons	4,209	3,957	3868	3,958.6
Steel tubes	Thousand tons	9.8	3.1	13	3.1
Aluminum	Thousand tons	3.7	0.8	4.7	3.4
Polyethylene	Thousand tons	18.8	27.7	15	18.3
Sulfuric acid	Thousand tons	24	41	52.5	24.0
Oil equipment:					
Metal structures	Units	716	486	597	248
Machine tools	Pieces	55	47	70	43
Drilling pumps	Thousand of pieces	23.8	18	15.8	14.8
Air conditioner	Thousand of pieces	64.3	78.8	36.5	9.6
Refrigerator	Thousand of pieces	25.2	6.9	0.1	3.4
Kitchen equipment	Thousand of pieces	22.2	8.2	5.1	1.2
Cement	Thousand tons	192	223	314.7	199.1
Cotton fibre	Thousand tons	106.5	73.7	70.3	40.5
Cotton yarn	Thousand tons	19.4	13.2	8.1	
Cotton cloths	Million m2	56.3	23.1	16.5	7.0

	Units	1995	1996	1997	1998
Carpets and carpet articles	Thousand m2	64	42.5	40	34
Canned fruits and vegetables	Million of can	87.3	62.6	16.1	11.9
Mineral water	Million bottles	1.1	1.05	1.08	55.4
Grape wine	Million litres	5	1.4	3.2	65
Brandy	Thous. Litres	820	270	370	15
Sparkling wine	Million bottles	1.8	1.19	1.34	111
Tobacco (fermented)	Thousand tons	13.6	8.14	10.1	4.2
Caviar	Tons	3	2.6	2.5	
Grain	Thousand tons	921.4	1,018.1	1,117.4	947.1
Raw cotton	Thousand tons	274	274.3	124.7	112.6
Tea leaves	Thousand tons	9.4	3	1.6	1.2
Meat	Thousand tons	82	85.5	90.1	0.5
Milk	Thousand tons	789	843.3	881.2	724
Freight transport	Million tons	40.4	44.3	49.5	50.0
Passenger transport	Billion passenger per kilometer	6.7	7.4	7.3	804.2

Source: State Statistics Committee

(v) *Annual changes in prices*

	1994	1995	1996	1997	1998
Consumer Price Index 1994-1998	1664.4	511.7	119.7	103.7	99.2

(vi) (vii) *Employment in different sectors*

	1994	1995	1996	1997	1998
Population	7,420	7,469	7,508	7,565	7.7
Working age population	3,999	4,039	4,059	4,127	4,135
Outside labour force	635	622	468	530	616
Labour force	3,364	3,417	3,591	3,597	3,519
Total Employment	2,851	2,837	2,895	2,900	2,913.5
Industry	374	352	283	257	223
Administration staff of State entities, cooperatives and public organizations	653	599	568	564	67
Agriculture and forestry	895	870	918	964	856
Other	964	1,009	1,126	1,115	1,768
Unemployment, thousand persons	513	580	696	696	42
Registered unemployment rate (%)	15.2	17.0	19.4	19.3	1.43

(viii) *Balance of Payments (In Millions of US Dollars)*

	1995	1996	1997	1998
Current Account	-318	-811	-915	-945
Trade Balance	-275	-549	-566	-739.6
Exports	680	789	808	512
Imports, f.o.b.	-955	-1,338	-1,375	-1,251
Services Account	-140	-277	-384	-280
Income	-13	-52	-9	-1
Compensation of employees	-6	-16	-19	-8
Interest payments on public external debt	-7	-17	-7	
Investment income (net)	0	-19	17	-5.7
Current transfers	111	67	46	76
Official	81	86	55	
Private	29	-20	-10	
Capital and financial account	318	739	1,008	966
Official medium- and long-term	87	-19	10	
Disbursements	116	50	88	
Project loans	14	19	53	
Programme loans	102	31	35	
Amortization	-29	-70	-78	
Direct and portfolio investment	282	661	1,093	
Oil companies	252	487	845	
Other	30	174	248	
Banking system (net)	-42	15	-5	
Trade credit and other short term capital	-9	82	-90	
Errors and omissions	0	21	51	
Financing	0	52	-145	
Net foreign assets of the Central Bank (- increase)	-16	-24	-145	
Central Bank gross reserves	-117	-95	-253	
IMF	101	71	108	
Change in arrears (debt service obligations to Russia, mutual claims cancelled in 1997)	-76	25	0	
Re-scheduling	92	51	0	
Gross reserves in weeks of imports	5	8	16	
Current account in per cent of GDP	-13.2	-25.5	-23.7	
External debt in per cent of GDP	17.3	16.6	14.5	

(ix) *Foreign exchange*

US Dollar				
Month	1995	1996	1997	1998
January	4,270.8	4,442.9	4,097.6	3,891.6
February	4,355.5	4,441.3	4,076.4	3,889.5
March	4,389.9	4,319.8	4,059.1	3,884.4
April	4,397.7	4,367.7	4,029.7	3,864.4
May	4,415.4	4,353.9	4,009.3	3,878.2

US Dollar				
Month	1995	1996	1997	1998
June	4,441.0	4,347.0	3,992.7	3,872.7
July	4,473.0	4,298.9	3,967.0	3,871.1
August	4,494.6	4,284.3	3,953.6	3,870.0
September	4,455.7	4,226.9	3,936.9	3,869.1
October	4,436.0	4,191.6	3,918.5	3,868.1
November	4,440.0	4,148.7	3,907.6	3,868.8
December	4,440.0	4,122.6	3,893.1	3,888.6

Source: National Bank

(b) Foreign trade statistics:

(i) (ii) (iii) Foreign trade, export and import statistics

Codes and group names at the two-digit HS level	Import (Thousand US\$)				Export (Thousand US\$)			
	1995	1996	1997	1998	1995	1996	1997	1998
01 Live animals	101.3	418.3	234.5	425.7	Na	19.2	na	0.3
02 Meat and edible meat	32,312.4	44,905.8	17,028.5	18,538.4	0.9	207.9	0.6	18.3
03 Fish and crustaceans, mollusc and other aquatic invertebrates	334.7	463.2	407.5	839.1	369.6	262.7	475.0	141.1
04 Dairy products; other products of animal origin	41,474.4	57,998.9	15,688.8	11,443.3	17.0	525.3	162.7	
05 Other products of animal origin, not elsewhere specified or included	78.0	18.7	5.6	0.1	172.5	135.8	137.2	114.6
06 Live trees and other plants	2.0	32.6	63.1	80.4	6.4	na	10.2	1.2
07 Edible vegetables and certain roots and tubers	3,562.5	8,855.3	7,717.1	5,859.2	712.1	778.0	423.3	237.7
08 Edible fruit and nuts (fresh and dried)	4,270.5	5,096.4	2,689.6	3,253.1	10,345.4	2,718.3	11,483.7	11,178.4
09 Coffee, tea, mint and spices	3,551.1	12,850.7	9,055.4	3,533.1	779.2	990.4	2529.9	3492
10 Cereals	20,055.3	43,590.0	23,404.0	56,303.9	Na	149.3	29.0	
11 Products of milling industry	19,962.3	64,908.8	43,060.4	28,064.4	Na	22.7	129.8	
12 Seeds, fruits and plants for sowing and medicinal purposes	102.0	268.3	208.8	327.1	104.2	1,019.5	605.5	1,479.2

Codes and group names at the two-digit HS level		Import (Thousand US\$)				Export (Thousand US\$)			
		1995	1996	1997	1998	1995	1996	1997	1998
13	Vegetable saps and extracts	31.4	3.1	24.3	32.8	Na	0.0	Na	44.8
14	Other vegetable planting Materials	Na	Na	31.9	4.2	1329.8	283.0	460.2	191.1
15	Animal or vegetable fats and oils	54,484.0	23,613.0	6,334.9	4,881.8	276.9	533.1	5346.0	1623.6
16	Preparations of meat, of fish	3605.0	2,366.8	3,457.6	4,608.4	7.0	444.0	506.8	96.6
17	Sugar and sugar confectionery	50,736.7	71,833.1	27,080.5	15,385.5	60.3	5.9	188.2	49.3
18	Cocoa and cocoa preparations	4158.7	2,437.0	1,280.0	1,713.2	170.8	11.4	45.4	10.0
19	Products from cereal, flour, starch of milk; pastry products	9,984.0	11,404.9	7,468.6	5,614.5	204.3	519.3	130.6	
20	Processed products made from vegetables and fruits	2,891.8	4,906.2	2,045.7	3,265.6	5754.1	5,190.0	5,972.0	3,538.2
21	Miscellaneous edible preparations	1,574.7	2,717.2	5,690.7	2,684.2	72.9	124.7	484.7	392.1
22	Beverages, spirits and vinegar	10,295.4	15,206.6	4,968.5	4,425.7	10,586.9	7365.2	15,535.5	12,394.6
23	Residues and waste from the food industries	1	77.3	704.3	311.8	97.4	53.2	325.7	619.9
24	Tobacco and manufactured tobacco substitutes	13,576.8	7,706.6	2,080.3	3,733.4	7,464.1	7,198.9	10,361.4	11115.9
25	Salt; sulfur, stone and cement	11,281.3	18,077.2	17,546.9	22,540.8	1,232.7	2,412.0	2,040.4	874.9
26	Ores, slag and ash	1,495.7	4,091.5	669.4		Na	Na	0.3	3.3
27	Mineral fuels, mineral oils and products	88,055.3	43,441.3	79,166.2	63,058	371,882.4	419,113.8	480,111.4	4,178,454.1
28	Inorganic chemicals, precious metals	2,517.2	4,165.5	5,653.7	5,861.8	5,658.0	6255.8	5,461.9	9300
29	Organic chemicals	3,350.3	5,802.3	4,350.0	9,020	8,416.2	11208.7	9265.8	5295
30	Pharmaceutical products	26,897.4	9,914.7	13,073.0	28,865	390.2	244.8	152.4	175.5
31	Fertilizers	4,435.8	3,490.8	2,500.0	6,565.2	1,344.0	134.8	1074.6	178.6
32	Tanning or dyeing extracts	3,058.1	10,139.8	6,842.2	5,914.2	593.0	300.2	335.0	392.6

Codes and group names at the two-digit HS level	Import (Thousand US\$)				Export (Thousand US\$)			
	1995	1996	1997	1998	1995	1996	1997	1998
33 Essential oils; perfumery, cosmetic or toilet preparations	1,402.1	2,531.4	2,240.3	3,521.6	46.3	29.5	43.0	143.6
34 Soap, organic surface-active agents	6,288.4	7,164.7	4,331.4	6,527.1	1,492.9	1609.1	162.1	524.9
35 Albuminoedal substances, starch, glue	2,010.6	1,480.9	999.8	909.1	234.6	86.2	176.2	1.2
36 Matches and other pyrotechnic products	641.7	1,798.1	2,517.0	1,334.2	Na	Na	63.1	74.7
37 Photographic or cinematographic goods	247.3	312.3	875.6	417.4	Na	Na	Na	12.8
38 Miscellaneous chemical products	10,473.1	14,312.9	12,370.9	10,429	1,455.1	882.1	1,592.6	1,192.6
39 Plastics and articles thereof	4,518.4	12,292.3	13,563.0	14,976.2	10,602.6	23,294.5	17,996.5	8,115
40 Rubber and articles thereof	7,058.3	17,701.2	9,345.4	9,014.7	3,035.9	3,362.4	4,488.4	3,871.1
41 Raw hides (except fur) and leather	2,444.6	1,914.1	2,741.7	1,183.5	1,540.4	5,541.0	8,219.0	3,608
42 Articles of leather	147.8	343.0	185.2	378.3	12.2	1.2	10.9	3.7
43 Furskins and artificial fur and manufactures thereof	27.3	Na	1.7	20.2	14.2	4.7	Na	
44 Wood and articles of wood	5,084.4	17,395.5	23,622.5	30,695.5	259.7	74.1	246.2	351.2
45 Cork and articles of cork	Na	11.6	36.3	1.6	Na	Na	0.2	
46 Manufactures of straw	1.0	5.9	12.5	13.8	Na	Na	22.3	
47 Pulp of wood or of other fibrous cellulose material, waste and scrap paper	Na	169.7	113.0	4.2	40.9	Na	90.9	19.5
48 Paper, paperboard and articles thereof	13,204.3	17,614.9	11,556.0	11,934.6	691.3	165.7	445.4	145.9
49 Printed books and other products of the printing industry	1,983.3	16,441.7	15,722.6	41,725.5	11.4	667.5	536.4	1,303.9
50 Silk	18.5	5.7	19.4	4.2	768.7	37.5	188.2	1,410.5
51 Wool	286.0	163.3	250.8	334.9	1,280.8	230.4	963.0	105.1
52 Cotton	1138.6	3,734.0	1,977.4	1,099.5	116,834.2	1,627.3	123,292.0	49,334.8

Codes and group names at the two-digit HS level	Import (Thousand US\$)				Export (Thousand US\$)			
	1995	1996	1997	1998	1995	1996	1997	1998
53 Other vegetable textile articles	1,423.7	355.7	35.4	14.1	35.7	58,745.4	na	1.9
54 Man-made filaments	310.6	1,343.9	864.2	1,699.1	30.1	38.7	13.9	3.8
55 Man-made staple fibres	1,395.4	570.0	915.6	2,403.2	291.1	13.5	256.5	19.8
56 Wadding, felt non-woven materials	1,013.3	2,551.8	864.5	680.5	22.1	504.5	72.0	5.3
57 Carpets and other textile floor-coverings	208.2	217.0	650.5	1,970.9	1,138.8	na	1,667.0	1691.6
58 Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	413.8	85.3	193.2	286.4	3.2	1269.9	na	49.6
59 Impregnated, coated, covered or laminated textile fabrics	618.0	411.6	1,667.5	1,333.6	41.1	76.3	513.7	3.2
60 Knitted or crocheted fabrics	28.0	12.5	327.1	112.9	4.5	167.9	na	17.2
61 Articles of apparel and clothing accessories, knitted or crocheted	717.1	867.0	940.0	1,185.7	2124.6	na	1233.9	376.4
62 Articles of apparel and clothing accessories, not knitted or crocheted	1,722.2	2,195.1	1,478.5	2,216.9	1616.3	1164.6	4225.7	712.9
63 Other finished textile articles	2,059.2	3,128.9	2,160.2	2,987.5	358.0	3,154.6	47.0	2,304.8
64 Footwear	1,923.2	2,289.9	2,213.1	2,366	291.5	781.1	370.8	15.0
65 Headgear and parts thereof	6.0	36.3	46.0	68.7	0.0	246.3	48.1	0.2
66 Umbrellas, walking-sticks, seat-sticks, riding-crops and parts thereof	2.8	35.2	62.2	114.1	Na	0.3	Na	
67 Prepared feathers and down, artificial flowers; articles of human hair	1.5	6.5	26.9	21.7	Na	Na	Na	0.5
68 Articles of stone, cement and similar materials	3,026.1	7,878.9	6,601.2	15,329.5	89.3	Na	38.7	5.1

Codes and group names at the two-digit HS level	Import (Thousand US\$)				Export (Thousand US\$)			
	1995	1996	1997	1998	1995	1996	1997	1998
69 Ceramic products	3,277.1	5,561.4	8,399.1	8,084.4	239.0	607.2	12.8	53.2
70 Glass and glassware	1,657.8	5,395.4	6,542.7	8,069.3	1,180.3	120.9	1,366.0	977.5
71 Natural and cultured pearls, precious stones, precious metals and articles thereof	51.0	130.4	125.7	21.5	Na	1,443.7	16.4	0.1
72 Iron and steel	14,125.0	33,491.6	36,270.7	45,536.4	8,166.2	Na	1,614.6	463.6
73 Articles of iron and steel	20,521.5	29,836.5	56,704.2	64,099.3	3,649.9	2,901.2	4,675.3	5,296.1
74 Copper and articles thereof	1,783.1	3,582.7	2,456.9	260.4	1,244.6	1,818.4	1,244.8	547.7
75 Nickel and articles thereof	31.4	317.1	239.8	420.6	12.6	0.1	Na	
76 Aluminum and articles thereof	1,848.2	12,346.5	8,432.2	7,561.6	4,342.8	0.0	7,457.7	6,721.8
77 Group reserved for future use								
78 Lead and articles thereof	14.3	28.8	38.8	66.9	9.8	1,255.1	15.8	16.1
79 Zinc and articles thereof	59.4	784.3	62.7	446.3	Na	10.8	100.0	
80 Tin and articles thereof	na	0.5	7.5	0.4				
81 Other base metals	2.7	135.7	85.6	46.2	35.5	Na	120.0	
82 Tools, implements, cutlery, spoons, forks of base metal	484.7	1,963.2	2,005.9	6,441.3	38.5	26.2	57.9	310.4
83 Miscellaneous articles of base metal	3,154.1	4,341.7	3,110.5	4,817.5	43.5	100.1	19.3	18.6
84 Nuclear reactors, boilers, machinery and mechanical appliances	46,443.1	86,084.2	95,086.7	170,163	28,411.2	17.5	27,978.4	20,665.9
85 Electrical machinery and equipment	36,440.9	97,907.7	74,237.4	178,112	11,010.4	33,549.0	9,429.5	12,772.2
86 Railway or tramway locomotives, rolling stock and parts thereof	1,097.5	2,355.2	4,013.2	2,140.9	1,261.1	10,160.8	Na	
87 Vehicles and parts	35,038.7	38,639.9	39,095.6	78,237.3	3,045.8	Na	2,585.5	746.9
88 Aircraft, spacecraft and parts thereof		Na	4,130.5	4,215.3	Na	Na	1,429.8	2,034.7
89 Ships, boats and floating structures	478.4	922.6	2,631.0	2,474.2	63.7	4,283.7	Na	234.6

Codes and group names at the two-digit HS level	Import (Thousand US\$)				Export (Thousand US\$)			
	1995	1996	1997	1998	1995	1996	1997	1998
90 Optical, photographic instruments, etc.	3,888.0	6,638.9	5,019.4	23,278.8	1,821.0	8.0	2,002.5	4,653.0
91 Clocks and watches and parts thereof	471.4	307.5	132.8	184.0	14.4	2,797.3	4.1	4.6
92 Musical instruments	Na	4.1	5.0	14.6	Na	1.5	2.3	13.2
94 Furniture; prefabricated buildings, bedding, etc.	5,953.3	8,139.3	11,050.3	2,215.0	118.7	Na	51.2	190.4
95 Toys, games and sporting goods	571.6	2,283.3	1,193.1	1,192.5	1.5	114.1	13.1	46.3
96 Miscellaneous manufactured articles	603.9	945.3	1,122.2	2,090.2	70.1	6.0	302.1	22.4
97 Works of art, collectors' pieces and antiques	1.9	312.3	83.6	96.4	1.3	20.1	2.0	59.1

Source: State Statistics Committee

(iv) Foreign trade contra agents (in million of US Dollars)

	1995	1996	1997	1998
Import				
Georgia	189	28.3	36.6	25.2
Iran	80.3	66.0	48.8	42.6
United Arab Emirates	68.7	108.6	41.9	45.6
Russia	88.3	158.4	151.5	193.8
Turkey	140.5	26.3	179.7	220.1
Ukraine	33.5	94.4	85.6	93.0
Export				
Georgia	45.3	91.5	133.5	76.9
Iran	186.1	226.1	189.7	44.5
United Arab Emirates	1.6	3.1	1.1	3.0
Russia	100.2	111.4	180.5	105.8
Turkey	26.4	39.0	41.3	135.9
Ukraine	33.6	21.8	32.1	12.0
Import	547.6	605.6	644.7	1077.2
Export	517.3	545.5	596.4	606.2
Balance (+; -)	-30.3	-60.1	-48.3	-471.2

Source: State Statistics Committee

v) *Trade by geographic areas (main trade partners)/million US Dollars/*

	Import				Export			
	1995	1996	1997	1998	1995	1996	1997	1998
TOTAL	667,6	960,6	794,3	1077.2	637,1	631,2	781,3	606.2
CIS countries	228,3	339,8	350,9	404.7	284,7	290,1	378,3	232.2
Other countries	439,3	620,8	443,4	627.5	352,4	341,1	403,0	374.0
Europe	263,3	385,9	308,7	822.9	158,8	108,7	157,2	505.2
Asia	161,9	198,3	110,1	195.8	191,7	230,0	240,7	85.6
America	14,1	24,9	23,9	57.8	1,1	2,2	5,1	15.1
Australia	0,0	11,7	0,2	0.5	0,9	0,2	0,0	0.1
Africa	-	-	-	0.2	-	-	-	0.2

Source: State Statistics Committee

(c) **Government procurement statistics:**

The Republic of Azerbaijan does not maintain any government procurement statistics.

ANNEX 2

LIST OF LAWS AND LEGAL ACTS

I. LAWS AND LEGAL ACTS REGULATING THE ACTIVITY OF THE CUSTOMS AUTHORITIES: RESPONSIBLE AGENCIES

Law on "Customs Tariff" of 26 June 1995	State Customs Committee
Law on "Approval of the Customs Code of the Republic of Azerbaijan" of 10 June 1997	State Customs Committee
Law on "The Customs Code of the Republic of Azerbaijan" of 10 June 1997	State Customs Committee
Decree of the President "On Regulation and Structure of the Customs Committee" of 27 October 1998	Cabinet of Ministers, State Customs Committee
Resolution of the Cabinet of Ministers "On Custom Fees for Export and Import Operations in the Republic of Azerbaijan" of 22 April 1998	State Customs Committee Ministry of Finance

II. LAWS AND LEGAL ACTS RELATING TO NON-TARIFF REGULATION OF IMPORTS, EXPORTS AND TRADE IN TRANSIT, RULES OF ORIGIN: RESPONSIBLE AGENCIES

Law "About Customs Tariff" of 26 June 1995	State Customs Committee
"Customs Code of the Republic of Azerbaijan" of 10 July 1997	State Customs Committee
The Law "About annulment of the Law of the Republic of Azerbaijan «About tax on export »" of 19 August 1998	State Customs Committee, Head State Tax Inspection
Decree of the President "On further liberalisation of Foreign Trade in the Republic of Azerbaijan" of 24 June 1997	Ministry of Commerce, State Customs Committee, The Cabinet of Ministries
Resolution of the Cabinet of Ministers "On rules for establishment and operating of in-border markets at the frontier posts of the Republic of Azerbaijan" of 13 February 1995	Ministry of Trade, State Customs Committee, Department of Frontier Troops of the Ministry of National Security, the Cabinet of Ministries of Nakhichevan Autonomous Republic, local bodies
Resolution of the Cabinet of Ministers "Application of "Authorisation system" to the regulation of international motor transportation at the territory of the Republic of Azerbaijan" of 14 October 1996	State Customs Committee, Ministry of Trade, Ministry of Foreign Affairs, Ministry of Internal Affairs, Ministry of the National Security, Ministry of Finance, "Azeravtonaghiyyat" State Concern
Resolution of the Cabinet of Ministers "Approval "Authorisation system" to the regulation of international motor transportation at the territory of the Republic of Azerbaijan" of 10 January 1997	State Customs Committee, Ministry of Justice, Ministry of Commerce, Ministry of Foreign Affairs, Ministry of Internal Affairs, Ministry of the National Security, Ministry of Finance, "Azeravtonaghiyyat" State Concern

Regulations of the National Bank of the Republic of Azerbaijan "On procedures of import and shipment, export and transfer foreign currency from the Republic by legal entities and natural persons and non-residents" of 16 November 1995	National Bank
Resolution of the Cabinet of Ministers "On regulation of motor transport traffic of the foreign countries involved into the international transportation at the territory of the Republic of Azerbaijan" of 13 August 1997	State Customs Committee, State Concern "Azeravtonagliyyat"
Resolution of the Cabinet of Ministers "On change of the excise rate on fermented tobacco exported from the Republic of Azerbaijan" of 11 May 1995	State Tax Inspection, Ministry of Finance, Ministry of Agriculture
Resolution of the Cabinet of Ministers "On Excise Duty for Cars Imported to the Republic of Azerbaijan" of 2 September 1997	State Custom Committee, Ministry of Finance
Resolution of the Cabinet of Ministers "On list of commodities, imported to the Republic of Azerbaijan, manufactured outside of the CIS members, which are exempted from the value added tax, 16 June 1997	State Customs Committee, Ministry of Finance, Head State Tax Inspection, National Bank and relevant banks

III. LAWS AND REGULATION RELATING TO FOREIGN INVESTMENT: RESPONSIBLE AGENCIES

Law "On protection of the foreign investments" of 15 January 1992	Relevant juridical instances, the Cabinet of Ministries, Ministry of Justice
Law "On the investment activity" of 13 January 1995	The Cabinet of Ministries
Decree of the President "On permission for the foreign investors to take part in the privatisation of cotton-treatment factories" of 07 July 1997	State Committee for Property
Law "On Grants" of 17 April 1998	The Cabinet of Ministers

IV. OTHER LAWS AND LEGAL ACTS DEALING WITH ECONOMIC ISSUES THAT AFFECT THE TRADE: RESPONSIBLE AGENCIES

Law "On the essentials of the economical independence of the Republic of Azerbaijan" of 25 May 1991	The Cabinet of Ministers, ministries, committees
Law "On property of the Republic of Azerbaijan", of 09 November 1991	The Cabinet of Ministers, ministries, committees
Law "On peasantry (farmer) household" of 8 April 1992	Ministry of Justice, Ministry of Agriculture

Law "On procedure of the application of agreements and conventions of the International Monetary Fund, International Bank for Reconstruction and Development and the related organisations in the Republic of Azerbaijan" of 19 August 1992	The Cabinet of Ministries, Ministry of Finance, National Bank
Law " On Securities and stock exchanges" of 24 November 1992	Ministry of Finance
Law of 29 August 1995 "On amendments to the Laws «On Securities and Stock Exchange» and «Stock Companies» ”	Ministry of Finance
Law "On the budget system" of 1 December 1992	Head State Tax Inspection, Ministry of Finance, National Bank
Law "On entrepreneur activity" of 15 December 1992	State Committee on Antimonopoly Policy and Support for Entrepreneurship, Ministry of Justice
Law "On privatisation of State-owned property" of 7 January 1993	State Committee for Property
Law "On anti-monopoly activity" of 4 March 1993	State Anti-Monopoly Committee and Support for Entrepreneurship
Law "On statistics" of 18 February 1994	State Committee on Statistics
Law "On Securities" of 14 July 1998	Ministry of Finance
Law "On commodity exchange" of 25 May 1994	State Committee on Antimonopoly Policy and Support for Entrepreneurship, Ministry of Commerce
Law "On currency regulation" of 21 October 1994	National Bank
Law "On Essentials for the agrarian reform" of 18 February 1995	The Cabinet of Ministries, Ministry of Agriculture
Law "On Reform of collective and State-owned households" of 18 February 1995	Ministry of Agriculture
Law "On Land Reform" of 16 July 1996	The Cabinet of Ministries, Committee on Land
Law "On unfair competition" of 2 June 1995	State Committee on Antimonopoly Policy and Support for Entrepreneurship
Law "On protection of the consumers rights" of 19 September 1995	Ministry of Commerce
Law "On cooperation" of 7 February 1996	Ministry of Justice
Law "On the National Bank of the Republic of Azerbaijan" of 10 June 1996	National Bank
Law "On banks and banking activity in the Republic of Azerbaijan" of 14 June 1996	National Bank, Ministry of Justice
Law "On tender" of 11 February 1997	Cabinet of Ministers, ministries, committees
Law "On accession to the Convention of Cargo Marking" of 22 April 1997	State Committee for Metrology and Standardisation
Law "On insolvency and bankruptcy" of 13 June 1997	Economic Court
Law "On Patents" of 10 June 1997	State Committee on Science and Technique

Decree of the President "On transition to the international systems of accounting and statistics in the Republic of Azerbaijan" of 11 August 1992	State Committee on Statistics
Decree of the President "On recognition of the national currency of the Republic of Azerbaijan the only means of payment at the territory of the Republic of Azerbaijan" of 11 December 1993	National Bank
Decree of the President "On putting into circulation State privatisation shares (vouchers) in the Republic of Azerbaijan" of 25 March 1996	State Committee for Property, Ministry of Internal Affairs, Ministry of National Security, Ministry of Defence
Decree of the President "On measures for demopolisation and privatisation of bread stuffs enterprises" of 11 December 1996	State Committee for Property, State Committee for the bread stuffs
Decree of the President "On regulation of production, storage, import and sale of alcohol beverages, alcohol (ethyl) spirit and tobacco articles" of 20 December 1996	Head State Tax Inspection, State Customs Committee, Ministry of Commerce, Ministry of Agriculture
Decree of the President "On additional measures for regulation of production, storage, import and sale of alcohol beverages, alcohol (ethyl) spirit and tobacco articles" of 5 February 1999	Head State Tax Inspection, State Customs Committee, Ministry of Commerce, Ministry of Agriculture
Decree of the President "List of activities demanding a special permission (licence)" of 4 October 1997	Relevant organs of executive power
Decree of the President "On approval of the Provision "On national deposit system" of 14 May 1997	State Committee for Property, Ministry of Finance
Decree of the President "On application of the Law of the Republic of Azerbaijan on insolvency and bankruptcy" of 23 June 1997	Economic Court
Decree of the President "On approval of the Programme of governmental support to small and medium-sized business in the Republic of Azerbaijan (1997 – 2000)" of 24 July 1997	State Committee on Antimonopoly Policy and Support for Entrepreneurship, Ministry of Finance
Decree of the President "On regulation of the State Control over production, financial-credit activities, services and on prohibition of unreasonable inspections" of 17 June 1996	Head State Tax Inspection, Ministry of Finance, Ministry of Internal Affairs, National Bank, Ministry of National Security, Prosecutor's Office
Decree of the President "On regulation of State system of control and elimination of artificial obstacles for entrepreneurial activities" of 7 January 1999	The Cabinet of Ministers, relevant ministries and institutions
Decree of the President "On liquidation of the Ministry of Trade and Ministry of Foreign Economic Relations of the Republic of Azerbaijan and establishment of the Ministry of Commerce" of 24 June 1997	The Cabinet of Ministers

Decree of the President "On "Charter of Ministry of Commerce of the Republic of Azerbaijan" of 26 July 1997	Ministry of Commerce
Decree of the President "About State Privatisation Options" 14 May 1997	State Committee for Property
Decree of the President "About Specialised cheque investment funds" 14 May 1997	State Committee for Property
Decree of the President "On measures for development of banking reforms" of 24 June 1997	National Bank, stock-commercial banks
Decree of the President "About Privatisation of State Health Resorts and Hotel Facilities" of 27 November 1997	State Committee for Property
Decree of the President "On measures for de-monopolisation and privatisation of construction industry" of 2 December 1997	State Committee for Property
Decree of the President "On sale of land plots occupied by privatised State-owned enterprises and other facilities " of 19 December 1997	State Committee for Property
Decree of the President "On privatisation of cotton-cleaning plants of the Ministry of Agriculture of the Republic of Azerbaijan" of 5 June 1997	State Committee for Property, Ministry of Agriculture
Resolution of the Cabinet of Ministers "On accounting of products and monetary assets gained in result of sale enterprises, associations and organisations" of 7 December 1993	Head State Tax Inspection
Resolution of the Cabinet of Ministers "Temporary Guideline for duty-free shops and places of their operation" of 1 November 1994	Ministry of Commerce, State Committee for Property
Resolution of the Cabinet of Ministers "Implementation of privatisation" of 8 January 1996	State Committee for Property
Resolution of the Cabinet of Ministers "On regulation of the activity of the natural monopolists" of 5 August 1996	The Cabinet of Ministers
Resolution of the Cabinet of Ministers "On enterprises, which will not shift to the letter of credit or preliminary payment systems" of 25 November 1996	National Bank, Ministry of Economy, Ministry of Finance
Regulations of the National Bank "On rules for providing banks with licenses for implementation of operations with foreign currency" of 28 September 1992	National Bank
Regulations of the National bank "Instruction on sale of foreign currency by the natural persons, residents and non-residents at the territory of the Republic of Azerbaijan" of 22 September 1994	National Bank

Regulations of the National bank "Regime of foreign accounts of residents and non-residents in the Republic of Azerbaijan in the authorised banks of the Republic of Azerbaijan" of 25 July 1997	National Bank
Law "On environment protection and utilisation" of 25 February 1992	State Committee for Ecology and nature utilisation of the Republic of Azerbaijan
Law "On value added tax" of 31 December 1991	Head State Tax Inspection, Ministry of Finance
Law "On excises" of 31 December 1991	Head State Tax Inspection
Law "On income tax of private citizens in the Republic of Azerbaijan" of 24 June 1992	Head State Tax Inspection, Ministry of Finance
Law "On State Tax Authority" of 21 July 1992	Head State Tax Inspection
Law "On State Duty" of 24 March 1995	Head State Tax Inspection
Law "On Single Duty" of 28 March 1995	Head State Tax Inspection
Law "On Land Tax" of 24 December 1996	Head State Tax Inspection
Law "On profit tax from enterprises and organisations" of 24 December 1996	Head State Tax Inspection, relevant Authorities of the Executive power
Resolution of Milli Majlis "On explanation of some provisions of the Law of the Republic of Azerbaijan "On value added tax" of 28 June 1994	Head State Tax Inspection, Ministry of Finance
Resolution of the Cabinet of Ministers "On change of the excise rate on some goods" of 25 August 1994	Head State Tax Inspection, Ministry of Finance
Resolution of the Cabinet of Ministers of 25 May 1995 "On some amendments to the Resolution of the Cabinet of Ministers of the Republic of Azerbaijan No. 319 of 25 August 1994 "On change of the excise duty on some goods"	Head State Tax Inspection
Resolution of the Cabinet of Ministers "On change of excise rates for non-spirit (non-alcoholic) drinks and beer" of 25 May 1995	Head State Tax Inspection, Ministry of Agriculture
Resolution of the Cabinet of Ministers "On rates and payment procedure of the State duty" of 29 June 1995	Ministry of Finance
Resolution of the Cabinet of Ministers "On change of excise rates for oil products" of 16 December 1996	Ministry of Finance, Ministry of Economy, State Oil Company of the Republic of Azerbaijan
Resolution of the Cabinet of Ministers "On list of excisable goods produced in the Republic of Azerbaijan and excise rates" of 16 December 1996	The Ministry of Agriculture, Head State Tax Inspection
Instruction of the Head State Tax Inspection "On estimation and payment of excise" of 16 September 1994	Head State Tax Inspection

Instruction of the Head State Tax Inspection "On application of value added taxes to goods exported in the Republic of Azerbaijan" of 3 July 1995	Head State Tax Inspection, State Customs Committee
Law "On sanitary –epidemiological welfare" of 25 February 1992	The Ministry of Health
Law "On standardisation" of 16 April 1996	State Committee on metrology and standardisation
Law "On copyrights and related rights" of 6 June 1996	Agency on protection of copyrights under the Cabinet of Ministries
Decree of the President "On application of Law of the Republic of Azerbaijan "On standardisation" of 8 October 1996	State Committee on Metrology and standardisation
Decree of the President "On application of the Law of the Republic of Azerbaijan "On copyrights and related rights" of 8 October 1996	Agency on protection of copyrights under the Cabinet of Ministries
Resolution of the Cabinet of Ministers "On establishment of the State fund of official information related with State standards, technical provisions, branch standards, classifiers of technical, economical and social information, international (regional) and interstate standards, norms, regulations and recommendations relating standardisation, national standards of foreign countries, international (regional) and interstate contracts and specific normative documents in the field of standardisation as well" of 28 March 1997	State Committee on Metrology and Standardisation
Law about "Enterprises" of 1 July 1994	Ministry of Justice
Law " About Stock Companies" of 12 July 1994	Ministry of Justice
The State Programme "About privatisation of the State property in 1995-1998" of 21 July 1995	The Cabinet of Ministries, The State Committee for Property
Law "On trade marks and geographical indicators" of 12 June 1998	State Committee on Science and Technology
Law "About Deposit" of 3 July 1998	The Cabinet of Ministries
Law "About financial-industrial groups" of 23 April 1996	Ministry of Justice

V. (a) Existing laws, regulations or administrative guidelines, which significantly affect the trade in services

Law "On employment in the Republic of Azerbaijan" of 27 June 1991	The Ministry of Labour and Social Security
Law "On pensions" of 23 September 1992	Ministry of Finance, Ministry of Labour and Social Security, National Bank
Law "On education " of 7 October 1992	Ministry of Education

Law "On insurance" of 5 January 1993	State Insurance Control
Law "On auditing service" of 16 September 1994	Auditing Chamber
Law "On leasing activity" of 29 November 1994	State Committee on Property, Ministry of Economy
Law "On social insurance" of 18 February 1997	Ministry of Labour and Social Security, State Fund for Social Protection
Law "On communication" of 20 June 1997	Ministry of Communication
Resolution of Milli Majlis "On privatisation of the State-owned motor transport means" of 24 February 1993	State Committee for Property
Resolution of Milli Mejlis "Charter of the Auditing Chamber" of 19 September 1995	Auditing Chamber
Resolution of Milli Majlis "On registration of auditors and auditing organisations in the Republic of Azerbaijan" of 12 March 1996	Auditing Chamber
Law "On Arbitration Court of the Republic of Azerbaijan" on 25 February 1992	Economic Court
Law "On Economical-Proceeding Code of the Republic of Azerbaijan" of 25 February 1992	Economic Court
Law "On State registration of the legal entities" of 6 February 1996	Ministry of Justice
Law "About Advertising" of 3 October 1997	Executive bodies
Law "About Courts and Judges" of 10 June 1997	Supreme Court of the Republic of Azerbaijan
Law "About Constitutional Court" of 21 October 1997	Constitutional Court

- (b) Publications or information sources concerning modes of general application, if relevant to the GATS

There are no such publications or sources.

- (c) Enquiry points, if any, as prescribed in Article III of GATS

In the Republic of Azerbaijan there are no informational sources as stipulated in the GATS. However, general information related to the existing market of services is available at the Ministry of Commerce, Trade-Industrial Chamber, and the State Statistics Committee.

ANNEX 3

INFORMATION ON IMPORT LICENSING PROCEDURES

I. OUTLINE OF SYSTEMS

Licensing shall be carried out only for the import of alcohol (ethyl) spirit, alcohol beverages and tobacco substitutes.

II. PURPOSES AND COVERAGE OF LICENSING

Alcohol (ethyl) spirit, alcohol beverages and tobacco substitutes are subject to licensing regardless of manufacturing or importing country.

The volume of imported goods on each registered licence shall not exceed 5 per cent of the volume of import of these goods stipulated by the Ministry of Economy.

Rules of licensing of activity on import of these goods have been identified by Resolution of the Cabinet of Ministers of the Republic of Azerbaijan No. 24 of 22 March 1997 and in accordance with those the Ministry of Commerce shall provide the issue of licenses.

III. PROCEDURES

Licenses shall be issued for a period of one year on each contract (or analogues transaction document) depending on the demand of the Republic of Azerbaijan for these goods. Accounting of forms shall be provided by the Ministry of Finance.

IV. THE RIGHT TO APPLY FOR IMPORT LICENSING

All private citizens and legal entities regardless of the type of property have the right to get a licence for production and storage of all kinds of alcoholic (ethyl) spirit according to the Rules.

V. THE FOLLOWING DOCUMENTS AND REQUIREMENTS ARE NEEDED FOR RECEIVING A LICENCE

- Formal application;
- Address of applicant, registration number and date, statistical code and bank's requisites;
- The document verifying the registration of importer at the tax inspection;
- Original and copy of the contract with foreign resident or another document verifying the transaction;
- Document on the payment of licence fee

The licence should contain the following information:

- Name, address of the body, address where licence issued, the registration number of licence, date of issue;
- Address of importer, State registration number and dates, bank's requisites, statistical code;
- Name of the country of origin, address of the legal entity;
- Type of operation, form and payment currency (with the indication of relevant code);
- Assignment of goods;

- Name of the goods, nomenclature code of goods in foreign economic activities, quantity, total cost, unit of measure;
- Number, date of contract and other document, confirming the transaction made with foreign persons (contracting parties);
- Tally, number, date of issue and validity of licence

Licenses should be registered within 15 days after the date of submission. In the case of a justified, written refusal of the licence issue the applicant should be informed officially and has a right to prosecute to the juridical bodies in accordance with the legislation of the Republic of Azerbaijan.

VI. PROVISIONS OF LICENSING

Licenses are issued depending upon the import demand of the country according to each agreement (in case of lack of the agreement the document certifying the deal) and their validity might be up to 1 year.

VII. OTHER PROCEDURAL REQUIREMENTS

Licence should be issued on condition that the volume of production of alcoholic drinks is no less than 2 thousand decalitres, and the volume of production of tobacco substitutes is no less than 50 million items of cigarettes per year.

For receiving the licence the applicant shall submit to the Ministry of Agriculture the following:

- Formal application;
- Address of applicant, registration number and date, statistical number and date, statistical code and bank's requisites;
- Originals of constituent documents or copies certified by a notary;
- Certificate of registration in the tax body;
- Act of the State body of standardisation and metrology on compliance with the State standards of equipment, technological process and conditions, applied in production, storage of produced products;
- Condition of production and storage;
- Act of the territorial body of the Centre of Hygiene and Epidemiology of the Ministry of Health on compliance with the sanitary-epidemiological requirements;
- Act of the territorial body of the main Management of fire-prevention protection and emergency rescue of the Ministry of Internal Affairs on compliance with the requirements of fire-prevention;
- Act of the territorial body of the State Committee on Ecology and control on nature utilisation on compliance with the requirements of ecological protection
- Act of the territorial body of the State Committee on control and safety operations, carrying out in the industry and mountainous control on compliance with the requirements of safety;

- Accreditation of laboratories of the technological control for production and storage, carried out in compliance with the State standards on the provision of chemical analyses;
- Document, certifying the payment of licence price.

It is prohibited to require other documents from the applicant.

The licence shall be registered and included into the register within 15 days from the day of the document submission. Justified refusal is issued in written form within the same term, and in this case the applicant shall have a right to prosecute to the Juridical Bodies in accordance with the Legislation of the Republic of Azerbaijan. The term of licence shall be established on the request of the applicant, but no less than 2 years.

Retail sale of alcoholic beverages and tobacco substitutes shall be regulated by the Regulations of retail sale of alcohol (ethyl) spirit, alcohol beverages and tobacco substitutes on the territory of the Republic of Azerbaijan, which is approved by Regulation No. 24 of 22 March 1997 of the Cabinet of Ministers.

ANNEX 4

INFORMATION ON IMPLEMENTATION OF THE CUSTOMS VALUATION AGREEMENT

In order to answer the questions raised in the Outline of Memorandum of Foreign Trade Regime the customs value of goods and other issues are determined by the articles of the Law "On Customs Tariff" of the Republic of Azerbaijan and the Resolution of the Cabinet of Ministers "Rules of application of the customs value of goods imported to and exported from the custom territory of the Republic of Azerbaijan".

The customs value of goods – calculation of custom fees, determination of the value of goods for other custom purposes, including the fines and violation of custom rules is used to identify the responsibilities in accordance with the legislation of the Republic of Azerbaijan and to implement custom statistics.

When goods are transmitted through the custom territory of the Republic of Azerbaijan by the person (declaring) who applied for the declaration, the customs value is identified by principles on rules for customs valuation, determined by the Rules, and the Agreement on Tariffs and Trade (GATT, now WTO).

Methods of estimation of customs cost:

- based on a sum of transaction with imported commodities;
- based on a sum of transaction with identical commodities;
- based on a sum of transaction with similar commodities;
- adding costs;
- deducting costs;
- using reserve method.

The most common method of estimation of customs cost of imported commodities is that based on a sum of transaction with these commodities.

If this method cannot be used, other above-mentioned methods shall be applied in succession, each of them being used if custom costs can not be established on a basis of the former.

Methods of deduction and adding of customs cost might be used in any order.

According to the legislation on declaration of the customs value of goods:

1. Customs cost is declared by the declaring person at the customs of the Republic of Azerbaijan when commodities are being transported through the customs border of the Republic of Azerbaijan.
2. Procedure and terms of declaring of commodities being imported to the customs territory and exported from said territory, including form of customs declaration, are established by the State Customs Committee of the Republic of Azerbaijan.
3. Customs cost of commodity is determined by the declaring person as specified in this Law.

4. Control over the accuracy of the estimation of customs cost is accomplished by customs authorities of the Republic of Azerbaijan.

Any information given by the declaring person in the declaration - customs cost of commodity - which is confidential and constitutes a commercial secret might be used by the customs authorities for the customs estimate.

Customs cost of commodity declared by declaring person, and information related to estimate of such cost shall be based on reliable data (with indication of quantities) and confirmed by relevant documents.

When this data is not available, customs authorities of the Republic of Azerbaijan can apply for information available (about prices of similar goods, including information from catalogues of trade companies and other reference books) by adding the relevant amendments. Should it be necessary to clarify the customs cost of the commodity declared by the declaring person, the latter will have the right to request the customs authorities of the Republic of Azerbaijan to release the declared commodity for use, against the mortgaged property or guarantee of the authorised bank in accordance with the legislation of the Republic of Azerbaijan, or he will have to pay the customs duty for transported commodities according to the customs estimate made by the customs authorities of the Republic of Azerbaijan.

Costs of clarification of declared customs cost or provision of additional information to tax authorities of the Republic of Azerbaijan shall be borne by the declaring person.

Nevertheless, prolongation of the term of custom clearing in connection with the customs estimation shall not be used by declaring person for deferment of payment of duty.

When no data confirming the accuracy of the estimated customs cost of the commodity declared by the declaring person are available, or if there is some uncertainty in the validity of the documents presented by the declaring person, the customs authorities of the Republic of Azerbaijan may themselves estimate the customs cost of the declared commodity, applying methods of estimation of the customs cost based on the information available (including known prices for identical and similar commodities).

At the written request of the declaring person, the customs authorities of the Republic of Azerbaijan must provide, within a 3-month period, written notice explaining why the declared customs cost cannot be accepted as a basis for estimation of duty.

Should the declaring person disagree with the decision of the customs authorities of the Republic of Azerbaijan with respect to the customs cost of the commodity, the said decision may be appealed against, in an order specified by the Customs code of the Republic of Azerbaijan.

The customs cost of commodities imported to the customs territory of the Republic of Azerbaijan is the cost of the transaction actually paid or subject to payment for the imported commodity at the moment when the said commodity crosses the customs border of the Republic of Azerbaijan (to a port or other point of import).

When estimating the customs cost, the following expenditures must be included into the sum of the transaction if they have not already been included:

- (a) the cost of delivery of the commodities to the airport and sea port, or any other point of import of commodities to the customs territory of the Republic of Azerbaijan:

- costs of transportation;
 - costs of loading, unloading, handling and transshipment of commodities;
 - insurance costs:
- b) costs borne by the buyer:
- commission and brokerage fees, except commission for purchase of commodities;
 - cost of containers and reusable tare (if in accordance with Nomenclature of commodities they are regarded as one whole with the estimated commodities);
 - cost of packing, including cost of packing materials and labour cost on packing.
- c) relevant part of the cost of the following commodities and services which, directly or indirectly, were provided by the buyer free of charge or at a lower cost, for use in connection with the production or export sale of commodities being estimated:
- raw stock, materials, parts, semi-finished products and other spare parts being an integral part of estimated commodities;
 - instruments, dyes, models and similar articles used in the production of the commodities being estimated;
 - materials used in the production of the commodities being estimated (lubricants, fuel, etc.);
 - engineering work, experimental-design, product styling, preparation of drafts and drawings made outside the territory of the Republic of Azerbaijan and required directly for the production of the estimated commodities.
- d) licensing and other payments for use of intellectual property, to be implemented by the buyer, directly or indirectly;
- e) amount of part of direct or indirect profit obtained by the seller as a result of future re-sale, transfer or use of the estimated commodities in the territory of the Republic of Azerbaijan.

This method cannot be used for estimation of the customs cost of commodity, if:

- a) limitations of the buyer's right for the estimated commodity are envisaged, except:
- limitations envisaged by legislation of the Republic of Azerbaijan;
 - limitations concerning the geographical area of potential re-sale of commodities;
 - limitations which have no significant impact on the cost of commodities;
- b) if the sale and sum of the transaction depend on observance of conditions, whose impact cannot be accounted for;
- c) if the data used by the declaring person when estimating customs cost are not confirmed by documents, or are not based on reliable (with determined quantities), true and unbiased information;

- d) if the parties in transaction depend on each other, except situations where their interdependency did not influence the cost of the transaction and this fact has been proved by the declaring person.

Whereas, by interdependent parties we shall mean persons (entities) which possess at least one of the following indices:

- one of the participants in the transaction is a citizen or official of one of the participants, is at the same time an official of another participant in the transaction;
- participants in the transaction are joint proprietors of the enterprise;
- participants in the transaction are related by labour relationships;
- one of participants in the transaction is the owner of the share and possesses the voting share stock in the ownership capital of the other participant, which constitutes at least five per cent of the ownership capital;
- both participants in the transaction are under direct or indirect control of the third legal entity or individual person;
- both participants in the transaction jointly supervise, directly or indirectly, the third party;
- one of participants in the transaction is under the direct or indirect control of the other participant;
- participants in the transaction and their officials are close relatives.

When using the method of estimation of customs cost of commodities, based on a cost of transaction with identical commodities, the said cost is taken into account for conditions specified below. Whereas, by identical commodities we shall mean those which are not unlike the estimated ones, including the following parameters:

- physical characteristics;
- quality and market standing;
- country of origin;
- producer.

Any minor differences in outer appearance shall not result in undue refusal to accept commodities as identical if by all other parameters they correspond to requirements of this paragraph.

Cost of transaction with identical commodities can be taken as a basis for estimation of customs cost if these commodities:

- a) were sold for import to the territory of the Republic of Azerbaijan;
- b) were imported simultaneously with commodities being estimated, or not earlier than 90 days before their delivery;
- c) were imported on the same commercial terms and in about the same volumes as the estimated commodities.

Should identical commodities be imported in different volumes, or on different commercial terms, the declaring person shall make the required corrections of their cost, accounting for the said differences and give justified explanations to the customs authorities as such.

Any customs cost that is estimated based on a sum of transaction with identical commodities should be corrected, taking into account expenditures specified in Law.

The corrections shall be made by the declaring person in accordance with reliable data confirmed by documents.

If several different costs of transactions with commodities are revealed, the lowest cost will be taken as a basis for estimation of the customs cost of imported commodities.

When using the method of estimation of the customs cost of commodities based on a sum of the transaction with similar commodities, the said cost is taken into account for conditions specified in this article. Whereas, by similar commodities we shall mean those which although different in all respects, have similar functions with estimated commodities and are commercially interchangeable. Similarity of commodities is established by their quality, availability of trade-mark, market standing and country of origin.

When estimating the customs cost based on the sum of the transaction with similar commodities, the articles of this Law shall be applied.

When using methods of estimate of the customs cost:

- a) commodities are not regarded as identical with estimated ones or similar to them if they have not been produced in the same country as the estimated ones;
- b) commodities are not regarded as identical or similar to estimated ones if relevant engineering work, experimental-design, product styling, preparation of drafts and drawings were accomplished on the territory of the Republic of Azerbaijan.

The estimation of the customs cost according to the method of estimation of the customs cost based on deduction of costs is carried out in cases, when estimated, identical, similar commodities would be sold on the territory of the Republic of Azerbaijan without change of their initial state.

When using the method of estimation of customs cost of the commodities based on the deduction of costs, the cost of the unit of the commodity is taken into account as estimated, identical and similar commodities are sold by the greatest party on the territory of the Republic of Azerbaijan not later than 90 days from the date of import of estimated commodities to the participant of the transaction, not being in interdependency with the seller.

The following articles of expenses are deducted from the cost of unit of the commodity:

- a) expenses for payment of commission fees, remuneration, additional charge to profit and total expenses in connection with sale in the Republic of Azerbaijan imported commodities of the same type;
- b) sum of import custom taxes, duties, collections and other payment, subject to payment in the Republic of Azerbaijan in connection with the import or sale of the commodities;
- c) expenses, incurred in the Republic of Azerbaijan for transportation, loading, unloading works, insurance.

When no cases of sale of estimated, identical or similar commodities in the same state (as they were up to the moment of import) are available, on request of the declaring person the cost of unit of the commodity (having processed, with amendment for added tax and with observance of provisions of paragraphs 2 and 3 of the present article) may be used.

When using this method as a basis for the estimation of customs cost of commodities, the unit price is calculated by way of adding the following costs:

- a) cost of materials and expenditures borne by the producer in connection with the production of estimated commodities;
- b) general costs characteristic for import to the Republic of Azerbaijan from the country-exporter of commodities of same kind, including transportation costs, insurance to a place of loading, etc.;
- c) profits obtained by the exporter as a result of delivery of such commodities to the Republic of Azerbaijan.

Whenever customs cost of commodities cannot be determined by the declaring person as a result of successive use of methods specified in this Law, or customs authorities reasonably state that said methods of estimation of customs cost cannot be used, the customs cost of the estimated commodities shall be determined in accordance with world practice.

Using the reserve method, customs authorities of the Republic of Azerbaijan can provide price information in their possession to the declaring person.

When estimating the customs cost of commodity using the reserve method the following may be used as a basis:

- a) price of commodity at domestic market of the Republic of Azerbaijan;
- b) price at domestic market of the Republic of Azerbaijan for commodities produced in the Republic of Azerbaijan;
- c) price of commodity shipped from the country-exporter to third countries;
- d) established at free will or non-clarified price of commodity.

Availability of information on customs procedures for the general public is provided by way of periodical publication. The population is usually informed by three following ways:

1. The Legislative and the Executive powers publish periodical literature and sources of statistics;
2. The Customs Committee issue a weekly social-politic newspaper "Customs Herald", having a circulation of 5000 copies;
3. The independent commercial agencies periodically publish legal acts, laws and codes in accordance to the needs of the population.

Besides these, there are explanatory broadcasts about customs issues regularly carried on the radio and television.

ANNEX 5
INFORMATION ON
TECHNICAL BARRIERS TO TRADE

Legal Acts and normative documents of the Republic of Azerbaijan are not intended to establish technical barriers to trade and disrupt trade and do not have provisions which discriminate the imported goods. The main goals are to ensure safety, health, protection of property of citizens and the protection of environment.

- Law "About Protection of Consumer Rights" of 19 September 1995
- Law "On joining the Convention of cargo marking" of 22 April 1997
- Law "About Nature Protection and Nature Utilization" of 25 February 1992
- Law "On Standardization" of 16 April 1996
- Law "About Sanitary Epidemiological Welfare " of 10 November 1992

The Law of the Republic of Azerbaijan
About Standardization

The present Law establishes legal and economic bases of standardization in the Republic of Azerbaijan, obligatory for all executive authorities, local self-governing bodies, enterprises, organisations, entrepreneurs, as well as to public associations. State protection of interests of consumers, governmental and economic entities are regulated by the present Law and normative documents on standardization, which are worked and applied in compliance with it.

Standardization is related to the establishment of norms, regulations & characteristics of production aimed toward the provision of:

- products (works, services), safety for life, health, property and environment;
- technical, technological and data sharing, as well as mutual replacement of products (works, services);
- products (works, services) conformity with the available level of science, technique and technology, increase of their competitiveness;
- precision and unity of measurements;
- economy of all kinds of resources;
- safety of economic entities with consideration of probability of natural and technology-related disasters, as well as other extraordinary situations;
- provision of consumers with full and reliable information about the assortment and quality of products (works, services).

Legislation about standardization is composed of the present law and issued in compliance with it and other legislative acts of the Republic of Azerbaijan.

The standards of construction, staple foods, other consumer goods and products (works, services) are defined by the laws of the Republic of Azerbaijan.

The organization of works and management of standardization include elaboration and application of normative documents on standardization, provision of consumers with full and reliable information about these documents, development of standardization system, determination of rules for application of international standards in the Republic of Azerbaijan and branch peculiarities of

standards, carrying out of control measures for adhering to standard's requirements, preparation and improvement of qualifications of personnel in the field of standardization, financing of mentioned works and other measures.

The normative documents on standardization, which are defined, elaborated and applied on the territory of the Republic of Azerbaijan, include:

- State standards of the Republic of Azerbaijan;
- directories of technical, economic and social information;
- branch standards;
- international (regional) and intergovernmental standards, norms, rules and recommendations applied in the established order;
- technical conditions;
- standards of enterprises;
- standards of scientific-technical, engineering societies and other public associations.

The Law of the Republic of Azerbaijan On Sanitary- Epidemiological Welfare

The sanitary legislation of the Republic of Azerbaijan regulates public relations in the sphere of the sanitary-epidemiological welfare of its population, as an indispensable condition for realization of public rights and interests in protecting and strengthening the health, physical and spiritual development and active longevity of its people.

The main purpose of the sanitary-epidemiological legislation of the Republic of Azerbaijan are as follows:

- establishment of the system of rights and duties of Government bodies, public associations, enterprises, organizations, institutions regardless of subordination and forms of property of officials and citizens;
- provision of sanitary-epidemiological welfare with the purpose of public health protection from the unfavourable influence of environment, and for strengthening public health;
- creation of a control system for observance of sanitary norms and rules, hygienic normative, and also for carrying out sanitary-hygienic and anti-epidemic measures;
- establishment of order of hygienic and epidemiological regulation, preparation of sanitary norms and rules;
- creation of an economic mechanism for the provision of public sanitary-epidemiological welfare;
- determination of responsible measures for violation of sanitary norms and rules, hygienic normative;
- creation of complex measures with legal and organizational character aimed to guarantee public rights and health protection.

All Government entities, public associations, enterprises, organizations, institutions irrespective of their subordination and form of ownership, officials and citizens, are obliged to follow the established sanitary norms and rules.

**The Law of the Republic of Azerbaijan
On Protection of Consumer Rights**

This Law determines general legislative, economic, social bases and the mechanism for the creation of fair relations between consumers, provision of equal relations between seller and customer in the process of sale and purchase, in trade and services, as well as protection of consumer rights on the territory of the Republic of Azerbaijan.

The present law was elaborated on the base of “General Principles for the Protection of Consumer Interests”, adopted by the UN General Assembly and was directed to bring analogous relations in the Republic of Azerbaijan into accordance with international practice.

ANNEX 6

INFORMATION ON STATE-TRADING

The Government of the Republic of Azerbaijan does not support enterprises covered by the provisions of Article XVII of GATT 1994.

The Government of the Republic of Azerbaijan does not have any legislative or other acts which grant privileges to any private or State enterprise for carrying out trade operations.

At the same time, purchases made by the executive power bodies, State enterprises and partly State-owned enterprises are regulated by the Law of the Republic of Azerbaijan "About Tender" and the Decree of the President of the Republic of Azerbaijan "On purchases of goods (works, services) by State (budget) organizations". All purchases above 250 million Manats have to go through tenders. The Cabinet of Ministers of the Republic of Azerbaijan and other bodies of executive power can carry out tenders on behalf of the Republic of Azerbaijan.

ANNEX 7

SERVICES SECTORAL CLASSIFICATION LIST

I. BUSINESS SERVICES

1. Professional Services

Type of services	Licence Issuing Body	Requirements and legal acts
a) Legal Services	Ministry of Justice	The certificate verifying higher juridical education is required for activities
b) Accounting, auditing and book keeping services	Auditing Chamber Ministry of Finance	The certificate on special education is required governed by the Law on "Auditing Service", dated 16 April 1994 and Resolution of Milli Majlis "On registration of auditors and auditing organizations in the Republic of Azerbaijan".
c) Taxation Services	No	No
d) Architectural Services	No	No
e) Engineering services	No	No
f) Integrated engineering services	No	No
g) Urban planning and landscape architectural services	No	No
h) Medical and dental services	Ministry of Health	The certificate on medical education, and special medical space in accordance to the stipulated norms
i) Veterinary services	Veterinary Committee under the Cabinet of Ministers	Law "On veterinary methods", dated 17 June 1994
j) Nurses, midwives, physiotherapists, personnel on psychotherapy	As in point h)	As in point h)

2. Computers and related services

Type of services	Licence Issuing Body	Requirements and legal acts
a) Consultation services related to the installation of computer hardware	No	No
b) Services on software provision	No	No
c) Services on information processing	No	No
d) Database services	No	No

3. Research and Development Services.

Type of services	Licence Issuing Body	Requirements and legal acts
a) R&D services on natural sciences	No	No
b) R&D services on social and humanitarian sciences	No	No
c) Interindustries R&D services	No	No

4. Real Estate Services.

Type of services	Licence Issuing Body	Requirements and legal acts
a) Related to private or leased property	Local bodies of executive power	No
b) On a payment or contract basis	No	No

5. Rental/Leasing Services without Operators.

Type of services	Licence Issuing Body	Requirements and legal acts
a) On ships	Ministry of Economy	No
b) On aircraft	Ministry of Economy	No
c) On other transportation	Ministry of Economy	No
d) On other machinery and equipment	Ministry of Economy	No

6. Other Business Services.

Type of services	Licence Issuing Body	Requirements and legal acts
a) Advertising services	No	No
b) Market research and public opinion polling services	No	No
c) Management consulting services	No	No
d) Services related to management –consulting	No	No

Type of services	Licence Issuing Body	Requirements and legal acts
e) Technical testing and analysis services	No	No
f) Services to agriculture, hunting and forestry	State Committee on Ecology and Nature Utilization	Law "On Protection and Use of Nature", dated 25 February 1992
g) Services related to fishing	Ministry of Economy (by industrial way)	As in point f
h) Services to mining	State Committee on Geology and mineral resources	No
i) Services to manufacturing	No	No
j) Services to energy distribution	State Concern "Azerenergy"	No
k) Placement and supply services of Personnel	Ministry of Labour and Social Protection	The Law on "Employment of Population"
l) Investigations and security	Ministry of Justice, Ministry of Internal Affairs	No
m) Scientific and technical consulting services	No	No
n) Maintenance and repair of equipment	No	No
o) Building-cleaning services	No	No
p) Photographic services	No	No
q) Packaging services	No	No
r) Printing, publishing	Ministry of Press and mass media	Law "On mass media"
s) Convention services	No	No

II. COMMUNICATION SERVICES

Type of services	Licence Issuing Body	Requirements and legal acts
1. Postal services	No	No
2. Courier services	No	No
3. Telecommunication services		
a) Voice telephone services	No	Law "On Communication" dated 20 June 1997
b) Others	No	
4. Audiovisual services		
a) Motion picture and video tape production and distribution services	No	No

b) Motion picture production services	Local bodies of executive power	No
c) Radio and television	Ministry of Press and mass media	Law "On mass media" of 21 July 1992 Law "On Communication" of 20 June 1997
d) Radio and television transmission services	Ministry of Communication	The Law "On Communication" of 20 June 1997
e) Sound recording	No	No
f) Others	No	No

III. CONSTRUCTION AND RELATED ENGINEERING SERVICES

Type of services	Licence Issuing Body	Requirements and legal acts
1. General construction work for buildings	No	No
2. General construction work for civil engineering	No	No
3. Installation and assembly work	No	No
4. Building completion and finishing work	No	No

IV. DISTRIBUTION SERVICES

Type of services	Licence Issuing Body	Requirements and legal acts
1. Commission agent's services	No	No
2. Wholesale trade services	No	No
3. Retailing services	No	No
4. Franchising	No	No

V. EDUCATIONAL SERVICES

Type of services	Licence Issuing Body	Requirements and legal acts
1. Primary education services	Ministry of Education	Law "On education", dated 01.10.92
2. Secondary education services	As above mentioned	As above mentioned
3. Higher Education services	As above mentioned	As above mentioned
4. Adult education	As above mentioned	As above mentioned

VI. ENVIRONMENTAL SERVICES

Type of services	Licence Issuing Body	Requirements and legal acts
1. Sewage services	No	Law "On sanitary-epidemiological welfare", dated 10.11.92
2. Refuse disposal services	No	As above mentioned
3. Sanitation and similar services	No	As above mentioned

VII. FINANCIAL SERVICES

1. Insurance and insurance-related services

Regulations of the insurance market on the provision of additional guarantees in the interest of private citizens and legal entities and social insurance of the population are governed by the Law of the Republic of Azerbaijan “On Insurance” adopted by Milli Majlis, dated 5. January 1993

In accordance with this Law more than 100 private insurance companies function, and their activities are licensed by the State Insurance Inspection at the Cabinet of Ministers of the Republic of Azerbaijan.

The insurance companies render services on insurance of property, authorisation and re-insurance in accordance with the international standards and legislation of the Republic of Azerbaijan.

2. Banking and other financial services

Activities of banks and the banking system of the Republic of Azerbaijan are carried out on the basis of the laws of the Republic of Azerbaijan “On National Bank of the Republic of Azerbaijan”, dated 10 June 1996, “On the bank and banking activity in the Republic of Azerbaijan”, dated 14 June 1996 and also on the legal documents of the National Bank of the Republic of Azerbaijan.

The financial system of the Republic of Azerbaijan plays a significant part in the transition process to the market economy. During the transition period the system has implemented a number of very important functions:

1. The system has strengthened the financial control of State enterprises, which are in the process of privatisation. The efficient policy has been developed by the Government, together with State enterprises, for carrying out this task.
2. The new mechanism of supervision and control of borrowers (as well as State and private) has been developed within the financial system. It allows for the control of activities according to contracts concluded.

The enterprises which have been privatised within the frame of the finance system and the newly-formed class of entrepreneurs, have to be provided by financial services.

The work is proceeding in the field of development of financial services in the private, effective and stable financial sector, which facilitates to collect savings effectively and to serve the investments on the whole territory of the Republic, leading to economic growth.

Investments

In accordance with the above-mentioned legislative acts, receipt of investments and other paid-back means from the population shall be made by the authorised banks within the limits of the regulated economic normative, established by the National Bank of Azerbaijan.

Crediting

Crediting shall be carried out by the banks according to the Law on “Banks and Banking System” and on “Pledges” and also within the limits of economic legal documents, established by the

National Bank of the Republic of Azerbaijan. There is also a centralised credit auction and an inter-bank credit market. Their order of work shall be determined by the normative documents of the National Bank.

Financial leasing

There is a required infrastructure for providing stock activities, but the organised market of the State short-dated bonds has only developed now, while the market of corporate securities is not yet developed. The trade at the exchange of securities may be carried out through legal entities (credit and non-credit enterprises) – the members of funded department of Baku inter-bank currency market.

Operations with the State Shorts (SS)

Operations with the State Shorts (SS) shall be carried out through the dealer of SS, who are a member of the funded department of the exchange. The foreign enterprises, registered at the tax bodies shall be allowed to conclude a transaction on purchase and sale of SS as at the auctions, so at the secondary bargaining through the dealers of SS.

The market of futures, forwarders and options

The market of futures, forwarders and options are at the initial stage of development.

Operations with precious metal

Operations with precious metal according to the Law on “Currency Control” are not prohibited, but an internal market has not formed.

The relations of all participants of the stock exchange related to the SS is governed by the Law on “Securities and Stock Exchange” and by Decree ¹ 123 of the Cabinet of Ministers of the Republic of Azerbaijan, dated 17 September 1996.

Deposit services

Some kinds of services, such as management by assets, portfolio management, all forms of collective invested management, management by the pension funds, deposits of storage and trust services are not developed in connection due to the lack of development of the corporate market. Nevertheless at the same time, there is a full legal base on regulation of cheque investment fund and deposits activity of the independent depository due to achievements of the privatisation process. Banks carry out the deposit activities within the frame of the bank’s licence.

VII. HEALTH RELATED AND SOCIAL SERVICES

Type of services	Licence Issuing Body	Requirements and legal acts
1. Hospital services	Ministry of Health	No
2. Other Human Health Services	The same as above-mentioned	No

3. Social services

More than ten laws, providing social protection to wide sections of the population have been adopted during the short term:

- On pension provision of citizens;
- On social protection of the disabled;
- On vacations;
- On labour protection;
- On consumer budget;
- On indexation of money income and deposits of population;
- On individual trade agreements;
- On collective agreements.

The privileges on payment for transportation and municipal services, allowances, pensions and compensations are considered for families with minimum salaries, for poverty-stricken families with children and grants for students. Taking into account that official statistics determine more than 90 per cent of population of the Republic to be on the poverty line (according to the calculations made by the World Bank it composes 61.5 per cent) including 20.4 per cent above the poverty line, the main accent in the social policy has been made on provision for indigent and low-protected groups.

The Republic has registered 233,688 refugees and 683,614 forced migrants. Of these, 108,666 are children under the age of 5 and 357,562 are women who have been allocated in unacceptable living conditions. 25 per cent of the total number have been placed in camps (there are 6 camps in the Republic of Azerbaijan) which were built by the humanitarian organisations. Only one quarter of the total number of this population group have been provided with work. More than 80 per cent have health problems. Refugees and forced migrants receiving the humanitarian aid (5 per cent of the total) have been included in the system of State social protection, like any other citizen of the Republic of Azerbaijan. In addition to payment, they are also provided with various other allowances.

After examination of the results of the financial position, compensations for unemployed pensioners and allowances to families with children are paid, instead of consuming subsidies on food products. Therefore the income for the previous quota only, not for the previous year, is taken into the account. The Law on "Social Insurance", adopted on 18 February 1997, stipulates the decrease of allowances for working pensioners and liquidation of provisions for early retirement and extension of the terms for retirement for 3 more years. Moreover, the Government intends to introduce a system of individual pension accounts, which will be considered as the first step toward the process of the development of a multileveled system of pension provision.

IX. TOURISM AND TRAVEL RELATED SERVICES

Currently tourism activity is regulated by the Recommendation Legislative act on "Main principals of cooperation of CIS States members in the tourism sector", which was adopted by Inter-Parliament Assembly of the CIS country members in Saint Petersburg on 29 September 1994.

In accordance with the legislature of the Republic of Azerbaijan for carrying out international tourism activities the licence issued by the Foreign Tourism Council under the Cabinet of Ministers is required.

X. ENTERTAINMENT, CULTURE AND SPORT SERVICES

Type of services	Licence Issuing Body	Requirements and legal acts
1. Entertainment services (incl. Theatre, concerts and circus services)	Ministry of Culture	No
2. News agency services	Ministry of Press and mass media	Law on "Means of mass media", dated 21.07,92

Type of services	Licence Issuing Body	Requirements and legal acts
3. Libraries, archives, museums and other cultural services	Ministry of Culture	No
4. Sports and other entertainment services	Ministry of Youth and Sport	No

XI. TRANSPORT SERVICES

1. Maritime Transport Services:		
a) Passenger transportation	Caspian Marine Stream-navigation	No
b) Freight transportation	As in (a)	As in (a)
c) Rental of vessels with crew	No	No
d) Maintenance and repair of vessels	No	No
e) Pushing and towing services	No	No
2. Internal Waterways Transport:		
a) Passenger transportation	Caspian Marine stream-navigation	No
b) Freight transportation	As in (a)	As in (a)
c) Rental of vessels with crew	No	No
d) Maintenance and repair of vessels	No	No
e) Pushing and towing services	No	No
3. Air Transport services:		
a) Passenger transportation	State Concern "Azerbaijan Hava Yollari"	"Air Code of the Republic of Azerbaijan"
b) Freight transportation	As in (a)	As in (a)
c) Rental of aircraft with crew	No	No
d) Maintenance and repair of aircraft	No	No
e) Supporting services for air transport	No	No
f) Space Transport.	No	No
5. Rail Transport Services:		
a) Passenger transportation	State Management of Railway	No
b) Freight transportation	As in (a)	As in (a)
c) Pushing and towing services	No	No
d) Maintenance and repair of rail transport equipment	No	No
e) Supporting services for rail transport services	No	No

6. Road Transport Services:		
a) Passenger transport: - inter city	- State Concern "Azeravtonaglyyat"	No
- city	- municipal and regional organs of executive power	No
b) Freight transportation	State Concern "Azeravtonaglyyat"	No
c) Rental of commercial vehicles with operator	No	No
d) Maintenance and repair of road transport equipment	No	No
e) Supporting services for road transport services	No	No
7. Pipeline Transport:		
a) transportation of oil	No	No
b) Transportation of other goods	No	No
8. Services auxiliary to all modes of transport:		
a) Cargo-handling services	No	No
b) Storage and warehouse services	No	No
c) Freight transport agency services	No	No
9. Other transport Services	No	No

ANNEX 8

A. List of Foreign Trade Agreements

I. Bilateral and Multilateral agreements on foreign trade in goods and trade in services:

1. On establishment of Eurasia Union on Coal and Steel, (CIS) 24 September 1993 (is not ratified);
2. On control of getting permission for re-export and re-export of goods, (CIS) 15.04.94 (put into force 18.12.96).

II. Bilateral Agreements on free trade with CIS countries:

1. With Russian Federation –1992;
2. With Ukraine – 1995;
3. With Uzbekistan –1996;
4. With the Republic of Kazakhstan –1997;
5. With Georgia – 1996;
6. With Turkmenistan – 1996;
7. With the Moldova Republic –1995.

III. Other bilateral agreements:

1. On economical cooperation and trade with Poland - 26 August 1997;
2. On civil air transportation with Poland - 26 August 1997;
3. On avoidance of double taxation in export and import of goods (operations, services) with Kazakhstan - 16 September 1996;
4. On principles of trade-economic cooperation with Georgia 8 March 1996;
5. On of trade navigation with Georgia - 8 March 1996;
6. On principles of trade-economic relations with the Moldova Republic - 8 September 1995;
7. On trade-economic relations and scientific-technical cooperation with Romania - 2 July 1995;
8. On trade-economic relations with Hungary - 2 September 1993;
9. On trade-economic relations and scientific-technical cooperation with Bulgaria - June, 1995;
10. On trade –economic cooperation with Turkey - 2 November 1992;
11. On non-commercial payments with Uzbekistan - 27 May 1996;
12. On mutual establishment of trade representation with the Russian Federation - 30 September 1992;
13. On main principles of trade-economic cooperation with the Russian Federation in 1995;
14. On supplies of the most important products with the Russian Federation in 1996 - 18 January 1996;
15. On trade relations with the United States of America - 12 April 1993 (ratified by Milli Majlis of the Republic of Azerbaijan 19 April 1995);
16. On trade-economic cooperation with Ukraine - 1995;
17. Joint Statement on Trade-Economic Cooperation with Japan - 26 February 1998

B. Agreements on Economic Integration, Customs Union and Free Trade Zones

1. On Economic Union of CIS - 24 September 1993;
 2. On establishment of free trade zones –15 April 1994 (put into force on 8 December 1996);
 3. On mechanism of assistance for the development of production cooperation of enterprises and industries and common provisions 23 December 1993 (put into force 15 April 1994);
 4. On migration of labour and social protection of labour migrants 15 April 1994 (put into force 18 December 1996);
 5. On cooperation and mutual assistance in the customs issues - 15 April 1994 (put into force 25 October 1995);
 6. Agreement on production, cooperation and commodity turnover on the basis of mutual supplies in the machine-building industry 9 December 1994 (put into force 18 December 1996).
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