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## **Azerbaijan's Accession to World Trade Organization (WTO); Pros and Cons**

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## Introduction

What are essence and key functions of the World Trade Organization (WTO)? What changes will be arisen after the accession of Azerbaijan to an institution introduced without any alternative? Why we couldn't reach any consent within the 13 years negotiations? What will be advantages and disadvantages of WTO membership? Despite these questions are not fundamental, they are of real interest in a period when the globalization is widening more and more and the economic integration is unavoidable. This document has been drawn up to find out answers to the tens questions mentioned or not mentioned previously. These phrases underlined during the debates organized recently around the WTO in one of the leading channels of Europe would be considered one of the best and certainly the simplest interpretation to reach a final conclusion in connection with this organization: "this organization is as a table at which the men are conducting discussions". Yes, unlike other international institutions, the WTO doesn't determine any explicit duties and they are agreed through discussions and negotiations. And this document concerns the matters and mode of discussions held around this table.

Azerbaijan has started to the unilateral and all-round negotiations with WTO namely from the time it has appealed for accession to this organization, i.e. 1997. Nevertheless, it has failed to reach consent with the leading countries as USA, the European Union and Austria in the bilateral negotiations. And the all-round negotiations reached an impasse: the thoughts of the working group on the agrarian and service sectors and the WTO officials don't coincide. From this standpoint, it is difficult to predict anything regarding the time of accession of Azerbaijan to WTO: nevertheless, the ministerial officials have declared on repeated occasions regarding the membership of Azerbaijan to WTO. The official argument related to the delay is simple: Azerbaijan is intending to join WTO under easy conditions; therefore it tries to extend negotiations. on the other hand, the results of the WTO Conferences of Ministers held both in Hong-Kong in 2005 and Geneva in 2009 indicate that the membership conditions to this organization became thorny more and more. Consequently, the late accession doesn't mean a membership under favorable conditions. From 2013, WTO will liquidate all subsidies related to the export and the "subsidies wall" on the agrarian sector became more and more narrow and certainly all these facts prevent the probability of "compromise accession".

Both the persons approving the activity of WTO and those dissatisfied of it reach the common idea regarding such a matter: there is no alternative for Azerbaijan WTO membership. Azerbaijan striving officially for membership of the aforementioned organization from 1997, has taken out certain matters in the

agenda both in the bilateral and multilateral negotiations. The goal is clear: Azerbaijan is not intending to be outside of the global economic and trade integration. And the way of strengthening this integration process passes through the WTO membership.

WTO has officially taken a step forward from 1995, but the trading system encompasses a period more than a first half of the century. Commencing from 1948, GATT (General Agreement on Trade and Tariffs) has determined rules for trading system. The biggest and the longest round of debates of GATT entered the history as the Uruguay Round that has led to the establishment of WTO in 1995. WTO is engaging in improvement of the trade rules determined by its predecessor. It is not paradoxical that the entrepreneurs are amongst persons getting most benefit and exposing to losses. The WTO membership means the free competition. Only the persons using new methods in their daily activity and benefiting from new technologies will carry all before one. And the membership to this organization will support these entrepreneurs. Azerbaijan is expected to join the aforementioned competitive system before long. It means that the entrepreneurs are obliged to be trained to begin working together with winners.

The policy document contains offers aiming at determining the ways out of real problems, as well as increasing profits and minimizing losses regarding a membership of Azerbaijan to WTO alongside with analyzing the mentioned problems.

### **Key duties and functions of the World Trade Organization (WTO)**

After the Second World War, to provide a truce amongst countries, it was decided to give an impulse to the international economic cooperation, an important problem all over the world. Within this framework certain states have started to the discussions in the direction of establishment of new institutions aiming at assisting the development efforts of some countries and liberalization of international trade. Firstly, it was resolved to establish the organizations, like the International Monetary Fund (IFM) and the World Bank (WB) as an outcome of this process.

Within the period between the First and the Second World Wars some states, especially industrialized countries were in anxiety about restricting arrangements taken in the field of international trade. As, in these countries with high rate of development of industrial production, the dynamics of the economic life was related to the existence of a wide foreign market. For this purpose, they have started to appear with proposals aiming at establishing the cross functional international trade and payment system before the end of the Second World War.

Within 1947-48, about 50 countries' representatives were in conference in Havana aiming at liberalization of the international trade and in this connection, it was drawn up a draft law concerning the foundation of the International Trade Organization. Within the period before ratification of the offered tariff discounts approved while these discussions by the participating countries' parliaments – in October 1947, there was founded GATT.

So, the GATT approved on temporarily basis as a provisional agreement became a step for establishment of the Trade Organization GATT has preserved its existence up to 1994. Within the elapsed 47 years there were arisen several important events, 8 big discussion rounds have been conducted and GAT could create a frame generally recognized in the world trade. GATT, in the version: the World Trade Organization is a global system aiming at liberalization in the world trade. GATT was an international wide scale agreement regulating international trade.

While establishment of GATT, 4 key principles were formed:

- The country law being under supervision (non-discrimination)
- International Law on Impact (national treatment)
- Consolidation of customs taxes after being discounted
- Carrying out of a defense simply through customs duties (transforming of off-tariff arrangements into tariff).

These principles include the key doctrines and philosophy of the world trade.

GATT is a mechanism founded after the Second World War in order to organize the operation of international competitive sphere based on epoch's political and economic opportunities and isolate the adherent countries from the customs standpoint resting up protecting its rights and encouraging the liberalization arrangements in the foreign trade, organizing the corresponding partnership contacts between the national economies and the international trade sphere and preventing the classical patronizing system directed towards superfluous profits amongst the countries establishing a very transparent competition sphere in the international trade.

GATT aiming at liberalization of international trade and its running based on sole rule was renamed since January 01, 1995 the World Trade Organization (WTO). WTO carries out the regulation of intra-countries trade relations resting upon multilateral trade agreements. WTO, one of the youngest international organizations is a continuer of the Tariffs and Trade Agreement established in 1947.

The distinctive features of WTO in comparison with GATT: despite WTO carries out its activity as GATT, the matters of international trade including its subject-matter are more wide: the distinctive features in this direction include various matters commencing from service trade up to trade aspects of the intellectual property right.

The scope of WTO: presently 95% of the international trade comes into WTO member-countries share.

The key goal of WTO: maximum liberalization of international trade and creating strong bases for it, providing the fair competitive conditions and so, increasing the level of economic development and their living mode.

The key duty of WTO: includes regulating the trade-economic relations amongst the member states based on the set of agreements formed as a result of Uruguay Round of multilateral trade negotiations.

WTO principles:

- the principle of “the most favorable regime” (creating the same trade conditions for the member countries);
- the principle of “national regime” (non-discrimination between imported goods and services and local materials and services);
- preference to the tariff methods in the trade regulation;
- preventing the quantitative restrictions in a trade;
- distinctness and transparency of the trade policy;
- protecting the internal markets based on WTO rules;
- creating the favorable conditions for free competition
- resolving the trade disputes through negotiations.

So, the key principle of WTO encompassing 95% of the world trade organizes the preventing of discrimination in the foreign trade and providing the free access to the markets of the world countries.

The principle of preventing the discrimination in the foreign trade is directed towards identification of trade rules for the WTO member countries and discrimination of imported goods in the national markets.

The principle of free access to the markets serves the effective organization of the trade turnover through preventing the quantitative restrictions applied to the importation, including in the productive national regimes' application base, at the same time the publicity and transparency in the member countries foreign trade regime.

WTO functions:

- supervision on approval of multilateral trade agreements being WTO legal basis and execution of the approved agreements;

- organizing the trade negotiations between the participating countries;
- carrying out of cooperation with other international organizations;
- acceptance of new members to the organization;
- assisting the settlement of the trade disputes amongst member countries;
- Collecting, studying and presentation of information concerning the international trade and trade policy.

While accession to WTO, the status of countries is noted distinction and some conditions are related to this status. These conditions include as a rule the transitional period for the tariff concession and the volume of subsidiaries on exportation in the agriculture. The transitional period for tariff concessions is estimated maximum 25 years. Such concessions may be applied to the third world countries. The term of concessions for the developing countries may be different. So, the transitional period for the tariff concessions while WTO accession was determined 9, 7, 5 and 4 years correspondingly for Latvia, Kyrgyzstan and Moldova. This period embraces 15-25 years for some countries (China, India etc.). The second important matter is related to the relative contingent imposed on the volume of subsidies for the developing countries in the agriculture. This contingent is provided for the developing countries 10 % of subsidies in the total capacity of agricultural goods and on the developing countries – 5%.

As, if the subsidies of the participating countries in the agriculture are differed, it will affect the general trade. Namely, the Uruguay Round's key requirement was to regulate and decrease the internal assistances. The matter is that according to the WTO terminology, the subsidies allotted for the agriculture are divided conventionally into three groups: the green, yellow and red baskets. The green basket is a group of subsidies whose application is not imposed any restrictions. The subsidies pertained to this group include mainly internal assistances directed towards amelioration of infrastructure and scientific-research works. As these facilitations don't affect directly the goods' price, the WTO members will not any problems related to this basket. As to the red basket, it is considered subsidiaries directed to the exportation and prohibits WTO subsidies. The main object of discussions is the yellow basket. The subsidies pertained to this basket exerts direct influence on the goods' price.

We would note that in the WTO terminology, the subsidies allotted for the agriculture are grouped as baskets and they are provided with various colors depending on their essence. These baskets are painted with green (subsidies are allowed), yellow (subsidies are limited) and red (subsidies are prohibited). As a matter of fact, the matters in the agrarian sector are considered more complicated than in the other fields of the economy. The WTO agreement related to the agriculture doesn't contain any definition of the "red basket". Instead there was

used a definition of “green basket” (subsidies for production). Besides, the special concessions for the developing countries are expressed in the article 6.2 of this agreement. It is presented as a rule as the Special and Distinctive Agreements (S&D).

**The yellow basket.** The subsidies carried out within this basket are regulated in accordance with the article 6 of WTO Agreement in connection with the agriculture. In line with the mentioned article, the subsidies are deposited in the agricultural sector in this case, whenever they are applied some restrictions. It includes internal production subsidies. According to the WTO agreements, the countries agreed with this type of basket are entitled to regulate prices in the agrarian sector to some degree and to carry out subsidies in compliance with the volume of production.

Besides, it is to be noted that these subsidies are limited: the subsidies called as “de minimis” are in the capacity of 5% of the annual agricultural production. The mentioned figure is lower than 5% for the developed countries. We have to note that 30 WTO member countries have the right to make subsidies in the agrarian sector exceeding the limits of “de minimis”. This right of the aforementioned countries is expressed in agreements reached as per the Uruguay Round. But while extending reforms in WTO these rights are applied restrictions.

The WTO “General Aggregate Agreement related to Assistance indicates that these subsidies are directed generally towards the agrarian sector, but not only to one selected product. Factually, it prevents the definition of “a product of strategic importance” for the WTO member countries. That is, the state is not able to support separately the production of a product which it considers having exporting capability. Besides, the key matter arisen in the course of discussions held the last time is related to decreasing the volume of subsidies and preventing of aggregate restrictions. Now the negotiations are held around the amending the Appendixes 3 and 4 of the article 1 of the WTO Agreement in connection with the agriculture. And it means the inclination towards “restriction”.

**The blue basket.** It is called at the same time the “relative red basket” and its goal is to reduce the misrepresentations. The volume and essence of subsidies applied within this basket are determined as per the articles 5 and 6 of the WTO Agreement in connection with Agriculture. In this case the production is subsidized and normally the subsidies pertained to the yellow basket are included to the green basket too. Presently there are no special limits related to the subsidies included to this basket.



**The green basket.** The conditions for this basket are determined in accordance with the article 1 of the WTO Agricultural Agreement. The subsidies made within this basket will not affect the trade. Besides, any subsidies have to be designated by the government (for example, they have not to be paid by consumers at the expense of increasing of prices).

In this case there will not be carried out any support for individual product production and at the same time there will not be directed any funds towards increasing the revenues of the farmers. Besides, a state reaching an agreement within the conditions of the green basket will be entitled to make any subsidies on the regional development program and in direction with protection of the environment. At large, there are not determined any restrictions for the green basket's subsidies volume.

The developed countries are reducing the import tariffs as from 1995 and the result of which is that the states of the mentioned category since the foundation of WTO have reduced tariff rates up to 40%: from 6,3 to 3,8%. Besides, the value of industrial products imported during this period are increased from 20 to 40\$ as regards the import goods of general assignment. The tariff decreases are applied the determined limits (binding, bound and unbound tariffs) both in the developed and in developing countries. The tendency of development of limits for tariffs is observing frequently in the developed and other countries with transition economy. If the weight of the limited tariffs in the general tariffs was 78%, this factor has reached now 99%. The aforementioned indices consist of 73 and 98 % for the transitional countries. As it is seen, these indices in the transitional countries are about in the level existing in the developed countries. The essence of determination of limits for the parties is that a country recognizing these conditions will not be able to increase the preliminary determined tariffs. Factually, it means a determination of maximum tariffs regarding the importation of other products and the matter may be as regards reducing the tariff rate. For example, if there is determined a tariff at the rate of 10% for the importation of the product "A" and this product is imposed a limit, it will be practically impossible to increase tariff in connection with the aforementioned commodity importation. At any case, the related tariff rate cannot be more than 10% on this commodity. It is to be noted that an indicator related to imposing of limits on the tariffs has been increased from 21 up to 73% in the developing countries. Now, despite the weight of tariffs with the pre-determined limits in the developing countries is lower, the increase in these countries were noted more frequently than in the countries with different category.

## **The WTO membership process of Azerbaijan: real outcomes and challenges**

The WTO membership is a matter for each country combining very complicated procedures in it, which is defined by some characteristic features and it may be lasted from 3 up to 15 years.

The WTO membership of Azerbaijan is directly related to the improvement of legislation. Presently there are laws in the fields of regulation, intellectual property and investments that don't meet any international standards and WTO very requirements. The WTO membership will enable the country to forecast the country's trade policy, the level of transparency will be increased, the international trade partners' number will be increased and the economic disputes will be settled more effectively. It is to be noted that the main moments discussed within the agricultural agreement make important the determination of subsidies upper limit and tariffs.

According to the researches made by the WTO membership secretariat under the Ministry of Economic Development of the Azerbaijan Republic and as the analysis made in the field of foreign economic relations indicate, the investors are looking for countries with favorable investment environment and whose investment policy is subject to forecasting. And the WTO membership exerts considerable positive influence on attracting of foreign investments, as the foreign entrepreneur deposits fearlessly investment to the countries where the "national regime" is applied, the other key principle of the WTO (no discrimination amongst local and foreign entrepreneurs). From this standpoint, Azerbaijan, setting close contacts with other member states' representatives will provide information regarding changes arisen in the country regularly.

The position, to be taken by Azerbaijan while negotiations, is determined mainly in 4 key directions:

- on commodities trade;
- on services trade;
- on the intellectual property
- on the matters deviating from WTO rules.

Before disclosing the principles of these positions it is to be noted that to prevent the undertaking of obligations not corresponding to the country's economic interests simultaneously with negotiations there will be preferred the arrangements such as conducting of business consultation and providing the transparency in the membership process.

- a) The weakest and fields with export potential of the industry, as well as the priority directions on the separate commodities have to be determined and to protect them within the transitional period, the customs duties, credits, subsidies and the tax concessions have to be used effectively. To preserve the relative level of average customs duties at the same rate, the commodities whose production is not rational are to be applied the lowest duty and the other goods – the higher import customs duty. The upper limit indices (bound tariffs) providing the security of the industrial fields which with the protection of customs duties is required have to be developed and the higher rate of decreasing after the membership in comparison with the decreasing rate of the main trade partners, including countries, which are considered competitors on the same commodities is to be controlled. Taking into account that the development of the industry is impossible only based on customs duties there have to be conducted all-inclusive and comprehensive micro-economic analysis on the corresponding fields. The decreasing of the prime cost, increasing of the quality and the creating of sale opportunities for the produced commodity are to be provided. These researches contain ideas expressed by the governmental representatives, foreign experts and donor organizations, as well as the young specialists of the universities. There has to be reached the approval of the higher limit rates of the import customs duties on the commodities with great importance for the agricultural area. There will be used all sources in drawing up of a schedule reflecting the level of internal support and its kinds in the agriculture. There will be conducted corresponding investigations and prepared offers to use the kinds of subsidies imposed restrictions in a maximal level after the process of membership. The concessions provided according to the special and differentiated regime applied to the developing countries within the GATT have to be investigated systematically and there will be researched their use in Azerbaijan.
  
- b) There will be drawn up an ACC5 map to be submitted to the WTO secretariat on the services and trade. This map has to contain a policy, the regime of concessions and advantages applied to the foreign and local entrepreneurs in all fields of services within the country. Simultaneously with preparation of documents we have to analyze the services. For example, despite the availability of the high qualified accountants in

Azerbaijan, the full liberalization of this market for the foreign experts may lead to negative social results. The main goal of this analysis is to clear up the existing situation, to determine the scale of liberalization and to carry out its future initial estimation. And it will enable to provide right recommendations and to make decision in strict compliance with internal markets' interests while consultation with the local business circles. The results of negotiations held within the multilateral trading system related to the liberalization of the service fields are tracked down permanently. It is of important significance from the standpoint of preparation of right answers to the offers of undertaking nature by the member states in connection with new conditions.

- c) Now we can suggest that negotiations related to the intellectual property will not be difficult for Azerbaijan. So, in accordance with WTO requirements, Azerbaijan is a member of the majority of Conventions in the field of protection of intellectual property. At the same time, the adjusting of the national legislation in the field of copyright has been already conducted. Whenever, there are envisaged to take some other arrangements. These include there have to be made works in direction of joining of WIPO the agreements on Performances and Phonograms, as well as the copyright and the Rome Convention. Besides, it is to be noted that there will be carried out certain works on coordinating of the industrial property legislation to the TRIPS rules. There were approved new laws on “on protection of the right of integral schema topologies” and “on legal protection of folklore”. Azerbaijan takes active part in drawing up and approval of the international Convention regarding the Folklore's legal protection and it has already sent its proposal to WIPO. In the course of carrying out of works, the special attention has to be paid to the facts of appropriation of intellectual property kinds, literary and musical works of Azerbaijan by Armenia and it has reach the punishment of Armenia through settlement mechanism of disputes pertained to WTO.
- d) The matters deviating from the rules of WTO are pertained to the WTO optional agreements' category. But while the last membership processes, the developed WTO members have endeavored to undertake obligations regarding the application of the mentioned agreements and in majority of cases they have reached it. Therefore, there will be paid special attention to mastering of the WTO optional rules and their readiness for making efforts on undertaking of obligations as per the aforementioned rules. On the principle, despite it is not of great importance, it is required to have time and to attract some resources in the most important stage of membership and it will exert considerable influence on the key negotiations.

As the membership process embraces about all fields of the economy, all state authorities have to be involved to this process. The experts employed by the mentioned structure units have to carry out important functions as information supply and preparation of documents. In each organization, at least one employee has to engage in WTO matters directly and in the full working time. Especially, it is to be noted that a competent institution, responsible for coordination of all works and organizations and having sufficient man power has to carry out its activity in the state authority being the coordinator of the WTO membership process. The mentioned institution has to have powers to set contact with the WTO secretariat, the Azerbaijani Mission in Geneva, as well as with the corresponding institutions of the foreign countries apart from the working groups existing inside the country.

Taking into account the experience of the other member countries, it is to be noted that there will be founded a Group of negotiations consisting of high qualified, experienced experts. The Group will be included, besides diplomats having great experience in the field of conducting of negotiations, the high qualified professionals in all fields. The Group of Negotiations has to provide the setting of contacts with WTO secretariat, creating of contacts as well as conducting of bilateral consultations besides reviewing the membership documents and WTO requirements within the time before the main stage. It may play a considerable part in laying of foundation for an agreement to be reached during the bilateral negotiations.

The Azerbaijani Mission in Geneva has to serve as a bridge or the intermediary by and between the Group of Negotiations with the WTO secretariat, as well as the Missions of other countries located in Geneva. At least one diplomat in the Mission has to be responsible directly for WTO matters. If we take into account that from December of the current year, there will be conducted negotiations on important documents as it was agreed in the Cancun Round in Geneva within the framework of WTO, it would be very important to appoint the Mission head before this term having experience in WTO field.

Generally, providing of the sufficient transparency in the membership process, providing the community with information on timely basis may prevent some nonconstructive positions. The media representatives have to be invited to all arrangements organized by the WTO secretariat, the membership Commission, as well as the Group of Negotiations to light up these actions. At the same time, it would be very important to organize the training courses and workshops dedicated to the processes arisen in WTO, the philosophy of this organization and the course of the membership process of Azerbaijan for the media, as well as representatives of public associations in Azerbaijan.

Before undertaking of obligations offered to Azerbaijan within the negotiations, there will be conducted discussions and consultations with the representatives of the business and public associations. In this connection, it will be purposeful to establish the Consultation Board consisting of representatives of the corresponding units under the Commission.

As a result, the mentioned conception notes that teaching of the WTO subject in the higher school's classrooms will enable to forming high qualified experts at an early date.

The matter causing intense discussions amongst the experts is the possibility of using the preventive actions after WTO membership. In this connection we have to note that the WTO rules don't prohibit wholly the protectionism, enable the increasing of customs tariffs, don't impose prohibition on the quantitative restrictions and licensing and allow subsidizing of some fields. But all these items have to be carried out based on principles prescribed strictly by general rules and legal norms. Therefore, the joining of Azerbaijan to WTO will not weaken the existing possibilities of our state in regulating the foreign trade, quite contrary, will create legal conditions for protection of national importers and exporters interests and will enable to the transition of the multilateral trade practice joined by many other countries.

So, we have to accept and recognize the WTO membership of Azerbaijan as a means promoting the extension of the current period's economic reforms and thereby summarizing the transition period in the short run, but not a goal for membership under the favorable conditions.

According to the ideas of the experts of the Ministry of economic Development, the end of actions listed in the aforementioned conception will be occupying of its worthy place by Azerbaijan in the world trading system, including in the international labor share, developing the economic relations with the other states, stimulating of economic development and finally providing of the economy's transformation.

The goal of the Azerbaijan Republic's government to be WTO member and the main matters to be preferred by it while negotiations may be classified as follows:

1. Speeding up integration process to the world economic system;
2. availing of concessions granted by the WTO members one to another;
3. Carrying out of trade transactions based on general rules recognized by WTO with the majority countries of the world;
4. reaching the increasing of assistance to the economic reforms in the country by the international organizations, as well as the countries;
5. Involving of foreign investments in a great amount after application of the WTO rules.

## 6. Obtaining the opportunity of using the WTO mechanism to settle disputes.

Presently, each new round of the negotiations held in the WTO comes true by liberalization of the international trade. Each newly adopted member in such circumstances is accepted to the organization according to more serious conditions. Some CIS countries – Kirghizia, Georgia, Moldova and Armenia are WTO members. The membership conditions for these countries do comply the conditions of the developed countries, but not those recognized for developing countries.

As to the other CIS countries, they are in various and different stages of the membership process. Russia and Ukraine have reached the final stage, i.e. the signing of final protocols upon finishing all negotiations. At the same time, after the membership these countries will be able to start to negotiations with Azerbaijan aiming at undertaking of some obligations.

The support by some countries and as a result of purposeful negotiations held by the Azerbaijan State there was reached undertaking of some obligations by Armenia while its membership to WTO. The most important obligations implies not putting any obstacles in the Azerbaijani way's to WTO membership, at the same time not making any efforts to apply the WTO rules in the occupied territories.

According to the membership Conception accepted by the Commission on the WTO membership works of the Azerbaijan Republic, it is envisaged that the position of the Azerbaijan state to be held while the WTO negotiations will be based on the following principles:

- a. obtaining corresponding concessions granted to other countries within the framework of WTO taking into account that Azerbaijan is a country with transitional economy;
- b. obtaining a providing of a long term transitional period before application of WTO rules;
- c. reaching the application of the higher import customs duties on the goods attaining great importance for the economy, especially industry of Azerbaijan;
- d. decreasing of duties on the goods with little importance and increasing of duties on other goods in case if the reducing of the duties is indispensable aiming at preserving the average duties on the same level;
- e. Achieving the granting of differentiated compromise regime for Azerbaijan, which was provided for the developing countries in the field of services while negotiations. Don't allow the liberalization of the employment rules for foreigners in case of availability of local experts in various fields;
- f. Achieving the granting of subsidies up to 10% of the annual agricultural products while negotiations on subsidies in the filed of agriculture.

To study carefully the offers by the developed countries regarding joining the Azerbaijan to the agreements deviating from WTO requirements and to undertake these obligations only after ending of the membership process.



## ADVANTAGES AND DISADVANTAGES OF WTO ACCESSION

The general pro and cons of the Azerbaijan membership to WTO may be estimated from various points of view and the corresponding attitude on this matter is not characterized only by computing the advantages circle of the country and the classification of these advantages on various sectors are very important. In the present conditions, the a matter of argument has not taken place around the bipolar approaches regarding the WTO membership, but also find out ways securing the more advantages of Azerbaijan from WTO accession to WTO. The matters of widening the coverage geography of WTO differing by its leading role and activity in the world economy globalized rapidly within the last time are amongst the most actual subjects, which involving and disturbing both the researchers and practical persons in the various level's scientific discussions. The WTO making every effort in the filed of maximum liberalization of the international trade, creating favorable conditions of free competition, preventing the quantitative restrictions, making trade policy clear and transparent serves the effective organization of the trade turnover in the base of application of national regimes based on the free access to the markets, including through preventing the quantitative restrictions applied on importation,, as well as the securing the publicity and transparency in the foreign trade regime of the member states.

Presently, the import customs duties are changing around 0-15% and their average rate – 7-8%, our country has undertaken obligations before ICF to adjust the average percentage rate as 5-6% diapason. I would like to give corresponding examples in the person of countries, the practice of which is familiar to me. Let's pay attention: the import customs duties in Kirghizia was changing around 050% at on the eve of WTO accession and the average percentage was equal to 10,74 %. The country has achieved the concession of preserving the upper limit of duties on the level of 50% while accession process within 3 years and the average percentage rate on duties reduced from 2000 was 5,4% in 2003. And in Turkey, despite this country is considered the WTO establishers as a GATT founder, the higher rate of the import duties being effective seasonably on some agricultural goods reaches even 200%. As to China, the customs duties was changing around 0-65 % at the eve of WTO accession and to preserve this rate while the accession this country was granted the additional concession term up to 2010. Generally, for information purpose we have to note that the transitional term for the tariff concessions while WTO accession was 9 years in Latvia, 7 years in Kirghizia, 5 years for Georgia and 4 years for Moldova. This term is 12-25 years for certain countries (China, India etc.).

The WTO accession of Azerbaijan is directly related to the improvement of the legislation. Presently, there are such laws in the fields of regulation, intellectual

property and investments, they don't meet the requirements of international standards and the requirements of WTO. The WTO accession will enable the country to forecast the country's trade policy, thanks to which the transparency will be increased, the number of international trade partner will be increased and the economic disputes will become more effective. It is to be noted that the main moments discussed within the framework of agricultural agreements include the determination of the upper limit of subsidies and tariffs deposited to this field.

Each year, the European Union countries allot direct subsidies for exportation of the agricultural products in the average amount of 350 billion USD and the enterprises engaging in processing of these products are using these subsidies. Concretely, the typical average Sweden farmer receives subsidies amounting to 33 thousand USD, and the USA and Japan farmers – 20 thousand USD. In such a case, it is difficult to protect the agrarian market by the lower customs duties and subsidies. According to the statistic results of 2004, the agricultural sector in the structure of gross output being 11,4% has reached a primacy amongst the non-petroleum sectors. In the case if we transform the development of the non-petroleum sector to one of priorities of the state's policy, the agrarian sector will be faced with this danger. It is right that we have the right to receive concession from WTO to a lot subsidies for the agriculture and its upper limit may be up to 10 % of the agricultural production capacity (presently the upper limit of these subsidies for the developing countries is determined 10% and for the developed countries – 5%). Certainly, this limit may be considered admissible. But, the matter is that it is incredible the allotment of such subsidies from the state budget to the agrarian sector. Presently, the Republic of Kazakhstan has faced with this problem and it has obtained the right to increase this figure up to 5% in the case of allotment of subsidies for agriculture in the amount of 0,01 %. But, the feeble opportunities of the budget prevented to use this right.

Taking into account that the agriculture is the main field of engagement in Azerbaijan and the persons employed in this sector have created economic units to meet their personal needs, but not for commercial purpose, we can forecast as regards the extension scale of the danger. In such a case, it is known beforehand that the sector of agriculture will be faced with problems while WTO membership of Azerbaijan.

Generally, the field to be exposed to the adaptation decay in this context will not be restricted only with the agrarian sector. The situation of the financial, banking, insurance and other service sectors regulated within many years bawaring of the foreign capital has not be outside the attention. At all accounts, our problems will embrace the industrial processing field and it is beyond any doubts, as, this field is governed by the neat commercial rules. We have take into account that the

tendency of price boost of energy carriers within the last time would restrict the possibilities of the agrarian and industrial fields both in the quality and the price competition. In connection with the WTO accession we may be deprived from the provisions assistance transported to a country where we cannot intervene. But this prohibition will not be applied to the institutions, such the World Bank and UNO. For example, if there is arisen a state of emergency in a country and one of member states intends to help it with provisions, it will be applied some restrictions. For this purpose the country with intends to render assistance has to provide sufficient argument and has to adjust its decision with the member states. The WTO secretariat has reached this conclusion after the experience in Ethiopia. So, this country has delivered provisions assistance within 10 years and there was not created any favorable conditions for stimulating the activity of farmers. To prevent other WTO members not to face with such problems, the WTO is applying a prohibition in this connection. It is appropriate to mention here that the non member states are entitled to render assistance to the member states.

The only area which can escape this danger may be the petroleum sector, as at any version it will be gullibility to think about Azerbaijani oil not set free to Europe. Besides, the WTO has no special conditions in connection with the petroleum sector. The matter is that according to the agreement reached between WTO and OPEC (Organization of Petroleum-Exporting Countries) presented as a gentleman agreement, for the time being the petroleum matters are not in the centre of attention of a country regulating the global trade rules. Form this point of view factually the conditions related to the petroleum sector are not a subject of discussions regarding the Azerbaijan WTO accession. But, as the last discussions organized by WTO indicate, this matter will become topical within the immediate future. It became topical after membership of Saudi Arabia to WTO. The matter is that the mentioned state is the biggest oil producer and this country's economy depends directly on oil. Besides, the intention of Russia considered the second biggest oil producer of the world to join the WTO at an early date informs of including the "petroleum matter" to the WTO agenda. From this point of view, the suggestion that there will be formed special conditions of WTO in connection with the petroleum sector is increasing. Therefore, the mater whether Azerbaijan will escape these potential conditions is related to when our country will joint this organization. If the membership matter is stayed too long, the suggestions regarding escaping the petroleum sector from the process are reduced.

The another factor, which may affect our existing starting situation at the eve of accession is not to realize the responsibility of the WTO membership in the developing countries, the little experience in the context of coordination and the personnel shortage. So, it will be very important to set operative and effective

activity at the eve of accession on the fields embracing various fields. The responsibility for this activity may not be imposed only on the secretariat on WTO membership. On the other hand, besides well-experienced diplomats, the shortage of high qualified professionals on all fields whom there will be held discussions, non availability of the professionals for proving the damping operations in the field of international business and commercial law will create other critical problems for Azerbaijan both at the eve and after membership process.

The absence of structural and perspective analysis of the national economy at the eve of the country's WTO accession, the competent scientific-research papers on preparation of the competition tolerance indexes of the fields and kinds of products offer conditions for scientifically grounded arguments in approval of decisions while answering the negotiations and inquiries and at the same time restrict the state officials' manoeuvre possibilities.

To mitigate the problem's affection it will be crucial and necessary to provide the dexterous operation of all structural units beginning from the parliament as for this process. In the course of implementation, it will be crucial to exchanges ideas with the business structures and scientific-research enterprises, as well as the experts. As to the mentioned process, it's conducting within the framework of cooperation with Mass Media Means and NGOs and upon conditions of transparency doesn't give place to the former ones by its importance.

As to the NGOs and the scientific-research enterprises, it will be vital to strengthen their activity in direction of investigation. The subject-matter of researches made by them includes the labor division within the country, the assignment of the goods absolute priority from the point of view of the problem of exportation and opportunities for replacement of goods. This stage has to reveal feeble and strong aspects of the competitive ability both at the eve of WTO membership and in perspective and the competition endurance indexes. And the obtained practice will help us to increase the advantages and to reduce disadvantages and to provide the fair trade.

The other reason which causes difficulties may be the attitude of our allied neighbor. The fact of our main and perspective trade partner's (Russian) success in WTO membership process, which has rounded off negotiations and stepped to the final stage of signing the protocols, affords ground for its accession to this organization before Azerbaijan. In such a case, it is certainly that after Russian accession to WTO it will start to negotiations with Azerbaijan on some obligations. We have to be ready to the trade pressures of Iran our neighbor. The non membership of this state WTO may aggravate the situation and deepen up the adaptation regress in some areas that may create favorable conditions for it to grasp Azerbaijani markets, which are not able to endure against the competition. We

have to take into account that for Iran it is not only a simple economic interest, but also a matter proceeding from political and strategic targets. But it doesn't mean that we have to step aside from this process. At any case the pros which will be obtained after WTO accession for the community, consumers and exporters.

As it was noted above, the main principle of WTO is to prevent discrimination in the foreign trade and to provide the free access for the member states markets.

The importance of these principles for Azerbaijan remains above suspicion. Indeed, the quantitative restrictions applied to the import operations imply a serious impediment in the field of using the opportunities of business areas engaging in foreign trade for development of the national economy. Presently, the number of these quantitative restrictions is 7.

There are serious problems in connection with securing the transparency and publicity in this process. Subject to the facts implying the increase of the latent turnover's capacity of the foreign trade year by year and the nude fact of discrimination, the WTO possibilities along the lines of settlement of these problems look like irreplaceable. If we take into account that namely because of problems caused by the latent turnover of the foreign trade, each year the state budget loses funds in millions dollars and moreover the access of other goods to the national market outside the customs clearance plays considerable part in forming of unfair conditions for competition and finally in infringement of the free entrepreneurship, then the implementation of arrangements proceeding from WTO's main principles may assist in settlement of many problems rooted in the foreign trade.

We are of the opinion that paying special attention to the advantages of the WTO membership doesn't mean speaking about the one-way bet pros of the membership. It is far from reality not only for Azerbaijan, but also for the developed countries with the stopping width. The membership "fees" for WTO makes conditional on offering up a sacrifice.

Taking into account that WTO membership is a complicated process and it pays different dividends for various countries and causing some difficulties in the national economy, it would be better to speak concretely about positive and negative results of membership to this organization for the Azerbaijan State. But it would be more expedient to group the pro and cons to be obtained as a result of this process from the traditional points of view of exporters (producers) and importers (consumers). Certainly, in the both contexts, the society will have some pro and cons, we have to express attitude in this connection.

According to our opinion, increasing of advantages of the WTO membership depends considerably on the national economy's structure and development level.

Therefore, firstly our economy has to be ready for this process, to mobilize opportunities of diplomacy and to introduce a right approach to the matter. There are other facts to be considered that the membership to WTO is not a purpose, but a means. Through WTO we may increase our possibilities to become integrated to the world economy, liberalize our foreign trade, as well as prevent the quantitative and technical restrictions, simplify the customs control procedures, to increase transparency, speed up the involvement of progressive techniques and technologies, know-how, patents and other leading innovations to our country, adjust our laws to the internationally recognized standards and to protect our copyrights. On the other hand, we pin our hopes on the fact that after the WTO membership the world's leading banks and insurance companies will invest moneys in the member state economy and finally there will be formed normal financial system, big moneys and long term credits will resolve the capital problems of the non-petroleum sector of the national economy.

At the same time, it is to be noted that the WTO doesn't prohibit the protectionism, allows increasing of tariffs and subsidies, but all these have to be within the framework of norms agreed and approved as a result of negotiations.

“The WTO operates with governments” – it is one of key principles of the organization. In this case, does this principle mean that the mentioned organization will not cooperate with structures, as well as business institutions remained outside the government? The official answer to this question of WTO is simple: not at all! The matter is that one of the key issues discussed in the field of membership to WTO includes namely the entrepreneurs' advantages and disadvantages. And the matter is not only in great amount of entrepreneurs pro and cons. Certainly, each state is interested in deriving of great profits of any change. In a transitional country as Azerbaijan, deriving profits of entrepreneurs of the WTO membership is very important and certainly it doesn't depend on the mentioned organization, but on the level of organization of this activity.

The WTO membership means the forming of improved legislative base. The economic development, as well as the industrialization is directly related to the country's foreign trade policy. This matter if real: all countries follow closely the global foreign trade policy aiming at achieving successes in and benefiting by the foreign trade. The basic features of the economic system rested upon frequently by us and subject-matter of discussions held in the international arena include conducting of systematic and rapid modifications in the state administration system. From this point of view, on a global sense, it will be very important to achieve imperative positions for Azerbaijan and certainly in the case of presence of

some delays in this field it increases the probability of negative influences of speedy modifications in the global arena for Azerbaijan.

The advantages created by the membership to the World Trade Organization appear mainly in three directions. The first superiority is the adjusting of the pricing mechanisms in the WTO member states to the WTO conditions, as well as the recognized international standards. As you know, the economic systems of western countries rest upon the laws and the effective activity of institutions responsible for application of these laws. The laws created in the western countries, being always improved depending of the needs of the social life, do their utmost to exert positive influence on all stratum of the society. As to the CIS countries governed by systematic planning within a long term, they may be characterized by absence of laws and effective mechanisms for application of these laws. And this is related directly to the shortage and deficiencies in implementation of the laws. As you know, the WTO membership is estimated as a factor improving the laws and developing the implementation mechanisms.

The second superiority afforded by the WTO membership is related to the procurement of access to the markets of other countries. The WTO member countries have to apply cheap customs rates on the goods imported from other WTO member countries as per the WTO conditions. This base rate is determined at the end of multilateral negotiations held within the WTO framework and put an end to non-transparent obstacles applied on the foreign trade. The WTO member states are not applied these conditions if they import goods from the non member states.

The third and the most important superiority assured by the WTO membership is a possibility to use mechanisms of resolution covered by the WTO membership regarding the trade disputes. As the non WTO members are not provided with these mechanisms of settlement.

As per the researches made by the National Confederation of the Entrepreneurs Organization of Azerbaijan Republic, "the WTO membership will lead to the improvement of the entrepreneurship in the legislative basis and the legislative acts of the Azerbaijan Republic approved in the field of economy will be coordinated to the WTO requirements. As a result of securing the settlement of these matters, the economic reforms will be speeded up in the country owing to the application of the progressive countries' standards in this sphere. One of the key issues is the transparency of the legislative acts and simplification of the corresponding procedures. I.e. the rights and duties of an entrepreneur, as well as the functionary, as well as correctness of some procedural rules for settlement of some problems prevents all negative cases and causes preventing of the invisible expenses

included to the prime cost of the product that in the final analysis is observed by reducing of the product's prime cost. In this case the consumer gains. And the entrepreneurs producing goods of high quality with inexpensive price will benefit by. And the desire of the Azerbaijani businessmen is to secure these conditions. It is right that there were carried out loads of works in Azerbaijan in this field and the number of the entrepreneurial activities requiring a license has been reduced in 2002 from 240 to 32".

The other positive aspect of the WTO membership is the training of experts and specialists in the member states as per requirements of the organization. Presently, there is observed a shortage of personnel in the entrepreneurial sector. It is to be noted that the separate entrepreneurial sectors are characterized by a specific flow. The majority of men prefer the fields which don't require any intellectual labor. But there is a shortage in personnel namely in the fields that require knowledge and intellectual base corresponding to the demands of the developing economy and considered crucial for the modernization of the country, such as: securities, leasing, insurance, international transportations, international tourism, the petroleum supply industry and implementing of projects with innovation bias.

Especially, the shortage in personal approves itself visibly in the regions. The demands of the modern market economy require the farmers to give up the outdated rules. The Azerbaijani farmer is not able to sell the goods produced without foresight. And therefore, 70% of the entrepreneurial points are concentrated in Baku city. We need in specialists who are capable to operate based on newest technologies. On the other hand, the level of professional education is not higher in Azerbaijan. All these factors have an effect on the productive capacity. As to the enterprises running with lower productive capacity, they don't sustain competition in the market. After being member to WTO, the entrepreneurs will be interested in training of the personnel meeting the modern requirements. The techniques and technologies corresponding the international standards are imported form these countries. In the first quarter of the current year 65,7% of the imported goods entered in Azerbaijan include machine and electronic engineering equipment. But, if we are member to WTO, we can transport technologies maximally meting the international standards to our country. It is known that series of economic subjects are feeble to meet the needs of the industry in the progressive technologies. But the WTO policy implying the reducing of the import tariffs and strengthening the free access to the markets create favorable conditions for transporting of more progressive technologies and equipment to our country based on more efficient and gainful prices. So, if in 1947 when GATT was founded the average rate tariff on the industry all over the world was 40%, in 2000, when GATT has been replaced by WTO the corresponding rate was 5%. Besides, to be



member of this institution means the transportation of the high quality products to our country. Presently, we can attest a fact of availability of poor products in the internal market. But after WTO membership, we will have the right to demand the high quality goods from the importers.

According to the statistics made by the European Commission, because of the complicated and difficult foreign trade procedures, the trade expenses are added 1% value added tax in the developing countries. As to the countries such Ethiopia, this figure is increased up to 30%. To engage in the foreign trade activity in India, there are required different documents in 29 denominations. And we cannot claim that the situation of Azerbaijan is differed seriously as the other mentioned countries.

From this point of view, as in other developing countries, the Azerbaijan businessmen engaging in the foreign trade activity are faced with complicated procedures. In the countries joining the WTO, one of the revenues gained by the businessmen is the simplification of the foreign trade activity owing to the reduction of the additional procedures and from this standpoint, they are free to carry out their activity under more light conditions and in many cases engaging in this work with fewer expenses. The matter is that the simplification of these procedures is one of the WTO requirements and at the sate of membership to, the nominee country does adjust the aforementioned procedures with the international standards. For this reason, the actualization of the Azerbaijani accession to WTO will lead to forming of more simplified and easier foreign trade procedures for the businessmen.

Despite the WTO cooperates in most cases with the governments, this organization discusses the disputes arisen amongst the companies. And it is taken place especially in the cases when the government discriminates the companies and classifies them as “good” and “bad”. In this case, the companies will be free to seek the solution of these matters in Geneva.

In the world markets, the different countries are specialized on the trade of the different commodities. This list embraces both the developed and developing countries. And it is not based only to the D.Ricardo's theory of comparative advantages, including is related to the fact that majority of countries appear in the international trade relations on their own qualification fields. The government of Japan allots subsidies for the rice production exceeding the market price in 5 times, but it doesn't mean that the Japan ease rice is tastier than the Vietnam rice in 5 times. The matter is that despite the subsidies allotted in this capacity the rice produced in Japan cannot gain the upper hand on the Vietnam rice in the foreign market. Or, the United States of America allots each year subsidies in the amount

of 4 million dollars for the cotton sector. This figure is more than this year's state budget capacity of the Azerbaijan Republic. Whenever, the cotton industry in USA is at the eve of become ruined. Guiding with all these facts and factors, we can suggest this idea: joining the WTO means the free access to the world markets for the entrepreneurs of the developing countries. The question is that after being joined this organization, the Azerbaijani businessmen will acquire new markets on their own qualified areas. In such a case, the commodities of the mentioned entrepreneurs will enter the markets of the other countries without any obstacles. We know that the strengthening of the transparency is amongst the WTO's main conditions that serves the forming of the transparent trading system in the WTO member states. Besides, the WTO conditions related to the application of the transparent procedures in the state purchases and the foreign trade activity stimulates the normal activity of the system. The WTO members carry out their activity in direction of application of the transparent rules in the foreign trade relations. And it prevents the facing of bureaucratic obstacles by the businessmen and demanding of illegal payments from them and creates favorable conditions for normal running of the system's activity.

As the membership issue of Azerbaijan in connection with joining the WTO, the pro and cons of membership are discussing in different level in our society. The benefiting by the developing countries from the WTO membership is not met even amongst the supporter of the globalization. Whenever, and the ardent opponents of the globalization consider the accession to WTO inevitable: Suspending of any country in the world as regards global economic integration will not be accompanied at any case with this country's advantages. Joining speedy the economic integration, the county will have a chance to increase the volume of advantages.

## Conclusions and Recommendations

As it is seen, despite Azerbaijan carries on negotiations more than 13 years in connection with WTO membership, there was not made any serious step forward conducts on account of the country's membership to this organization. The fact that Azerbaijan couldn't achieve any decisive agreements in the bilateral and all round negotiations tells about the membership negotiations will be lasted more. In the bilateral negotiations there couldn't possible to obtain an agreement with USA, European Union, Australia and New Zealand. The working group of the WTO carrying on multilateral negotiations with Geneva Office couldn't yet reach any consent. The explanations made by the working group didn't contain any time for consent to be obtained.

Despite some claims, as the agreements related to the tariff rates were determined in negotiations conducted with this organization, the WTO membership will not mean at any case the exhaustion of the government's possibilities to protect the internal market. It is not known that Azerbaijan will reduce tariffs after being member of WTO. The matter is that this membership to this organization doesn't imply a sharp reducing of tariffs. Tariffs are determined based on the bilateral negotiations and some tariffs may be even increased. On the other hand, there are determined "fixed tariffs" in the course of negotiations and therefore the government has to take careful decisions as regards the next tariffs. In the transitional period the government will not be deprived from opportunities of defending the internal market. The WTO members are entitled to undertake temporary protection actions. At the same time, preservation of the real exchange rates at the lower level will increase the government's opportunities to protect the internal production. After being member to WTO, the state will be free to extend the policy of patronage in the agrarian sector and it depends directly on negotiations conducted with the organization. The agrarian sector is protected all over the world, as well as in Azerbaijan and the agrarian tariffs are not applied in our country and the capacity of subsidies directed towards this area is not higher. If the Azerbaijani government can reach an agreement in connection with adjusting the higher and stable tariff system in the course of negotiations, then the situation in this field will not be turned into the undesirable direction. We have to take into account that the WTO membership doesn't imply the prohibition of investments in the agrarian sector. The organization may demand the Azerbaijani government not to overstep the "subsidies wall". For the present moment there is no information as regards teaching about the "subsidies wall" to be agreed with WTO by the Azerbaijani government in the negotiations. And this depends on the nature and

structure of each state, as well as its position in the negotiations with WTO. This figure varies from country to country. For example, Russia, which is not WTO member for present time has achieved the determination of the “subsidies wall” in the amount of 16 billion USD in the negotiations with this organization. As the economy of Azerbaijan is liberalizing considerably and day by day, the claims forwarded in connection with stagnation to be arisen in the agrarian sector are deprived from all supports. The majority of problems in this field will not be prevented within a long term even if Azerbaijan will not join the WTO and will exert its negative influence on the economy. The factual problems include an inappropriate intervention to the current problems, the illegal controls, the sharp budget restrictions, non protection of the property rights in this sector, the absence of the professional managers and the restrictions of the opportunities in obtaining credits. And no of these problems is not related to the Azerbaijani membership to any organizations. The WTO membership will cause the widening the capacity of investments of the foreign assignment and the increase of the direct investments. As the practice of the countries being WTO members indicates, after joining this organization, the results obtained by states are different. The WTO membership is for attraction of the direct foreign investment: the capacity of investments made on the membership of this organization that leads to the economic growth. For example, there are observed serious improvements in the capacity of foreign investments after joining the WTO in Kirghizia, the CIS “pioneer”. We have to note that the WTO is a unique international global institution regulating the trade relations between the nations. The activity of WTO is based on agreements between it and the states. These agreements rest upon negotiations conducted between the countries and are ratified by these countries parliaments. The WTO charter indicates that the key goal of this organization is to assist the commodities or services delivers, exporters, importers in management and widening of their business. The WTO membership will promote the flow of foreign investments to the Azerbaijani sectors of the export assignment. And it means the undertaking of an obligation to defend the right of creditors and from this point of view, the regional states felt used up to make discrimination in the field of foreign investment. The horizontal investments (investments directed towards the local market) will be directed towards the regions where population’s concentration is dense and the vertical investments (investments made for the export) will turn steps to the sectors where more qualified employees are accumulated getting over frontiers. On the other hand, regardless Azerbaijani membership to WTO the amelioration of the investment environment will promote reaching the long term economic growth. In this case, the tariff rates will consist of a little part of transaction expenses that will stimulate the movement of the foreign investments. For example, the WTO membership has led to obtaining a more stable access to the foreign markets for China that will prevent imbalance in the foreign trade.

Namely the membership to this organization enables China to have better position in involvement of the foreign investors using this country as the “export platform”. Besides, we cannot deny that the accession of China to the WTO has caused the occurrence of the short term expenses in great amounts, whenever according to expert opinion and the majority of these costs would be arisen in any case. But, the membership to this organization has assisted China not only in getting the long term advantages, but also preventing the short term difficulties. According to the China's economic research institutes computing, this country after being a member of this organization the gross internal product was increased totally 3-5%. In comparison with 1998, as of beginning of 2005, the China's foreign trade turnover has been grown approximately 2 times. The foreign trade turnover was increased from 320 billion USD to 600 billion USD and the number of the job places after the WTO membership exceeds a million. As per the China State Development Council and the Research centre, if China is not a member of the WTO there would be observed a reduction in the Gross Internal Product in the quantity of 1,2 – 1,5%. The WTO membership will provide Azerbaijan with additional tools in the regional trade agreements and will promote the strengthening the country's positions in the regional level.

In line with the conclusion reached by the WTO experts, the liberalization of the foreign trade may be accomplished more rapidly through regional and bilateral trade agreements. Beginning from the early 1990, the number of regional trade agreements is increasing. Up to present, about 250 regional trade agreements have been noted by GATT and WTO and 170 of them are effective. It is to be remembered that the number of the regional trade agreements was up to 130 before 1995, i.e. at the eve of the foundation of WTO. According to WTO forecasts, until Beginning of the next year, the regional trade agreements may reach 300. The regional and bilateral trade agreements may give support to the processes based on multilateral trade agreements. The most recognized regional trade agreements may include: European Union, the European Free Trade Association, the North American Free Trade Agreement, the Southern Common Market, the Association of Southeast Asian Nations, Asian Free Trade Area and the Common Market of Eastern and Southern Africa, the Economic Cooperation Organization. The WTO membership will enable Azerbaijan to take advantage of going beyond the frontiers at least. Besides, the regional trade agreements sought for accomplishment within the CIS framework are inappropriate. Therefore, the joining of our country to serious trade agreements doesn't engage for any advantages. For this reason, the comparison of the WTO membership with the regional trade agreements is not serious. Whenever, the countries giving priority to the regional trade agreements are WTO members. For example, the countries of European Union are WTO members and these states are represented in this organization in the form of sole

institution. On the other hand, the majority of WTO members have joined one or more regional trade agreements. That is to say that the WTO accession of Azerbaijan will not affect negatively its place and role in the regional trade agreements.

To accelerate the pace of the WTO membership of Azerbaijan and to reduce the negative influence of the membership to this organization on the country's economy, we consider expedient to take the below specified actions. The WTO accession for Azerbaijan, possessing a small internal market, feeling need in world markets being widening day by day, therefore holding a course for strengthening its position in the world economic system is of great importance. But, it is known that this step will not do without causing some negative effects apart from exerting positive influence on the country's economy. The government of Azerbaijan has to pay special attention to the following moments in the membership process to the WTO:

1. Determination of the country's perspective interests on all fields being embraced by the scope of the WTO agreements and establishing of special sections under all state and governmental bodies, scientific-research institutes which are engaged in drawing up of the corresponding policy aiming at stipulating of all these factors in the negotiations;
2. Preparation of the action plan on the WTO accession of Azerbaijan. These are recommendations which have to be reflected in this plan on the below indicated directions:

#### **In the field of securing the development of the industrial production:**

- Acceleration of the sectorial attitude as regards the development of the production fields taking into account the perspective development of the economy and the international labor division. To secure favorable conditions for the fields, which will enable the country's economy to be organized perfectly and to keep always this factor at the centre of attention profoundly the initiatives concerning these areas;
- Application of preferences for equipment and technologies imported to the country in order to organize production process not only to the foreign investors, but also as regards the local businessmen, especially exemption of these equipment and technologies from customs duties and VAT;
- Application of customs rates to the oil and gas equipment's importation to the country where the manufacture is provided on the escalation principle (the list of equipment is drawn up by the Ministry of Industry and Power Engineering);

- Reviewing the customs tariffs applied on the raw-materials and completing articles imported to the country for needs of all industrial fields, especially mechanic engineering, light and food industry in line with reducing their rate;
- Acceleration of the process of privatization of the numerous state owned middle and large manufacturing outfits, paying attention to accomplishment of measures in line with rehabilitation and exhilaration of the activity of the privatized enterprises;
- Preventing the oligopoly activity and securing the fair competitive conditions for all enterprises and entrepreneurs;
- Establishing of state Agency on anti-dumping supervision and providing them with the power of independent decisions in the field of application of anti-dumping sanctions;
- Preparation of the scheme of application of the ecological standards aiming at securing the successful development of local enterprises in the international trading system and the action plan for inspiration of these factors;
- Forming of the information bank and system in the field of foreign trade, especially legal and economic information (explaining of disputes settlement mechanism, prices business environment tone);
- Preparation of the industrial development conception of Azerbaijan up to 2010 stimulating the application of technologies using ecologically pure energy and other exhaust resources;
- To reach keeping tariffs on higher level and obtaining the long term transitional period. In the course of negotiations, we have to assure the opposite sides in the necessity of series references in the separate fields for the development of the country. Most of problems would be resolved owing to the capability of the country representatives to conduct negotiations and to assure the opponents;

### **In the field of agriculture:**

- Ascertainment of agrarian-industrial fields which have lost the adequate and dexterous reacting capability towards changes in the business environment tone of world market and developing of specific list of these areas;
- Protecting of the manufacturing areas in agriculture which has feeble endurance of competition as regards the imported article;
- Making effort for obtaining rights of reiterative negotiations on the separate positions in the process of WTO membership. As it is known, this right will enable once in three years to start the negotiations between these sides on the same positions and to sign the minutes;

- Establishing the system of regulation of foodstuff aiming at securing the equal opportunities for the poor stratum of the population;
- Reaching the maximum multiplication of the “yellow basket” arrangements;
- Making effort on reaching the level of subsidization in the amount of 10% of total agricultural products;
- Making effort on taking of the years (1989-1991) when the agricultural producers were effectively supported as a basis;
- Reaching the right of “special and differential support actions” for preventing undertaking of obligations;

#### **In the field of investment sector:**

- Acceleration of accomplishment of complex measures in line with fundamental amelioration of the investment environment in the country (adoption of a new statute on protection of investments of rights of investors, securing the rule of law, preventing of factors abstaining investors etc.)
- Making of changes to the laws for observing the norms prescribed in the field of TRIMS;
- Reaching the prolongation of the transitional period enabling the application of the national regulation systems;
- Application and adoption of mechanisms restricting the manipulation possibilities on the indices of the foreign investor as “withholding tax”, “export price” and other similar indices characterizing the economic activity;
- Using the economic regulation methods directed towards supporting the local business not being prohibited in the list of TRIMS on the investment actions;

#### **In the field of protection of environment:**

- Accession of the Azerbaijani government to the Rotterdam Convention on the agreement preliminary grounded in the international trade on the separate dangerous chemical substances and groups, the Cartagena Protocol on the bio-security prescribed for supervisory on the genetic origin goods, to the amendments to the Montreal Protocol on the substances destroying the ozone layer and the protocol of the Convention on the intra-frontier air pollution and ratification. To make effort in observing the requirements of the article 10A of the Montreal protocol on the prompt sending of new ecologically pure and secure technologies and their substitutes. Participation in these international agreements will create possibilities for covering of



risks as regards the imported goods and technologies and adherent to the international standards in the field of environmental protection in the local market.

- Reaching the adoption and improvement of the law “on the bio-security of the Azerbaijan Republic” and the law “on the foodstuff security” of the Azerbaijan Republic;
- Preparation of proposals on methodical attitude as regards the estimation of the rent income of natural resources and preventing mechanism of natural rent income;
- Preparation of package of proposals on liquidation of the intra-country natural rent and development of mechanism of returning back of its unrecoverable natural resources to the exporting country;
- Widening and improvement of the state standards system on the nature protection effective presently;
- Forming of the state ecological standardization system on the basis of international standards developed by the International Organization of Standardization, the International electrical energy industry Commission and the International Electrical Communication Union;
- Establishing of ecological institutional infrastructures aiming at monitoring of observing the ecological legislation by the enterprises in order to reduce the risks of occurrence of emergency situations in connection with pollution of the environment;
- Training for higher qualified experts in the field of ecological law and ecological management;
- Conducting of ecological expertise of the investment projects joined by public association;

### **In the social sphere:**

- accomplishment of the goal-seeking regional programs in line with the fight against poverty and unemployment;
- securing the access to the material riches and services of the social importance on the level of social standards;
- restricting of delivery of the foreign man power to the republic based of the annual quota determined by the government, re-training of the local specialists, improvement of the defense of the internal labor market aiming at replacing foreigners;
- re-training of the unemployed persons and improvement of the professional level taking into account the needs of the labor market;
- monitoring of the labor market securing the adequate reaction towards the policy of employment's movement in this market;

- increasing the efficiency level of the targeted assistances rendered to the poor stratum;
- forming the readjustment mechanisms of the profits of poor stratum subject to the growth of commodities and services of social importance in price;
- establishing the three-level social security system including minimum state safety, compulsory social security and voluntary insurance system;
- ratification of BAT convention in the field of employment;
- strengthening the activity on protection of the export goods' manufacturer rights.

### **In the field of services sector and protection of intellectual property:**

- conducting of wider sartorial investigations in the country on services aiming at development of the market of services and international integration: the up-to date situation of the separate kinds of services, their level of conformity to the modern world standards, estimation of the effects rendered by the liberalization of the country economy;
- preventing of obstacles in front of the foreign investments in the fields, the full liberalization of which will not cause any damages to the country's national and economic security (for example, health, education, transport services, whole and retail sale, hotel and restaurant services, legal services, audit and so on);
- Securing the graduation of entering the foreign capital to the bank services and insurance services spheres. But there will be provided fair competitive environment for the local enterprises in the fields, be undertaken concrete steps in line with preventing the monopoly by the separate enterprises, declared the concrete period determined for strengthening of local companies and upon expiry of this term these fields have to be liberalized;
- The process of privatization of the state owned banks with big weight in the country's bank sector (International Bank of Azerbaijan and Kapital Bank) has to be accelerated and the transparency of this process has to be secured.
- Acceleration of the works in the field of mastering the international standards in the field of services: development of the corresponding legislation basis, adoption and application of the international standards, inviting of the experts' personnel, providing of education and training abroad;
- Conforming of the transit freight carrying infrastructures of Azerbaijan to the recognized international standards in order to use more expediently the Azerbaijani's transit country opportunities, preventing the obstacles while passing of goods through customs points, securing the secure transportation

of goods, as well as application of the more effective mechanisms of determining the prohibited goods, preventing any contraband channels;

- Application of the automated system of uninterrupted control and observation of the transit goods traffic “from frontier-to frontier”;
- Improvement of the legislation in the field of protection of the trade marks, industrial property and specimens;

**The following actions are additionally recommended to be accomplished in order to accelerate the WTO accession of Azerbaijan and reducing of the negative effects of this membership:**

1. The Inter-Governmental Commission of the Azerbaijan Republic while making decisions in connection with WTO accession of Azerbaijan has taken as a basis the principles of the World Summit on the Stable Development and the Doha Declaration;
2. There has to be founded the democratic, effective and transparent system of the public administration;
3. The economic legislative basis, especially the Codes of Customs and Taxes, the judicial reforms and the protection system of the property rightshave to be improved;
4. The Ministry of Economic Development, the Ministry of Agriculture, the Ministry of Natural Resources and Ecology, the ministry of Labor and Social Security of Population, the State Customs Committee of the Azerbaijan Republic have to conduct predictive researches in order to determine the quantitative parameters of the results of trade globalization.
5. organization of the special training courses for the officials of the state authorities on the WTO and generally on the international trading rules; Azerbaijan has to extend works towards the training of personnel familiar with international trading rules, international law and the WTO requirements. For this purpose it has to vitalize the training schedule of universities training of corresponding qualified personnel, to strengthen the separate qualification and to secure the education of students abroad;
6. The Ministry of the Economic Development has to organize round tables in regions and on sectors aiming at increasing the level of awareness as regards conditions and new rules of the international trade, requirements of WTO membership and other information about the course of negotiations.
7. Azerbaijan has to determine the social, ecological and economic results of the WTO membership and has to widen researches towards estimation of its effects on various sectors, especially on the agriculture and the regional development;

8. The open discussions regarding the conditions of the accession with the representatives of the business circles, civil society and scientific-research institutes, mass media means have to be strengthened;
9. Strengthening of the educating works amongst the community;
10. The Inter-Governmental Commission of the Azerbaijan Republic has to include the representatives of the National Academy of Sciences, the Confederation of Entrepreneurs and NGOs.

Finally, the WTO Accession for the countries as Azerbaijan is a political issue and the term of the accession process depends on the political will of the political guidance. The economic advantages of the WTO accession for these countries may not be displayed within a short term, but longer time. It means that the aforementioned process requires more time for forming the new institutions in the country.

## Abstract

The overall goal of this paper is to understand how WTO Accession will affect Azerbaijan economy. To accomplish this goal we have 4 main specific objectives. First, we are looking to spell out impacts of Azerbaijan's Accession to the WTO on specific sectors, especially, business, services, agriculture and etc. Second, we try to sort out general pros and cons of WTO membership. Third, we seek to find out implications from selected countries experience to Azerbaijan. Forth, based on this research we prepare policy recommendations for the Azerbaijan Government in order to minimize disadvantages and maximize advantages of WTO Accession.

The paper is divided into 4 chapters; introduction, role and main functions of WTO, pros and cons of WTO Membership and policy recommendations. In the first chapter, we look through the way Azerbaijan pasted to join to the WTO. The second chapter provides information about current economic situation in Azerbaijan. Pros and Cons of the membership was stated in the third chapter. Finally, in the forth chapter, recommendations in order to maximize advantages of WTO Accession are stated.

We found out that there are more advantages than disadvantages of Azerbaijan's Accession to the WTO. The picture, though cautious, is optimistic. Some researchers claim that the impacts of Azerbaijan's Accession to the WTO on Azerbaijan economy are marginal. The idea is that domestic firms have not enough capacity to compete with foreign companies and by opening up the borders the country will face to myriad amount of import goods. Others accept as true that Azerbaijan will significantly get benefit from WTO Accession. WTO membership will increase predictability of Azerbaijan by imposing "bound tariffs". It will enhance transparency and reduce corruption and will open more opportunities for business sector. Finally, WTO Accession will open foreign markets to Azerbaijan goods, will support competition in domestic market and will encourage technology transfers on a larger scale.

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