

**THE MINISTRY OF EDUCATION OF THE REPUBLIC OF
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AZERBAIJAN STATE UNIVERSITY OF ECONOMICS

INTERNATIONAL GRADUATE AND DOCTORATE CENTER

MASTER DISSERTATION

ON THE TOPIC

**“WTO AND PROBLEMS AND PERSPECTIVES OF AZERBAIJAN
ACCESSION”**

ARIF FEYZIYEV NAJIMALI

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Head of the Center

Phd. Doc. Ahmadov Fariz Saleh

(scientific degree, surname and name)

sign_____

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**MASTER DISSERTATION
ON THE TOPIC
“WTO AND PROBLEMS AND PERSPECTIVES OF AZERBAIJAN
ACCESSION”**

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**Master:
Feyziyev Arif**

**Scientific Supervisor
Phd. Doc. Rzayev Anar Yashar**

**Program manager
Phd. Najafova Kamala Akif**

**Head of the Department
Phd. Kalbiyev Yashar Atakishi**

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Xülasə

Tədqiqatın aktuallığı: Bildiyimiz kimi, bazar iqtisadiyyatının özünəməxsus xarakteristikasını nəzərə alınması vacibliyi və ölkə iqtisadiyyatının təmin edilməsi, həmçinin də, başqa bir tərəfdən hazırki dünyəvi istiqamət və strategiyalar arasında ən uyğun balansın qurulmasında əsas yük xarici ticarət siyasətinin üzərinə düşür.

Tədqiqatın məqsəd və vəzifələri: Dissertasiya işində əsas məqsəd Azərbaycanın ÜTT-yə üzvlüyünün müsbət tərəfləri barəsində müzakirələrin aparılması, ÜTT-yə üzvlük adı altında xarici ticarət siyasətinin xarakterik xüsusiyyətlərinin tədqiq edilməsi, onun səmərəliliyinin artırılması istiqamətində imkanlarının müəyyən edilməsi, əlavə olaraq, bəzi iqtisadi sahələrimizin qorunması və inkişafı yönündə təklif və tövsiyələrin verilməsidir.

İstifadə olunmuş tədqiqat metodları: Universitet illərindən əldə etdiyimiz nəzəri biliklərlə yanaşı, İqtisadiyyat, Kənd Təsərrüfatı və Maliyyə Nazirliklərinin, Dövlət Statistika Komitəsinin, ÜTT-nin və digər əlaqədar qurumların rəsmi statistikalarından və məlumatlarından istifadə edilmişdir.

Tədqiqatın informasiya bazası: Tədqiqatın aparılmasında mövzu ilə əlaqədar ilkin informasiya mənbələrindən, müvafiq sahədə nəşr edilmiş elmi-kütləvi, elmi-hesabat məlumatları, beynəlxalq institutların standartları, konvensiyaları və dünyanın bir sıra alimləri və tədqiqatçılarının elmi-praktiki konfrans materialları və analitik tövsiyələrindən geniş istifadə edilmişdir. Eyni zamanda İqtisadiyyat Nazirliyinin ÜTT departamentinin verdiyi şərhləri tədqiqatın əsas istinad etdiyi mənbələrdir.

Tədqiqatın məhdudiyyətləri: Tədqiqat zamanı hər hansı bir informasiyanın məhdudiyyətinə rast gəlinməmişdir.

Tədqiqatın nəticələri: Ölkəmizin ÜTT-yə üzvlük məqsədilə qarşıya qoyulan hədəflərə uyğun olaraq, gömrük tariflərinin və ümumilikdə hüquq sisteminin və qanunvericiliyin təkmilləşdirilməsi və beynəlxalq standartlara çatdırılması istiqamətində konkret təkliflər verilmişdir.

Nəticələrin elmi-praktiki əhəmiyyəti: ondan ibarətdir ki, tədqiqat işində hazırlanmış təklif və tövsiyələr Azərbaycan Respublikasının xarici ticarət siyasətinin metodikasını daha da təkmilləşdirilməsində, ölkə iqtisadiyyatının dayanıqlı inkişafının təmin edilməsində xüsusi ilə də, qyeri-neft sektorunu inkişafında, xarici ticarət strategiyasının və xarici ticarət əlaqələrinin rolunun artırılması və səmərəli təşkili və ixracın ixtisaslaşdırılmasında alternativ mənbə kimi işlədilə bilər.

Açar sözlər: Ümumdünya Ticarət Təşkilatı (ÜTT), xarici iqtisadi siyasət, xarici iqtisadi əlaqələr.

ABBREVIATIONS

WTO	World Trade Organization
USA	United States of America
TNC	Transnational Corporation
EU	European Union
GATT/GATS	General Agreement on Trade and Services
OPEC	Organization of the Petroleum Exporting Countries
IMF	International Monetary Fund
IBRD	International Bank for Reconstruction and Development
CEO	Chief Executive Officer
CIS	Commonwealth of Independent States
DSB	Dispute Settlement Body
THRIIPS	Trade Aspects of Intellectual Property Rights
UNCTAD	United Nations Conference on Trade and Development
GPA	Government Procurement Agreement
TBT	Technical Barriers to Trade
SPS	Sanitary and Phytosanitary
ITA	Information Technology Agreement
MFN	Most Favored Nation
GDP	Gross Domestic Product
UAE	United Arab Emirates
SWOT	Strength, Weakness, Opportunity, Threatness
EPC	Eastern Partnership Countries
BTJ	Baku-Tbilisi-Jeyhan
ACC5	Avigilon Control Center 5
FAO	Food and Agriculture Organization
SME	Small-Medium Enterprises

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INTRODUCTION

The actuality of the subject. In recent years the Republic of Azerbaijan takes important steps towards integration into the world trade system. This, in its turn, is to accelerate the development of Azerbaijan, to ensure the growth of the economy. The development of foreign trade in the country positively affects the growth of investments and the reduction of unemployment. This dissertation work draws attention to the further growth of our foreign trade policy and lessons learned from the mistakes we have made and the future of the future.

As a result of the research conducted, it was determined that no state's economy could be imported or exported. But import and export must have an optimal boundary, an effective structure for each period. Therefore, the study of this issue is of great importance for WTO and problems and perspectives of Azerbaijan Accession.

Improvement of foreign trade policy and effective integration of the world economic system are one of the main directions of economic reforms in Azerbaijan. Therefore, the development of a theoretically justified foreign trade policy, its principles and legality is of paramount importance.

Statement of the problem and level of learning. For many years, multilateral negotiations as one of the most important issues for hastening the process of Azerbaijan's accession to WTO are gone on. In this reason, we needed that exactly research the problem, and must give purposes to Azerbaijan's accession to WTO.

Purpose and tasks of the research. Purpose of the research is to develop the conceptual bases of foreign trade policy, the current situation in foreign trade policy in Azerbaijan, and the development of concrete proposals and recommendations to improve foreign trade policy in Azerbaijan.

The objectives of the research have been defined and the process of their solution was carried out in the following logical sequence:

- Theoretical and conceptual base of foreign trade;
- Modern trends in foreign trade;
- Current state of foreign trade policy of Azerbaijan;

- Analysis of Azerbaijan's accession to the WTO;
- The role of regional integration in Azerbaijan's foreign trade policy;

Subject and object of the research. The subject of the research is the study of theoretical and practical issues of contemporary global trade system and trade policy. The object of research is Azerbaijan's accession to WTO.

The research methods. Theoretical and methodological basis of the research is the views of classical and modern economist scientists of economics related to foreign trade and its improvement, international trade theories, presidential decrees, reports of international economic organizations, articles about foreign trade policy, scientific research and many statistical indicators.

- Theoretical and methodological basics of foreign trade policy were investigated and summarized;
- Improved foreign trade policy of Azerbaijan has been summarized and explored ways of optimization;
- The prospects of cooperation with the WTO on the development of the country's economy have been studied and concrete proposals have been made

The research database is also composed of the Azerbaijan State Statistical Committee, the State Customs Committee, the Ministry of Economic Development, the WTO and the report materials.

The research restrictions. During research term, we didn't see any information's restrictions or limited resources.

Practical significance of the research. The practical significance of the dissertation work consists of the scientific research of the foreign trade policy of the Republic of Azerbaijan and proposals for the improvement of the foreign trade policy based on this research. The main provisions of the research work and the obtained results are reflected in the process of drafting laws, programs, projects and proposals related to foreign trade regulation, research can also be used in teaching relevant courses in higher education institutions. Implementation of the recommendations resulting from the research can have a positive effect on the expansion and enhancement of foreign trade relations.

Structure of research work. The dissertation consists of introduction, three chapters, nine paragraphs, conclusion and recommendations, list of used literature and appendixes, all of them are around 90 pages.

The first chapter deals with the theoretical and methodological basis for countries' integration into WTO.

The second chapter deals with the social and economic consequences for WTO new members and premises for Azerbaijan. In this chapter, also we touch Kazakhstan Republic and Georgia's memberships to WTO. In addition, we analyzed of current situation of Azerbaijan's foreign trade.

The third chapter deals with the main directions for improvement of mechanisms of state regulation of non-oil sector in the system of foreign economic relations of Azerbaijan.

Chapter 1. Theoretical and methodological basis for countries' integration into WTO

1.1 The contemporary global trade system and its role in the economic development of countries.

Foreign Trade Policy is a system of measures taken by the national economy to take a part in the world market and to protect the domestic market from external competition. Foreign trade policy varies depending on the country's social structure, the state of the national economy, the impact of external factors.

We deem it necessary to evaluate the evolution of the conceptual framework of foreign trade in generalized form.

Looking at the history of economic development of countries around the world, we can see that foreign trade policy has different content depending on the characteristics of that period at different times.

Before the contemporary global trade system, we can touch the evolution of international trade theory with schemes, which to explain us global trade system theory how develop and improve from ancient times until nowadays. (Look at Picture 1)

Picture 1. Theories

Until classical theories	Classical Theories	Neoclassical Theories	Contemporary theories
<ul style="list-style-type: none"> •Mercantilism •Phsiocism 	<ul style="list-style-type: none"> •Absolute Advantages •Comparative Advantages •International Value 	<ul style="list-style-type: none"> •Theory of Production Factors •Theory of the Ratio of Production Factors •Theory of the Equation of Price of Production Factors •Theory of comparative advantages integration to more countries and commodities 	<ul style="list-style-type: none"> •Enriching the principles of classical theories •Classical research of new problems of international trade •Contemporary theories of international trade

Source: Krugman, 1997

The presence of a large number of countries with a variety of features and quantities of different types around the world shows that it is impossible to interpret foreign trade in all these complex structures with a single theory. This situation is understood in fact when looking at the complementary foreign trade theories.

Foreign trade theories try to demonstrate that international free trade, in certain circumstances, provides significant benefits for the countries. These theories are changing and developing depending on the natural and winning advantages of the countries.

During the period before the industrial revolution, foreign trade was disclosed under the concept of Mercantilism. Later, the Classical Foreign Trade Theories assumed only labor as a production factor, and measured the production cost by labor. Neo-classics have played a role in considering the capital as a production factor and cost element with the concept of "alternative expense". Theories explaining the causes and effects of intergovernmental productivity differences on Factor Supply have been also based on labor and capital in their models. New Foreign Trade Theories have created an international trade model that has influenced the use of technology and labor in the production process.

In the analysis of foreign trade concepts, the concept of classical and modern concepts should be analyzed first.

In the general sense of mercantilism, it is thought to have covered the period between the XV-XVIII centuries in the European economic thought. The principal representatives of the school of Mercantilism are Jean Bodin, Thomas Mun, and Jean Baptiste Colbert.

The main objective of the mercantilist theory is to bring the accumulation of money (gold, silver) to the maximum level. To this end, foreign trade should be focused on the collection of precious metals, with imports restricted by state control and intervention, and exports should be expanded.

During the era of mercantilism in which the foundations of the state intervention were laid, such measures as customs regulations, import restrictions, and promotion of exports were adopted as economic policies. Mercantilists have

promoted government intervention in the trade for various purposes, such as collecting valuable resources like gold and silver, building trade surplus, encouraging economic development, increasing employment, protecting local producers, and strengthening the power of the state.

The first globalization of the globalization has still begun by the crisis of world capitalism, which has been a major depression from the United States in the 1930s. This crisis has led to a major part of the planet, which has resulted in international trade troubles and resettlement of general protectionism.

From the second half of the 20th century to the 21st century, the emergence of the WTO, the expansion of their sphere of influence, the transformation of the EU into a single economic entity and the deepening of the economic integration process of the countries, the formation of a new global economy - the formation of a global economy took place. . The international specialization specializing in the production of any specific goods and services of some of the countries of the indigenous, along with the world market, on the world market, continues to operate on the sixth division basis.

Specialization allows separate countries to procure goods abroad for the production of goods, not to invest large amounts of money. It is a matter of fact that any country has long-term and professional experience in the production of these or other high-quality goods that allows them to export goods to other importing countries.

Although the international system of specialization already exists in the 20th century, more and more were developed in the second half of the century. First of all, the economic and political development of separate countries, the subsequent development of the world market, the policies of the state regulation of economics have helped. Due to the continued development of international specialization, the division of countries took place in three groups:

I. Countries producing the products of the processing industry of the world (USA, Germany, the United Kingdom, France, Canada, Italy, Japan);

II. Extractive industries are the countries that sell oil and gas to industrialized countries (Middle East, Latin America, Africa's oil producing countries, some African and Latin American countries, as well as developed countries such as Sweden, Australia, Canada different mineral resources - coal, black and aluminum, gold, silver and etc. countries producing and selling);

III. Countries specializing in the sale of Agricultural products (Asian, African and Latin American countries, as well as many industrially developed capitalist countries - almost all countries in the Western Europe, and also US, Canada, Australia and New Zealand have specialized in agricultural products in the world market).

At the same time, it has also a fourth group of countries that produces both processing and raw material industries and crops. This is a well-developed countries of the world (USA, Canada, England, Germany, France). Since the 1970s, international specialization has undergone certain changes under the influence of transnational corporations of industrialized capitalist countries. Failure to earn a living has resulted in the development of transnational corporations' production and services in a variety of countries, ranging from low production costs, lower labor force to industrialized countries to developing countries.

Thus, over the past 20-30 years, TNCs have taken over the function of international division and international expertise. At present, the international division of internally displaced persons and the international specialization are realized by countries and states. As a matter of fact, transnational companies with national production capacities and production facilities within their own countries, as well as in other countries, have huge production, commodity, financial and technical capabilities.

International economic co-operation is an objective process in different countries and countries is of great importance in the development of multidisciplinary economic and scientific-technical relations between the two groups. This co-operation is based on the principles of independence, coherence and mutual benefit of the parties.

Generally, international economic co-operation combines the following:

- foreign trade (foreign commodities, imports, exports);
- international production partnerships (international production cooperation);
- co-operation in investment;
- international scientific and technical cooperation;
- economic and technical assistance;
- currency-finance partnership.

Cooperative ties play an important role in international economic co-operation.

International co-operation is based on production specialization that reflects another aspect of international division and other key form. Compared to international co-operation, the international divide division is a broader economic category. International co-operation and international specialization are not the only form of international divorce.

They are widely recognized parties that define the essence of the international divide. Search for participants in international trade cooperation co-operation which has already been agreed upon with the goods and services beforehand. In this case, "trade is no longer an activity that is carried out among independent institutions and serves the remnants of them, but rather as an essential and prerequisite condition for the production process." International co-operation of production is a process of sustainable production links among independent institutions of different countries. It helps firms reduce costs for production, thereby reducing the productivity of the products they produce in international co-operation and enhancing their competitiveness.

At present, internationally-acclaimed providers represent more than 30% of the total circulation among industrial companies. Cooperation co-operation plays an important role in the high share of international production in a number of emerging markets. Their range is 0.15 barrels.

The consortium of international consortiums acts as a form of organizational implementation of cooperative programs of the partner countries, which plans to

implement complex and expensive projects from the technical backdrop of a government within the country.

Factors affecting the participation of countries in the international division of labor. These factors can be summarized as follows:

1. Volume of domestic market.
2. The level of economic development of the country.
3. Supply of natural resources.
4. The major part of the economy in the structure of the economy is the special base of the industry (energy, extractive industries, metallurgy, etc.).

The main culmination in the development of the international divorce is that each of its participants is looking for economic interest, earnings, and earnings from participation in this division.

Favorable advantages in the process of international exchanges, each country has certain advantages in the realization of the international divide. These advantages are characteristic of the internal costs of rejecting national production in the import and export of goods and services internationally and internally.

There are some indications of the measurement of the international divide. These include:

- ❖ The specific export volume of the total volume of production;
- ❖ The specific area of the shore, on the basis of total export;
- ❖ Increasing the export specialty areas compared to the growth rate of the entire industry of the country.

Among the regional development developers of the international division of power, the following are selected:

- ❖ Compared to the growth of public production in the countries in the reciprocity promoting the growth of mutual commodity exchange;
- ❖ Share of mutual exchange of commodities in public production of these countries;

❖ Increasing the mutual turnover in comparison with the growth of total foreign trade turnover.

In addition, in some cases, exports, imports and accordingly foreign trade quotas, special goods of international trade on various goods, foreign trade turnover per capita, etc. are the main developers of international divorce. Nevertheless, depending on this or that aspect in the concrete analysis process, this or another indicator may appear in the foreground.

The modern world of modernization equipment is characterized by an increased dependence on advanced economical systems, with the transition to a new technological base where information technology prevails. The new condition of productive forces has stimulated the internationalization of the processes of integration and transformation of processes of transformation.

Integrated modern world involves the process of objective integration of countries' experiences. Despite its sustained economic growth rates, its goal is to exploit the maximum effectiveness of the recourse. The integration of national economies of integration as a process of objective integration of the economies of the modern world is based on the condition of internationalization.

The following are the main points of integration: (Ralph Henstock, 1991, 56)

- ❖ Interaction and overlap of national production processes;
- ❖ Structural changes in member countries' economies;
- ❖ The regulation of essential and purposeful integration processes.

Structural levels of integration processes are as follows:

- ❖ Local - production process marches on a microeconomic unit;
- ❖ Micro level - manufacturing process marches on the basis of the production units;
- ❖ Regional (province) - reconciliation of designated interaction actors within the specific region of the state;

❖ National - state caretaker interconnected sectors of a number of regional complexes;

❖ Mezzo regional - interconnected sectors of the regional complexes in several coastal provinces;

❖ Macro level - interaction of national complexes in the specific region of the world;

International economic integration is a process of national solidarity between the countries' development and political cessation in the development of a stable, sustainable relationship between the two countries. The preferred form of international integration is the preference zone. The Preferential zone implements intergovernmental integration through reduction or non-application of custom duties on mutual trade.

The most common form of international integration is the Free Trade Zone Free trade zone is created in accordance with an international agreement. In this case, the abolition of customs duties, taxes, and collective bargaining between member states is eliminated.

Following the shrinking of the business, large volumes of volumes of international flows have been created, and new investment tools have been introduced.

1.2 The role of WTO in liberalization of international trade

It tries not to impose a ban on foreign trade in the world, but rather to create favorable economic conditions for the realization of foreign trade operations that enhance the efficiency of the economy, the realization of specific socio-economic development issues, rather than administrative restrictions and restrictions. on the contrary, a less favorable economic climate is created for businesses with a negative impact on the economy of the country. For these purposes, from the economic means of foreign trade - to reduce or increase the import customs tariff, to change the rules of conducting foreign exchange operations, and so on. is being used.

The economic instruments influence the competitiveness of commodities on the basis of their market value through the market mechanism. Administrative arrangements are effective regardless of market mechanisms. While the economic benefits of the WTO are predominant, the administrative means of imports applied in the modern world, despite all their flaws, are an objective reality that forms international trade and can not be counted. It is believed that the administrative measures envisaged for trade in a commodity with a very small group, which are valid for a limited period of time, requiring prompt intervention by the government, can not significantly undermine the normal functioning of the market mechanism and even contribute to its normalization can do. This, first of all, is explained by the fact that the separate deficiencies in economic activities are compensated by the advantages of administrative measures.

Apart from dividing the foreign trade activities into economic and administrative instruments, another classification option is utilized: tariff and location - tariffs. The latter classification version has been widely used both internationally and in national legislation. The first classification of the classification was proposed by the Secretariat of the WTO at the end of the 1960s.

It is important to note, however, that the closer the economic and tariff measures are, the more they do not overlap. Among the economic regulators of foreign trade activities, the Customs includes the following types of customs clearance services (including taxes and duties, compensation and anti-dumping duties), and also economic stimulus (export insurance and crediting, exporters tax and other benefits, different subsidies).

In the modern world, commerce is one of the areas in which the design life is often settled. Under the flag of "Free Trade", developed countries are trying to weaken tariffs and non-tariff tariffs that understand the export of the products they supply as a high-tech ready-to-use products in the World Trade Organization framework. It should be noted that none of the foreign countries did not refuse the application of administrative means of export and import of goods.

It is important to emphasize one of the important issues that the casualties are about 50% of the imported minefields imported from developed industrial countries, 30% of fuel and up to 10% of textile products. The global quota of imports is widely practiced by the United States, Canada, Mexico, India and Korea. Through export licensing and voluntary restrictions, EU countries and the United States settles imports of textile and footwear industry, black metal products, carpets, electronic commodities and automobiles from less developed countries. Japan's technical barriers are more active to protect the domestic market from the cheapest goods of the "third world" countries.

Nowadays, the main tools for export regulation in all market-oriented countries are, in some countries, Japan (New Zealand, Sweden, Australia, etc.), as well as the only administrative instruments: licensing and other activities.

International Trade Law deals with the rules of trade and customs regulations between countries and their companies. For more than twenty years, this has become one of the fastest growing areas of international law.

International trade law should be differentiated from the broader field of international economic law. International economic law does not imply the right of WTO. It also deals with the management of the international monetary system, currency regulation and international development.

The right to modern trade has emerged through a multilateral trade negotiations, which, after a short time after the Second World War, introduced trade issues with this: the General Agreement on Trade and Services (GATT).

International Trade Law Europe theories of advanced economic liberalism, and then from the 18th century to the US experience.

In the modern world, all countries of the world use a wide range of means to protect the domestic market from external competition, including tariff and non-tariff measures, domestic protection methods of domestic production, currency and credit terms and so on. The implementation of most of these instruments is regulated by international rules that have been established in multilateral international treaties

and conventions. A large complex of these agreements is the legal basis of the World Trade Organization.

The World Trade Organization is an international organization established in 1995 as the successor to the General Agreement on Tariffs and Trade (GATT). WTO is the only international organization that identifies global rules of trade among nations. Its main function is to ensure that trade is balanced, unobtrusive, probable and free. The goal is to improve the welfare of the member countries. The WTO implements the regulation of interstate commerce relations in multilateral trade agreements. . Although the organization was new, the multilateral trading system was created on the GATT scale from 1940 to 1950.

International bodies play an important role in the WTO's structure. International Societies, unlike international organizations, do not have legal personality and are subject to a special mechanism for market regulation do not hold. They were created for their realization on the basis of international agreements. They do not set up relationships for dealing with this purpose, provide information on the world market trends and trends, and implement measures to regulate world values. Working bodies of the International Councils are considered as plenary sessions, committees and secretariats.

In the WTO structure, the circle of intergovernmental organizations of raw material producers and exporters is quite broad. Intergovernmental commodity producers of raw material producers have been created with special intensity in the 1960s under the auspices of developing countries. The goal here was to strengthen the national viewpoint on natural resources and to stabilize the value of raw material markets. Some organizations also call associations. Worldwide, associations have a special role in the production and export of raw materials around the world. It should be noted that the real impact of the regulation of the commodity market shows a small number of associations. OPEC countries have succeeded much more successfully. The main reason for this is the specifics of oil as a base for raw materials, its gradual shrinkage in few developing countries, the dependence of developed countries on oil import, and the interest of transnational companies to

increase oil prices. The level of oil prices in the OPEC countries increased significantly, the new system of mortgage lending was implemented, and the conditions for exploitation of resources by the Western companies were favored by the latter. In modern terms, OPEC has a significant impact on the regulation of the world oil market by determining the value of oil.

The World Trade Organization (WTO) represents an organizational and legal basis of international trade system. Its documents define those key contractual obligations by which the governments have to be guided during creation and practical application of national laws and regulations in the sphere trade. Besides, it is that forum where trade relations between the countries in the course of collective discussions, negotiations and reconciliation of disagreements are formed.

The WTO began to work on January 1, 1995. The governments finished the Uruguayan round of negotiations on December 15, 1993, and in April, 1994 ministers gave political support to the results achieved during these negotiations, having signed the Final Act at a conference which took place in Marrakech, Morocco. "The Marrakesh Declaration" of April 15, 1994 confirmed that results of the Uruguayan round will promote "to strengthening of world economy and growth of trade, investments, employment and income around the world".

The World Trade Organization (WTO) is the largest international economic organization defining rules of international trade in goods, services and intellectual property items and exercising control of their execution. The WTO includes 149 countries now.

At the moment from the CIS countries Russia, Kazakhstan, Ukraine are not members of the WTO, but conduct active negotiations on accession to this organization.

More than 95 percent of world trade by goods and services fall to the share of members of the WTO. The special value of the WTO plays for the countries which are actively involved in the international cooperation.

The headquarters of the WTO is located in Geneva, Switzerland.

Purpose of the WTO

- To create the integrated, more viable and steady multilateral trading facility on the basis of the General Agreement on Tariffs and Trade, former achievement in trade liberalization and all achievement of the Uruguayan round of multilateral trade negotiations...

Functions of the WTO

The main functions of the organization are:

- Performance of a role of the collective trade agreement on questions the WTO entering competence of a package of arrangements.
- Assistance to performance and application of the multilateral trade agreements entering into its legal structure.
- Functioning as the center of the organization and holding multilateral trade negotiations.
- Performance of administrative functions concerning the arrangement on rules and procedures of settlement of disputes.
- Performance of administrative functions concerning the mechanism of carrying out reviews of national trade policy of member countries of the WTO.
- Cooperation with the IMF and IBRD and conclusion of cooperation agreements between other economic organizations.

Secretariat and budget of the WTO

The secretariat of the WTO is in Geneva. In it about 500 people work. The CEO is at the head of the organization. Now the current Director-General is Roberto Azevedo. Service of bodies of the WTO which are responsible for negotiation and implementation of agreements belongs to duties of the Secretariat. Especially it should be noted an obligation of the Secretariat on technical assistance developing, first of all to the least developed countries. The staff of the secretariat of the WTO prepares state-of-the-art reviews about a condition of trade and trade policy, helps in permission of trade disputes. Other functions of the Secretariat include assistance in negotiation about accession to the Organization of new members and consultation of the governments concerning membership. Official languages of the WTO are English, French and Spanish.

The budget of the WTO makes about 200 million Swiss francs. Contributions of members pay off, proceeding from their share in world trade. A part of the budget of the WTO goes for the maintenance of World Trade Center.

Structure of the WTO

The agreement on WTO institution includes the applications which are integral parts of the Agreement. Appendices are contained by 29 legal documents which cover practical all spheres from agriculture to textiles and clothes, from services before government purchases and also the norms regulating goods origin, and intellectual property. Besides, there are 25 more declarations, decisions and arrangements at the level of ministers in whom additional obligations and rules which are undertaken by members of the WTO are formulated. However through all these legal documents which form multilateral trading facility several simple, but fundamental principles stand out.

The supreme body in all organizational structure of the WTO is the Conference of ministers at which all members of the WTO are presented. The conference performs functions of the WTO. The conference has to be convened at least, than every two years, and is competent to make decisions on all questions which are a subject any of multilateral trade agreements.

Daily work of the WTO is performed by a number of the subsidiary bodies, mainly General council into which representatives of all members of the WTO also enter. The general council is founded by the Agreement on creation of the WTO. The general council can conclude the Cooperation agreement with other international organizations. The general council is accountable to the Conference of ministers and is obliged to submit it reports on the activity. Besides performance of regular work on behalf of the Conference of ministers, the General council also works in two special forms: as Body of Settlement of Disputes which controls application of procedures of settlement of disputes and also in the form of Body of the review of trade policy for preparation of regular reviews of trade policy of certain members of the WTO.

The agreement on creation of the WTO founded three other main bodies, namely Council for trade in goods, Council for trade in services and Council for trade aspects of intellectual property. Council for trade in goods exercises control over the implementation and functioning of all agreements which cover trade in goods though many of these agreements provide existence of own supervisory authorities. Two other councils are responsible for those agreements of the WTO which fall within the scope of their competence. Councils can create own subsidiary bodies as required.

The conference of ministers created three more bodies:

- Committee on trade and development which deals with the issues concerning developing countries.

- Committee on balances of payments which is responsible for carrying out consultations between members of the WTO and the countries which apply restrictive measures in trade, according to provisions of Articles XII and XVIII of GATT in case of difficulties with the balance of payments.

- Committee on the budgetary, financial and administrative matters which is responsible for financing and the budget of the WTO.

Agreements of the WTO with a limited circle of participants, participation in which has a voluntary nature, namely on civil aircraft and government purchases create own governing bodies which are accountable to General council. However, they use the system of settlement of disputes, uniform for the WTO.

How trade disputes are solved in the WTO

"The dispute settlement system within the WTO is a key element in safety and predictability of a world system of trade" - the text of the arrangement on rules and procedures of settlement of disputes says.

Members of the WTO undertake the obligation not to take unilaterally actions against possible violations of the rules of trade. Moreover, they undertake to resolve controversial issues within a multilateral dispute settlement system and to submit to its rules and decisions.

The general council of the WTO is convoked as the Body of Settlement of Disputes (DSB) for settlement of disputes, arising in connection with any agreement, from among those which contain in the Final act of the Uruguayan round. Thus, Dispute Settlement Body has special powers to create arbitration groups for consideration of concrete disputes, to approve reports which are submitted by such groups and also appeal body, to monitor implementation of decisions and recommendations and to authorize application of countermeasures in case of failure to follow recommendations.

In the arrangement it is also emphasized that fast settlement of disputes is a necessary condition of effective functioning of the WTO. Respectively, in it those procedures and terms which have to be observed at settlement of disputes rather in detail are defined.

The purpose of the mechanism of settlement of disputes within the WTO is in that "to provide constructive resolution of disputes". Thus, the aspiration of the parties to search of the mutually acceptable solution of the problems arising in the relations between members of the organization according to provisions of the WTO is encouraged. It is possible to achieve such negotiated settlement also in the course of bilateral consultations between the interested governments.

So, at the first stage of settlement of disputes, carrying out such consultations is an indispensable condition. In case of failure if both parties have no objections, the dispute can be submitted for consideration of the CEO who, acting in the official quality, offers the parties the good offices and mediation for the purpose of their reconciliation and settlement of a dispute.

If consultations do not yield desirable results within 60 days, the claimant can appeal to DSB about education of arbitration group for consideration of the case. According to the operating procedures, DSB is obliged to appoint arbitration group no later than date when it considers the application for education of such group for the second time if on the basis of consensus the decision against creation of its creation is not made.

Definition of powers arbitration groups and appointment of her members is also carried out according to the simple procedure. Standard powers according to which the arbitration group sorts the complaint in the context of that agreement to which the claimant refers and also draws the conclusions which have to help ORS to accept recommendations or to take out the definition are provided in the arrangement according to the text of the agreement. The arbitration group can be allocated with various powers if the parties agree with such approach.

1.3 Formation of methodological basis for integration of countries into WTO

Trade without discrimination

For nearly fifty years key provisions of GATT forbade discrimination between his members and also between the goods made in the countries and imported by them. According to Article I which contains the provision on the most favored nation treatment (MFN) member states are obliged to provide to goods of other member states the mode not less favorable, than that which is provided to goods from any other country. Thus, any country should not establish any trade advantages to other countries or carry out in relation to them special restrictive measures, in other words, to carry out discrimination.

Article I contains several exceptions of MFN. The most important concerns an exception concerning the Customs unions and free trade zones. Other exception of a most favored nation treatment, in general, provides to the developing and other countries with insufficiently developed economy an opportunity to use preferential duties.

The second important principle of a legal system of the WTO is known as "national treatment". It means that the mode which will be not less favorable, than that which works for national goods has to be applied to import goods in relation to them in domestic market. (Article III of GATT states)

Besides GATT a number of the important provisions concerning "most favored nation treatment" and a national treatment contains also in other agreements of the

WTO. So, the Agreement on trade aspects of intellectual property rights (TRIPS) contains, with some exceptions, the requirements concerning granting a most favored nation treatment and a national treatment and ensuring protection of intellectual property with members of the WTO.

The general agreement on trade in services (GATS) obliges participants of the agreement to provide a most favored nation treatment concerning services and service providers of other participants. However the same agreement allows certain exceptions of this obligation. It is about concrete situations in the presence of which members of the WTO can not provide such mode initially. When such exceptions are applied, they are subject to revision in five years, and the term of their action should not proceed more than ten years. On the other hand, the national treatment is the obligation for GATS only if participants of the agreement undertake to provide such mode concerning concrete services or the activity connected with their rendering. It means that granting a national treatment is result of negotiations between participants. According to GATS, the member of GATS has to follow a national treatment only in those sectors of economy by which he undertook the corresponding obligations. Members of GATS are not obliged to apply national treatments in those sectors of economy by which they did not assume liabilities. Such approach differs from realization of a national treatment in the sphere of trade in goods.

The predictable and extending access to the markets

The multilateral trading facility represents attempt from the governments to create for investors, employers, workers and consumers such environment of economic activity which would encourage trade, investments and creation of jobs and also promoted existence in the market of a possibility of the choice and low prices. Such environment has to be stable and predictable, in particular for increase in investments and prosperity.

Existence of reliable and predictable access to the markets to a large extent is defined by application of customs tariffs. If quoting of trade is, as a rule, forbidden, then tariffs are considered as lawful means by rules of the WTO and are rather widely

used by the governments for protection of internal producers and increase in budget revenues. Use of tariffs is regulated by rules: in particular, the customs duties should not have discriminatory character in relation to different sources of import and generally have to be "connected". The coherence of rates of the customs duties means that duty level concerning concrete goods is considered as the obligation which is undertaken by the member of the WTO. In this case the duty rate cannot be raised unilaterally without negotiation with the main supplier of these goods. (Article XXVIII of GATT, 1994)

Obligations about ensuring access to the markets through decrease and binding of the customs duties which during the Uruguayan round undertook over 120 countries are recorded in national tariff lists with a total amount about 22500 pages.

Arguments in favor of open trade

The philosophy the cornerstone WTO in favor of the open system of trade which is based on the international agreed rules is rather simple, and mainly commercial common sense is its cornerstone.

All countries have resources - human, industrial, natural, financial which they can use for release of goods and services for consumption in domestic market or an exit with them to the international markets, entering the competition to other suppliers. The term "comparative advantage" means that prosperity of the countries depends on how they will use the resources for concentration of efforts on production of those goods or services which they can make better than others. Such situation arises naturally for the firms operating in domestic market, but it is only a part of an overall picture. There is also a world market. Most firms recognize that, the market, the more their potential in terms of achievement of the most effective scales of production and gaining access to the greatest number of clients is more extensive. In other words, measures for trade liberalization which provide free streams of goods of services and also factors of production increase those benefits which they receive from production of the highest quality, the best design and at the best prices.

However progress in trade is not something static. The competitiveness by separate types of products can vary from the company to the company when changes in the market or implementation of new technologies does possible release of cheaper products of the improved quality. The history and experience demonstrate that the whole countries which companies have certain advantages in the cost of human or natural resources, can lose competitiveness of a part of the goods or services. In the presence of open economy, however, they gain competitiveness in other areas. This process, develops gradually. The companies aim the efforts on release of new products, try to find new "niche" in that area in which they work, or to expand production due to release of new products. The world market expands these opportunities.

The alternative option which consists in protection against import or granting government subsidies conducts to the fact that the inefficient and bulky companies fill up the consumer with outdated and unattractive products. Finally the plants are closed, and workers lose the jobs, despite protectionism and subsidies. If the governments seek to carry out the same policy in the foreign trade, there is a market compression, and the world economic activity is reduced. One of the purposes of the WTO just also is in preventing such unpromising and self-destructive drift towards protectionism.

Help to developing countries and countries with economies in transition

The secretariat of the WTO, will organize sending of experts, holds various seminars and renders practical technical assistance to the governments and their officials in negotiation about accession, implementation of obligations of the WTO and also promotes their effective participation in international negotiations. Various courses and programs of the individual help with concrete activities of the WTO, including settlement of disputes and preparation of reports on a condition of trade policy will be organized. Moreover, developing countries which first of all are least developed receive the help from the organization which provides them data on trade and tariffs which concern their own export interests and participation in work of bodies of the WTO.

The secretariat of the WTO also continues the GATT program for the organization and carrying out training courses. These courses for officials from developing countries are taken in Geneva twice a year, once in English, at times in French languages, they were open in 1955. Since then, until the end of 1994 nearly 1400 specialists in questions of trade from 125 countries and 10 regional organizations took part in them. Since 1991, in Geneva special courses for officials of countries with economies in transition will be organized every year.

Specialized help in export development

The international shopping center was created by GATT of 1964 at the request of developing countries for rendering the help in export development to them. Work of the center the WTO and the United Nations which works through UNCTAD (United Nations Conference on Trade and Development) in common direct. The center builds the work according to requests of developing countries for rendering to them the help in formulation and implementation of programs of development of export and also import operations and a technique of their performance. The center provides information and renders consultations on the export markets and marketing technologies; helps these countries with creation and formation of the services which are engaged in development of export and marketing and also with preparation of necessary shots. The least developed countries receive the help with the Center line free of charge.

Regional trade agreements

In many corners of the world were concluded and regional trade agreements within which groups of the countries agreed about elimination or decrease in barriers concerning import operations among themselves work. GATT admits importance of closer integration of economy of the certain countries as a result of mutual trade liberalization Article XXIV. Therefore creation of such groups as an exception of the general rule about granting a most favored nation treatment, on condition of, however, respect for certain strict criteria is allowed. Rules of the WTO establish that the concluded regional agreements have to facilitate trade relations between interested countries and not lead to creation of additional obstacles in their trade with

the rest of the world. Thus, regional integration will supplement the international system of trade, but not to threaten its existence. Regional trade groups according to Article XXIV can take the form of the Customs unions or the free trade zone. (Article XXIV of GATT, 1994) In both cases the customs duties and other barriers concerning almost all trade between the countries which are included into such group have to be liquidated. In the free trade zone each her member pursues own policy of foreign trade, including tariffs, in relation to those countries which are not a part of the same group. In each of both cases of duty or norm, regulating trade of members of group with the countries which are not her members, should not be more restrictive to comparison that existed before creation of group.

Observation of national trade policy

Observation of the trade policy pursued by the countries - one of the main directions of all activity of the WTO. The central element of this work is the mechanism according to the review behind trade policy.

The purposes which face the organization on this direction are in that, using the mechanism of regular monitoring to promote the transparency and understanding trade policy and measures accepted in this area, to promote improvement of quality of public and intergovernmental discussions concerning trade and to provide carrying out the international assessment of that impact which this policy makes on the system of world trade. Thus, the governments of member states receive an incentive more strictly to approach implementation of rules of the WTO and to observe the undertaken obligations.

Consideration of reviews is carried out on a regular, periodic basis. Four largest participants of world trade, namely the European Union, the United States of America, Japan and Canada, undergo the procedure of consideration of reviews of their trade policy approximately every two years. Sixteen more countries which follow them according to their share in world trade undergo the procedure of consideration each four years, and other countries - each six years, at the same time for the least developed countries an opportunity to undergo the procedure of consideration of reviews of their trade policy less often is provided. The procedure

of the review of trade policy is regulated by annex 3 to the Agreement on WTO institution.

Consideration of reviews is carried out by special General Council which is convoked in this case as Body for carrying out the review of trade policy. To this body two documents are submitted: the official report of the Government in which basic provisions of trade policy, and the detailed report which prepares separately the Secretariat of the WTO are stated. Both documents and also protocols of consideration of the review of trade policy are published after the end of meetings at which there took place consideration of trade policy of this or that country.

In addition to the above procedure of the agreement of the WTO contain obligations of the governments of member states to notify the Secretariat of the WTO on the new or changed trade measures (the system of notification). For example, details of again entered anti-dumping measures, the legislation on countervailing measures, new technical standards, changes in the regulations regulating trade in services and also information on execution of obligations for agricultural products, the laws or regulations concerning the Agreement on THRIPI without fail are brought to the attention of the Secretariat of the WTO.

Representation in the WTO

Activity of the WTO is carried out by representatives of the governments of member states of the organization, but the roots it goes back to daily economic and commercial activity. The policy for trade and a position at negotiations are formed in the capitals, but, private firms, the business organizations, farmers, consumer associations, and other interested groups usually play the noticeable advising role in it. The majority of the countries have at the WTO headquarters in Geneva the diplomatic missions. The special representative in a rank of the ambassador to the WTO is at the head of them. The staff of these representations participates in negotiations or the solution of administrative matters within various bodies in the WTO headquarters. Sometimes experts and experts come directly from the capitals to present to a position of the governments on specific questions.

Role of the WTO in global economic policy

Important aspect of the mandate provided to the WTO is cooperation with the International Monetary Fund and the World Bank for achievement of bigger interaction in global economic policy. At a meeting of ministers which took place in Marrakech in April, 1994 the separate Declaration of ministers in which importance of this task was emphasized was adopted.

This declaration recognizes interdependence of various aspects of economic policy and urges the WTO to develop cooperation with the international organizations which deal with currency and financial issues.

The declaration also recognizes that contribution which is made by trade liberalization in the further growth and development of world economy. At the same time liberalization is considered as an important element which value everything increases, of successful implementation of programs of correction of economic development which realize many member countries of the WTO now though carrying out in life of such programs is often accompanied by considerable social expenses during a transition period.

As the countries become members of the WTO

All countries of the world and certain customs territories can be members of the WTO. Now members of the WTO are 149 countries. About 30 more countries are at different stages of ratification of the documents concerning their participation in the WTO or conduct negotiations on conditions of their accession to this organization.

Most of members of the WTO in the past were members of GATT who signed the Final act of the Uruguayan round and completed the negotiations on access to commodity markets and services by the time of holding a meeting in Marrakech in 1994.

These countries which form the list of "founders" of the WTO. However any state or the customs territory having full autonomy in carrying out the trade policy can join the organization. The accession to the organization happens on conditions which are negotiated between the joining states and members of the WTO.

At the first stage of the procedure of accession the government which submits the application for the accession to the organization is obliged to present the memorandum disclosing all aspects of its trade and economic policy which concern agreements of the WTO to the WTO. This memorandum becomes a basis for detailed consideration of the request about accession within the special working group.

In addition to consideration of the request in the working group the government which submitted the application carries out with the interested governments from among members of the organization negotiations during which concessions and obligations of the applicant to goods and also its obligations to services are defined. During talkback communications, in addition, specific advantages to members of the WTO which they will get from joining of the new member to the organization come to light. After consideration of a trade regime of the applicant and negotiations with it on access to the markets come to the end, the working group formulates the main conditions of accession.

In conclusion, the outputs of the working group presented in the form of its report on the done work and also the draft of the protocol on accession and the agreed lists of concessions and obligations which prepare following the results of talkback communications are submitted for consideration of General council or the Conference of ministers. If two thirds of members of the WTO vote pro, the applicant has the right to sign the protocol and to join the organization after ratification of the document by parliament or legislature of the country if it is necessary.

Chapter 2. Social and economic consequences for WTO new members and premises for Azerbaijan

2.1 Conditions of negotiation process and membership of WTO new members (case of Kazakhstan Republic, Georgia)

Possibility of the appeal

The mechanism of settlement of disputes within the WTO provides to each of the parties by consideration of a dispute by arbitration group an opportunity to submit the appeal. However, such appeal has to be limited to matters of law which are mentioned in the report of group, and that interpretation of legal statuses which it gives.

Appeals are considered by constant appeal body which is created by DSB. Seven people whose appointment provides wide representation of member structure of the WTO are a part of this body. These persons are appointed members of appeal body to four years. They have to have authority on area of the right and international trade and not to be connected with any government.

Three members of Appeal body constantly are on duty for consideration of appeals. They have the right to confirm, change or cancel the legal conclusions and withdrawals of arbitration group. As a rule, the term allotted on appeal should not exceed 60 days and cannot be more at all, than 90 days.

No later than thirty days after its publication DSB accepts the report of appeal body which in an unconditional order is subject to acceptance of a dispute by the parties if there is no consensus that the report should not be accepted.

Process of settlement of disputes by arbitration group

Members of arbitration group are appointed within 30 days from the moment of making decision on creation of such group. The secretariat of the WTO brings to attention of the arguing parties names of three potential arbitrators which choice is carried out from the list of the persons having necessary qualification. In case of serious difficulties with the choice of arbitrators, the CEO can appoint them independently. The appointed arbitrators act in the personal quality and have no right to receive instructions from the governments.

The final report of arbitration group is, as a rule, transferred to the parties in a dispute within six months. In case of emergency, so far as concerns perishable goods, terms of submission of the report are reduced to three months.

The arbitration group is guided by detailed procedures which are stated in the Arrangement on the procedure of settlement of disputes. The main stages of work of group look as follows:

- Prior to the first meeting on consideration of a dispute over a being, each of the parties participating in a dispute submits to group the application in which the facts and arguments concerning a dispute are stated.

- At the first meeting of group on consideration of a dispute over a being the claimant states the claim, and the defendant - a position are sewn up. The third parties which reported to group about presence of interests at them in a dispute can also present the reasons. Official response proofs and defense statements are submitted at the second meeting of arbitration group on trial on the merits.

- When one of the parties brings up questions of scientific or technical character, the arbitration group can appoint the group of experts for preparation of the expert opinion.

- The arbitration group submits to the parties the descriptive section of the report (the factual party put also the argument of the parties) and gives them two weeks for preparation of remarks. Further the group submits to the parties the intermediate report which contains its conclusions and the conclusions, and gives to the parties one week for filing of application about revision of the report. Terms of revision should not exceed two weeks during which the group can hold additional meetings with participation of the parties of a dispute.

- The final report then is submitted to the parties, and three weeks later extends among all boats of the WTO.

- In case the arbitration group recognizes that the considered measure contradicts conditions of the relevant agreement of the WTO, she recommends to the member of the organization who entered this measure, to bring it into accord

with such agreement. The group can also offer the member of the organization of a way of implementation of the offered recommendation.

- Reports of arbitration group are subject to the approval by DSB within 60 days after their acceptance by group if at the same time one of the parties does not express the intention to submit the appeal or on the basis of consensus the decision not to approve the report of group will not be made.

Being a member of the World Trade Organization positively results in the fact that the member country has a strong competitive domestic production and export potential to other countries. In particular, it should be noted that the level of domestic production in order to be represented in the world market is not at the level to compete with the latest products and services produced in other countries. Nevertheless, Azerbaijan is one of the countries with the highest rate of economic growth registered in recent decades and Azerbaijan is at the forefront of economic growth in the CIS. Kyrgyzstan, Georgia, Moldova and Armenia, Ukraine, Russia, Tajikistan and Kazakhstan, respectively, were admitted to the WTO in 1998, 2000, 2001, 2003, 2008, 2012, 2013 and 2015 respectively. Membership in the WTO is individually characteristic for each country and is a very complicated process. Membership procedures can take up to 3 years to 15 years or more.

As we know that, Kazakhstan applied for membership of the World Trade Organization in 1996. Until 2008, it was still not a member. Long accession negotiations were not usual: it took 15 years for China to become a member, in 2001. For instance, Russia applied in 1993 and is still not accepted as a member. During the GATT years, countries' accessions could usually be achieved more quickly. However, the WTO covers more policy areas than the GATT, and extended accession negotiations are one significance. Additionally, the accession process has turn into more political: the issues subject to negotiation and reform are at the core of domestic politics. Geopolitical concerns may also be involved. Yet the key fact behind longer accession discussions is that many recent new members, and different countries in the procedure of acceding, are in transition: moving from command economy to market economy. That transition involves a fundamental reformation of

economic and political structures. Innovative institutions, policies and economic perceptions do not take origin overnight.

Kazakhstan was a late reformer as well. Some of the countries that emerged from the breakup of the former Soviet Union directly embarked on crucial economic reform, but Kazakhstan did not oblige itself to reform until the late 1990s. Once started, though, its reform programmed quickly changed the nature of economic policy in Kazakhstan. Helped by a successful in commodity prices, reform has been followed by surging economic growth. Within eight years the size of the economy, measured in dollars, has increased fourfold, improving considerably the quality of life for many Kazakhstan people.

Kazakhstan can't easily become a successful trading nation because of its geography. Being distant from key world markets and a landlocked country is Kazakhstan's disadvantages. It was once developing countries with underprivileged transport infrastructure and unconvinced economic records of achievement today surround a stop along the Silk Road, but it. Though, trade and foreign direct investments have been significant to Kazakhstan's latest prosperity. Its stellar economic performance would not have been imaginable without increasing economic integration with the outside world, mostly its export of commodities. This learning takes stock of Kazakhstan's economic reforms and trade status and calculates issues surrounding its application for association of the World Trade Organization. The study evaluates the costs and benefits that will gather to Kazakhstan from joining the WTO, and analyses the impact of membership on its trade policy and commercial strategy. WTO membership is a substance of economic strategy, and this study is essentially concerned with such considerations. For Kazakhstan, however, the decision to join the WTO also comprises geopolitical concerns. In the light of these legitimate concerns, this learning drawings trade-policy alternatives and what these involves.

What WTO accession involves from Kazakhstan

At least, WTO accession will expect Kazakhstan to bring its practices and strategies into streak with WTO rules. That applies to, and must be normal by, any participant, however it might be conceivable to arrange a period for change.

Policies incompatible with WTO membership

Several possible deviations of policy in Kazakhstan from the WTO rules have been noted in earlier chapters. Instances are different taxes for domestic goods and foreign goods; discriminatory goods in transit charges for imports and exports; and discriminatory export taxes. The transaction passport is another possible sample.

WTO accession would involve Kazakhstan to do away with discriminatory excise taxes: they directly contravene article, which requires WTO members to deliver national treatment in taxes and regulation. (Article III of GATT, 1995) The same applies to rail-freight charges. Correspondingly, discriminatory export taxes would have to be abolished: they struggle with MFN treatment. The transaction passport would have to go if, on consideration, it proves to be – as seems likely – unpredictable with the Agreement on Customs Valuation.

Kazakhstan's present practices as for principles appear to probably intrusion the guidelines of the TBT (Technical barriers to trade) and SPS (Sanitary and phytosanitary) understandings. Provided that is true, they should be carried into toeing a similar line with those understandings.

Policies Likely to be Challenged

Other policies do not strictly speaking, fissure the formal rules of the WTO, but are nevertheless regarded with disrepute by essential members, and are likely to be challenged in the progression of Kazakhstan's accession negotiations.

Tariffs

High taxes don't legitimately negate GATT rules, yet Kazakhstan is probably going to felt obligated to diminish its levy tops. All around, a normal levy in the district of 7 % is reliable with the dimensions of duties that have as of late been acknowledged for nations agreeing to the WTO. It is generally accepted, in any case, that the WTO demands a decrease in duties on increase, paying little heed to their beginning dimension. Jensen and Tarr 2007, for instance, hypothesize (pp 10-11)

that WTO promotion will expect Kazakhstan to cut its present dimension of taxes by 50 %.

The exact element in certain Kazakh tariffs (that is a tariff that is stated as, for instance, 30 % but not less than 2 euros per kilo) is implausible to be acceptable to WTO members. Kazakhstan will practically certainly be required to unrestraint such tariffs. As we know that, Government Procurement Agreement (GPA) is a plurilateral agreement: one that is available for all members of the WTO to join, but that a founding WTO member was not required to join as a situation of WTO membership. However, some countries consenting to the WTO are reported to have been pressed to join the GPA. That may be the position in which Kazakhstan will find itself.

Investment Barriers and the GATS

All WTO members will certainly not regard barriers to foreign investment in the provision of services maintained by Kazakhstan and discussed favorably. Furthermore, removal of them is the source of 70 % of the gains that Jensen and Tarr 2007 estimate that Kazakhstan will receive as a result of joining the WTO.

There is, in any case, an inquiry regarding whether they are conflicting with WTO rules. The General Agreement on Trade in Services (GATS) contains numerous exemptions and let-outs. It is a long way from clear that the practices noted above are conflicting with the GATS.

The nearby substance and employing arrangements of Kazakhstan law, for instance, rupture national treatment and force quantities on the visas to be given to non-Kazakh specialists. GATS Article XVI unquestionably records as "measures which a Member will not keep up or receive" rehearses that are near those in the law of Kazakhstan. GATS Article XVI, in any case, just applies "in areas where advertise get to duties are attempted"; and still, at the end of the day, the measures are allowed if "indicated in its Schedule." An establishing individual from the WTO, in this way, could have legitimately kept up arrangements like those of Kazakhstan either by declining to make show case get to responsibilities in the significant part; or by suitably entering the conceivably culpable arrangements in its calendar.

According to GATS Articles, use of the national treatment arrangements of article is comparably ailing in outright power. (Article XVII of GATS, 1995) An establishing individual from the WTO could in this manner have kept up practices like those of Kazakhstan, that formally abuse national treatment, either by not writing influenced parts in its calendar or by expressing explicitly in the timetable the conditions disregarding national treatment.

The last issue to be talked about is an issue of global relations – Kazakhstan's association with Russia, specifically, yet in addition with different republics in its neighborhood. At the point when Kazakhstan connected for participation in the WTO, in 1996, it appeared to be sure that Russia would likewise join. Since prospect appears to be fairly less certain, so Kazakhstan must think about how enrollment of the WTO by Kazakhstan may influence its relations with its neighbors if some of them – and particularly Russia – are not WTO members. The Russian issue isn't just a matter of financial strategy, and is more hard to talk about than monetary arrangement. It basically turns on the valuation set on intangibles (companionship and co-task with nations of the district) by the legislature of Kazakhstan – valuations which can only with significant effort be addressed by outsiders.

Overview of Kazakhstan's commitments

Working Party members acclaimed the "high quality" of Kazakhstan's accession package. It offers significant improvements in market access opportunities for all WTO Members, under the MFN principle under which countries cannot differentiate among their trading partners. Taken together, its obligations further liberalize its trade regime and provide motivation for its continued integration in the global economy. The deal also offers a transparent and expectable environment for trade and foreign investment, warranting fair competition and increased consumer welfare.

Market access for goods and services

As part of the accession negotiations, Kazakhstan concluded 29 bilateral market access agreements on goods and 15 mutual market access agreements on services.

According to the documents, on goods, Kazakhstan has undertaken tariff concessions and obligations that bind tariff rates for all products on average at 6.1%. For agricultural products, this average is 7.6 % while for non-agricultural products the average is 5.9 %.

According to WTO information, Kazakhstan committed to join the Information Technology Agreement (ITA) upon accession, a WTO plurilateral agreement providing for participants to completely eliminate duties on IT products covered by the ITA Agreement.

Kazakhstan's bilateral market access deals were:

- On goods with: Argentina, Australia, Brazil, Canada, China, Cuba, Dominican Republic, Ecuador, Egypt, El Salvador, EU, Georgia, Guatemala, Honduras, India, Israel, Japan, Korea, Kyrgyz Republic, Malaysia, Mexico, Norway, Oman, Pakistan, Kingdom of Saudi Arabia, Switzerland, Chinese Taipei, Turkey and the US.

- On services with: Australia, Brazil, Canada, China, Egypt, EU, India, Japan, Korea, Norway, Kingdom of Saudi Arabia, Switzerland, Chinese Taipei, Turkey and the US.

Georgia connected for WTO membership on 3 July 1996 to begin negotiations with the WTO working gathering on its terms of accessions. The exchanges secured all territories of WTO rules just as duties on market access for the two merchandise and enterprises..

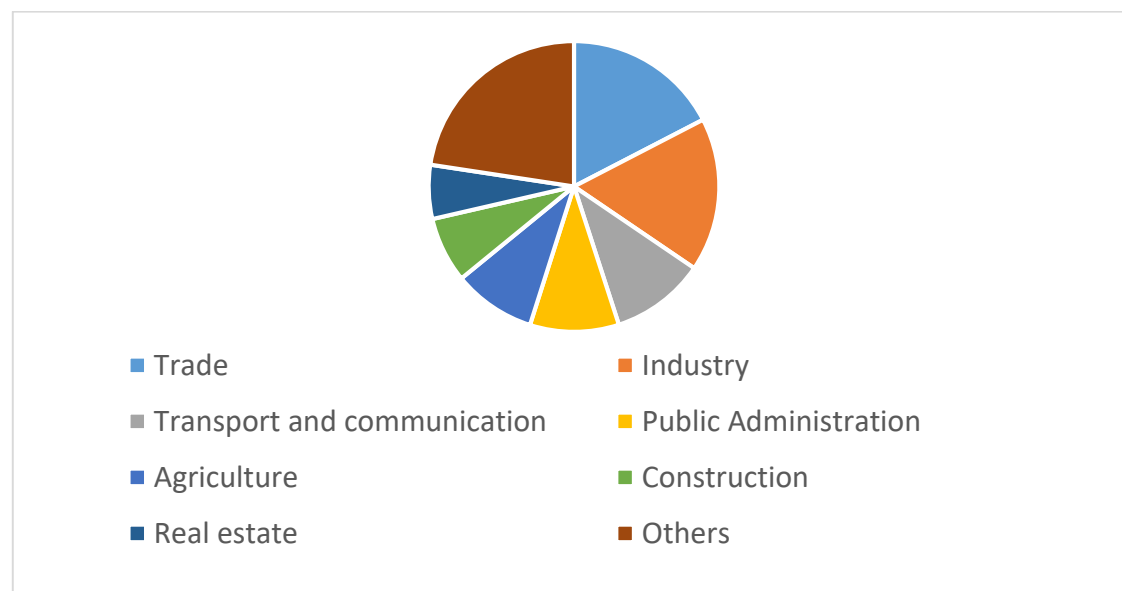
At the General Council meeting of 6 October 1999, Mr. V. Lordkipanidze, State Minister of Georgia, According his speech, they trust that development of the multilateral exchanging framework will stop financial patriotism and protectionism, give nations a reasonable solid footing on the worldwide exchanging market, in this way adding to a steady and proceeded with monetary development around the world. And also he added that, they persuaded that by expecting their legitimate spot in the worldwide exchanging framework, Georgia and different nations on the move will before long observe success and soundness increment alongside their new, extended action on the planet monetary field.

At a similar gathering, Mrs. Anne Anderson (from Ireland), chairperson of Georgia's working party, commented on Georgia's speedy accession. According her speech, she said that the rapid step of this accession process testified to the determination shown by the Georgian specialists to carry through an impressive reform process sustained by a high degree of trade liberalization and full conventionality with WTO rules and disciplines. She pointed out that the fact that Georgia had been able to conclude accession negotiations so rapidly and professionally proved that when supported by constructive dialogue, intensive preparatory work and good will, the WTO accession procedures had worked well.

Now let us talk about Macroeconomic Overview of Georgia's economy:

Georgia's economic performance for the period 2009-2014 has encouraging trend for growth, averaging nearly 4% by the year. In 2014, GDP real growth reached 4.8%. The largest sectors by share of GDP were trade (17.4%), industry (17.1%), transport and communication (10.5%), public administration (9.9%), agriculture (9.2%), construction (7.3%), and real estate (6.0%). (Look at the Chart1).

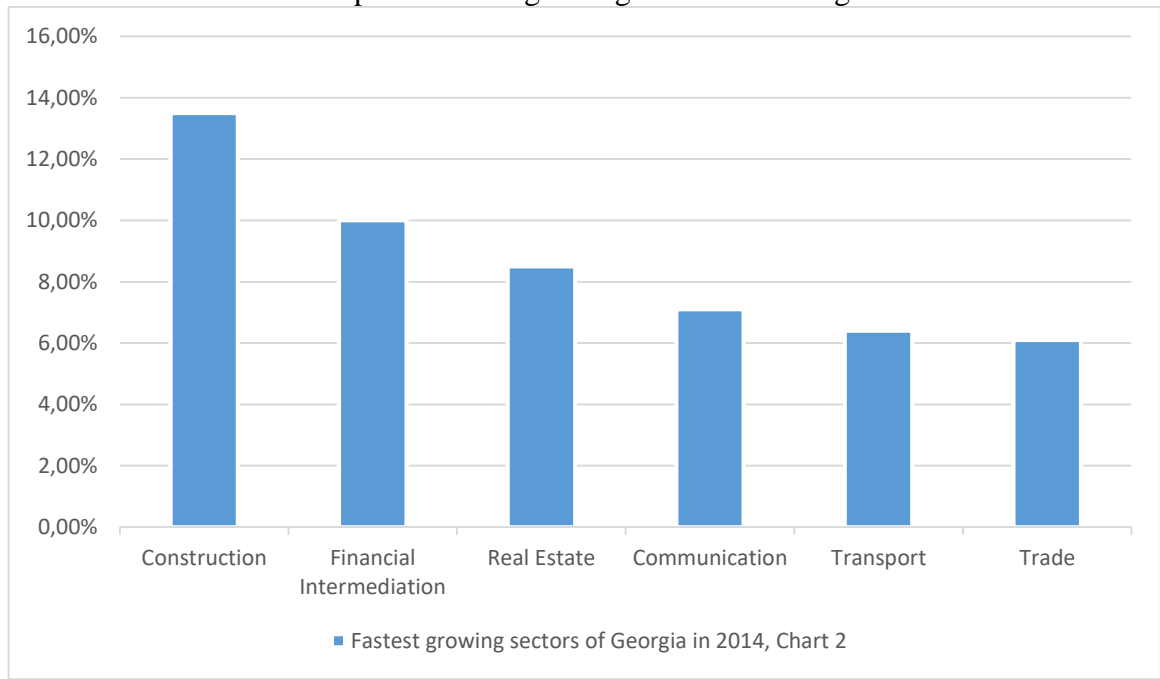
Chart 1: GDP of Georgia in 2014



Source: World Trade Organization, 2014

Fastest growing sectors are construction (13.5%), financial intermediation (10.0%), real estate (8.5%), communication (7.1%), transport (6.4%), and trade (6.1%). (Look at the Graph 1.)

Graph 1: Fastest growing sectors of Georgia in 2014



Source: World Trade Organization, 2014

The agricultural division comprised 9.2% of the all out GDP of Georgia with 42.6% of the whole populace living in rustic zone (starting at 2014). The administration, completely recognizing the focal significance of this crucial piece of the economy, has occupied considerable totals to the segment. By rate, the spending distributions to farming have expanded three-crease since 2011 (from 0.8% to 3.1% of the absolute portions in 2014). The temptations have likewise brought about the expansion of farming fares by 6.7% in 2014 contrasted with the earlier year.

Georgia has built up a coordinated system of universal exchange understandings, in which respective, local and multilateral exchange understandings work in congruity and in a joint exertion to advance exchange and encourage showcase access in Georgia's fare markets, just as to expand rivalry and productivity in the designation of assets in the Georgian economy. Liberal exchange arrangements, special exchange routines, and access to the EU showcase over the long haul will make a strong establishment for reinforcing and creating nearby industry, encourage trades and remote direct venture.

Overall, 15 governments are currently negotiating to join the WTO. Example: Algeria, Azerbaijan, Belarus, Bhutan, Bosnia and Herzegovina, Sudan, Uzbekistan.

2.2 Analysis of current situation of Azerbaijan's foreign trade.

International economic integration has started to play an important role in all stages of public life since the end of the 20th century. Transition to a more open trade model of the world countries, free movement of investment and financial flows, rapid increase of number and importance of transnational corporations, creation of international financial system and global information system, and etc. are explained as a globalization of the world economy. In the modern world, scientific and technological progress and the use of modern technological innovations are the key drivers of economic development. Natural resources, raw materials and cheap labor remain in the forefront, and so are the leading scientific and technologically advanced countries as the center of international trade.

After the independence of Azerbaijan, the economy of the country was completely collapsed as a result of the Karabakh war. With the arrival of the National Leader Heydar Aliyev, there was hope for the future, and as a result of its far-sighted policy and thoughtful socio-economic development strategy, Azerbaijan's economy was revived. By the 1994 agreement, the Azerbaijani oil had access to the world market and became the basis of economic development. As a result of the successful continuation of this strategy by President Ilham Aliyev, the successor of Heydar Aliyev, Azerbaijan has achieved economic development and macroeconomic stability has been achieved. Many countries were seriously affected by the crisis during the 2008 global economic crisis. In such a complicated global economic environment, the Azerbaijani economy has demonstrated sustainability and has grown rapidly in the post-crisis years, as in previous years. Such a stable development of our country after the global crisis has not been abandoned by international rating agencies, and this has been reflected in their reports. Standard and Poors rating agency assessed the Azerbaijani economy as positive.

The fact that Azerbaijan is located in a very important geopolitical space, rich in natural resources and favorable climatic conditions for the development of agriculture has identified the main directions of joining the world economic

relations. Azerbaijan's geographical location and strong human capital create conditions for many projects. At present, many of these regional and international projects are used. These projects can be illustrated by the fact that Azerbaijan is represented as a trade, communication and transportation corridor from the Greater Silk Road Restoration project, from China to Western Europe. China is currently working on this project seriously and is expected to restore the Silk Road's previous significance in the near future. In addition, Azerbaijan also acts as part of the North-South Corridor. Under this project, transport, communications and trade corridor between Azerbaijan, Russia and Iran is of great importance. Other international projects that Azerbaijan participates in is the exploitation of the underground resources of the Caspian Sea with the foreign companies and their transfer to the world market, construction of oil pipelines and other projects.

Additionally, Azerbaijan is actively represented in the Black Sea Economic Cooperation Organization, the Commonwealth of Independent States, and is interested in integrating with member states and establishing close economic relationships. Leading international economic organizations are closely involved with Azerbaijan's economic reforms in the development of market economy under current conditions. These institutions can be influential organizations such as the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development, the World Trade Organization and others.

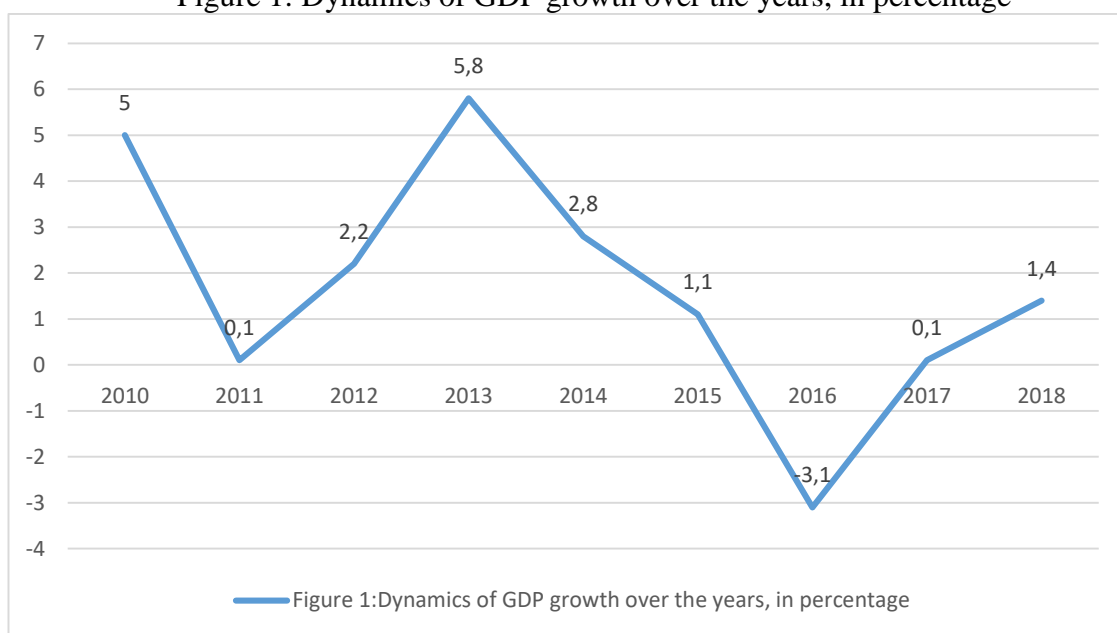
Current situation:

The structure of Azerbaijan's trade in terms of its growth, product composition, and relative importance of trading partners has changed in an important way since 2014 as a response to improved policy environment and investment climate in general and trade policies in particular.

Azerbaijan continues to shape an optimal structure of the country's economy, reducing its dependence on the oil sector. According to the country's long-term development strategy, one of the priorities of economic policy is the diversification of export, including increase of non-oil products export.

A 1.4% growth took place in the Azerbaijani economy in 2018 (Look at the Figure 1). Economic growth has been driven principally by the non-oil sector, as its growth was equal to 1.8%. Let us note that the government predicted 1.5% GDP growth for 2018 and 2.9% growth in the non-oil sector. The economic growth took place because of a 29.2% increase in state budget expenditures, a smaller-than-expected decline in the oil sector and growing aggregate demand because of the stable exchange rate of the manat.

Figure 1: Dynamics of GDP growth over the years, in percentage



Source: Ministry of Economics, 2019

New enterprises have been built, technological infrastructure has been renewed and strengthened with the imported technological equipment. The export of competitive local products to the global markets has been increased. Furthermore, the expansion of the export geography and access to new markets along with traditional ones are important achievements of the last 3 years. Now, Azerbaijan is conducting trade operations with almost 187 countries. During this period, (2015-2017) the foreign trade turnover increased by 3.0 %, including 8.7 % in exports. Also, the range of export products increased by 28.3 %, the number of trade partners by 22 units.

Non-oil exports are well diversified both by products and markets. The fastest growing non-oil exports include a mixture of resource based manufacturing products

(iron/steel structures, parts, tubes, electric wires, chemical products, transformers), a wide range of agricultural goods (fruits and vegetables) and agro-processing products (vegetable oil, beverages, dried fruit, fodder bran, tea, cotton yarn) as well as other labor-intensive final and intermediate goods (furniture, sheepskin).

In terms of exports destination, oil is exported primarily to developed countries (Italia, the US, Israel, Canada, France, Germany and others). Non-oil exports mainly go to the CIS and developing countries in the region led by Russia, Turkey, Georgia, Turkmenistan, Kazakhstan, Ukraine, Iran, Iraq and Afghanistan.

There is considerable potential to diversify non-oil exports to developed country markets, particularly to the EU, US, China and etc.

Reforms:

- “Azerbaijan - 2020: Outlook for the future”

In line with the government’s policy agenda for transition to a new stage of development and implementation efforts so far, “Azerbaijan - 2020: Outlook for the future” Development Concept was adopted. The document sets the target of boosting diversification of economy, increasing GDP at the expense of non-oil sector. Furthermore, it is planned to turn the country into the region’s commercial centre and to increase the volume of per capita non-oil export. Conducting reforms and bringing legislation in line with the international trade system in order to join WTO will ultimately open new opportunities for the development of local companies and the country’s economy in general. Under the document considered to continue issues on accession to WTO.

- WTO accession process

WTO accession process is continuing in the framework of multilateral, plurilateral and bilateral negotiations. The 14th meeting of the Working Group was held on 28.07.2017. As a result of the bilateral negotiations 5 bilateral agreements were signed (Turkey, Oman, UAE, Georgia and Kyrgyzstan) and Azerbaijan still conducts bilateral negotiations with 22 countries. Issues related to the level of domestic support to agriculture and the negotiations on the market access are still being discussed. The main goal in the negotiations for Azerbaijan is to obtain

flexibilities provided in WTO agreements for the developing countries and to achieve membership on favorable terms for the economy.

- Law of the Azerbaijan Republic on anti-dumping, countervailing and safeguard measures

The law was adopted on May 31, 2016. This law for the purpose of protection of economic interests in the Azerbaijan Republic regulates rules of application of anti-dumping, countervailing and protective measures against the dumping, subsidized or increased import causing damage or creating threat of causing damage to the local production sphere.

- Strategic road maps

By the presidential decree (06.12.2016) was endorsed “Strategic road maps for the national economy and main economic sectors”. Strategic Road Maps is designed to ensure economy’s competitiveness (including, increasing scale and effectiveness of foreign trade relations), inclusion and increased social welfare based on sustainable economic development in Azerbaijan. Mobilization of investments meeting global challenges, free competition environment, market access and human capital development will strengthen position of Azerbaijan in global economy. Strategic Road Maps covers short, medium and long-term horizon and comprises economic development concept and action plan for 2016-2020, long-term outlook by 2025 and target outlook for the period after 2025. It covers not only economic objectives and principles, but global trends for each area, 360 degree diagnostics of the economy and SWOT analysis of current situation, actions to be undertaken, required investments and key indicators as well. Under strategic road maps considered a few measures on, increasing scale and effectiveness of foreign trade relations:

- Creating 7 Logistic and Trade Center
- Preparation of exportable product list based on relevant analysis and promoting their export
- To conduct relevant analyzes for the signing of free trade agreements
- Measures to facilitate exporters' access to financial resources and etc.

- Trade representatives

Within framework realizing presidential decree on appointment of trade representatives in the country's embassies and consulates abroad was created trade representative administrations in four countries (Russia, China, UAE and Poland (for Central European Countries)). Main functions of trade representatives in the Azerbaijani embassies and consulates abroad are - to facilitate business ties and increase the effectiveness of export promotion measures, represent and fully protect the trade and economic interests of the country and exporters in foreign countries, and expand the delivery of Azerbaijani products to foreign markets.

- Export promotion

•By the president was signed the decree on large-scale promotion of local non-oil products in foreign markets as “Made in Azerbaijan” on 05.10.2016. The Decree contains following different support mechanisms to stimulate exports, mainly non-oil exports and promote “Made in Azerbaijan” abroad:

- ✓ Trade missions
- ✓ Market research
- ✓ Participation at international exhibitions and fairs under national stand
- ✓ Individual participation at international exhibitions and fairs
- ✓ Promotion of “Made in Azerbaijan” through state-owned legal entities
- ✓ Obtaining certificates and patent sin foreign countries
- ✓ Research and development programs and projects

Depending on the support mechanisms, the costs relating to their realization are fully or partially covered by the state budget.

•By the government was approved list of non-oil products that will be eligible for benefiting from export promotion mechanism (06.10.2016). Moreover, the authority approved the procedure of issuing incentives for those engaged in the export of non-oil production and coefficient applied in this regard.

•AZPROMO. In accordance with goals to diversify national economy, to integrate into world economic system and develop non-oil sector, Azerbaijan Export and Investment Promotion Foundation - “AZPROMO” was founded by the Ministry

of Economic Development in 2003, with the aim to contribute to the economic development through attracting foreign investments in the non-oil sectors of economy and stimulating expansion of country's exports of non-oil goods to the overseas markets. AZPROMO has huge international networking capabilities. AZPROMO are the member of the World Association of Investment Promotion Agencies (WAIPA) and currently, their president holds WAIPA's vice-presidency position. AZPROMO's international offices in Georgia, Austria, Italy and China coordinated by the centre in Baku deliver services in a short period of time. AZPROMO's close relations with many international investment promotion agencies, chambers of commerce and other business promotion institutions have been maintained. AZPROMO have signed memorandums on cooperation and partnership with over 80 such organizations from 37 countries the world over. Export support to domestic exporters is provided by AZPROMO.

Simplification of import-export procedures

- By Cabinet of Ministers was adopted Order (10.04.2017) to reduce number of documents required during import-export operations. According with the Order following documents was removed from the list of documents required from customs authorities:

- In export - document confirming payment of customs payments, certificate of quality and certificate of origin.

- In import - document confirming payment of customs payments, certificate of compliance, licenses for the import of ethyl (food) alcohol, alcoholic beverages and tobacco products.

- By the presidential decree (28.06.2018) was adopted Action Plan for Improving import-export control system. Under the action plan was identified following measures:

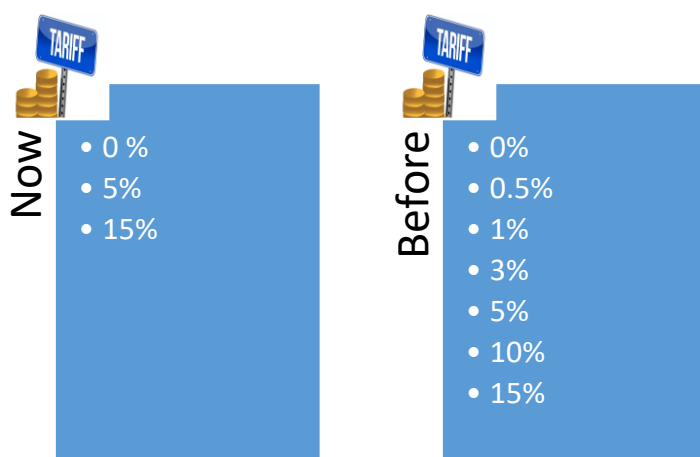
- Improvement of customs administration
- Development of risk management system
- Development of international cooperation

- New customs duties

By the Cabinet of Minister was approved a new document (17.11.2017) - “Commodity Nomenclature of Foreign Economic Activity, Rates of Import and Export Customs Duties” In order to improve effectiveness of foreign economic activity by modernizing the mechanism of setting customs tariffs, strengthening state support for domestic production and non-oil exports, protecting the domestic market, as well as switching to a system with fewer customs duties. Under the document followings was identified:

- Three-level differentiated tariff system – 0%, 5% and 15% (the previous was 7 type of ad valorem tariff – 0%, 0,5%, 1%, 3%, 5%, 10% and 15%) (Look at the Picture 2)

Picture 2. Changing in tariff system



Source: Ministry of Economics, 2019

2.3 The status of Azerbaijan's WTO membership negotiations

It can be said that during the independence of Azerbaijan during the period of integration into the world economy, there was a significant improvement in relations with international organizations and regional associations. However, the significance of expanding Azerbaijan's activities in this context is gradually increasing when globalization is steadily rising, while on the one hand the production obstacles and trade barriers are eliminated on the one hand and on the other hand, when certain countries are attempting to move from a economic union

to a political union. From this point of view, let's look at the relationships with the World Trade Organization on Azerbaijan's integration into the global economy.

According to Azerbaijan, the International Monetary Fund and the World Bank, it has quickly taken its place among the global economy. During this period, the country has left behind many CIS countries (Commonwealth of Independent States). The country is increasing its efforts to use its wealth in the most profitable way. However, the lack of membership in the World Trade Organization, one of the three major international organizations created after World War II, is considered to be a major deficiency. However, Azerbaijan's accession to that organization is ongoing.

Since 1997, Azerbaijan has been a full-fledged member of the WTO as an observer. In 1999, a Memorandum on Foreign Trade Regime was issued, and the Commission established in connection with the membership began in 2002. Although there are certain issues that can not be achieved between the WTO and Azerbaijan, it has been reported that the country has recently reached the final stage of membership. Azerbaijan has faced many challenges in its accession to the World Trade Organization. One of the most important problems was the fact that the World Trade Organization claimed that the market economy in Azerbaijan was not reliable. On the other hand, there are certain obstacles to membership in the organization, which are expressed as technical problems, lack of technological balance, compliance with laws, quality standards and other obstacles.

It should be noted with regret that despite the negotiation process over 20 years of Azerbaijan's accession to the WTO, substantial progress has not yet been achieved regarding the WTO membership. Non-achievement of a decisive agreement by Azerbaijan in bilateral and multilateral talks indicates that the WTO accession process still faces many issues. The members, who participated in multilateral negotiations with the WTO Geneva Center, have not yet reached agreement. There is no specific time when agreement will be reached.

It is crucial to establish ecological audit infrastructure in order to protect the ecological balance in our country and to check the use of technology that meets the

environmental norms of entrepreneurship entities, production facilities in order to avoid contamination of nature.

One of the key goals of the WTO is to reduce poverty and unemployment in a member country. Significant progress has been made in this direction in recent years in the country in addressing the problem of poverty and unemployment. For this purpose, a well-planned and well-planned strategy has been developed and the unemployment rate has diminished significantly. In recent years, it has been thought of as an employer in training in the country, including targeted social assistance, minimal wage policies, compulsory social insurance and voluntary insurance schemes. and purposeful programs are a good substance.

One of the main goals in the WTO accession step is to continue the continuous work of the services sector and the protection of intellectual property. Consistent work is underway to assess the current state of the development process on different types of services, its level of response to real world requirements, and the further elaboration of different types of services on the country's economy.

In our country, measures are being taken to ensure the smoothness of attracting foreign investment in banking and insurance sectors. Nevertheless, a transparent and fair competitive environment for local companies should be formulated, companies that want to establish monopoly on any field should be prevented, and the time allocated for the strengthening of local production facilities should be precisely declared and the liberalization process should begin in those sectors.

At present, one of the most important goals in the process of integrating our economy into the global economic system is to maximize the transit opportunities of our Republic. To achieve this, transit infrastructure improvements or upgrades, bring them to international standards, ensure easy transit of transit cargoes without any obstacle, guarantee the safety of portable goods, carry goods or transit goods, and the use of more modern and efficient mechanisms to detect and to take measures against smugglers. The Chinese government's new silk road project from China to Europe is successfully being implemented and it is reported that the role of Azerbaijan as a transit country will increase in the future.

It is important to note that in order to accelerate the process of Azerbaijan's accession to the WTO and minimize the negative effects of this membership issue, the economic legislation framework, specifically the Customs and Taxation, judicial reform, and the protection of property rights should be harmonized with international standards.

Our country, which does not want to stay out of the process of economic integration, wants to become a member of the World Trade Organization and want to integrate more closely with the global economic system. Studies show that Azerbaijan's membership in the WTO will strengthen domestic competition, strengthen integration into the world economy, increase export potential, and boost economic growth. WTO accession will accelerate the harmonization of the economic system and legislation with world standards.

The WTO membership experts have various assessments and it is advisable to pay attention to these approaches.

Considering the possible consequences of being a member of the World Trade Organization and their impact on the structure of individual sectors.

Our country's membership in the WTO is not expected to significantly affect exports. The main part of exports is hydrocarbon resources and there are no serious restrictions on this area, and the WTO does not expect the non-oil sector to compromise.

There are many problems with food, construction, furniture, chemical engineering, metallurgy and agrarian spheres.

On the other hand, membership in the WTO can promote the development of high-tech industries. Experience shows that the WTO membership has enabled countries that have no scientific potential to operate effectively in a high-tech product market.

As a result of various studies, it was identified that the most problematic area of WTO accession is field agriculture. The reason is that state support for this area is limited by the WTO. Release of agricultural producers from other taxes, except for land tax, to accelerate the development of the agrarian sector in our country

creates discrimination between domestic producers and foreign trade participants based on WTO rules. Negotiations in this direction have failed. Cancellation of discounts can aggravate the situation of the agrarian sector. It should be noted that the agrarian sector is of strategic nature and most of the population is settled in rural areas. There are potential opportunities in the agrarian sphere in our republic, and if the agreement is achieved, the world market can be effectively accessible.

The amount of subsidies in the agrarian sector in Azerbaijan is far from the world experience. WTO does not preclude the application of subsidies or tariffs, but may require that the agreed norms not be exceeded. Therefore, during the negotiations, the status of "developing country" in the field of agriculture should be obtained. This status will allow subsidizing up to 10% of the production volume.

There are similar expectations in other areas. Import tariffs in the furniture industry and in the chemical industry are of great importance, and if competition is not achieved in the area, competition can be challenging for existing businesses.

It should be noted that adverse changes in all areas are not accompanied. For example, no negative impacts on transport are expected. Because there is already a serious competition in this area. Moreover, membership in the WTO may increase the flow of transit cargo passing through our country.

One of the conditions for WTO membership is the liberalization of the financial and banking services market. The banking sector in Azerbaijan is significant for foreign capital, and there are no restrictions. As an exception, it is possible to show only the ban on the opening of foreign banks' direct branches. Membership in the WTO will create conditions for the growth of investment in the country's economy, expansion of the banking and service sector, and cost reduction. The competitive environment in the banking sector will improve bank governance and increase transparency. At the same time, it is necessary to take into account the likelihood of local banks losing foreign competitiveness. Having great experience and opportunities from foreign banks will enable them to repress domestic banks and dictate interest rates.

15% rate of customs tariffs applied in our country is considered low compared to many countries of the world. The experience of countries in the world shows that WTO membership does not require a full reduction in tariffs. WTO rules do not absolutely prohibit protectionism, allow quantitative restrictions and licenses within certain rules and norms, and use subsidies in certain areas. WTO does not prevent the implementation of temporary protection after membership. The government should identify weak and export-oriented areas within this timeframe and use customs duties, subsidies and other regulatory means to protect these areas.

Azerbaijan's membership in the World Trade Organization is deemed necessary and acceleration of this process is important. The WTO requires the elimination of tariffs and non-tariff restrictions in order to liberalize foreign trade. There is a liberal foreign trade regime in our republic. Further liberalization of Azerbaijan's foreign trade regime will give impetus to socio-economic development of the country. In this regard, the service areas should be liberalized in the country, and protective industries should be pursued in order to protect strategic products, agricultural products and new emerging areas.

WTO accession can enhance Azerbaijan's ability to integrate into the world economy, increase its influence in the international arena, liberalize foreign trade, accelerate the attractiveness of modern manufacturing and management technologies, and boost investment flows to the country.

As a result of membership in the WTO, our country will gain greater access to world trade, will be provided with legal protection in trade with other countries, and will benefit from the privileges that Member States have to each other.

Membership on favorable terms on the WTO can have a positive impact on the development of national production and exports. In order to benefit from Azerbaijan's full membership in the WTO, Azerbaijan must achieve maximum benefits to meet its economic challenges.

Admission to the World Trade Organization is associated with more profits than losses, the economic structure and development level of the country concerned.

Therefore, the existing conditions of Azerbaijan should be ready for the membership phase.

It should not be forgotten that membership in the WTO should be a tool not intended. Through membership, integration into the world economy, liberalization of foreign trade, lifting barriers, reducing tariffs, improving transparency, implementing patent applications, and harmonization of laws with international standards will be made. To achieve these results in the most appropriate time and conditions, Azerbaijan needs to evaluate existing conditions in a multilateral way.

Azerbaijan's WTO membership will bring to us:

- Increasing the investment amount
- Creating a solid competitive economy
- More serious and beneficial utilization of spouses
- That the innovations that take place internationally are more accessible
- Increasing the welfare of the country
- And also it is important for the development of Azerbaijan's economy.

Azerbaijani businessmen should get access to new markets globally. Entry into these markets is based on the laws of global trade that will be adopted in the membership of the WTO. Without a WTO accession, Azerbaijan's new and comprehensive growth in the economy will be challenging and at least a waste of time.

To benefit from the positive results achieved by Azerbaijan as a WTO member and to become part of the global trading system:

- WTO should successfully terminate membership negotiations;
- implement sector reforms adapted to the WTO laws.

Azerbaijan's membership in the World Trade Organization is important both from producer and consumer point of view.

It is important that membership in the World Trade Organization will bring advantages for the Azerbaijani exporter. Let's take a closer look at this issue: Trade disputes through the WTO are fairly solved. In addition, manufacturers have access

to the markets of all WTO member countries. As a full-fledged member country in multilateral trade talks, they have the opportunity to influence world trade policies.

Positive effects on consumers: Reduction of import tax rates will increase competitiveness in the national market; the fall in tariffs will lead to a decline in raw materials and other products used in production, which will result in lower product costs and lower consumer spending.

In general, the society has more profits. These are:

- Economic development and internal market reforms are accelerating by bringing national regulations into line with international standards and applying WTO standards in this area.

- The role of the state in the regulation of foreign trade activities is diminishing, which paves the way for foreign trade and investment cooperation.

- Trust in the country is growing, and its investment and credit risk is reduced.

- It has the right to transit the borders of all WTO members becomes.

- Simplification of foreign trade procedures, import and export operations transparent system, elimination of artificial bureaucratic obstacles, resulting in illegal economic transactions and corruption.

Naturally, it is possible that losses are possible with Azerbaijan's progress towards integration into the world economy through the WTO. These negative features can be grouped as follows:

- As a result of competition in the national market, production of non-competitive goods will have difficulties in the service sector with no parking and competitive ability.

- The share of customs duties and taxes in the state budget will be reduced. Therefore, in the short term, there may be occasional economic downturn and an increase in the budget deficit.

- State subsidies are gradually reduced to certain areas and difficulties arise during the adaptation process.

Azerbaijan's membership in the WTO will accelerate the integration of the Azerbaijani economy into the world, bringing its customs duties to the same level with world standards. Budget shortages will be experienced shortly, even due to the long-term drop in customs duties. However, with the advent of long-term standards, this challenge will be eliminated and positive effects will emerge.

The opportunities created by WTO membership in Azerbaijan, along with a masterful political leadership, are also linked to the activities of state bodies and private sector in Azerbaijan. Therefore, Azerbaijan should continue to update WTO membership and demonstrate its will to use the opportunities it creates best.

As we know that, Azerbaijan economy is the largest economic power in the South Caucasus. Nevertheless, our Republic stays behind from only regional countries on the WTO accession.

It is important to prepare these sectors for competition so as to develop a comprehensive reform policy and implement reforms that will address the need for a more open and competitive market environment. Active participation of the country's stakeholders should be encouraged in establishing and implementing a membership strategy.

In this context, the strategy should cover the following topics:

- Implementation of important WTO reforms in a short time
- The basic principle of harmonization of economic policy with WTO principles
- Mastering the WTO's economic policy
- Selection of the competitiveness of the Azerbaijani economy and the profitability of the private sector as the main objective
- Developing an understanding of comparative advantages in the economy, etc.

WTO accession creates extensive opportunities for entry into the foreign markets, but if national production is not at a sufficient level, potential threats to the country might be: foreign competitors may slow down the opportunities of developing areas and delay the creation of new ones. At the same time, the flow of

imported goods will bring many new entrepreneurship ideas to the country and create new local commodities and services.

The following recommendations may be important for the implementation of this strategy:

1. The strategy should clearly define national economic interests respectively "must work".

2. The State should support local producers and entrepreneurs without violating the WTO principles, and should open national markets, as needed, as well as for international trade.

3. The economy should be thoroughly developed and new competitive advantages should be created.

4. Invite international trade experts and WTO international experts to train and train local staff.

5. When the WTO member is a member, the transition period should be as long as possible for the Republic to adapt to the new situation.

6. At the time of WTO accession, the status of the developing country is more optimistic.

7. It is expedient to apply higher tariffs to commodities of strategic importance to the state and national economy.

8. Study the experience of countries entering the World Trade Organization and entering into the World Trade Organization.

9. It is most expedient to use both Protectionism and non-tariff forms.

10. The WTO needs to be monitored to be aware of the current trends in its development.

Chapter 3 Directions and consequences of Azerbaijan's membership into WTO

3.1 Evaluation of influence of WTO membership onto non-oil foreign trade of Azerbaijan.

Without the integration of the world market, it is impossible to develop without the global economy. As world countries integrate into international markets, they want to further expand their share in the international market. To achieve this, it is necessary to be represented by competitive products in international markets. Countries are striving to increase their competitiveness in order to produce competitive products. WTO has a very important role in the development of the global economy, the expansion of international trade relations and the increasing pace, and the more global market competition. If Azerbaijan is a member of the WTO, our country will more and more effectively integrate into the world economy and increase the foreign investment in the non-oil sector, the competitiveness of our economy will increase, timely and effective changes to global trends and sudden changes, economic reforms will be more effective, and the risk of credit loss decreases.

Officially, Azerbaijan applied for membership in the WTO in 1997. Starting from that year, cooperation with WTO and the process towards the admission of Azerbaijan to the WTO began. At the same time, a working group has been established to join the membership process. A national coordination center was also established, which was aimed at solving prior problems before becoming a member. The composition of the National Coordination Group consists of representatives of various ministries, committees and agencies.

On 22 April 1999, the Government of Azerbaijan issued a Memorandum of Understanding with the WTO on Foreign Trade Regime. Based on the Memorandum of External Trade Regime, the permanent mission in the Republic of Azerbaijan clarified the questions and issues raised by the memorandum (United States, European Union, Australia, Japan). The first meeting was held in Geneva from 3 to

7 June. At the same meeting, Azerbaijan was recommended to prepare and submit the following documents:

- tariffs for customs tariffs (non-applied tariffs, high tariff rates to be applied);
- proposals for domestic aid and import subsidies to the agricultural sector;
- offers on service sector;
- technical barriers to trade, information on sanitary and phytosanitary measures;
- information on trade-oriented aspects of intellectual property rights.

For more than 20 years, Azerbaijan has been cooperating with WTO as an observer. According to the WTO membership, negotiations are under way with the staff of the Azerbaijani side in order to be accepted as members of the organization.

1. Entry into the commodity market (tariff talks). The main content of these negotiations is the determination of the highest export duty on imported goods and the schedule for reducing import duties on 11,000 items included in the foreign trade nomenclature.

2. Introduction to the service market. Based on these negotiations, the terms of access to all types of service sectors (12 sectors and 155 subsectors) are agreed.

3. State aid to the agrarian sector. The main purpose of these negotiations is to determine the maximum threshold of state aid to the sector, including subsidies for agrarian sector.

4. Other issues of membership system. Based on this negotiation process, the conformity of existing legislation and administrative procedures to the general principles and procedures of the WTO is analyzed. It mainly deals with legislation, tax system, currency regulation and monitoring, investment activity, government assistance to different sectors of the economy, mechanism for energy resources evaluation, foreign investors' participation in privatization, etc. it is envisaged to take responsibility for adjusting the regulatory legislation to the World Trade Organization.

Implementation of antidumping measures is possible within 2 conditions. Initially, the importing country should determine that 62 imported goods are

materially damaging to domestic producers. Later, such an investigation may be initiated by applicants covering at least 25% of the country's gross domestic product that dumped or subsidized imports negatively impact their business.

In order to accelerate and facilitate the process of accession to the WTO since early 2007, our government has shown interest in improving the required legislative system and applying a regulatory framework. This, in turn, helps to build an important organizational framework in order to achieve the planned political and economic reforms to achieve sustainable development of the non-oil sector.

Azerbaijan wants to join the World Trade Organization under the status of developing country. At the same time, after becoming a member of the WTO, Azerbaijan must treat all its trading partners equally and in accordance with the rules of the organization, to apply the most favorable country status to all Member States. Azerbaijan's accession to the WTO will have a positive impact on the investment attractiveness of the country and the potential for cooperation with foreign companies.

Based on international experience, it can be argued that, for the effective conclusion of the WTO membership, it is necessary to take into account not only the current comparative advantages of production and service, but also the interests of production and service sectors with comparable advantages. As I mentioned earlier, Azerbaijan has a potential comparative advantage in the production of a number of commodities. In order to make these areas more competitive, those institutions should be protected from external competition and appropriate production facilities should be established. These industries will develop over a certain period of time, and production areas with potential comparative advantages of the country will become current advantage and represent Azerbaijan in the world market.

Once the membership of the WTO member states has been identified, it would be more effective to create favorable conditions for production areas that produce and support their existing and potentially comparable advantages. In this case, it is important to achieve a medium level of defiance instead of high levels of productivity in the manufacturing sector, which is a significant increase in food

security, trade turnover and budget revenue. It may be agreed to maintain or completely eliminate tariffs for other products remaining on the ground.

Being a member of the World Trade Organization has positive and negative aspects, we can group the positive aspects as follows:

1) One of the major advantages of becoming a member of the consumer is the wide choice of choices and low price levels due to the full application of competitive advantages.

2) The right to use the WTO rules and mechanisms for the settlement of any dispute arising.

3) gains the right to secure entry into the domestic markets of member countries, as a result of reducing trade barriers, competition is strengthened in national markets;

4) Access to a broad and inclusive network of information, as well as fair and legal settlement of trade disputes with the help of this organization;

5) Member States have the opportunity to use each other as a safe and equal transit.

6) Azerbaijan is represented as a full and equal member state in international multilateral trade negotiations and has the opportunity to defend and protect its interests in international trade policy;

7) Elimination of trade barriers and reduction of tariffs result in lower prices for raw materials, intermediate products and components, which reduces the cost of finished goods and services, reduces production costs;

8) Reaffirms that the legal system and the laws of the country are compatible with international law and the application of international standards in the relevant Member States to liberalization, privatization and economic reforms in the country, and that this process will accelerate in the future, increases the aggression of our country in terms of investment and the risks are reduced;

9) Goods produced in Azerbaijan are not subject to discrimination while exporting to the domestic market of the WTO member countries and have the same authority as products produced in other countries;

10) The role of the government in the regulation of economy, especially in the regulation of foreign economic activity and in the intervention of foreign trade in subsidies or otherwise, is minimized.

11) Due to the simplification of foreign trade operations, transparency of import transactions, correct export operations accounting and elimination of artificial bureaucratic obstacles, secret trade turnover and corruption in trade reduce.

12) The development of a free competitive environment is accelerating; business and pricing environment is created under equal conditions;

13) resulting in simplification of procedures and paperwork in import and export operations and the reduction of unforeseen costs as a result of transparency and finally the market price of commodities;

14) Reduction of import duties increases competition in the domestic market; domestic consumers are more likely to get cheaper and better quality products;

15) The diversification opportunities of the country's economy are expanding and the opportunities for attracting foreign investment in the non-oil sector are increasing;

16) Protection of trademarks, trademarks, proprietary rights, copyrights is carried out on a world-wide basis, and so on.

The undeniable fact is that less developed and developed countries benefit less from the above-mentioned advantages. The advantages can be applied to countries with higher development, and partly to new industrialized countries. The main reason for this is that these countries are at a higher level of economic development, they have a strongly developed industry, have strengthened their position in the international market with highly competitive products, thereby making foreign trade activities without the use of WTO principles, on the contrary, opening up to the world market, their products are more comfortable in the same competitive environment with other competitors.

Although membership in the WTO promises Azerbaijan some advantages, the provisions set out in paragraphs 2 and 8 above in the above-mentioned advantages can be contrary to Azerbaijan. Because it is important to apply protective trade

activities by our government in order to protect the domestic production and the domestic market from external competition in recent years. Taking this into account, it should be noted that if the import duties are reduced, this will increase competition in the national market, which is not favorable for Azerbaijani producers, as this will result in the fact that our domestic producers are not highly competitively competent and can be completely bankrupt even without strong competition. A certain amount of time is needed so that local producers can also compete in competitive production and international markets. At the same time, reduction of the role of the government in economic management, in particular regulation of foreign economic activity and assistance to foreign trade, is one of the disadvantages of membership in Azerbaijan.

The government of Azerbaijan should try to lose privileged access to domestic markets of developed countries (such as in the European Union and the United States) on goods exported after being a member of the WTO. It should be emphasized that Azerbaijan should maintain free trade agreements with other CIS countries because regional trade relations are expected to develop in the near future with Russia and Kazakhstan. There are exceptions in the World Trade Organization Agreements, one of which is the V Treaties of the GATT XXIV and GATS, which allows them to participate in free trade agreements and not to allow other member countries to do so.

At the same time, focusing on the following issues is important:

- The main source of income for the population residing in rural areas is agriculture, although it is diminished. Therefore, when adopting a DTT member it is necessary to achieve a level of protection (subsidies, etc.) at the level needed;
- Special development programs with very limited development capacities and sectors should be developed and implemented in the focus of attention;
- Companies engaged in the private sector can also contribute to the country's accession to the World Trade Organization by encouraging private sector companies to engage in export operations and encouraging exports.

It is clear from the above that the national interests of the country require a more purposeful, consistent and comprehensive continuation of the activities carried

out in the WTO accession process. It mainly deals with the restructuring and modernization of the economy, creation of a modern system of state regulation of foreign and domestic economic relations.

Most of the agricultural issues are discussed at the World Trade Organization membership process and trade negotiations. The following are issues that are of concern to Azerbaijan's accession process during the negotiations on agriculture:

- Azerbaijan wants to become a member of the status of a developing country, the main purpose of which is to allow 10% minimum assistance to agriculture while entering the status of a developing country. In the WTO, Azerbaijan is not considered a developing country, and therefore, there is a problem with obtaining 10% minimal aid (the specific weight of the internal assistance to the agrarian sector) on the basis of the "Agricultural Agreement";

- Failure to qualify as a result of tax exemptions is not considered as subsidy;

- Failure to recognize the opportunities created by the liquidation of debts of agrarian enterprises to the state as subsidy.

One of the main pillars of becoming a member of the World Trade Organization is that Azerbaijani-made products will not face any discrimination on the markets of other member states of WTO. In another way, the adoption of the WTO in Azerbaijan can help resolve disputes in the foreign trade, and may also have a significant chance to argue that the United States and the European Union are subsidizing their domestic cotton producers.

3.2 Protection of internal market as a result of the accession into WTO

The factors that adversely affect the competitiveness of the commodities produced in Azerbaijan can be summarized as follows:

1. Existing infrastructure does not allow this;

2. Implementation of local goods marketing, lack of professionals to introduce world markets;

3. Made in Azerbaijan worldwide recognition of brand image, High technology in manufacturing absence of mass use, etc. One of the factors that adversely affects the competitive power is the exchange rate, strong currency impacts negatively on export potential and makes the Azerbaijani product expensive to foreign consumers. When the dollar gained through oil production and exports, the demand for the national currency is increasing, and as a result, the national currency is strengthened, which is the peculiar feature of most oil exporters. The level of living of the population increases due to oil revenues, public spending increases and, as a result, inflation is rising. The non-oil sector's competitiveness decreases due to the strengthening of the country's national currency. There is a decline in exports in the non-oil sector. It should be noted that, as the national currency grows, the personal consumption of the population is stimulated and the demand for finished goods is met by import. As the bulk of the finished product offer is imported, the value added by the economy is spent on the import of imported products. After the devaluation of 2015, the manat fell against other currencies, and the negative effect of strong currency was erased, and the Azerbaijani consumer goods for foreign consumers began to be cheaper.

Another factor that adversely affects the competitiveness of commodities produced in Azerbaijan is the low efficiency and productivity in various sectors of our economy. Economic efficiency is calculated as the ratio of GDP to intermediate consumption, salary fund and total capital consumption. The added value added to the GDP determines whether the economy is efficient. One of the gratifying indicators of the Azerbaijani economy is the increase in economic efficiency in recent years compared to previous years. Labor productivity increases positively. Statistics show that real wages in Azerbaijan are growing faster than labor productivity, which increases product cost and adversely affects this competitiveness and export potential. New technologies and technologies can be applied to the production areas in order to ensure more productive growth of productivity, and this will increase the productivity, along with the product produced per employee.

If viewed national wide, productivity can be increased by 3 ways:

1. Increasing the productivity of enterprises separately using the new technology.
2. Increasing the labor force and production capacities from productive sectors to productive areas.
3. Liquidation of companies operating in less productive areas and promoting more productive businesses.

We can now say with certainty that the Azerbaijani economy has the potential to produce competitive products and services to the world market. Among them are medical tourism, summer tourism, petrochemical industry, instrumentation, metallurgy, food industry, exploration of oil fields, sea and road transport, etc. more prominent. Despite the potential in this area, the full power of large oil refineries and chemicals located in Baku and Sumgait is still not used. Many manufactured products can be exported to the world market.

Another area where our national economy can go beyond our borders is tourism. Azerbaijan's ancient history, climate, geographical position and nature show that Azerbaijan is a potential tourist destination. Summer-winter tourism, health-improving tourism, hunting tourism are the most promising types of tourism. By focusing on these areas, by introducing the country as an international tourist destination, Azerbaijan can be transformed into one of the largest producer countries of tourism services.

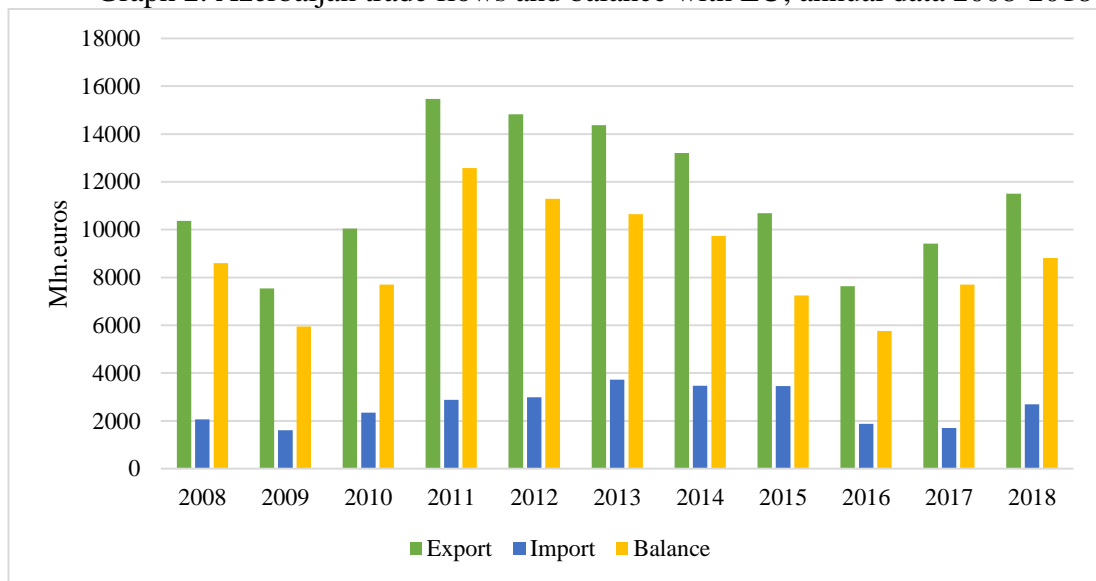
One of the most important factors in the implementation of foreign economic policy is the state support and assistance provided to export-oriented companies and sectors, which is expressed by the system of full measures aimed at stimulating export. In its own time, a number of new industrialized countries have effectively applied such policy of exporting, and has been linked to the need to increase the country's currency reserves. At present, this kind of experience is very important for Azerbaijan, as it is very important to attract foreign currency reserves to our country.

It can be concluded from the above-mentioned that certain support of the state is essential for the competitive ability to enter the world market. This aid is direct:

ie subsidies, preferential loans, etc. , and also indirectly - through tax benefits, export insurance, export premiums, and other forms of assistance.

We can easily explain that if oil prices increase, our export to EU countries increases as well. Also we see that import also decrease when oil prices go down. Because our purchasing power and government purchases depend on profit which gained by oil money. We can say that import increase because of government purchases and decrease again because of government purchases.

Graph 2. Azerbaijan trade flows and balance with EU, annual data 2008-2018



Source: Eurostat, 2018

From the previous parts we get information and reasonable data about trade relations between Azerbaijan and European Union. Now, we will analyze directions of improvement in the last years. Firstly, we will examine how trends and dynamics of trade in goods between Azerbaijan and EU have changed gradually over years. Secondly, apart from trade in goods we analyze main drives of Azerbaijan trade relations with EU – energy and transport sectors.

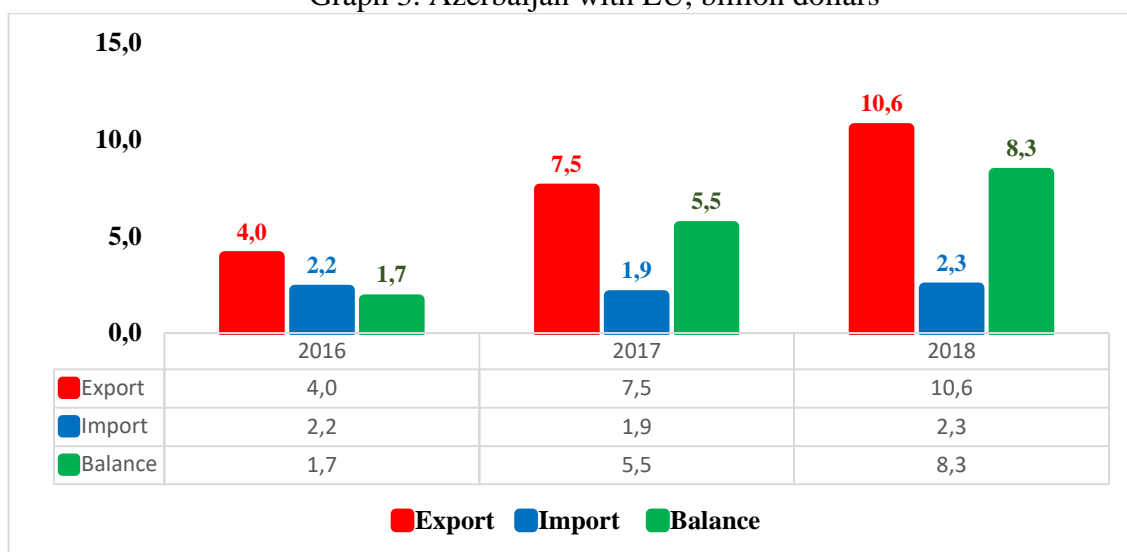
Further, after gathering data about current situation and dynamics, trends and directions we will get some results and see problems that occurs in these relations.

Now, below we see Azerbaijan trade in goods with EU countries from 2016 to 2018. Export to EU increase over these years. The reason is oil price. In 2016 oil price was low, but in 2017 and 2018 oil price increased drastically. Our country's export to EU is ninety percent oil. Therefore if oil prices go down, export to EU

decrease, if oil prices go up, export to EU increase as well. Trade balance in goods is always in plus.

If we generalize all ideas about trade relations, we come up some ideas. EU is the biggest and the most crucial partner for Azerbaijan and economy itself. EU 28 is the first priority export and import partner of our country. Core place in the foreign trade turnover of Azerbaijan occupied by Italy which is include in European Union. EU countries are also big investors of Azerbaijan economy both in oil and non-oil sector.

Graph 3. Azerbaijan with EU, billion dollars



Source: Eurostat, 2018

The largest part of Azerbaijan's exports to the EU are oil and non-ferrous metals, while about 45 % of EU exports to Azerbaijan accounted for the machinery and chemical products.

Imports from the European Union are gradually increasing. There is no sharp decline or fluctuation. But here we can observe trends. For example, it is possible to link imports from the European Union with oil prices. Thus, because of the structure of imports have a high share of government purchases, imports are rising due to purchasing power in parallel with increasing oil revenues. We can also point out the rising consumption here.

Over the past few years Italy has taken the first place in the structure of export and trade turnover. Germany has always been in the top five in the trade turnover over the past five years.

Rich oil and gas fields of Azerbaijan play a positive role not only for the development of our country, but also for cooperation. Azerbaijan realizes its own energy potential, and it also pays a certain part of the energy needs of neighboring countries. Azerbaijan is a reliable partner and has always fulfilled its commitments and will continue to do it so. Our country has been proven for many years as a supplier and transit country.

Azerbaijan is a crucial partner for European Union in the energy sector. For the improving energy efficiency EU launched a new programme in 2016 which supported Eastern Partnership countries (EPC), including our country. Negotiations on a new bilateral agreement have been held between Azerbaijan and the EU. During meeting was mentioned that Azerbaijan and the EU successfully cooperate in various fields, including in the energy sector. And these partnership relations are constantly growing and developing. Azerbaijan has great advantage on energy sector. First, Azerbaijan has great resources such as oil and gas. Second, our country has favorable location which Azerbaijan can benefit from it. Our country is active participant of such large projects as Baku-Tbilisi-Ceyhan and the Southern Gas Corridor.

Azerbaijan supply approximately 5 percent of the EU's oil demand. Caspian oil and oil transited through our country is big energy resource for customers from EU. Baku-Tbilisi-Jeyhan plays crucial role in it. BTJ pipeline is a long crude oil pipeline from the oil field in the Caspian Sea to the Europe (Mediterranean Sea). The Baku-Supsa Pipeline also supports transition of oil from Azerbaijan to EU market. It is an oil pipeline from Baku to the Supsa terminal in Georgia and afterwards to the Europe through Turkey.

The main issue here is specialization. For example, not focusing on fruits, vegetables, textile or construction materials generally, should be focusing on hazelnut, baby clothes or cement specifically. At the moment, all developed

countries, including WTO countries, tend to narrow specialization and this, in turn, gives the effect. When considering the export balance of Azerbaijan with WTO countries, we can see that there are significant opportunities to increase the production of several major agricultural products in the country. Great results can be achieved in these areas through transition to narrow specialization in the regions.

According to the State Statistical Committee of Azerbaijan, Azerbaijan has a fairly high index of export of fresh fruits, vegetables and nuts. However, under this generalization, there is a great potential for increasing exports of such products as tomato, persimmon, pomegranate, apple, cherry, peach, green tea leaf and sugar.

At present, we know that the main part of exports on these types of products is directed to Russia. It should be noted that in Russia, when the demand for these goods increases, inflation in our country is observed. Here is a conclusion that we do not produce enough of these products and we are not yet ready for a large amount of export to European markets. However, due to the right trading arrangements, it may be possible to realize the export potential for some of the products mentioned above. We suggest that the following goods and commodities may be exported to the countries with WTO standardizations :

Tomato - Tomato is one of the most promising product among exported products to the Russian market in agricultural sector. If we consider that Turkey is the main exporter of tomato to Russia in recent years, potential of the Khachmaz region of Azerbaijan to increase output and to reach European markets may be the topic of the discussion. As a tomato importer country Germany, Netherlands and Belgium from WTO countries can be our main export partners.

Persimmon and dates - The main share of production in the country is also exported to Russia. Considering the weakness of Europe's most countries' climate and its potential to produce persimmons and dates, the price of imported dates from Arabia and Palestine, and the difficulty of transporting, cold relations and sanctions against Iran and our production an average of 16 tons of crop per hectare, Azerbaijan can easily enter the WTO countries' market and increase exports. Great works is already being done in this field and Azerbaijan are exporting organic persimmons to

the Netherlands, Belgium, Germany and Lithuania under the name “BALKHOORMA”.

Cherry - Despite the weakening of this area in Azerbaijan in recent years, in 2015, 8 tonnes of cherries were harvested from each hectare in the country, which corresponds to the average of world countries.

Apple – It is possible to increase apple’s productivity which has a very low cost value by using the potential of the Guba-Gusar region. It is better to enter the markets of Lithuania, Latvia, Estonia, Poland and Slovenia.

Hazelnut - This sector has great potential for development in our country, especially in Zagatala-Balaken region. In the country, 1.3 tons of crops were harvested from one hectare in 2015, and none of the neighboring countries could surpass this indicator. Though our country exports hazelnuts to the Netherlands and Germany, this is very small and development of it is one of the priorities. Additionally, WTO membership countries, especially France, Italy and Netherlands can be a potential market for the export of hazelnut products because in these countries chocolate and cocoa beans are often processed together with hazelnuts.

3.3 Main directions for improvement of mechanisms of state regulation of non-oil sector in the system of foreign economic relations of Azerbaijan.

The main direction and purpose of the World Trade Organization is to achieve world trade liberalization and to provide free trade at global level.

The WTO accession issue is a complex process that requires a specific approach to each country. Thus, with the adoption of Azerbaijan's WTO, our country has deepened its foreign economic relations and has established trade relations with more countries.

Azerbaijan's accession to the WTO is directly related to the harmonization of legislation with international law. Currently, there are laws on regulating, intellectual property and investment that do not meet international standards, as well as WTO standards and need improvement. It is required to establish regulatory conditions for all other types of controls in accordance with the principles and

limitations of the Uruguay Round Agreement, which is the basis for the establishment of customs, licensing, quota and WTO, and the basis for global trade regulation. The principles and conditions of the Uruguay Round, regardless of other considerations, generally have a positive impact on the country's trade turnover. These conditions are less expensive than operating costs and increase the competitiveness of local products. In simple terms, it will be easier to predict the trade turnover of a member country for future periods, more transparent environment will be formed, international trade will be expanded and more trade relations will be established, economic conflicts will be resolved easily and sooner will find. However, the main subject of the agricultural agreement is the issue of determining the high level of subsidies and tariffs in the field of agriculture.

According to research conducted by the Ministry of Economic Affairs of the Ministry of Economy of the WTO, studies on the development of foreign economic relations show that foreign investors primarily prefer the countries with the most favorable and reliable investment climate and investment policy predictability. When joining the WTO, it positively affects the involvement of foreign investment in the country, since "transparency" is one of the key WTO principles. Also, the foreign investor is investing without hesitation in the countries where the other WTO principles - the "national regime" (foreign and domestic entrepreneurship discrimination) are applied. During the negotiations on the accession of the Republic to the WTO, the position is in four main directions:

1. Trade of goods
2. Trade services
3. Ownership of property
4. It has been determined on matters beyond the WTO rules.

In order to avoid acceptance of obligations that are not in line with Azerbaijan's economic goals, it should always be a matter of debate with business representatives in many activities, and thus ensure transparency in the accession process.

1. The most vulnerable and potentially export-oriented industries as well as priority areas for diverse commodities should be identified effectively and

efficiently from customs duties, loans, subsidies and tax and other benefits to protect them during the transit period. Import duty on imported goods with high export potential and low import duty should be imposed on non-productive goods, with a relatively similar level of import customs duty, on average. Higher tariffs that ensure safe functioning of the customs areas for customs tariffs should be settled, and the agreement reached during the negotiation period should be controlled by the key trade partners as well as the relatively high rates of the opposing countries on the same commodities as the downward interest rates of import customs duties .

At the same time, it is necessary to achieve the adoption of the upper limit of import customs duties applicable to agricultural products which are of vital importance for the development of agriculture and food security. In agriculture, the plan should include the scope of the assistance and the procedures that combine it. Limitations should be made for the highest possible use after subscription, and a single plan should be developed. The privileges provided under the GATT (General Agreement on Tariffs and Trade) and the special and differentiated regime applicable to developing countries should be systematically investigated and opportunities for use by Azerbaijan of concessions should be examined.

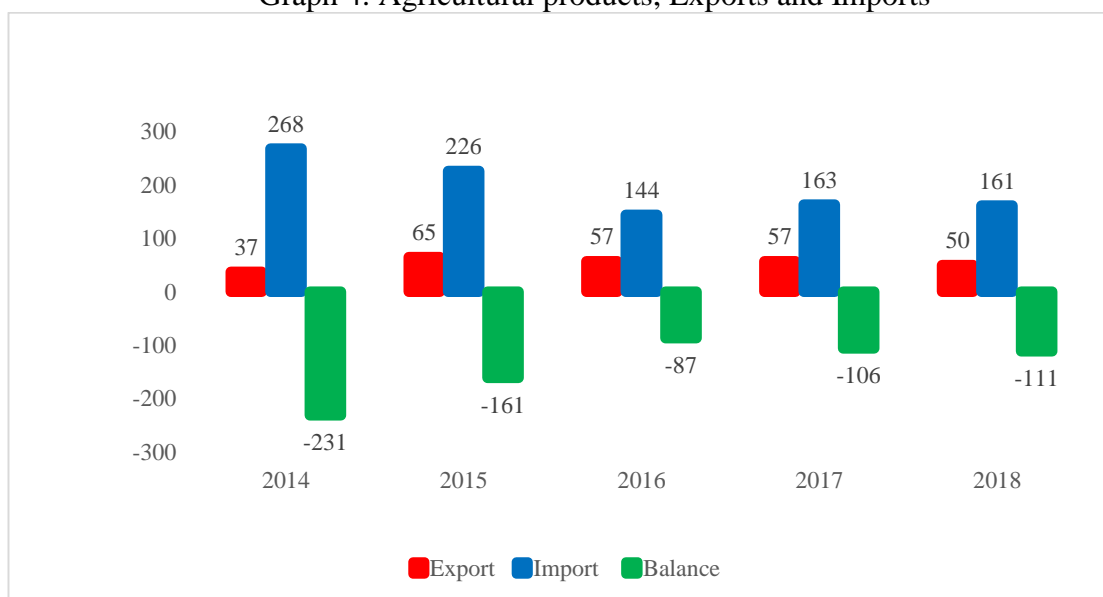
2. The ACC5 trade schedule for services to be provided to the WTO Secretariat shall be prepared and submitted. In the ACC5 table, policies, privileges and advantages applied to foreign and local business people in the entire service sector should be highlighted. Simultaneous analysis of services should be carried out with the preparation of these documents. It is necessary to define the current situation, determine the scale of free trade opportunities and forecast its future effects. Delivering accurate recommendations during discussions with local entrepreneurs will enable decision making in the interests of domestic markets. The results of the discussions that take place in the multilateral trade system dealing with the liberalization of service areas should always be monitored.

3. Negotiations on Intellectual Property Rights In accordance with the terms of the WTO, Azerbaijan is a party to many conventions for the protection of industrial property and intellectual property. At the same time, the process of harmonizing

national legislation in the field of copyright is generally summarized. Moreover, much work should be done in this direction. This should be accomplished by a number of WIPO efforts to join phonograms, as well as to join the copyright treaties and the Rome Convention. Additionally, it should be noted that the work on harmonization of industrial property laws with TRIPS legislation should be undertaken and the harmonization process should be finalized. In addition to the foregoing, it should be noted that during the adaptation measures and copyright works, the facts of Armenian acquisition of historical artifacts, music and various art forms and other forms of intellectual property should be brought to the WTO panel of disputes and through the mechanism of dispute resolution, should be punished.

4. Issues beyond WTO laws are included in the WTO voluntary contracts category. Nonetheless, in recent years, countries have attempted to take commitments by developing countries during their accession to the EU, and in many cases they have succeeded. Therefore, it is necessary to study voluntary non-mandatory commitments and to be prepared for attempts to comply with those conditions. In this respect, the state has a great deal of work and plays a special role.

Graph 4. Agricultural products, Exports and Imports



Source: Eurostat, 2018

Above graph we can see main export and import agricultural products and their changes in volume over the years. We see that agricultural products export increased in 2015. Because oil sector suffered this time and therefore non-oil sector was growing. But we see that in 2018 again agricultural products export decreased. After oil prices rise, non-oil sector again went down. Same tendencies and dynamics show themselves in food and raw materials sector as well. In parallel, import of these products went up in last years.

It should be noted that the most important principle of the WTO is to prevent discrimination in foreign trade and to ensure unimpeded access to the domestic market of member states. These principles are very important for Azerbaijan. Quantitative restrictions have become a serious obstacle for foreign businessmen. At present, efforts are being made to minimize these restrictions. We have serious problems in terms of transparency and publicity in the field of customs, and we need to achieve customs transparency and publicity soon. Since then, the volume of black circulation has increased, and discrimination has received a clear picture. The WTO capacities and conditions are indispensable to address these challenges. It should be noted that due to the presence of secret foreign trade, the millions of dollars that should be included in the state budget are distributed, while imported goods, which are not exported from the budget, create unfair competition and discrimination in the local market, which leads to the destruction of free enterprise in the country. Being a member of the WTO in order to avoid these negative effects, and following its principles and conditions, is the most effective solution.

Accepting WTO membership is a very complicated process, and it is important to specifically discuss the positive and negative consequences of WTO accession for Azerbaijan by taking into account that the membership has brought various positive changes to each country and has created some difficulties in the domestic market. In the WTO, there are two groups most affected by the WTO: exporters and importers. In addition, the society also has total earnings and losses.

Additionally it should be noted that the likelihood of becoming a winning or loser after becoming a WTO member depends on the level of development of the

national economy and the sturdy economy. Therefore, our national economy should be prepared for this process, our diplomatic relations should be expanded and membership should be more profound. Joining the WTO should not be a goal, but a tool for achieving goals. Being a member of the WTO, we can integrate into the world economic system, foreign trade can be more liberal and liberal, and technical and quantitative restrictions can be eliminated, and transparency can increase. Thanks to the modern technology and technology flow to our country, more innovative production facilities can be established. Copyright is more strictly protected and, thanks to this, new inventors can come out of our country. Another positive effect is that after becoming a member major investment companies and international organizations will invest in the economy of Azerbaijan and these large money directed to the non-oil sector will play an important role in diversifying the country's economy.

In modern conditions, countries specialize in the production and export of various commodities. Developed and developing countries are buying currency by selling their competitive products on international markets.

Increasing the level of specialization of firms in the production of certain products. Specialization of firms ends with the direct exchange of their products. As a result, the inter-sectoral, inter-firms and intergovernmental division of labor emerges. In particular, the companies of the participant countries of the international division of labor export their products rather than their own to international markets and import products that they do not produce or produce less than their own. This process itself is not to direct power to the production of different types of products and to exchange produced products not only in the country, but also on a global scale. We talked about in which sectors we can improve and export our agricultural products for developing our non-oil sectors in the system of foreign economic relations of Azerbaijan. But also we can add some products for specialization in WTO membership countries.

For instance, fruit and vegetable juices - In 2015, Poland played a leading role in the Russian import market of fruit and vegetable juices, paying 47 percent of the

total demand. Azerbaijan, as one of the largest exporter to Russia in the same year, paid 7 percent of the total demand. According to the recent increase in production in Azerbaijan, we can say that the country has a significant potential to have a bigger market share in this sphere. From 2010 to 2014, exports of vegetable juice increased by 24 %, and fruit juice increased by 12 %. It is possible to provide a Polish market directly, in addition, it is possible to expand cooperation with Hungary in this area.

By the way, the availability of natural resources such as climate, soil and water resources in Azerbaijan is favorable for the development of agriculture. In recent years, we can see that new processing industries have been established in the country based on modern technology. According to the FAO report, the dynamics of growth in agriculture and food products in the country is higher than the world average. There are also state support mechanisms in this area. However, there are factors that slow down development. Low agricultural productivity because of extensive factors, poor sales and storage infrastructure, poor agricultural insurance, low level of knowledge and skills of farmers, and weakness of scientific research are among the weaknesses of agricultural sectors in our country. In this regard, we can mention the work being done in this area by giving different subsidies, exempting taxes to stimulate exports, establishing of Food Safety Agency and Agricultural Research Center under the Ministry of Agriculture and etc. However, the establishment of research centers closely related to practicality, the adaptation of the requirements of international standards, the establishment of an electronic agricultural system, the training of qualified specialists in agrarian fields, the use of innovative ways for development of land and irrigation, the creation of value chains in the regions are steps that we offered.

For improving agricultural sectors, we must do some specific procedures to create sustainable and developing system. How we can do? What we need do?

I think that, firstly, we need to prepare a legislative framework appropriate to the relevant standards. And then, some acts should be prepared:

- The law on technical requirements
- The standardization Law

- Food Safety Law
- Law on plant growing and breeding

These laws and acts will allow the domestic production to develop and improve in the agricultural sectors.

In the secondly, we must create the formation of the State Control System, for controlling and helping the use of the standardization laws and acts in this sectors.

In the thirdly, we must additionally help and create opportunity and promising areas for entrepreneurs to working in agricultural sectors by state. Fortunately, we have acts for improving and developing for SME in agricultural sectors. But I think that, in addition, we must choose a certain amount of time for them to achieve a certain level of development. In the other words, we must set some goals and also check their achievements during the terms until this sectors will not need any subsidies.

CONCLUSION AND RECOMMENDATIONS

At present, the course of global economic processes in the world shows that in the conditions of the market economy, economic development depends on close interrelationships of domestic and foreign economic factors. This shows that in order to achieve economic development, global economic relations should be used effectively, not to be expelled from international trade and integrating into the global economic system. It is impossible to imagine economic development without integrating into the global economic system. The importance and importance of foreign trade in the development of the local economy and the reduction of current problems at least during the current development of the country are among the important issues on the agenda. In our modern era, our country has faced many problems, but the solution to these problems in general has a direct or indirect impact on the existence and development of Azerbaijan as a country. Therefore, the issue of Azerbaijan's foreign trade policy and the importance of the foreign policy strategy keeps its relevance.

Systematic analysis of Azerbaijan's foreign trade policy clearly reveals that directing the guided principles in line with the changes does not always mean that the level of foreign trade does not decrease. In contrast, the fact that the global development progresses internationally within the framework of international interdependence and the dominant role of foreign trade in this direction is undeniable. At the same time, theoretical bases of approaches to approaches of different styles and different methodologies are known to be of great importance for foreign trade and generally the basis of international economic relations, regardless of the substance and content. It is clear from the findings of the research that foreign trade has a large share in the formation and development of the country's local economy and can not be developed without foreign trade. The most generalized form of socioeconomic importance and importance of foreign trade during the transit period can be explained as follows. Foreign trade links create the ability of the republic to have a decent place in the world market and to be proficient in efficient segments; foreign trade has a positive impact on the establishment of a real market

sturdy market in the local market, essentially as an additional type of production factors, as well as capital exports. Foreign trade relations and its development level make it possible to enter the international market without which the development of the country's economy is impossible. Foreign trade is highly dependent on imports and has a lot of peculiar problems with the transitional economy and allows the stabilization of the life-threatening lifetime.

From the point of view of the potential and geographical position of the Azerbaijan Republic, the world-wide study of foreign trade policy is based on the outcome of the real situation. In this regard, it is expedient to find out the nature of the application of foreign trade policy in current economic conditions by exploring the two key aspects of the foreign trade strategy - the key aspects of free trade and protectionism.

As a result of the research, it can be concluded that the application of the model of economic regionalism within the present development models would be more expedient and efficient. In my opinion, the main direction of the country's foreign trade policy can be free trade organizations formed within the framework of regional economic integration. In general, after the independence of the Republic of Azerbaijan, the dynamics of development of foreign trade relations were influenced by the forces that were sharply different from each other. The existing problems with the development of our country in the conditions of the market economy had a serious impact on the foreign trade development trend. The results of the analysis reveal that the disruption of relations with different sectors of the economy and the dissatisfaction of many political constituents have led to the loss of a large sales market in the former USSR, non-compliance with international standards for quality products, the current state of war with Armenia and so on. As a result of the impact of factors, our country's foreign trade turnover declines over the years and continues to focus on and formulate a product.

There are positive and negative aspects of being a member of the World Trade Organization, as a result of the research, Azerbaijan will benefit from a number of advantages if it is a WTO member. We can group them as follows:

1) One of the major advantages of becoming a member of the consumer is the wide choice of choices and low price levels due to the full application of competitive advantages.

2) The right to use the WTO rules and mechanisms for the settlement of any dispute arising.

3) gain access to secure access to internal markets of member countries; strengthening competition in national markets as a result of trade barriers;

4) Access to a broad and inclusive network of information, as well as fair and legal settlement of trade disputes with the help of this organization;

5) Member States have the opportunity to use each other as a safe and equal transit.

6) Azerbaijan is represented as a full and equal member state in international multilateral trade negotiations and has the opportunity to defend and protect its interests in international trade policy;

7) Elimination of trade barriers and reduction of tariffs result in lower prices for raw materials, intermediate products and components, which reduces the cost of finished goods and services, reduces production costs;

8) Reaffirms that the legal system and the laws of the country are compatible with international law and the application of international standards in the relevant Member States to liberalization, privatization and economic reforms in the country, and that this process will accelerate in the future, increases the aggression of our country in terms of investment and the risks are reduced;

9) Goods produced in Azerbaijan are not subject to discrimination while exporting to the domestic market of WTO member countries and have the same authority as products produced in other countries;

10) The role of the government in the management of the economy, especially in the foreign trade activities and in the foreign trade intervention in subsidies or otherwise, is minimized.

11) Due to the simplification of foreign trade operations, transparency of import transactions, correct export operations accounting and elimination of artificial bureaucratic obstacles, secret trade turnover and corruption in trade reduce.

12) The development of a free competitive environment is accelerating; business and pricing environment is created under equal conditions;

13) resulting in simplification of procedures and paperwork in import and export operations and the reduction of unforeseen costs as a result of transparency and finally the market price of commodities;

14) Reduction of import duties increases competition in the domestic market; domestic consumers are more likely to get cheaper and better quality products;

15) The diversification opportunities of the country's economy are expanding and the opportunities for attracting foreign investment in the non-oil sector are increasing;

16) Protection of trademarks, trademarks, proprietary rights, copyrights is carried out on a world-wide basis, and so on.

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