INTEGRATION OF THE REPUBLIC OF AZERBAIJAN TOWARDS MULTILATERAL TRADING SYSTEM

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Abstract

The very article aims to explore the current status of the integration of the Republic of Azerbaijan into multilateral trading system. In this regard, the trade and trade-related measures taken in Azerbaijan, as well as current state of accession process to the World Trade Organization (WTO)have been indicated. Moreover, progress made in the promotion, protection and enforcement of intellectual property rights have been described. Besides, in order to ensure the efficiency and effectiveness of integration, the importance of further development of human capital on economic and trade matters has been highlighted.

Key words: foreign trade policy, intellectual property rights, trade measures, multilateral trading system, human capital development.

JEL classification Codes: F10; 13, 15; 43; 63

1. Introduction

More open and outward-oriented economies consistently outperform countries with restrictive trade and foreign investment regimes. Policies toward foreign trade are among the more important factors that promote economic growth and convergence in developing countries. It is also to be noted that the stage of economic development of a country is a determining factor for its foreign trade policy. The more economically developed a country, the more their governments

tend to use free trade policies. Free-trade can open markets at home and abroad to more import competition and encourage cross-border integration of industries.

Today's world is becoming more and more aware of superiority of economic development. Technological achievements in many areas are overcoming the barriers of geographic isolation. The globalization, which is an acceleration of historical, political and economic trends, hastened by the advent of increasingly sophisticated and rapid communication and transportation technologies, has become the main trend of the global economy.

Despite the global economic and financial crises, Azerbaijan achieved impressive results on economic development and was able to further develop its non-oil sector, diversify the economy, ensure sustainable development, improve social services, strengthen infrastructure and create new employment opportunities, especially for youth.

International Trade Centre (ITC) appraised the recent achievements in Azerbaijan in the field of economic development and noted that the country had become one of the world's fastest growing economies. ITC welcomed the impressive results in Azerbaijan, in terms of macroeconomic stability, structural changes, the attraction of foreign direct investments, as well as overall progress towards sustainable development.In order to support economic development endeavors of Azerbaijan, ITCstressed that it was ready to closely cooperate with Azerbaijan in sectors such as agriculture, tourism, information-communication technologies, construction, transportation, as well as promoting exports and ensuring sustainability of Azerbaijan's overall development.

2. Trade and trade-related measures

During the last years, a number of important trade and trade-related measures (implementing certain trade facilitation measures; temporary elimination of import tariffs and

Value-Added Tax (VAT) on certain products to be used in the development of non-oil sector; implementing certain measures simplifying customs procedures; temporary exemption from import tariffs and VAT on certain material and capital goods to be used by cement factories; temporary exemption from VAT imports of wheat, wheat flour or wheat-rye flour; exemption of VAT for imports of machinery, technological equipment and installations for specified purposes, temporary elimination of import tariffs and reduction of import excise duties on petroleum oils (February 2014); Exemption of import tariffs and VAT for certain goods used in foreign economic activities in the non-oil sector (exemption extended in March 2014 until March 2017) and etc.) have been implemented by Azerbaijan in order to boost economic development in the country.

Increasing social and economic welfare of population, as well as ensuring economic prosperity will remain the major priority of socio-economic policy during the upcoming years. In order to develop rural areas, eliminate discrepancy between the capital and regions, diversify the economy, ensure socio-economic development and economic stability, the following State Programs have been adopted in Azerbaijan: State Programme on reliable food supply of population in the Azerbaijan Republic (2008-2015); State Programme on poverty reduction and sustainable development in the Republic of Azerbaijan (2008-2015); State Programme on socio-economic development of the regions of the Republic of Azerbaijan (2014-2018); State Programme for the development of industry in Azerbaijan (2015-2020).

3. Intellectual property rights

Significant results have been achieved in the use of intellectual property for the economic, social and cultural development in Azerbaijan. Azerbaijan attaches great importance to the promotion, protection and enforcement of intellectual property rights. The issues related to

the development of intellectual property have been included in "Azerbaijan 2020: the vision to the future" development concept. According to the World Intellectual Property Organization report [Global Innovation Index 2014: The Human Factor in Innovation, 2014; page: 147], Azerbaijan was highly ranked on the following indicators: ease of starting a business (13), market sophistication (26), micro-financing gross loans (15), investment (10), ease of protecting investors (21), non-agricultural market access weighted tariff (9), foreign direct investment net outflow (8), information-communication technologies and organization model creation (23).

Considering that, the development of intellectual property system and the expansion of international cooperation in this field are considered as priorities, the long-term national strategy on the development of intellectual property which combines fields of industrial property and copyright has been elaborated. The very strategy clearly identifies medium and long-term objectives, the implementation of which we have already begun. Elaboration of a national strategy on intellectual property ensures the improvement of national legislation on intellectual property and further adherence to international treaties and agreements, solving vital matters, including the establishment of center for training and retraining, capacity-building through the development of the technical infrastructure.

During recent years, the improvement process of administrative and legislative framework in the field of copyright law has continued. A number of new legislative acts, including the law on "Enforcement of intellectual property rights and fighting against piracy" were adopted. Moreover, the Center for Enforcement of Intellectual Property Rights has been established in order to enforce intellectual property rights and organize the management of rights in digital networks. Besides, positive results have been obtained in the field of enforcement of rights and fight against piracy. This law will play an important role to strengthen the measures to

fight against piracy. Also, the Center for Enforcement of Intellectual Property Rights will provide intellectual property goods with special control mark and strengthen legal capacity building in the field of enforcement of intellectual property rights.

In 2012, the Center for Enforcement of Intellectual Property Rights has become the member of the WIPO Global Network on Intellectual Property Academies and this has opened new perspectives for the effective implementation of the Center's activities, cooperation and exchange of experience with intellectual property academies and training centers of other countries. As a result of implemented measures, the economic weight of intellectual property in Azerbaijan has increased and the level of piracy has decreased on various segments.

Azerbaijan is keen to continue its efforts to further conduct reforms in the field of protection and enforcement of the intellectual property rights. The advancement of the development of the intellectual property system in Azerbaijan will also be a positive step towards integration into the multilateral trading system aimed at diversifying the economy, developing non-oil sector, attaining high standards of living and ensuring sustainable socio-economic development.

Azerbaijan pays a great attention to the innovation and creativity. During recent years innovative development of the country took high speed, the material base for the innovative activities were created, the efficiency of the relevant structures were increased. Currently, Azerbaijan closely cooperates with the United Nations Economic Commission for Europe (UNECE) to conduct innovation policy review of the country.

According to the conducted analysis, it had been identified that the share of copyright-based industry had significantly increased in the Gross Domestic Product (GDP). Information system in the field of copyright has been improved, application of electronic database on registered copyright objects and right holders has been ensured. Since the application of registration system, several

thousand works and related rights objects have been registered. Taking into account legal importance of registration, electronic database called “Registration” related to the registration of works created, digital online registration system have been improved and digital library on folklore has been enriched. At the moment several hundreds of musical samples are being kept in digital library on folklore. Within the Commonwealth of Independent States (CIS) region, Azerbaijan is one of the first countries implementing voluntary registration of works.

4. Integration towards multilateral trading system

Azerbaijan attaches importance to joining international trade family. Azerbaijan considers its integration towards multilateral trading system asan additional tool to ensure further economic development, diversification of the economy and development of the non-oil sector.

It is a well-known fact that, for the last several years, Azerbaijan has been among the fastest growing economies in the world. According to the forecast of the international economic and financial institutions, the growth rate will retain its dynamics for the next years as well. Coherent and consistent policies of comprehensive reforms for the last several years, in close cooperation with all major international economic institutions, succeeded in achieving impressive results in macroeconomic stability, structural changes, attracting foreign direct investment (FDI), as well as ensuring overall sustainable development in Azerbaijan.

Integration towards multilateral trading system as a developing country will be a positive step towards diversifying the economy, developing non-oil sectors (such as agriculture, tourism, information and communication technologies, construction, transportation), attaining high standards of living, ensuring sustainability and promoting the exports. According to the United Nations Economic and Social Commission for Asia and Pacific (UNESCAP) report [Bridging information-communication technologies, transport and energy infrastructure gaps for seamless

regional connectivity, 2014; page: 27], recent projects such as the Europe Persia Express Gateway (EPEG) and planned projects such as Trans-Eurasian Information Super Highway (TASIM) and the Trans-Caspian Links could position the country as a transit hub for the region. Among the landlocked developing countries (LLDCs), Azerbaijan has the most robust cross-border connectivity.

Azerbaijan is committed to a trading system promoting development which is based on fair and equitable rules. Azerbaijanis keen to establish a diversified free-market economy that will increase Azerbaijan's competitiveness in all economic sectors, reduce its vulnerability that is due to the dependence on the oil and gas sector, and attract more foreign direct investment.

According to the UNESCAP report [The development economics of landlockedness: understanding the development costs of being landlocked, 2013; page: 65], Azerbaijan's development cost of being landlocked equals to 11.24%. As a landlocked developing country, Azerbaijan considers its integration towards multilateral trading system as a favorable opportunity for realization of its economic policy objectives. In order to diversify the economy and primarily to develop non-oil sector, Azerbaijan is committed to the integration into the multilateral trading system under the favorable terms aimed at supporting country's economic policy objectives and ensuring further sustainable socio-economic development of the country. In fact, a number of important measures have been taken in Azerbaijan in order to boost economic development in the country and harmonize the national legislation with the international requirements.

In order to reduce dependence from oil and gas sector, Azerbaijan has set as a priority to diversify the economy, enhance socio-economic development of the regions of Azerbaijan and create comparative advantages in agricultural products. In this regard, the terms and conditions

of integration are central to the diversification of the economy and long-term economic sustainability efforts.

Taking into account Azerbaijan's special economic development needs and geographical disadvantages due to landlockedness, in order to become part of international trade family, Azerbaijan is keen to integrate into multilateral trading system under favorable conditions.

1. Azerbaijan and WTO

According to the Order of the President of the Republic of Azerbaijan on approval action plan on bringing the national legislation into conformity with the requirements of the WTO in connection with the accession process of the Republic of Azerbaijan to the WTO, Azerbaijan is in the process of harmonizing its legislation with the WTO requirements. Taking into account the necessity to diversify the economy and develop non-oil sectors, Azerbaijan has joined to the following non-compulsory WTO sectoral initiatives: Information Technology Agreement, Chemical Tariff Harmonization Agreement, Medical Equipment, Construction Equipment, Scientific Equipment and others. Azerbaijan currently negotiates market access on goods and services with the USA, EU, India, Dominican Republic, Norway, Ecuador, Brazil, Sri Lanka, Honduras, Switzerland, Japan, Republic of Korea and Chinese Taipei. Azerbaijan has already signed bilateral protocols with Georgia, Turkey, Oman, United Arab Emirates and Kyrgyz Republic. Last Working Party Meeting of Azerbaijan was held in February 2014. Obtaining "de minimis" level of 10%, Aggregate Measure of Support of 2 billion USD, eliminating export subsidies and restrictions, harmonizing excise taxes, as well as sanitary and phytosanitary measures, technical regulations and other issues were discussed during the last plurilateral and multilateral meetings held in 2014 in Geneva. Next Working Party Meeting of Azerbaijan and new round of bilateral negotiations are scheduled for March 2015.

2. Human capital development

Considering that, Azerbaijan is still in the process of integration into multilateral trading system, there is a demand for the highly skilled experts on economic and trade matters. Besides, in order to ensure the sustainable socio-economic development and maximize the benefits of the integration into the multilateral trading system, it might be expedient to further increase the effectiveness of capacity building and human resources development. According to the United Nations Development Programme [Human Development Report 2014, sustaining human progress: reducing vulnerabilities and building resilience, 2014, page: 159], Azerbaijan was ranked 76 on human development index.

It should be noted that Azerbaijan State University of Economics plays a crucial role in this regard. As a matter of fact, during recent years, in close collaboration and cooperation with international organizations the following structures were established at the Azerbaijan State University of Economics: WTO Reference Centre, WIPO Depository Library, WIPO Technology and Innovation Support Centre, World Bank Social Information Centre. Moreover, Azerbaijan State University of Economics has become a member of Virtual Institute of the United Nations Conference on Trade and Development (UNCTAD), participates in the WTO Document Dissemination Programme and has joined to the UNECE roster of public-private partnership experts.

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