

AZERBAIJAN'S ACCESSION TO THE WTO: CROSS-COUNTRIES ANALYSIS

Abstract

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

The paper is divided into 4 chapters; introduction, current economic situation, foreign experience and policy recommendations. In the first chapter, I look through the way CIS pasted to join to the WTO. The second chapter provides information about current economic situation in CIS. Lessons from selected countries in terms of WTO Accession are summarized in the third chapter. Finally, in the forth chapter, recommendations in order to maximize advantages of WTO Accession are stated.

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

COMMONWEALTH INDEPENDENT COUNTRIES' ACCESSION TO THE WTO: CROSS-COUNTRIES ANALYSIS

Issues related to development of the World Trade Organization (WTO), which is distinctive with its leading role and activity in increasingly economic globalization, as well as new accession in this context are considered a subject at issue that involves and concerns not only investigators, but also economic analysts in research and practical debates at different levels. Since the WTO, by making significant contributions to international trade liberalization, promotes the efficient administration of trade turnover and provides openness of member countries in foreign trade regimes through free market access principles. The WTO is the only international organization dealing with the global rules of trade between nations. It plays a role of administering transnational trade relations based on the multilateral trading system - the WTO's agreement, negotiated and signed by a large majority of the world's trading nations.

The WTO's overriding objective is to maximize international trade liberalization and to establish its sound foundation, thus leading to economic development and advance in the cost of living. In order to achieve these undertakings, WTO's primary duty extends to administering commercial and economic relations among member governments according to the Package of Agreements resulting from the Uruguay Round trade talks (1986-1994).

As it can be seen, greater part of countries negotiating membership is CIS countries (The CIS comprises Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan). All the CIS-member states, excluding Turkmenistan either have been acceded to the WTO or are negotiating membership to that end. Let's describe WTO accession status of the CIS through the following Table.

Table 1
WTO Accession Status of the CIS, 2004

	Application	Current Status
Armenia	Nov-93	Joined in 2003
Azerbaijan	Jul-97	Ongoing negotiations
Belarus	Sep-93	Ongoing negotiations
Georgia	Jul-96	Joined in 2000
Kazakhstan	Jan-96	Ongoing negotiations
Kyrgyz Republic	Feb-96	Joined in 1998
Moldova	Nov-93	Joined in 2001
Russia	Jun-93	Ongoing negotiations
Tajikistan	May-01	Ongoing negotiations
Turkmenistan

Ukraine	Nov-93	Ongoing negotiations
Uzbekistan	Dec-94	Ongoing negotiations

Source: WTO, 2005

As it seen from the data above, only Turkmenistan among all CIS-member nations is in no hurry, while Kyrgyzstan, Moldova, Georgia, and Armenia are already full members. Azerbaijan, including Russia, Ukraine, Byelorussia, Kazakhstan, Uzbekistan, and Tajikistan are countries negotiating membership, of which Russia, Ukraine, and Kazakhstan are said to have better chances to become members.

From CIS countries Kyrgyzstan , Georgia, Moldavia and Armenia had already acceded to the organization. Terms of the accession conform with the terms of the developed countries rather than those of developing countries.

Other CIS states are at different stages of the negotiations in the accession. Russia and Ukraine approached to the stage of signing of final protocol. At the same time, with a view to assume obligations upon becoming members these countries may encourage starting negotiations by Azerbaijan.

Almost all CIS countries has bilateral free trade agreements between themselves. There is custom union in CIS. Such a integration is beneficial for small open countries. WTO membership prior to entering a customs union can induce competitive accession to the WTO in the region. (Bhagwati, 1993 and Panagariya, 1995).

Some scholars agree that customs union membership or free trade agreements can delay WTO accession process; finding a mutually acceptable position during the multilateral negotiations within the WTO might be difficult (Schiff and Winters, 2003). Furthermore, some other scholars argue that because multilateral negotiations small countries might face fixed costs of negotiation (Andriamananjara and Schiff, 2001).

One can see that appropriate accession discussions are problematic. Because the WTO continues to require a tougher line on nations that are bidding for membership. Already the struggle for major privileges 'costs' dear. It is proved by a serious discrepancy among rich and poor nations in late negotiations held within the Doha Roundtable. Since the conference had heard proposals on export subsidies forwarded by the 'poor' and demands for lowering import duties presented by the 'rich', and as a result, although they attained agreement, the rich do what they want failing to adhere to their commitments. In fact, it is due to their great prestige in the organization and world trade turnover. Since by statistic figures, 82% of global trade falls on 20% of the richest countries, while one percent to 20% of the poorest countries.

It is necessary to remember that the WTO is neither IMF nor the WB to join immediately. The latter approves your accession upon submitting your application. Unlike such financial institutions, it is a challenge to 'bargain' with the WTO. Because its conditions are standard, and the number of compulsory WTO Agreements accounts for about 18. So, joining the WTO is individual for each country with complicated procedures, and the accession period may last from three years to 15 years. For example China joined WTO after 15 years of negotiations, while Kyrgyzstan joined in three years. Mongolia's accession has been more progressive thanks to lowering tariffs on most import goods.

- 1, Acceleration of the integration to the world economic system.
- 2, Benefit from advantages granted by WTO member states to each other.
- 3, To carry out trade operations on the basis of the common rules accepted by the majority of the world countries.
- 4, To succeed in increasing assistance of foreign organizations and countries to the Economic reforms held in the country.
- 5, To attract more direct foreign investments after implementation of WTO rules.
- 6, To get an opportunity to use the dispute settlement mechanism of the WTO.

According to the accession conception adopted by the CIS governments the stand point of the Governments of CIS during the negotiations must be based on the following principles:

- 1, To acquire the privileges given to the relevant countries taking into account of the country's developing and transition economy in the framework of WTO;
- 2, To achieve maximum long term transition period until complete application of all WTO rules;
- 3, To achieve high import customs duties for the goods of a vital importance for country's economy particularly for the industry;
- 4, If reduction of duties is inevitable, try to succeed in the reduction of the average duties for the goods of less importance but at the same time to increase tariff for other goods, aiming to keep the average level of duties at the equal level;
- 5, To succeed in specific and differential regime to be granted to CIS as other developing country during the negotiations on the service market. In case of existence of having local specialists in different fields to prevent from liberalization for foreigners to be employed;
- 6, To succeed in granting subsidies during the negotiations in the agricultural field the in the amount of 10 percent of the annual agricultural products;
- 7, To study carefully the proposals of the developing countries of not acceding to the agreements which are beyond the WTO requirements and to assume these obligations only after the accession.

As for Azerbaijan, we can assess the current situation through screening the chronological events in the chart below.

KEY MILESTONES AIMED AT THE REPUBLIC OF AZERBAIJAN'S ACCESSION TO THE WTO

- The Government of Azerbaijan officially applied to the WTO Secretariat to become a WTO member on 23 June 1997.
- Azerbaijan's Working Party was established on 16 July 1997.
- Azerbaijan submitted a Memorandum on its Foreign Trade Regime on 22 April 1999.
- The Inter-organizational Coordination Group aimed at speeding up WTO accession in accordance with Order # 226 issued by the Cabinet of Ministers of the Azerbaijan was established on 19 November 1999.
- The Permanent Mission of the Republic of Azerbaijan had provided the replies to additional questions submitted by Members on the Memorandum on the Foreign Trade Regime between June 2000 and August 2001.

- The Coordination Group Secretariat and Sectoral Working Party were established on 15 April 2002.
- The first meeting of the Working Party was held in Geneva on 3-7 June 2002. Armenia undertook some commitments on 20 November 2002 before WTO entry due to measures taken by Azerbaijan and support from other member governments.
- Technical Assistance Project implementation aimed at Azerbaijan's accession to the WTO started on 31 May 2003.
- The Commission for the preparatory work aimed at the Republic of Azerbaijan's accession to the WTO under Order #175 issued by the Cabinet of Ministers was established on 22 August 2003.
- The Third Meeting with the Commission for the preparatory work aimed at the Republic of Azerbaijan's accession to the WTO took place, the Commission Secretariat and Sectoral Working Parties were established, the application for accession was approved on 7 October 2003.
- The second meeting of the Working Party was held in November 2004. The third meeting of the Working Party was held in October 2005.

As it can be seen from the chart above, the accession process of the Republic of Azerbaijan has started since 1997 when the Government of Azerbaijan officially applied to the WTO Secretariat to become a WTO member, thus resulting from the establishment of Azerbaijan's Working Party in the same year. A National Coordination Group had been established in Azerbaijan, with a view to tackling problems before the country in the accession period. The Group consisted of representatives from concerned ministries, committees, and agencies.

The Government of the Azerbaijan Republic submitted a Memorandum on its Foreign Trade Regime on 22 April 1999. Later on, the Permanent Mission of the Republic of Azerbaijan had provided replies to additional questions submitted by Members on the Memorandum on the Foreign Trade Regime - Australia, Japan, the European Union states, and the United States. The first meeting of the Working Party was held in Geneva on 3-7 June 2002.

The first meeting with the Members on the Memorandum on the Foreign Trade Regime advised Azerbaijan to submit the following documents:

- Proposals on customs tariffs (not applied tariffs, but their higher rates to be applied)
- Proposals on internal assistance and import subsidies in the agrarian sector
- Proposals on trade in services -related measures
- Information on technical barriers to trade and application of sanitary and phytosanitary measures
- Information on trade-related aspects of intellectual property rights

In order to continue negotiations on fair trade principles in the wake of joining the WTO and to develop the documents to be submitted to the WTO by the coordination from related structures, as well as to provide a single economic policy in WTO negotiations, an appropriate Commission consisting of high-rank government officials according to the 22 August 2003 order by the Cabinet of Ministers had been established. To tackle these items, the Commission/Committee had designed nine Working Groups on an analysis of amendments to the legislation; development of

commitments on agrarian financing; intellectual property rights; social issues; investment adjustments; development of commitments related to services; technical barriers to trade and application of sanitary and phyosanitary measures; preparation of liabilities associated with customs duties on rules and procedures governing the settlement of disputes. At the same time, for an effective management and coordination a Secretariat was established

As the subject of the Roundtable held in June this year was issues related to import customs duties, determination of highest level of subsidies in agriculture, etc., no consensus had been reached and new questions were submitted to the Azerbaijan Mission. The next term for replies to such questions for WTO accession has been scheduled for August 1, 2005. In addition, a program concerning legal sphere has been developed and it is intended to apply this program in the period to come. In addition, it is planned to make amendments to laws and rules on tariffs and services.

Table 2

Imports and Exports in Azerbaijan between 1999 and 2003 (in millions of US\$)



Source: Azerbaijan Statistic Year Book, 2005

For assessment of late changes in foreign trade, let's review Azerbaijan's major partners as of 2004.

Table 3

Exports and imports of Azerbaijan Republic in 2004 by countries

In export:			In import:		
Countries	1000\$US	Share Per cent	Countries	1000 \$US	Share Per cent
Italy	1614856.18	44.68	Russia	569214.58	16.24
Israel	323738.20	8.96	Great Britain	421583.68	12.03
Russia	209701.70	5.80	Turkey	224881.45	6.42
Croatia	109169.40	3.02	Nederland	152598.64	4.35
Romania	82295.32	2.28	Germany	198461.04	5.66
Turkmen	143420.66	3.97	Japan	127116.00	3.63

Georgia	188405.54	5.21	Chine	145419,86	4.15
Turkey	182608.08	5.05	Kazakhstan	236730.18	6.75
Indonesia	129357.29	3.58	USA	131487.17	3,75
Iran	153637.01	4.25	Ukraine	170345.88	4.86

Source; Committee of Statistic of Republic of Azerbaijan, 2005

As it may be seen from the Table above, the share (%) of basic goods with customs entries in the imports structure is as following (as compared with 2003):

Table 4
Main imports to Azerbaijan in 2004

	Quantity	Cost (thousand dollars)
Food and life animals	29259.2 ton	16507.8
Grain	1130293.6 ton	185503.8
Flour	5894.4 ton	1759.5
Sugar	146894.1 ton	24358.8
Better	13080.9 ton	11056.1
Vegetable oil	64131.7 ton	30605.4
Tea	9474.5 ton	18285.7
Spirit	1371114.0 liter	1255.0
Alcohol drinks	2952387.4 liter	4829.9
Tobacco products, thousand pieces	1194374.8	18274.3
Black metals	184249.8 ton	87830.9
Cars, pieces	33278	156366
Oil products	249942.0 ton	88791.1
The electric power, one thousand kilo watt/per hour	2131934.0	59032.4
Gas thousand, cub meter	4797692.0	252622,1

Source; Committee of Statistic of Republic of Azerbaijan, 2005

As it can be seen from Table 4, imports as per product are as following: food-10.80% (134.56% compared to import from the previous level),oil gas and other gas-like hydrocarbons -7.21% (117.15%), machine and electric appliances, equipment, electrotechnical units and spare parts-30.65% (157.10%), black metals and metal fabrics-15.83% (121.66%), transport means and spare parts-6.90% (73.71%), furniture-0.82% (130.73%), wood and related products-1.10% (123.52%), national consumption goods-1.74% (163.29%), pharmaceutical products -0.79% (89.13%). The portion of other goods in total is 24.17%.

Table 5
Main exports from Azerbaijan in 2004

	Quantity	Cost (thousand dollars)
Oil (raw materials)	9022435.3 ton	2264435.0
Oil products	2479681.6 ton	697994.9
Vegetative oil and a butter	39345.4 ton	48241.8
Alcohol drinks	5423527.5 liter	4102.1
Tobacco	6098.9 ton	5269.8
Tobacco products	1385230.0 thousand pieces	7101,3
Black metals	161787.2 ton	42272.3
Aluminum	31736.0 ton	48842.2
Tea	6747.5 ton	18578.1
Cotton	36137,6 ton	35551.8
The electric power, one thousand Kilo watt/per hour	313861,9	4654.8

Source; Committee of Statistic of Republic of Azerbaijan, 2005

Here, exports per product is as following: crude oil-62.65% (124.69% compared to import from the previous level), refining materials-19.31% (176.11%), black metals and related products-1.25% (161.25%), alcohol and alcohol-free drinks-0.12% (106.26%), chemicals-2.13% (150.98%), cotton-0.98% (106.61%), tobacco and tobacco goods-0.34% (142.98%), aluminum and related goods-1.35% (189.19%), fruits and vegetables-1.27% (93.90%), vegetable and animal oil-1.33% (117.40%). The portion of other goods is 9.25% in total.

Azerbaijan's co-operation with international trade organizations must be reviewed from a catalog of aspects of its WTO accession. Issues like assistance for the accession process, arrangement of consultative programs, expert trips to Azerbaijan to tackle problems in focus, implementation of technical assistance programs, etc. are subject to focus of attention. In addition, it is essential to access opportunities of donor organizations to train local specialists in the WTO, as well as to arrange visits for the Negotiating Party. In addition to solving our specialists' problems, it will certainly enable Azerbaijan to expand its corporative relations and strengthen faith and trust as a partner. Since Azerbaijan already has relations with some of these organizations. An example may include the Islamic Development Bank and the Asian Development Bank. It would be effective to co-operate with these organizations within UN-led programs. Besides, any other important issues must always be in the focus of attention- co-operation with all international trade organizations, and adherence to all commitments and guidelines arising out of membership in those organizations -and notably co-operation with the International

Monetary Fund (IMF) - must absolutely conform to Azerbaijan's position when negotiating WTO membership.

Azerbaijan should establish bilateral relations on the threshold of WTO accession, hold consultations, as well as take relevant steps to gain support as a reliable partner in the period ahead. To that end, the Table below reflects related activities in the CIS and the list of respective bilateral foreign trade agreements:

Table 6
Bilateral Free Trade Agreements in the CIS

	Azerbaijan
Armenia	=
Belarus	=
Georgia	1996
Kazakhstan	1997
Kyrgyz Republic	=
Moldova	1995
Russia	1992
Tajikistan	1997
Turkmenistan	1996
Ukraine	1995
Uzbekistan	1996

Sources: Country authorities; and Fund staff calculations, 2004

As may be seen in the Table above, although Azerbaijan has signed bilateral Trade Agreements with its foreign partners inside the CIS, this partnership is still incomplete, and has not extended to Belarus, Kyrgyz Republic, and Armenia so far. Virtually, given Azerbaijan conducts no trade operations with Armenia because of the Karabakh conflict, there is no need for such bilateral or plurilateral agreements. And now we would like to assess comparatively the state in the CIS by introducing the trade regime indicators in this region.

Selected Trade Regime Indicators in the CIS, 2003 Table 7

	Number of bands	Minimum tariff (%)	Maximum tariff (%)	Average tariff (%)	Custom fees (%)
Armenia	2	0	10	4.0	0.00
Azerbaijan	3	0	15	10.8	0.15
Belarus	8	0	100	11.0	0.15
Georgia	22	0	30	8.2	0.15
Kazakhstan	10	1	100	7.4	0.20
Kyrgyz Republic	5	0	20	4.5	0.15
Moldova	6	0	15	6.9	0.00
Moldova	10	0	100	11.1	0.00
Tajikistan	6	0	15	7.6	0.00
Turkmenistan	6	10	100	5.1	0.50
Ukraine	5	0	70	12.7	0.00
Uzbekistan	3	0	30	15.3	0.20

Sources: Country authorities; and Fund staff calculations, 2004

As it can be observed in the Table, Uzbekistan leads this region as per average tariffs (customs duty rate), whereas the most liberalized measures are taken in Armenia. As for highest tariff rates, Belarus Republic, Kazakhstan, Turkmenistan, and Moldova are in the lead. Since this figure in the mentioned nations accounts for 100%. Azerbaijan at a 10.8% rate is listed above the center or at a 15% maximum rate below the center.

Meanwhile, there are some other reasons that worsen conditions for Azerbaijan. First, lack of start opportunities during first negotiations. Currently in Azerbaijan import customs duties range from 0% to 15%, while their average rate is about 10%, and our country has undertaken before the IMF to lower this rate to 5% - 6%. I would like to cite an example from countries I have ever known. For example: Before WTO accession import customs duties in Kyrgyz Republic ranged between 0% and 50%, while the average rate accounted for 10.74%. After being acceded, that country had been granted with a privilege to maintain the highest duty degree at 50% for the first three years and the lowering tariffs (customs duties) had accounted for 5.4% in 2003. Regarding Turkey, although it is one of the WTO's first members as a GATT founder, at present in the country import duty tariffs on some seasonal agricultural products even reach 200%. In China customs duties ranged from 0% to 65% before WTO accession, and to maintain this level the country was allowed to use reduced tariff rates by 2010. For reference, the transition periods on tariff preferences for Latvia, Kyrgyz Republic, Georgia, and Moldova at WTO accession

were 9, 7, 5, and 4 years, accordingly. This period for some countries (eg China, India, etc) covered 15 to 25 years.

Notably, the key points discussed under the agreement in agriculture concern determination of a high margin and tariffs of agricultural subsidies.

The second reason that worsens our position is the low level of fiscal opportunities for the provision of agricultural subsidies. Every year the European Union countries give subsidies of \$350 billion for export of agricultural products. In addition, related enterprises also indirectly benefit from these subsidies. More exactly, by statistical estimates, a farmer in Sweden receives subsidies of \$33,000 every year. This figure accounts for \$20,000 in the United States and Japan. In our case, it will be a challenge to protect the agrarian market at low customs duty rates and subsidies. Although development of the oil sector is a priority in the government's policy, we are concerned by potential risks in the agricultural sector. Indeed, we have a right to get a preferential/reduced rate from the WTO for agricultural subsidies, and its highest margin may amount to 10% of total production rate in agriculture (currently high level of such subsidies for developing countries is 10%, while 5% for developed countries). This rate certainly is reasonable. But it is doubtful whether the Azerbaijan Government will give subsidies at this rate. Currently Kyrgyzstan has faced similar problem: although it has given subsidies to farmer to the extent of 0.01% of total agricultural production, the country has been allowed to increase this rate by 5% a year. However, insignificant budget opportunities prevented that government from benefiting.

In connection with WTO accession Azerbaijan may be deprived from food aid to the country. However, this barrier will not concern the World Bank (WB) or the International Monetary Fund (IMF). For example, in case national emergency is declared in Azerbaijan, and a WTO member nation is willing to assist Azerbaijan, there will be some barriers. For this, the assisting party must have a reasonable argument and coordinate its decision with other member governments. WTO has passed this rule after Ethiopia practice. Since although that country received food aids for decades, no conditions to stimulate farmers had been created. In order avoiding this problem in other member countries, WTO has applied a barrier to that end. Evidently, non-WTO members can render assistance to WTO member countries.

Another factor that may have a negative impact on Azerbaijan's accession is that some government officials fail to properly understand the burden of the accession to the WTO, to have enough experience with coordination. In addition, it is attended by lack of competent personnel. Since during WTO accession it is real essential to build effective and central activity measures to cover all the spheres. The WTO Secretariat should not share responsibility for this. On the other side, in addition to experienced diplomats in this field, Azerbaijan lacks skilled and competent specialists and experts to hold discussions in the areas of international business and commercial law not only before, but also after joining WTO.

Lack of heavy research works on an analysis of the structure and perspectives of the national economy, as well as indexing on competitiveness of economic fields and product items leads to insignificant and uninteresting replies to the WTO from the Azerbaijan Mission, as well as restricts Azerbaijan's opportunity.

We think it is necessary to mobilize all government structures, including Parliament, in order to soften the impact of the problem. During WTO accession it is important to hold consultations with business structures, research institutions, and

concerned analysts. Involvement of NGOs and media outlets in the process under transparent conditions is a must.

Regarding NGOs and research institutions, it is necessary to charge them to investigate the process. The subject of their studies may cover determination of products' absolute advantage in terms of division of international labor, export potentials, and opportunities to replace imports. In this case the target is sure to reveal weak and strong sides of possible competitiveness in the wake of WTO accession and to fix indexing of competitive capacity. These outcomes will certainly increase benefits and reduce losses from WTO, as well as ensure fair trade.

A next reason for difficulties is relations with our neighboring countries. The fact that Russia, one of our key trade partners, has become signing final protocols on WTO accession enables us to predict that that country will join the WTO before Azerbaijan. Therefore, there is no doubt that after joining Russia will comment negotiations on a set of commitments with Azerbaijan. Also, we must be prepared for pressures from Iran, our neighbor to the south. Iran's accession may worsen the situation and deepen regress of adaptation in several branches. Much noteworthy is that for Iran such pressure may stem from not only economic, but also political interests.

According to corruption rating (it takes the 140th place among 146 states), the level of economic liberalization (103th among 161 states), and the economic environment in Azerbaijan, the weak development of democratic institutions restricts factors that speed up entrepreneurship and human potential. These reasons worsen our position under both conditions - before and after accession.

To seek support from other countries, the existing political environment is not favorable either. The pro-Russian political course after the 2003 presidential election, has led to loss of political support from the west - the EU and USA in the wake of accession. Although this is a political factor, it may be assessed as a better lever than other factors.

As it can be seen from the problems listed above, it is doubtful that Government will take mitigating measures. But it does not imply we have to refuse from the accession. In any case WTO accession will bring significant benefits to the society, including producers and exporters in particular. Since the core rule in the WTO is to avoid discrimination in foreign trade and provide free access to the markets of member states.

WTO principles will certainly bring significant benefits. In fact, barriers to quantity applied on import operations raise difficulties to local business structures. Currently the number of such barriers is seven.

Provision of openness and transparency in this process is problematic too. Under conditions where trade discrimination is obvious, WTO's opportunities in this concern are irreplaceable. We must bear in mind that the State Budget loses millions of dollars every year due to problems in foreign trade turnover. WTO measures will certainly enable to reveal and tackle all these problems.

In order to explain it more clearly, let's cite statistics of two countries. Turkey is one of Azerbaijan's key trade partners. According to Turkey's Foreign Inspection Department, in 2003 products valued at \$315.488 million have been imported to Azerbaijan from that country. And now, let's see what figures Azerbaijan's Statistics Committee has disclosed.

By WTO statistics, Azerbaijan's import from Turkey had been \$195.131 million in 2003. In that case, the difference arising out of import from Turkey is over \$120

million, which expresses the volume of hidden turnover within a year and with one country.

By WTO statistical figures, in that same timeframe Azerbaijan's import from China was \$92.4 million. However, China's Customs General Administration in its report had mentioned this figure as \$203.7 million (Sources: Customs General Administration, the People's Republic of China). As we can see the difference among the same indicators in one year is \$110 million.

So, this fact reveals that the annual volume of unregistered foreign trade operations in Azerbaijan is measured at millions of dollars. In that case, as WTO principles create favorable conditions for exporters, while warns officials to prevent corruption opportunities, we can understand why some officials are not loyal to this issue.

However, WTO benefits can never be enough. let's focus on another opportunity: it is known that some business structures cannot meet their needs with their private funds. Nevertheless, the policy of lowering WTO import tariffs and expanding free access to markets paves the way for delivery of latest and standard technologies into the national market at favorable prices. Since as a result of the negotiations, by 2000 industrial countries' tariff rates on industrial goods had fallen to some 5% from 40% since GATT's creation in 1947.

We are not going to center on benefits of WTO accession only. Naturally, although WTO accession is desirable not only for Azerbaijan, but also industrially developed countries, it is far from reality. Because membership "expenses" for this organization call forth certain "sacrifices".

Given WTO accession is a complicated process and brings different dividends to separate countries, as well as causes some difficulties to the national economy, it is worth of detailing positive and negative outcomes of Azerbaijan's accession. Moreover, it would be reasonable to group benefits and losses in the person of exporters (producers) and importers (consumers). Naturally, as the society gains benefits and losses in both contexts, we can separately speak of it.

Exporters' benefits are:

- gain access to a wide-spread and rich information networks, as well as achieve fair resolution of trade disputes through WTO;
- gain a secure access to the market of all member countries;
- participates in plurilateral trade negotiations as a full and equal member and have a right to impact the world's trade policy.
- Consumers' benefits are as following:
- Competitiveness increases in the national market as a result of reduction in import duties;
- consumers can fully enjoy the benefits of competition - choice and lower prices;
- reduction in tariffs leads to lowering prices of raw materials, intermediate products, and components. Consequently, the cost value of produced goods and services is reduced; consumers expenditure is cut down.

The list of overall public benefits is large. Since:

- economic and domestic market reforms are accelerated owing to adjustment of national law to international one and application of respective countries' standards in this field;
- the role of the government becomes weaker in economic management, especially in adjustment of the foreign economic activity, thus promoting foreign trade and investment cooperation and stimulating related reforms;
- it is an outcome of the public confidence in the government, and its investment and credit seductiveness risk is reduced;
- the country gains a secure transit right from territories of all member countries;
- the volume of hidden trade turnover and corruption is lowered as a result of simplification of foreign trade procedures, transparency in import and export operations accounting, and removal of artificial bureaucratic barriers.

Naturally, in addition to the benefits from Azerbaijan's integration into the world economy through the WTO, it may sustain possible losses as well. These losses can be grouped as following:

- adaptation regress occurs in the production of noncompetitive goods and provision of services due to competitiveness development in the national market;
- receipts from customs duty and tax items reflected in the state budget are reduced, and its expenditure item faces problems for short-term and sometimes mid-term periods;
- commission fees paid for use of patents on technologies import increase industrial expenditure, thus lowering their benefit of price competition;
- direct and indirect subsidies the government gives for the purpose of protecting the local industry cease, and this area practices a crisis of adaptation;
- adjustment of values with world prices increases consumers expenditure, and its social disturbance threatens transition economies and politically sensitive powers;
- Efficiency of investments is reduced in the spheres that may replace import in terms of high profitability of finished products import, and as a result total investment in the national economy is reduced.
- By our estimates, successful WTO accession is dependent on the structure and development level of the national economy. Therefore, first, it is important to prepare the economy for this process, mobilize diplomatic opportunities, and approach to the matter skillfully. We should not forget that WTO accession is not an aim, but just a means.

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