

FREE TRADE AGREEMENT BETWEEN GEORGIA AND AZERBAIJAN

AGREEMENT ON FREE TRADE BETWEEN THE GOVERNMENT OF GEORGIA AND THE GOVERNMENT OF THE REPUBLIC OF AZERBAIJAN

The Government of Georgia and the Government of Azerbaijan, hereinafter referred to as the "Sides" to the agreement,

Confirm their tendency towards free development of reciprocal economic cooperation;

Take into account integral economic relations between Georgia and Azerbaijan;

Strive for the development of trade and economic cooperation between Georgia and Azerbaijan on the basis of equality and mutual advantage;

Recognize that free movement of commodity and service requires implementation of mutually agreed measures;

Are guided by regulations of declaration on principles of economic relations between Georgia and Azerbaijan, proceeded from the sovereign rights of each Government to implement the independent foreign economic policy;

Intend to promote the increase in economic activity, insurance of complete employment, growth of productivity and rational utilization of recourses;

Strive for promoting the harmonized development and growth of world trade as well as the eradication of obstacles to its development;

Acknowledge the intention of Georgia and Azerbaijan to become participants of the General Agreement on Tariffs and Trade (GATT)/World Trade Organization (WTO); share GATT/WTO objectives and principles; take into account results of agreements and negotiations that are achieved in the framework of the Uruguay Round on multilateral trade negotiations.

The Sides to the agreement *agreed* on the following:

Article 1

1. Sides do not impose customs duties and taxes, having an equivalent effect, on import and export of commodity originated from the customs area of one of the Sides and designated for the customs area of another Side. If Sides consider it necessary, exclusion from such trade regime on the agreed commodity nomenclature is generally drawn up through documents that are inherent parts of the present agreement.

2. For objectives of the present agreement, commodity, which is determined in accordance with international regulations, is considered as originated from the areas of the Sides during the operation of this agreement.

Article 2

The Sides will not:

- impose local taxes or charges, directly or indirectly on goods, covered by the present agreement, of another Side, at the rate that exceeds the level of relevant taxes or charges imposed on analogous goods of the local production or those produced in third countries;
- introduce special restrictions or demands towards export and import of goods, covered by the present agreement, that in similar cases are not used towards analogous goods of the local production or those produced in third countries;
- use different rules towards warehousing, unloading, storage, shipment of goods, originated from another country to the agreement, as well as towards repayments and remittances, with the exception of rules that in similar cases are used towards domestic goods or those originated from third countries.

Article 3

1. Sides will refrain from carrying out discriminative measures in reciprocal trade as well as from applying quantitative restrictions or their equivalent measures on export and/or import of goods within the framework of the present agreement.

2. Quantitative restrictions, noted in this Article, may be ascertained unilaterally and in strictly determined terms in the following cases only:

- in the case of sharp commodity deficiency at the domestic market;
- until the stabilization of balance-of-payments;
- where commodity is imported into the area of one of the Sides by such an increased quantity or in such conditions that cause damage to or threaten to inflict damage to domestic producers of similar or directly competitive goods;
- with the purpose of implementing the measures provided by the Article concerning regulation of re-export procedures.

3. The Side, which will apply quantitative restrictions in accordance with this Article, will provide another Side with full information about the reasons for establishment, forms and possible terms of application of mentioned restrictions; hence consultations are appointed and a separate protocol is drawn up.

4. Sides are striving for settlement, through consultations, of all questions related to the establishment of quantitative restrictions arising in accordance with paragraph 2 of this Article.

5. According to this Article, Sides will give the priority to measures, which have the slightest negative influence upon achieving the objectives of the present agreement.

Article 4

Sides will exchange, on regular basis, any information about laws and other regulatory acts concerning economic activity in trade and transport spheres, investment, taxation, banking and insurance activity and other financial services including customs issues and statistics.

Sides will immediately inform each other about changes, taking place in the national legislation, that may affect implementation of the present agreement.

Authorized bodies to the Sides coordinate the rule of such an exchange of information.

Article 5

Sides are agreed that re-export is acceptable through written consent of the authorized body of the exporter country.

Article 6

Sides will notify each other of the operating customs tariffs and all their exceptions.

Article 7

Sides consider that unfair business practice is incompatible with the agreement's objectives and undertake not to permit the following methods:

- Agreements between enterprises, decisions of their associations and common methods of business practice that aim to prevent or restrict competition or violate its conditions at the territories of the Sides;
- Actions, through which one or several enterprises using their dominant condition, restrict competition on the whole territories of the Sides or on the substantial part of the Side's territory.

Article 8

During implementation of tariff and non-tariff regulation of bilateral economic relations, for exchange of statistics and for implementation of customs procedures Sides agreed to apply common nine-digit commodity nomenclature of foreign economic activity based on the harmonized system of description and coding of goods and on the combined tariff and statistic nomenclature of European Community. Herewith, for their needs, Sides implement, in case of necessity, development of the commodity nomenclature beyond the bounds of nine-digits.

Establishment of standard pattern of the commodity nomenclature is implemented on the basis of mutual agreements through representatives in relevant international organizations.

Article 9

Sides are agreed that the maintenance of the principle of freedom of transit is the most significant term for achieving the objectives of the present agreement, and the essential element of the process of their linking up in the system of co-operation and international division of labour.

In this regard, each Side insures transit of the commodity originated on the customs area of another Side and/or of the third country and is designated for the customs area of another Side or of the third country, except the cases concerning national security interests of the Sides. Each Side will provide exporters, importers or conveyers with all necessary facilities and services for transit security in terms not worse than the ones for facilities and services that are given to own exporters, importers and conveyers or those of any other third country.

Sides are agreed that tariffs on transit, which is implemented through any kind of transport, including handling tariffs, will be economically proved.

Article 10

This agreement does not prevent the right of any Side to implement measures adopted in international practice that are considered to be necessary for protection of the Side's fundamental interests and that are essential for fulfilment of international agreements, participant of which the Side is or intends to be, if such measures concern the following:

- Information concerning interests of national security;
- Trade in weapon, ammunition, military equipment;
- Investigation and production concerning defensive needs;
- Supply with materials and equipment applied in nuclear industry;
- Protection of the public moral and public order;
- Protection of industrial or intellectual property;
- Gold, silver or other precious stones and metals;
- Protection of human health, animals, plants and environment.

Article 11

With the aim to implement agreed policy on export control towards third countries, Sides will hold regular consultations and take mutually agreed measures for establishing an effective export control system.

Article 12

Provisions of the present agreement replace provisions of the previous agreement concluded between the Sides, where these provisions are incompatible or identical.

Article 13

Disputes between Sides, concerning interpretation and application of the agreement's provisions, will be settled through negotiations. Sides will attempt to avoid conflicts in reciprocal trade. Sides determine, that claims and disputes, arising through implementation and interpretation of commercial contacts and transactions between economic entities of both countries, are in the competence of arbitrages that are established on the areas of the Sides or on the area of the third country, which will be determined by Sides, if settlement of such disputes and claims is impossible through consultations and negotiations.

Sides may determine applied material rights, norms and procedures as well as places for case hearing.

Each Side to the agreement insures existence of effective facilities on its territory for recognition and implementation of arbitrage decisions.

Article 14

In order to implement the present agreement and to elaborate recommendations for improvement of trade and economic cooperation between two countries, Sides agreed to establish the

joint Georgian-Azerbaijani Commission, which will take place in Georgia or Azerbaijan according to the request of one of the Sides.

Article 15

All repayments and remittances in trade and economic cooperation between Georgia and Azerbaijan will be implemented in accordance with the agreement between the authorized banks of the Sides.

Article 16

Nothing in the present agreement prevents the Sides from establishing relations, without violating the objectives and terms of the agreement, with countries that are not participants of the present agreement as well as with their associations and international organizations.

Article 17

In case of approval from the Sides, any State may accede to the present agreement in terms that will be agreed between the Sides and the States striving for accession.

Article 18

The present agreement comes into effect from the date of exchanging the written notification on implementation of intergovernmental procedures that are necessary for the agreement's coming into force.

The agreement becomes invalid after twelve months from the date, when one of the Sides sends the written notification on the agreement's termination to another one.

DONE in Tbilisi, on 8 March 1996, in two originals, each in Georgian, Azerbaijani and Russian languages. All texts are equally authentic.

Text in Russian language is used in case of disagreement during interpretation of any Article of the present Agreement.
