



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 27.03.1996
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96/094 (AVC)

Proposal
for a Council and Commission Decision
on the conclusion of the Partnership and Cooperation Agreement
between the European Communities and their Member States
of the one part, and the Republic of Azerbaijan,
of the other part

(presented by the Commission)

Explanatory memorandum

1. The attached proposal for a Council and Commission Decision constitutes the legal instrument for the conclusion of the Partnership and Cooperation Agreement between the European Communities and their Member States, on the one hand, and the Republic of Azerbaijan, on the other.
2. Following the Council's adoption of the negotiating directives on 5 October 1992, negotiations with the Republic of Azerbaijan were held in the course of 1995. After two rounds of negotiations, the Agreement was initialled on 18 December 1995.
3. The Agreement is a mixed agreement covering areas for which both the Communities and the Member States are competent, and is concluded for an initial period of ten years.

It establishes a political dialogue. The Agreement also covers trade in goods, labour conditions, establishment and operation of companies, cross-border supply of services, payments and capital, competition, intellectual, industrial and commercial property protection, legislative cooperation, economic cooperation, cooperation on human rights and democracy, cooperation in combatting illegal activities and illegal immigration, cultural cooperation and financial cooperation.

The Agreement contains a clause which allows it to be suspended, even unilaterally, if it is considered that there has been a breach of the essential elements underlying the Agreement i.e. respect for democracy, human rights and the principles of the market economy.

The Agreement sets out an institutional framework for its implementation with a Cooperation Council, a Cooperation Committee and a Parliamentary Cooperation Committee.

Customs cooperation is covered by a separate protocol.

4. The Agreement will, as far as trade relations between the Community and the Republic of Azerbaijan are concerned, replace the Agreement on Trade and Commercial and Economic Cooperation between the European Economic Community and the European Atomic Energy Community, and the USSR, signed on 18 December 1989.
5. The procedures of the three Communities (EC, EAEC and ECSC) for signing and concluding the Agreement differ.

In the case of the EC, account will have to be taken of Opinion 1/94 delivered by the Court of Justice on 15 November 1994 on the competence of the European Community to conclude the agreements reached during the Uruguay Round.

For the purpose of concluding the Agreement:

- the Council will conclude the Agreement, with the assent of the European Parliament and having consulted the Economic and Social Committee, on behalf of the European Community in accordance with Article 54(2), the closing sentence of Article 57(2) and Articles 73c(2), 75, 84(2), 113 and 235 in conjunction with the second sentence of Article 228(2) and the second subparagraph of Article 228(3) of the EC Treaty by adopting the attached decision;
- the Commission will conclude the Agreement on behalf of the European Atomic Energy Community after the Council has approved it in accordance with the second paragraph of Article 101 of the Euratom Treaty.
- the Commission will conclude the Agreement on behalf of the ECSC in accordance with the ECSC Treaty, after consulting the Consultative Committee and with the unanimous assent of the Council;

The conclusion of the Agreement will have to be ratified by all the Member States given the mixed nature of the Agreement.

6. In view of the above, the Commission proposes that the Council adopt the annexed decision.

COUNCIL AND COMMISSION DECISION

OF

on the conclusion of the Partnership and Cooperation Agreement

between the European Communities and their Member States

and the Republic of Azerbaijan

(../.../ECSC, EC, EURATOM)

THE COUNCIL OF THE EUROPEAN UNION,

THE EUROPEAN COMMISSION,

Having regard to the Treaty establishing the European Coal and Steel Community,

Having regard to the Treaty establishing the European Community, and in particular Article 54(2), the closing sentence of Article 57(2) and Articles 73c(2), 75, 84(2), 113 and 235 in conjunction with the second sentence of Article 228(2) and the second subparagraph of Article 228(3) thereof,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular the second paragraph of Article 101 thereof,

Having regard to the assent of the European Parliament,

Having regard to the approval of the Council given in accordance with Article 101 of the Treaty establishing the European Atomic Energy Community,

Having consulted the ECSC Consultative Committee and the Economic and Social Committee, and with the unanimous assent of the Council,

Whereas the conclusion of the Partnership and Cooperation Agreement between the European Union and Azerbaijan signed in on would contribute to achieving the European Communities' objectives;

Whereas that Agreement seeks to strengthen existing links, notably those established by the Agreement on Trade and Commercial and Economic Cooperation between the European Economic Community and the European Atomic Energy Community and the USSR, signed on 18 December 1989 ;

Whereas some of the obligations provided for in the Agreement in fields other than Community trade policy affect the arrangements established by Community acts, particularly acts relating to the right of establishment and to transport;

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Whereas the Agreement imposes on the Community certain obligations relating to the movement of capital and payments between the Community and Azerbaijan;

Whereas in the case of certain measures provided for in the Agreement and falling within the Community's powers the EC Treaty provides no basis for action other than Article 235,

HAVE DECIDED AS FOLLOWS :

Article 1

The Partnership and Cooperation Agreement between the European Union and the Republic of Azerbaijan, together with the Protocol, the declarations and the exchange of letters, are hereby approved on behalf of the European Community, the European Coal and Steel Community and the European Atomic Energy Community.

Article 2

1. The position to be adopted by the Community in the Cooperation Council shall be determined by the Council, on a proposal from the Commission, or, where appropriate, by the Commission, in each case in accordance with the relevant provisions of the Treaties establishing the European Community, the European Coal and Steel Community and the European Atomic Energy Community.
2. In accordance with Article 79 of the Partnership and Cooperation Agreement, the President of the Council shall chair the Cooperation Council and shall present the Community's position. A representative of the Commission shall chair the Cooperation Committee in accordance with its rules of procedure and shall present the Community's position.

Article 3

The President of the Council shall give the notification provided for in Article 100 of the Agreement on behalf of the European Community. The President of the Commission shall give such notification on behalf of the European Coal and Steel Community and the European Atomic Energy Community.

Done at Brussels,

Final Act

The plenipotentiaries of:

THE KINGDOM OF BELGIUM,

THE KINGDOM OF DENMARK,

THE FEDERAL REPUBLIC OF GERMANY,

THE HELLENIC REPUBLIC,

THE KINGDOM OF SPAIN,

THE FRENCH REPUBLIC,

IRELAND,

THE ITALIAN REPUBLIC,

THE GRAND DUCHY OF LUXEMBOURG,

THE KINGDOM OF THE NETHERLANDS,

THE REPUBLIC OF AUSTRIA,

THE PORTUGUESE REPUBLIC,

THE REPUBLIC OF FINLAND,

THE KINGDOM OF SWEDEN,

THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

Contracting Parties to the Treaty establishing the EUROPEAN COMMUNITY, the Treaty establishing the EUROPEAN COAL AND STEEL COMMUNITY, and the Treaty establishing the EUROPEAN ATOMIC ENERGY COMMUNITY,

hereinafter referred to as "the Member States", and of

the EUROPEAN COMMUNITY, THE EUROPEAN ATOMIC ENERGY COMMUNITY
and the EUROPEAN COAL AND STEEL COMMUNITY,

hereinafter referred to as "the Community",

of the one part, and

the plenipotentiaries of the Republic of Azerbaijan,

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of the other part,

meeting at on in the year one thousand nine hundred and ninety-six for the signature of the Partnership and Cooperation Agreement establishing a partnership between the European Communities and their Member States, of the one part, and the Republic of Azerbaijan, of the other part, hereinafter referred to as "the Partnership and Cooperation Agreement", have adopted the following text :

the Partnership and Cooperation Agreement and the Protocol on mutual assistance in customs matters.

The plenipotentiaries of the Member States and of the Community and the plenipotentiaries of the Republic of Azerbaijan have adopted the texts of the Joint Declarations listed below and annexed to this Final Act:

Joint Declaration (concerning the twelfth recital in the preamble)

Joint Declaration concerning Article 3bis of the Agreement

Joint Declaration concerning Article 5 of the Agreement

Joint Declaration concerning Article 14 of the Agreement

Joint Declaration concerning the notion of "control" in Article 24(b) and Article 36 of the Agreement

Joint Declaration concerning Article 35 of the Agreement

Joint Declaration concerning Article 42 of the Agreement

Joint Declaration concerning Article 54 of the Agreement

Joint Declaration concerning Article 94 of the Agreement

The plenipotentiaries of the Member States and of the Community and the plenipotentiaries of the Republic of Azerbaijan have adopted the exchange of letters listed below and annexed to this Final Act:

Exchange of letters in relation to the establishment of companies

The plenipotentiaries of the Member States and the Community and the Republic of Azerbaijan have also taken note of the declaration listed below annexed to this Final Act:

Unilateral Declaration by the French Republic on the Overseas Countries and Territories

Done at in the year one thousand nine hundred and ninety six.

For the Council and the Commission of the European Communities:

For the Republic of Azerbaijan.

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PARTNERSHIP AND COOPERATION AGREEMENT
BETWEEN THE EUROPEAN COMMUNITIES
AND THEIR MEMBER STATES, OF THE ONE PART,
AND THE REPUBLIC OF AZERBAIJAN, OF THE OTHER PART

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PARTNERSHIP AND COOPERATION AGREEMENT

establishing a partnership between the European Communities and their Member States, of the one part, and the Republic of Azerbaijan, of the other part.

THE KINGDOM OF BELGIUM,

THE KINGDOM OF DENMARK,

THE FEDERAL REPUBLIC OF GERMANY,

THE HELLENIC REPUBLIC,

THE KINGDOM OF SPAIN,

THE FRENCH REPUBLIC,

IRELAND,

THE ITALIAN REPUBLIC,

THE GRAND DUCHY OF LUXEMBOURG,

THE KINGDOM OF THE NETHERLANDS.

AUSTRIA,

THE PORTUGUESE REPUBLIC,

FINLAND,

THE KINGDOM OF SWEDEN,

THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND,

Contracting Parties to the Treaty establishing the European Community, the Treaty establishing the European Coal and Steel Community, and the Treaty establishing the European Atomic Energy Community,

hereinafter referred to as "Member States", and

THE EUROPEAN COMMUNITY, THE EUROPEAN COAL AND STEEL COMMUNITY,
AND THE EUROPEAN ATOMIC ENERGY COMMUNITY,

hereinafter referred to as "the Community", of the one part,

AND THE REPUBLIC OF AZERBAIJAN of the other part,

CONSIDERING the links between the Community, its Member States and the Republic of Azerbaijan and the common values that they share,

RECOGNIZING that the Community and the Republic of Azerbaijan wish to strengthen these links and to establish partnership and cooperation which would strengthen and widen the relations established in the past in particular by the Agreement between the European Economic Community and the European Atomic Energy Community and the Union of Soviet Socialist Republics on Trade and Commercial and Economic Cooperation, signed on 18 December 1989, which, since the dissolution of the USSR, applies mutatis mutandis to bilateral relations between the European Communities and each of the Independent States.

CONSIDERING the commitment of the Community and its Member States and of the Republic of Azerbaijan to strengthening the political and economic freedoms which constitute the very basis of the partnership,

RECOGNIZING in that context that support of the independence, sovereignty and territorial integrity of the Republic of Azerbaijan will contribute to safeguarding of peace and stability in Europe,

CONSIDERING the commitment of the Parties to promote international peace and security, as well as the peaceful settlement of disputes and to cooperate to this end in the framework of the United Nations and the Organisation for Security and Cooperation in Europe,

DESIROUS of encouraging the process of regional cooperation in the areas covered by this agreement with neighbouring countries in order to promote the prosperity and stability of the region and in particular initiatives aimed at fostering cooperation and mutual confidence among Independent States of the Transcaucasus region and other neighbouring States,

CONSIDERING the firm commitment of the Community and its Member States and of the Republic of Azerbaijan to the full implementation of all principles and provisions contained in the Final Act of the Conference on Security and Cooperation in Europe (CSCE), the Concluding Documents of the Madrid and Vienna Follow Up Meetings, the Document of the CSCE Bonn Conference on Economic Cooperation, the Charter of Paris for a New Europe and the CSCE Helsinki Document 1992 "The Challenges of Change", and other fundamental documents of the OSCE,

CONVINCED of the paramount importance of the rule of law and respect for human rights, particularly those of persons belonging to minorities, the establishment of a multiparty system with free and democratic elections and economic liberalization aimed at setting up a market economy,

BELIEVING that full implementation of this Partnership and Cooperation Agreement will both depend on and contribute to continuation and accomplishment of the political, economic and legal reforms in the Republic of Azerbaijan, as well as the introduction of the factors necessary for cooperation, notably in the light of the conclusions of the CSCE Bonn Conference,

DESIROUS of establishing and developing regular political dialogue on bilateral, regional and international issues of mutual interest,

RECOGNIZING AND SUPPORTING the wish of the Republic of Azerbaijan to establish close co-operation with European Institutions,

CONSIDERING the necessity of promoting investment in the Republic of Azerbaijan, including in the energy sector, and in this context the importance attached by the Community and its Member States to equitable conditions for access to and transit for export of energy products; confirming the attachment of the Community and its Member States and of the Republic of Azerbaijan to the European Energy Charter, and to the full implementation of the Energy Charter Treaty and the Energy Charter Protocol on energy efficiency and related environmental aspects,

TAKING ACCOUNT of the Community's willingness to provide for economic cooperation and technical assistance as appropriate,

BEARING IN MIND the utility of the Agreement in favouring a gradual rapprochement between the Republic of Azerbaijan and a wider area of cooperation in Europe and neighbouring regions and its progressive integration into the open international system,

CONSIDERING the commitment of the Parties to liberalise trade, in conformity with World Trade Organisation (WTO) rules,

CONSCIOUS of the need to improve conditions affecting business and investment, and conditions in areas such as establishment of companies, labour, provision of services and capital movements,

CONVINCED that this Agreement will create a new climate for economic relations between the Parties and in particular for the development of trade and investment, which are essential to economic restructuring and technological modernization,

DESIROUS of establishing close cooperation in the area of environment protection taking into account the interdependence existing between the Parties in this field,

RECOGNIZING that co-operation for the prevention and control of illegal immigration constitutes one of the primary objectives of this Agreement ,

DESIROUS of establishing cultural cooperation and improving the flow of information,

HAVE AGREED AS FOLLOWS:

ARTICLE 1

A Partnership is hereby established between the Community and its Member States of the one part, and the Republic of Azerbaijan of the other part. The objectives of this partnership are:

- to provide an appropriate framework for the political dialogue between the Parties allowing the development of political relations;
- to support the Republic of Azerbaijan's efforts to consolidate its democracy and to develop its economy and to complete the transition into a market economy;
- to promote trade and investment and harmonious economic relations between the Parties and so to foster their sustainable economic development;
- to provide a basis for legislative, economic, social, financial, civil scientific, technological and cultural cooperation.

TITLE I

GENERAL PRINCIPLES

ARTICLE 2

Respect for democracy, principles of international law and human rights as defined in particular in the United Nations Charter, the Helsinki Final Act and the Charter of Paris for a New Europe, as well as the principles of market economy, including those enunciated in the documents of the CSCE Bonn Conference, underpin the internal and external policies of the Parties and constitute essential elements of partnership and of this Agreement.

ARTICLE 3

The Parties consider that it is essential for their future prosperity and stability that the newly independent states which have emerged from the dissolution of the Union of Soviet Socialist Republics, hereinafter called "Independent States", should maintain and develop cooperation among themselves in compliance with the principles of the Helsinki Final Act and with international law and in the spirit of good neighbourly relations and will make every effort to encourage this process.

ARTICLE 3bis

The Parties shall as appropriate review changing circumstances in the Republic of Azerbaijan, in particular regarding economic conditions there and implementation of market-oriented economic reforms. The Cooperation Council may make recommendations to the Parties concerning development of any part of this Agreement in the light of these circumstances.

TITLE II
POLITICAL DIALOGUE

ARTICLE 4

A regular political dialogue shall be established between the Parties which they intend to develop and intensify. It shall accompany and consolidate the rapprochement between the Community and the Republic of Azerbaijan, support the political and economic changes underway in that country and contribute to the establishment of new forms of cooperation. The political dialogue:

- will strengthen the links of the Republic of Azerbaijan with the Community and its Member States, and thus with the community of democratic nations as a whole. The economic convergence achieved through this Agreement will lead to more intense political relations;
- will bring about an increasing convergence of positions on international issues of mutual concern thus increasing security and stability in the region and promoting the future development of the Independent States of the Transcaucasus.
- shall foresee that the Parties endeavour to co-operate on matters pertaining to the strengthening of stability and security in Europe, the observance of the principles of democracy, and the respect and promotion of human rights, particularly those of persons belonging to minorities and shall hold consultations, if necessary, on relevant matters.

Such dialogue may take place on a regional basis, with a view to contributing towards the resolution of regional conflicts and tensions.

ARTICLE 5

At ministerial level, political dialogue shall take place within the Cooperation Council established in Article 77 and on other occasions by mutual agreement.

ARTICLE 6

Other procedures and mechanisms for political dialogue shall be set up by the Parties, and in particular in the following forms:

- regular meetings at senior official level between representatives of the Community and its Member States on the one hand, and representatives of the Republic of Azerbaijan on the other hand;

- taking full advantage of diplomatic channels between the Parties including appropriate contacts in the bilateral as well as the multilateral field, such as United Nations, OSCE meetings and elsewhere;
- any other means, including the possibility of expert meetings which would contribute to consolidating and developing this dialogue.

ARTICLE 7

Political dialogue at parliamentary level shall take place within the framework of the Parliamentary Cooperation Committee established in Article 82.

TITLE III
TRADE IN GOODS

ARTICLE 8

1. The Parties shall accord to one another most-favoured-nation treatment in all areas in respect of:
 - customs duties and charges applied to imports and exports, including the method of collecting such duties and charges,
 - provisions relating to customs clearance, transit, warehouses and transshipment,
 - taxes and other internal charges of any kind applied directly or indirectly to imported goods,
 - methods of payment and the transfer of such payments,
 - the rules relating to the sale, purchase, transport, distribution and use of goods on the domestic market.
2. The provisions of paragraph 1 shall not apply to:
 - (a) advantages granted with the aim of creating a customs union or a free-trade area or pursuant to the creation of such a union or area,
 - (b) advantages granted to particular countries in accordance with the GATT and with other international arrangements in favour of developing countries;
 - (c) advantages accorded to adjacent countries in order to facilitate frontier traffic.
3. The provisions of paragraph 1 shall not apply, during a transitional period expiring on the date of the Republic of Azerbaijan acceding to the GATT or on 31 December 1998, whichever is earlier, to advantages defined in Annex I granted by the Republic of Azerbaijan to other states which have emerged from the dissolution of the USSR.

ARTICLE 9

1. The Parties agree that the principle of free transit is an essential condition of attaining the objectives of this Agreement.

In this connection each Party shall secure unrestricted transit via or through its territory of goods originating in the customs territory or destined for the customs territory of the other Party.

2. The rules described in the Article V, paragraphs 2, 3, 4 and 5 of the GATT are applicable between the two Parties.
3. The rules contained in this Article are without prejudice to any special rules relating to specific sectors, in particular such as transport, or products agreed between the Parties, or to the provisions of Article 86.

ARTICLE 10

Without prejudice to the rights and obligations stemming from international conventions on the temporary admission of goods which bind both Parties, each Party shall furthermore grant the other Party exemption from import charges and duties on goods admitted temporarily, in the instances and according to the procedures stipulated by any other international convention on this matter binding upon it, in conformity with its legislation. Account shall be taken of the conditions under which the obligations stemming from such a convention have been accepted by the Party in question.

ARTICLE 11

1. Goods originating in the Republic of Azerbaijan shall be imported into the Community free of quantitative restrictions without prejudice to the provisions of Articles 13, 16 and 17 of this Agreement.
2. Goods originating in the Community shall be imported into the Republic of Azerbaijan free of all quantitative restrictions and measures of equivalent effect without prejudice to Articles 13, 16 and 17 of this Agreement.

ARTICLE 12

Goods shall be traded between the Parties at market-related prices.

ARTICLE 13

1. Where any product is being imported into the territory of one of the Parties in such increased quantities or under such conditions as to cause or threaten to cause injury to domestic producers of like or direct competitive products, the Community or the Republic of Azerbaijan, whichever is concerned, may take appropriate measures in accordance with the following procedures and conditions.
2. Before taking any measures, or in cases to which paragraph 4 applies as soon as possible thereafter, the Community or the Republic of Azerbaijan, as the case may be, shall supply the Cooperation Council with all relevant information with a view to seeking a solution acceptable to both Parties as provided for in Title XI.
3. If, as a result of the consultations, the Parties do not reach agreement within 30 days of referral to the Cooperation Council on actions to avoid the situation, the Party which requested consultations shall be free to restrict imports of the products concerned to the extent and for such time as is necessary to prevent or remedy the injury, or to adopt other appropriate measures.
4. In critical circumstances where delay would cause damage difficult to repair, the Parties may take the measures before the consultations, on the condition that consultations shall be offered immediately after taking such action.

5. In the selection of measures under this Article, the Contracting Parties shall give priority to those which cause least disturbance to the achievement of the aims of this Agreement.
6. Nothing in this Article shall prejudice or affect in any way the taking, by either Party, of anti-dumping or countervailing measures in accordance with Article VI of the GATT, the Agreement on implementation of Article VI of the GATT, the Agreement on interpretation and application of Articles VI, XVI and XXIII of the GATT or related internal legislation.

ARTICLE 14

The Parties undertake to consider development of the provisions in this Agreement on trade in goods between them, as circumstances allow, including the situation arising from the accession of the Republic of Azerbaijan to the WTO. The Cooperation Council may make recommendations on such developments to the Parties which could be put into effect, where accepted, by virtue of agreement between the Parties in accordance with their respective procedures.

ARTICLE 15

The Agreement shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of natural resources; the protection of national treasures of artistic, historic or archaeological value or the protection of intellectual, industrial and commercial property or rules relating to gold and silver. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

ARTICLE 16

This Title shall not apply to trade in textile products falling under Chapters 50 to 63 of the Combined Nomenclature. Trade in these products shall be governed by a separate agreement, initialled on 17 November 1993 and applied provisionally since 1 January 1993, and by any successor agreements.

ARTICLE 17

1. Trade in products covered by the Treaty establishing the European Coal and Steel Community shall be governed by the provisions of this Title, with the exception of Article 11.
2. A contact group on coal and steel matters is set up, comprising representatives of the Community on the one hand, and representatives of the Republic of Azerbaijan on the other.

The contact group shall exchange, on a regular basis, information on all coal and steel matters of interest to the Parties.

ARTICLE 18

Trade in nuclear materials will be conducted in accordance with the provisions of the Treaty establishing the European Atomic Energy Community. If necessary, trade in nuclear materials shall be subject to the provisions of a specific Agreement to be concluded between the European Atomic Energy Community and the Republic of Azerbaijan.

TITLE IV

PROVISIONS AFFECTING BUSINESS AND INVESTMENT

CHAPTER I

Labour Conditions

ARTICLE 19

1. Subject to the laws, conditions and procedures applicable in each Member State, the Community and the Member States shall endeavour to ensure that the treatment accorded to Azerbaijani nationals legally employed in the territory of a Member State shall be free from any discrimination based on nationality, as regards working conditions, remuneration or dismissal, as compared to its own nationals.
2. Subject to the laws, conditions and procedures applicable in the Republic of Azerbaijan, the Republic of Azerbaijan shall ensure that the treatment accorded to nationals of a Member State legally employed in the territory of the Republic of Azerbaijan shall be free from any discrimination based on nationality, as regards working conditions, remuneration or dismissal, as compared to its own nationals.

ARTICLE 20

The Cooperation Council shall examine which improvements can be made in working conditions for business people consistent with the international commitments of the Parties, including those set out in the document of the CSCE Bonn Conference.

ARTICLE 21

The Cooperation Council shall make recommendations for the implementation of Articles 19 and 20.

CHAPTER II

Conditions affecting the establishment and operation of companies

ARTICLE 22

1. The Community and its Member States shall grant treatment no less favourable than that accorded to any third country for the establishment of Azerbaijani companies as defined in Article 24(d).
2. Without prejudice to the reservations listed in Annex IV, the Community and its Member States shall grant to subsidiaries of Azerbaijani companies established in their territories a treatment no less favourable than that granted to any Community companies, in respect of their operation.
3. The Community and its Member States shall grant to branches of Azerbaijani companies established in their territories treatment no less favourable than that accorded to branches of companies of any third country, in respect of their operation.
4. Without prejudice to the reservations listed in Annex V, the Republic of Azerbaijan shall grant for the establishment of Community companies as defined in Article 24(d) treatment no less favourable than that accorded to Azerbaijani companies or to any third country companies, whichever is the better, and shall grant to subsidiaries and branches of Community companies established in its territory treatment no less favourable than that accorded to its own companies or branches or to any third country company or branch, whichever is the better, in respect of their operations.

ARTICLE 23

1. Without prejudice to the provisions of Article 96, the provisions of Article 22 shall not apply to air transport, inland waterways transport and maritime transport.
2. However, in respect of activities, as indicated below, undertaken by shipping agencies for the provision of services to international maritime transport, including intermodal transport operations involving a sea-leg, each Party shall permit to the companies of the other Party to have a commercial presence in its territory in the form of subsidiaries or branches, under conditions of establishment and operation no less favourable than those accorded to its own companies or to subsidiaries or branches of companies of any third country, whichever are the better, and this in conformity with the legislation and regulations applicable in each Party.
3. Such activities include, but are not limited to:
 - a) marketing and sales of maritime transport and related services through direct contact with customers, from quotation to invoicing, whether these services are operated or offered by the service supplier itself or by service suppliers with which the service seller has established standing business arrangements;
 - b) purchase and use, on their own account or on behalf of their customers (and the resale to their customers) of any transport and related services, including inward transport services by any mode, particularly inland waterways, road and rail, necessary for the supply of an integrated service;
 - c) preparation of documentation concerning transport documents, customs documents, or other documents related to the origin and character of the goods transported;
 - d) provision of business information by any means, including computerised information systems and electronic data interchange (subject to any non-discriminatory restrictions concerning telecommunications);
 - e) setting up of any business arrangement, including participation in the company's stock and the appointment of personnel recruited locally (or, in the case of foreign personnel, subject to the relevant provisions of this Agreement), with any locally established shipping agency;
 - f) acting on behalf of the companies, inter alia in organizing the call of the vessel or taking over cargoes when required.

ARTICLE 24

For the purpose of this Agreement:

- (a) A "Community company" or an "Azerbaijani company" respectively shall mean a company set up in accordance with the laws of a Member State or of the Republic of Azerbaijan respectively and having its registered office or central administration, or principal place of business in the territory of the Community or the Republic of Azerbaijan respectively. However, should the company, set up in accordance with the laws of a Member State or the Republic of Azerbaijan respectively, have only its registered office in the territory of the

Community or the Republic of Azerbaijan respectively, the company shall be considered a Community or Azerbaijani company respectively if its operations possess a real and continuous link with the economy of one of the Member States or the Republic of Azerbaijan respectively.

- (b) "Subsidiary" of a company shall mean a company which is effectively controlled by the first company.
- (c) "Branch" of a company shall mean a place of business not having legal personality which has the appearance of permanency, such as the extension of a parent body, has a management and is materially equipped to negotiate business with third parties so that the latter, although knowing that there will if necessary be a legal link with the parent body, the head office of which is abroad, do not have to deal directly with such parent body but may transact business at the place of business constituting the extension.
- (d) "Establishment" shall mean the right of Community or Azerbaijani companies as referred to in point (a), to take up economic activities by means of the setting up of subsidiaries and branches in the Republic of Azerbaijan or in the Community respectively.
- (e) "Operation" shall mean the pursuit of economic activities.
- (f) "Economic activities" shall mean activities of an industrial, commercial and professional character.

With regard to international maritime transport, including inter modal operations involving a sea leg, nationals of the Member States or of the Republic of Azerbaijan established outside the Community or the Republic of Azerbaijan respectively, and shipping companies established outside the Community or the Republic of Azerbaijan and controlled by nationals of a Member State or Azerbaijani nationals respectively, shall also be beneficiaries of the provisions of this Chapter and Chapter III if their vessels are registered in that Member State or in the Republic of Azerbaijan respectively in accordance with their respective legislation.

ARTICLE 25

1. Notwithstanding any other provisions of the Agreement, a Party shall not be prevented from taking measures for prudential reasons, including for the protection of investors, depositors, policy holders or persons to whom a fiduciary duty is owed by a financial service supplier, or to ensure the integrity and stability of the financial system. Where such measures do not conform with the provisions of the Agreement, they shall not be used as a means of avoiding the obligations of a Party under the Agreement.
2. Nothing in the Agreement shall be construed to require a Party to disclose information relating to the affairs and accounts of individual customers or any confidential or proprietary information in the possession of public entities.
3. For the purpose of this Agreement, "financial services" shall mean those activities described in Annex III.

ARTICLE 26

The provisions of this Agreement shall not prejudice the application by each Party of any measure necessary to prevent the circumvention of its measures concerning third country access to its market, through the provisions of this Agreement.

ARTICLE 27

1. Notwithstanding the provisions of Chapter I of this Title, a Community company or an Azerbaijani company established in the territory of the Republic of Azerbaijan or the Community respectively shall be entitled to employ, or have employed by one of its subsidiaries or branches, in accordance with the legislation in force in the host country of establishment, in the territory of the Republic of Azerbaijan and the Community respectively, employees who are nationals of Community Member States and the Republic of Azerbaijan respectively, provided that such employees are key personnel as defined in paragraph 2, and that they are employed exclusively by companies, or branches. The residence and work permits of such employees shall only cover the period of such employment.
2. Key personnel of the above mentioned companies herein referred to as "organizations" are "intra-corporate transferees" as defined in (c) in the following categories, provided that the organization is a legal person and that the persons concerned have been employed by it or have been partners in it (other than majority shareholders), for at least the year immediately preceding such movement:
 - (a) Persons working in a senior position with an organization, who primarily direct the management of the establishment, receiving general supervision or direction principally from the board of directors or stockholders of the business or their equivalent, including:
 - directing the establishment or a department or subdivision of the establishment,
 - supervising and controlling the work of other supervisory, professional or managerial employees,
 - having the authority personally to hire and fire or recommend hiring, firing or other personnel actions;
 - (b) Persons working within an organization who possess uncommon knowledge essential to the establishment's service, research equipment, techniques or management. The assessment of such knowledge may reflect, apart from knowledge specific to the establishment, a high level of qualification referring to a type of work or trade requiring specific technical knowledge, including membership of an accredited profession;
 - (c) An "intra-corporate transferee" is defined as a natural person working within an organization in the territory of a Party, and being temporarily transferred in the context of pursuit of economic activities in the territory of the other Party; the organization concerned must have its principal place of business in the territory of a Party and the transfer be to an establishment (branch, subsidiary) of that organization, effectively pursuing like economic activities in the territory of the other Party.

ARTICLE 29

1. The Parties shall use their best endeavours to avoid taking any measures or actions which render the conditions for the establishment and operation of each other's companies more restrictive than the situation existing on the day preceding the date of signature of the Agreement.
2. The provisions of this Article are without prejudice to those of Article 37: the situations covered by such Article 37 shall be solely governed by its provisions to the exclusion of any other.
3. Acting in the spirit of partnership and cooperation and in the light of the provisions of Article 43 the Government of the Republic of Azerbaijan shall inform the Community of its intentions to submit new legislation or adopt new regulations which may render the conditions for the establishment or operation in the Republic of Azerbaijan of subsidiaries and branches of Community companies more restrictive than the situation existing on the day preceding the date of signature of the Agreement. The Community may request the Republic of Azerbaijan to communicate the drafts of such legislation or regulations and to enter into consultations about those drafts.
4. Where new legislation or regulations introduced in the Republic of Azerbaijan would result in rendering the conditions for operation of subsidiaries and branches of Community companies established in the Republic of Azerbaijan more restrictive than the situation existing on the day of signature of the Agreement, such respective legislation or regulations shall not apply during three years following the entry into force of the relevant act to those subsidiaries and branches already established in the Republic of Azerbaijan at the time of entry into force of the relevant act.

CHAPTER III

Cross border supply of services between the Community and the Republic of Azerbaijan

ARTICLE 30

1. The Parties undertake in accordance with the provisions of this Chapter to take the necessary steps to allow progressively the supply of services by Community or Azerbaijani companies which are established in a Party other than that of the person for whom the services are intended taking into account the development of the service sectors in the Parties.
2. The Cooperation Council shall make recommendations for the implementation of paragraph 1.

ARTICLE 31

The Parties shall cooperate with the aim of developing a market oriented service sector in the Republic of Azerbaijan.

ARTICLE 32

1. The Parties undertake to apply effectively the principle of unrestricted access to the international maritime market and traffic on a commercial basis:
 - (a) the above provision does not prejudice the rights and obligations arising from the United Nations Convention on a Code of Conduct for Liner Conferences, as applicable to one or other Contracting Party to this Agreement. Non-conference lines will be free to operate in competition with a conference as long as they adhere to the principle of fair competition on a commercial basis;
 - (b) the Parties affirm their commitment to a freely competitive environment as being an essential feature of the dry and liquid bulk trade.
2. In applying the principles of paragraph 1, the Parties shall:
 - (a) not apply, as from entry into force of this agreement, any cargo sharing provisions of bilateral agreements between any Member States of the Community and the former Soviet Union;
 - (b) not introduce cargo sharing clauses into future bilateral agreements with third countries, other than in those exceptional circumstances where liner shipping companies from one or other Party to this Agreement would not otherwise have an effective opportunity to ply for trade to and from the third country concerned;
 - (c) prohibit cargo sharing arrangements in future bilateral agreements concerning dry and liquid bulk trade;
 - (d) abolish upon entry into force of this Agreement, all unilateral measures, administrative, technical and other obstacles which could have restrictive or discriminatory effects on the free supply of services in international maritime transport.
3. Each Party shall grant, inter alia, no less favourable treatment, for the ships operated by nationals or companies of the other Party, than that accorded to a Party's own ships, with regard to access to ports open to international trade, the use of infrastructure and auxiliary maritime services of the ports, as well as related fees and charges, customs facilities and the assignment of berths and facilities for loading and unloading.
4. Nationals and companies of the Community providing international maritime transport services shall be free to provide international sea-river services in the inland waterways of the Republic of Azerbaijan and vice versa.

ARTICLE 33

With a view to assuring a coordinated development of transport between the Parties, adapted to their commercial needs, the conditions of mutual market access and provision of services in transport by road, rail and inland waterways and, if applicable, in air transport may be dealt with by specific agreements where appropriate negotiated between the Parties after entry into force of this Agreement.

CHAPTER IV

General Provisions

ARTICLE 34

1. The provisions of this Title shall be applied subject to limitations justified on grounds of public policy, public security or public health.
2. They shall not apply to activities which in the territory of either Party are connected, even occasionally, with the exercise of official authority.

ARTICLE 35

For the purpose of this Title, nothing in the Agreement shall prevent the Parties from applying their laws and regulations regarding entry and stay, work, labour conditions and establishment of natural persons and supply of services, provided that, in so doing, they do not apply them in a manner as to nullify or impair the benefits accruing to any Party under the terms of a specific provision of the Agreement. The above provision does not prejudice the application of Article 34.

ARTICLE 36

Companies which are controlled and exclusively owned by Azerbaijani companies and Community companies jointly shall also be beneficiaries of the provisions of Chapters II, III and IV.

ARTICLE 37

Treatment granted by either Party to the other thereunder shall, as from the day one month prior to the date of entry into force of the relevant obligations of the General Agreement on Trade in Services (GATS), in respect of sectors or measures covered by the GATS, in no case be more favourable than that accorded by such first Party under the provisions of GATS and this in respect of each service sector, sub-sector and mode of supply.

ARTICLE 38

For the purposes of Chapters II, III and IV, no account shall be taken of treatment accorded by the Community, its Member States or the Republic of Azerbaijan pursuant to commitments entered into in economic integration agreements in accordance with the principles of Article V of the GATS.

ARTICLE 39

1. The most-favoured-nation treatment granted in accordance with the provisions of this Title shall not apply to the tax advantages which the Parties are providing or will provide in the future on the basis of agreements to avoid double taxation, or other tax arrangements.
2. Nothing in this Title shall be construed to prevent the adoption or enforcement by the Parties of any measure aimed at preventing the avoidance or evasion of taxes pursuant to the tax provisions of agreements to avoid double taxation and other tax arrangements, or domestic fiscal legislation.
3. Nothing in this Title shall be construed to prevent Member States or the Republic of Azerbaijan from distinguishing, in the application of the relevant provisions of their fiscal legislation, between tax payers who are not in identical situations, in particular as regards their place of residence.

ARTICLE 40

Without prejudice to Article 27, no provision of Chapters II, III and IV shall be interpreted as giving the right to:

- nationals of the Member States or of the Republic of Azerbaijan respectively to enter, or stay in, the territory of the Republic of Azerbaijan or the Community respectively in any capacity whatsoever, and in particular as a shareholder or partner in a company or manager or employee thereof or supplier or recipient of services;
- Community subsidiaries or branches of Azerbaijani companies to employ or have employed in the territory of the Community nationals of the Republic of Azerbaijan;
- Azerbaijani subsidiaries or branches of Community companies to employ or have employed in the territory of the Republic of Azerbaijan nationals of the Member States;
- Azerbaijani companies or Community subsidiaries or branches of Azerbaijani companies to supply Azerbaijani persons to act for and under the control of other persons by temporary employment contracts;
- Community companies or Azerbaijani subsidiaries or branches of Community companies to supply workers who are nationals of the Member States by temporary employment contracts.

CHAPTER V

Current payments and capital

ARTICLE 41

1. The Parties undertake to authorise in freely convertible currency, any current payments between residents of the Community and of the Republic of Azerbaijan connected with the movement of goods, services or persons made in accordance with the provisions of this Agreement.
2. With regard to transactions on the capital account of balance of payments, from entry into force of the Agreement, the free movement of capital relating to direct investments made in companies formed in accordance with the laws of the host country and investments made in accordance with the provisions of Chapter II, and the liquidation or repatriation of these investments and of any profit stemming therefrom shall be ensured.
3. The provisions of paragraph 2 shall not prevent the Republic of Azerbaijan from applying restrictions on outward direct investment by Azerbaijani residents. Such restrictions shall not apply to subsidiaries and branches of Community companies. Five years after the entry into force of this Agreement, the Parties agree to consult over the maintenance of these restrictions, taking into account all the relevant monetary, fiscal and financial considerations.
4. Without prejudice to paragraph 2 or to paragraph 5, as from entry into force of this Agreement, no new foreign exchange restrictions on the movement of capital and current payments connected therewith between residents of the Community and the Republic of Azerbaijan shall be introduced and the existing arrangements shall not become more restrictive.
5. The Parties shall consult each other with a view to facilitating the movement of forms of capital other than those referred to in paragraph 2 above between the Community and the Republic of Azerbaijan in order to promote the objectives of this Agreement.
6. With reference to the provisions of this Article, until a full convertibility of the Azerbaijani currency within the meaning of Article VIII of the Articles of Agreement of the International Monetary Fund (IMF) is introduced, the Republic of Azerbaijan may in exceptional circumstances apply exchange restrictions connected with the granting or taking up of short and medium-term financial credits to the extent that such restrictions are imposed on the Republic of Azerbaijan for the granting of such credits and are permitted according to the Republic of Azerbaijan's status under the IMF. The Republic of Azerbaijan shall apply these restrictions in a non-discriminatory manner. They shall be applied in such a manner as to cause the least possible disruption to this Agreement. The Republic of Azerbaijan shall inform the Cooperation Council promptly of the introduction of such measures and of any changes therein.

7. Without prejudice to paragraphs 1 and 2, where, in exceptional circumstances, movement of capital between the Community and the Republic of Azerbaijan cause, or threaten to cause, serious difficulties for the operation of exchange rate policy or monetary policy in the Community or the Republic of Azerbaijan, the Community and the Republic of Azerbaijan, respectively, may take safeguard measures with regard to movements of capital between the Community and the Republic of Azerbaijan for a period not exceeding six months if such measures are strictly necessary.

CHAPTER VI

Intellectual, industrial and commercial property protection

ARTICLE 42

1. Pursuant to the provisions of this Article and of Annex II, the Republic of Azerbaijan shall continue to improve the protection of intellectual, industrial and commercial property rights in order to provide, by the end of the fifth year after the entry into force of the Agreement, for a level of protection similar to that existing in the Community, including effective means of enforcing such rights.
2. By the end of the fifth year after entry into force of the Agreement, the Republic of Azerbaijan shall accede to the multilateral conventions on intellectual, industrial and commercial property rights referred to in paragraph 1 of Annex II to which Member States are parties or which are de facto applied by Member States, according to the relevant provisions contained in these conventions.

TITLE V

LEGISLATIVE COOPERATION

ARTICLE 43

1. The Parties recognize that an important condition for strengthening the economic links between the Republic of Azerbaijan and the Community is the approximation of the Republic of Azerbaijan's existing and future legislation to that of the Community. The Republic of Azerbaijan shall endeavour to ensure that its legislation will be gradually made compatible with that of the Community.
2. The approximation of laws shall extend to the following areas in particular: customs law, company law, banking law, company accounts and taxes, intellectual property, protection of workers at the workplace, financial services, rules on competition, public procurement, protection of health and life of humans, animals and plants, the environment and legislation regarding the exploitation and utilisation of natural resources, consumer protection, indirect taxation, technical rules and standards, nuclear laws and regulations and transport.
3. The Community shall provide the Republic of Azerbaijan with technical assistance for the implementation of these measures, which may include, inter alia :
 - the exchange of experts;
 - the provision of early information especially on relevant legislation;
 - organization of seminars;
 - training activities;
 - aid for translation of Community legislation in the relevant sectors.
4. The Parties agree to examine ways to apply their respective competition laws on a concerted basis in such cases where trade between them is affected.

TITLE VI
ECONOMIC COOPERATION

ARTICLE 44

1. The Community and the Republic of Azerbaijan shall establish economic cooperation aimed at contributing to the process of economic reform and recovery and sustainable development of the Republic of Azerbaijan. Such cooperation shall strengthen existing economic links, to the benefit of both parties.
2. Policies and other measures will be designed to bring about economic and social reforms and restructuring of the economic and trading systems in the Republic of Azerbaijan and will be guided by the requirements of sustainability and harmonious social development; they will also fully incorporate environmental considerations.
3. To this end, cooperation will concentrate, in particular, on economic and social development, human resources development, support for enterprises (including privatization, investment and development of financial services), agriculture and food, energy, transport, tourism, environmental protection, regional cooperation and monetary policy.
4. Special attention shall be devoted to measures, as in conformity with the legislation in force in the Republic of Azerbaijan capable of fostering cooperation among the Independent States of the Transcaucasus region, and with other neighbouring states, with a view to stimulating a harmonious development of the region.
5. Where appropriate, economic cooperation and other forms of cooperation provided for in this Agreement may be supported by technical assistance from the Community, taking into account the Community's relevant Council regulation applicable to technical assistance in the Independent States, the priorities agreed upon in the indicative programme related to Community technical assistance to the Republic of Azerbaijan and its established coordination and implementation procedures.

ARTICLE 45

Cooperation in the field of trade in goods and services

The Parties will cooperate with a view to ensuring that the Republic of Azerbaijan's international trade is conducted in conformity with the rules of the WTO.

Such cooperation shall include specific issues directly relevant to trade facilitation, including:

- formulation of policy on trade and trade-related questions, including payments, and clearing mechanisms,
- drafting of relevant legislation,
- assistance to prepare for the Republic of Azerbaijan's eventual accession to the WTO.

ARTICLE 46

Industrial cooperation

1. Cooperation shall aim at promoting the following in particular:
 - the development of business links between economic operators of both sides;
 - Community participation in the Republic of Azerbaijan's efforts to restructure its industry;
 - the improvement of management;
 - the development of appropriate market-based commercial rules and practices, as well as the transfer of know-how;
 - environmental protection.
2. The provisions of this Article shall not affect the enforcement of Community competition rules applicable to undertakings.

ARTICLE 46 bis

Construction

The Parties shall cooperate in the field of construction industry.

This cooperation shall, inter alia, aim at modernizing and restructuring the construction sector in the Republic of Azerbaijan in line with the principles of a market economy and duly taking into account related health, safety and environmental aspects.

ARTICLE 47

Investment promotion and protection

1. Bearing in mind the respective powers and competences of the Community and the Member States, cooperation shall aim to establish a favourable climate for private investment, both domestic and foreign, especially through better conditions for investment protection, the transfer of capital and the exchange of information on investment opportunities.
2. The aims of cooperation shall be in particular:
 - the conclusion, where appropriate, between the Member States and the Republic of Azerbaijan of agreements for the promotion and protection of investment;
 - the conclusion, where appropriate, between the Member States and the Republic of Azerbaijan of agreements to avoid double taxation;
 - the creation of favourable conditions for attracting foreign investments into the Azerbaijani economy;
 - to establish stable and adequate business law and conditions, and to exchange information on laws, regulations and administrative practices in the field of investment;
 - to exchange information on investment opportunities in the form of, inter alia, trade fairs, exhibitions, trade weeks and other events.

ARTICLE 48

Public Procurement

The Parties shall cooperate to develop conditions for open and competitive award of contracts for goods and services in particular through calls for tenders.

ARTICLE 49

Cooperation in the field of standards and conformity assessment

1. Cooperation between the Parties shall promote alignment with internationally agreed criteria, principles and guidelines followed in the field of quality. The required actions will facilitate progress towards mutual recognition in the field of conformity assessment, as well as the improvement of the quality of Azerbaijani products.
2. To this end they shall seek to cooperate in technical assistance projects which will:
 - promote appropriate cooperation with organizations and institutions specialized in these fields;
 - promote the use of Community technical regulations and the application of European standards and conformity assessment procedures;
 - permit the sharing of experience and technical information in the field of quality management.

ARTICLE 50

Mining and raw materials

1. The Parties shall aim at increasing investment and trade in mining and raw materials.
2. The cooperation shall focus in particular on the following areas:
 - exchange of information on the prospects of the mining and non-ferrous metals sectors,
 - the establishment of a legal framework for cooperation,
 - trade matters,
 - the adoption and implementation of environmental legislation,
 - training,
 - safety in the mining industry.

ARTICLE 51

Cooperation in science and technology

1. The Parties shall promote cooperation in civil scientific research and technological development (RTD) on the basis of mutual benefit and, taking into account the availability of resources, adequate access to their respective programmes and subject to appropriate levels of effective protection of intellectual, industrial and commercial property rights (IPR).

2. Science and technology cooperation shall cover:

- the exchange of scientific and technical information;
- joint RTD activities;
- training activities and mobility programmes for scientists, researchers and technicians engaged in RTD on both sides.

Where such cooperation takes the form of activities involving education and/or training, it should be carried out in accordance with the provisions of Article 52.

The Parties, on the basis of mutual agreement, can engage in other forms of cooperation in science and technology.

3. The Cooperation covered by this Article shall be implemented according to specific arrangements to be negotiated and concluded in accordance with the procedures adopted by each Party, and which shall set out, inter alia, appropriate IPR provisions.

ARTICLE 52

Education and training

1. The Parties shall cooperate with the aim of raising the level of general education and professional qualifications in the Republic of Azerbaijan, both in the public and private sectors.

2. The cooperation shall focus in particular on the following areas:

- updating higher education and training systems in the Republic of Azerbaijan including the system of certification of higher educational establishments and diplomas of higher education;
- the training of public and private sector executives and civil servants in priority areas to be determined;
- cooperation between educational establishments and between educational establishments and firms;
- mobility for teachers, graduates, administrators, young scientists and researchers, and young people;
- promoting teaching in the field of European Studies within the appropriate institutions;
- teaching Community languages;
- post-graduate training of conference interpreters;
- training of journalists;
- training of trainers.
- exchange of teaching methods, encouraging the utilisation of modern educational programmes and technical means of education.

3. The possible participation of one Party in the respective programmes in the field of education and training of the other Party could be considered in accordance with their respective procedures and, where appropriate, institutional frameworks and plans of cooperation will then be established building on participation of the Republic of Azerbaijan in the Community's TEMPUS programme.

ARTICLE 53

Agriculture and the agro-industrial sector

The purpose of cooperation in this area shall be the pursuance of agrarian reform, the modernization, privatization and restructuring of agriculture, the agro-industrial and service sectors in the Republic of Azerbaijan, development of domestic and foreign markets for Azerbaijani products, in conditions that ensure the protection of the environment, taking into account the necessity to improve security of food supply as well as the development of agri-business, the processing and distribution of agricultural products. The Parties shall also aim at the gradual approximation of Azerbaijani standards to Community technical regulations concerning industrial and agricultural food products including sanitary and phytosanitary standards.

ARTICLE 54

Energy

1. Cooperation shall take place within the principles of the market economy and the European Energy Charter, and bearing in mind the Energy Charter Treaty and the Protocol on Energy Efficiency and Related Environmental Aspects, against a background of the progressive integration of the energy markets in Europe.
2. The cooperation shall include among others the following areas:
 - formulation and development of energy policy,
 - improvement in management and regulation of the energy sector in line with a market economy,
 - improvement of energy supply, including security of supply, in an economic and environmentally sound manner,
 - promotion of energy saving and energy efficiency and implementation of the Energy Charter Protocol on Energy Efficiency and related environmental aspects,
 - modernisation of energy infrastructures,
 - improvement of energy technologies in supply and end use across the range of energy types,
 - management and technical training in the energy sector,
 - transportation and transit of energy materials and products,
 - The introduction of the range of institutional, legal, fiscal and other conditions necessary to encourage increased energy trade and investment.
 - development of hydro-electric and other renewable energy resources.
3. The Parties shall exchange relevant information relating to investment projects in the energy sector, in particular concerning the construction and refurbishing of oil and gas pipelines or other means of transporting energy products. They shall cooperate with a view to implementing as efficaciously as possible the provisions of Title IV and of Article 47, in respect of investments in the energy sector.

ARTICLE 55

Environment

1. Bearing in mind the European Energy Charter and the Declaration of the Lucerne Conference of 1993, and taking into account the Energy Charter Treaty, and especially its article 19, and the Energy Charter Protocol on Energy Efficiency and related environmental aspects, the Parties shall develop and strengthen their cooperation on environment and human health.
2. Cooperation shall aim at combating the deterioration of the environment and in particular:
 - effective monitoring of pollution levels and assessment of environment; system of information on the state of the environment;
 - combating local, regional and transboundary air and water pollution;
 - ecological restoration;
 - sustainable, efficient and environmentally effective production and use of energy;
 - ecological safety of industrial facilities;
 - classification and safe handling of chemicals;
 - water quality;
 - waste reduction, recycling and safe disposal, implementation of the Basle Convention;
 - the environmental impact of agriculture, soil erosion, and chemical pollution;
 - the protection and renewal of forests;
 - the conservation of biodiversity, protected areas and sustainable use and management of biological resources;
 - land-use planning, including construction and urban planning;
 - use of economic and fiscal instruments;
 - global climate change;
 - environmental education and awareness;
 - technical assistance concerning rehabilitation of zones affected by radioactivity and addressing related health and social problems;
 - implementation of the Espoo Convention on Environmental Impact Assessment in a transboundary context.
3. Cooperation shall take place particularly through:
 - disaster planning and other emergency situations;
 - exchange of information and experts, including information and experts dealing with the transfer of clean technologies and the safe and environmentally sound use of biotechnologies;
 - joint research activities;
 - improvement of laws towards Community standards;
 - environmental training and institutional strengthening;
 - cooperation at regional level, including cooperation within the framework of the European Environment Agency, and at international level;
 - development of strategies, particularly with regard to global and climatic issues and also in view of achieving sustainable development;
 - environmental impact studies;
 - ecological monitoring

ARTICLE 56

Transport

The Parties shall develop and strengthen their cooperation in the field of transport.

This cooperation shall, inter alia, aim at restructuring and modernizing transport systems and networks in the Republic of Azerbaijan, and developing and ensuring, where appropriate, compatibility of transportation systems in the context of achieving a more global transport system. In particular, consideration shall be given to traditional communications links among Independent States in the Transcaucasus region and with other neighbouring states.

The cooperation shall include, inter alia:

- the modernizing of management and operations of road transport, railways, ports and airports;
- modernization and development of railways, waterways, roads, ports, airports and air navigation infrastructure including the modernization of major routes of common interest and the trans-European links for the above modes, particularly those related to the TRACECA project; and training in the above-mentioned areas;
- promotion and development of multi-modal transport;
- the promotion of joint research and development programmes;
- preparation of the legislative and institutional framework for policy development and implementation including privatization of the transport sector.

ARTICLE 57

Postal services and telecommunications

Within their respective powers and competences the Parties shall expand and strengthen cooperation in the following areas:

- the establishment of policies and guidelines for the development of the telecommunications sector and postal services;
- development of principles of a tariff policy and marketing in telecommunications and postal services;
- carry out transfer of technology and know how, including on European Technical standards and certification systems;
- encouraging the development of projects for telecommunications and postal services and attracting investment;
- enhancing efficiency and quality of the provision of telecommunications and postal services, amongst others through liberalization of activities of sub-sectors;
- advanced application of telecommunications, notably in the area of electronic funds transfer;
- management of telecommunications networks and their "optimization";
- an appropriate regulatory basis for the provision of telecommunication and postal services and for the use of the radio frequency spectrum;
- training in the field of telecommunications and postal services for operations in market conditions.

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ARTICLE 58

Financial Services

Cooperation shall in particular aim at facilitating the involvement of the Republic of Azerbaijan in universally accepted systems of mutual settlements. Technical assistance shall focus on:

- the development of a modern system of private and in particular commercial banking and financial services, the development of a common market of credit resources, the involvement of the Republic of Azerbaijan in a universally accepted system of mutual settlements;
- the development of fiscal system and its institutions in the Republic of Azerbaijan, exchange of experience and personnel training;
- the development of insurance services, which would, inter alia, create a favourable framework for Community companies participation in the establishment of joint ventures in the insurance sector in the Republic of Azerbaijan, as well as the development of export credit insurance.

This cooperation shall in particular contribute to foster the development of relations between the Republic of Azerbaijan and the Member States in the financial services sector.

ARTICLE 58 bis

Enterprise restructuring and privatisation

Recognizing that privatisation is of fundamental importance to a sustainable economic recovery, the parties agree to cooperate in the development of the necessary institutional, legal and methodological framework. To this end, technical assistance shall be given to implement the privatisation programme adopted by the Parliament of Azerbaijan. Particular attention will be paid to the orderly and transparent nature of the privatisation process.

Technical assistance shall focus on, inter alia:

- the development of an institutional base within the government of Azerbaijan capable of defining and managing the privatisation process;
- the establishment of a database of enterprises;
- the corporatisation of enterprises;
- the development of a system of mass privatisation, which will aim to transfer property to the population, based on a system of vouchers;
- the development of a system for the registration of share holdings;
- the development of a system for the sale by tender of particular enterprises deemed not suitable for participation in the mass privatisation programme
- the restructuring of those enterprise not yet ready for privatisation
- the development of private enterprise, particularly in the small and medium enterprise sector.

The objective of this cooperation is to contribute to the revitalization of the economy of Azerbaijan, the promotion of foreign investment and the development of relations between Azerbaijan and the Member States.

ARTICLE 59

Regional development

1. The Parties shall strengthen cooperation on regional development and land-use planning.
2. To this end, they shall encourage exchange of information by national, regional and local authorities of the Community and its Member States and of the Republic of Azerbaijan on regional and land-use planning policy and on methods of formulation of regional policies with special emphasis on the development of disadvantaged areas.

They shall also encourage direct contacts between the above mentioned authorities and between regional and public organizations responsible for regional development planning with the aim, inter alia, to exchange methods and ways of fostering regional development.

ARTICLE 60

Social cooperation

1. With regard to health and safety, the parties shall develop cooperation between them with the aim of improving the level of protection of the health and safety of workers.

The cooperation shall include notably:

- education and training on health and safety issues with specific attention to high risk sectors of activity;
- development and promotion of preventive measures to combat work related diseases and other work related ailments;
- prevention of major accident hazards and the management of toxic chemicals;
- research to develop the knowledge base in relation to working environment and the health and safety of workers.

2. With regard to employment, the cooperation shall include notably technical assistance to:

- optimization of the labour market;
- modernization of the job-finding and consulting services;
- planning and management of the restructuring programmes;
- encouragement of local employment development;
- exchange of information on the programmes of flexible employment, including those stimulating self-employment and promoting entrepreneurship.

3. The Parties shall pay special attention to cooperation in the sphere of social protection which, inter alia, shall include cooperation in planning and implementing social protection reforms in the Republic of Azerbaijan.

These reforms shall aim to develop in the Republic of Azerbaijan methods of protection intrinsic to market economies and shall comprise all forms of social protection.

ARTICLE 61

Tourism

The Parties shall increase and develop cooperation between them, which shall include:

- facilitating the tourist trade;
- increasing the flow of information;
- transferring know-how;
- studying the opportunities for joint operations;
- cooperation between official tourism bodies;
- training for tourism development.

ARTICLE 62

Small and medium-sized enterprises

1. The Parties shall aim to develop and strengthen small and medium-sized enterprises and their associations and cooperation between SMEs in the Community and the Republic of Azerbaijan.
2. Cooperation shall include technical assistance, in particular in the following areas:
 - the development of a legislative framework for SMEs;
 - the development of an appropriate infrastructure (an agency to support SMEs, communications, assistance to the creation of a fund for SMEs);
 - the development of technology parks.
 - training in the areas of marketing, accounting and control of the quality of products.

ARTICLE 63

Information and communication

The Parties shall support the development of modern methods of information handling, including the media, and stimulate the effective mutual exchange of information. Priority shall be given to programmes aimed at providing the general public with basic information about the Community and the Republic of Azerbaijan, including, where possible, access to databases, in full respect of intellectual property rights.

ARTICLE 64

Consumer Protection

The Parties will enter into close cooperation aimed at achieving compatibility between their systems of consumer protection. This cooperation may include the exchange of information on legislative work and institutional reform, establishment of permanent systems of mutual information on dangerous products, the improvement of information provided to consumers especially on prices, characteristics of products and services offered, the development of exchanges between the consumer interest representatives, and increasing the compatibility of consumer protection policies, and the organization of seminars and training periods.

ARTICLE 65

Customs

1. The aim of cooperation shall be to guarantee compliance with all the provisions scheduled for adoption in connection with trade and fair trade and to achieve the approximation of the Republic of Azerbaijan's customs system to that of the Community.
2. Cooperation shall include the following in particular:
 - the exchange of information;
 - the improvement of working methods;
 - the introduction of the Combined Nomenclature and the single administrative document;
 - the interconnection between the transit systems of the Community and of the Republic of Azerbaijan;
 - simplification of inspections and formalities in respect of the carriage of goods;
 - the support in the introduction of modern customs information systems;
 - the organization of seminars and training periods.

Technical assistance shall be provided where necessary.

3. Without prejudice to further cooperation foreseen in this agreement and in particular Articles 69, and 71, mutual assistance in customs matters between administrative authorities of the Parties shall take place in accordance with the provisions of the Protocol attached to this Agreement.

ARTICLE 66

Statistical cooperation

Cooperation in this area shall have as its aim the development of an efficient statistical system to provide the reliable statistics needed to support and monitor the process of economic reform and contribute to the development of private enterprise in the Republic of Azerbaijan. It shall also address the protection of confidentiality.

The Parties, in particular, shall cooperate in the following fields:

- adaptation of the Azerbaijani statistical system to international methods, standards and classification;
- exchange of statistical information;
- provision of necessary statistical macro- and microeconomic information to implement and manage economic reforms.

The Community shall contribute to this end by rendering technical assistance to the Republic of Azerbaijan.

ARTICLE 67

Economics

The Parties shall facilitate the process of economic reform and the coordination of economic policies by cooperating to improve understanding of the fundamentals of their respective economies and the design and implementation of economic policy in market economies. To this end, the Parties shall exchange information on macroeconomic performance and prospects.

The Community shall provide technical assistance so as to:

- assist the Republic of Azerbaijan in the process of economic reform by providing expert advisory and technical assistance;
- encourage cooperation among economists in order to expedite the transfer of know-how for the drafting of economic policies, and provide for wide dissemination of policy-relevant research.

ARTICLE 67 bis

Monetary Policy

At the request of the Azerbaijani authorities, the Union shall provide technical assistance designed to support the efforts of the Republic of Azerbaijan towards the strengthening of its monetary system and the introduction of full convertibility of the currency.

This will include technical assistance for the design and application of Azerbaijan's monetary and credit policy, in full coordination with the international financial institutions, for the training of personnel, and for the development of financial markets, including the stock exchange. It shall also include informal exchanges of views concerning the principles and the functioning of the European Monetary System and EC regulations on financial markets and capital movements.

TITLE VII

COOPERATION ON MATTERS RELATING TO DEMOCRACY AND HUMAN RIGHTS

ARTICLE 68

The Parties shall cooperate on all questions relevant to the establishment or reinforcement of democratic institutions, including those required in order to strengthen the rule of law, and the protection of human rights and fundamental freedoms according to international law and OSCE principles.

This cooperation shall take the form of technical assistance programmes intended to assist, *inter alia*, in the drafting of relevant legislation and regulations; the implementation of such legislation; the functioning of the judiciary; the role of the State in questions of justice; and the operation of the electoral system. They may include training where appropriate. The Parties shall encourage contacts and exchanges between their national, regional and judicial authorities, parliamentarians, and non-governmental organisations.

TITLE VIII

COOPERATION ON PREVENTION OF ILLEGAL ACTIVITIES AND THE PREVENTION AND CONTROL OF ILLEGAL IMMIGRATION

ARTICLE 69

The Parties shall establish cooperation aimed at preventing illegal activities such as:

- illegal activities in the sphere of economics, including corruption;
- illegal transactions of various goods, including industrial waste;
- counterfeiting

Cooperation in the abovementioned areas will be based on mutual consultation and close interaction. Technical and administrative assistance may be provided, including in the following areas:

- drafting of national legislation in the sphere of preventing illegal activities;
- creation of information centres;
- increasing the efficiency of institutions engaged in preventing illegal activities;
- training of personnel and development of research infrastructures;
- elaboration of mutually acceptable measures impeding illegal activities.

ARTICLE 70

Money laundering

1. The Parties agree on the necessity of making efforts and cooperating in order to prevent the use of their financial systems for laundering of proceeds from criminal activities in general and drug offences in particular.
2. Cooperation in this area shall include administrative and technical assistance with the purpose of establishing suitable standards against money laundering equivalent to those adopted by the Community and international fora in this field, including the Financial Action Task Force (FATF).

ARTICLE 71

Drugs

Within the framework of their respective powers and competencies the Parties shall cooperate in increasing the effectiveness and efficiency of policies and measures to counter the illicit production, supply and traffic of narcotic drugs and psychotropic substances, including the prevention of diversion of precursor chemicals, as well as in promoting drug demand prevention and reduction. The cooperation in this area shall be based on mutual consultation and close coordination between the Parties over the objectives and measures on the various drug-related fields.

ARTICLE 71 BIS

Illegal Immigration

1. The Member States of the European Union and the Republic of Azerbaijan agree to cooperate in order to prevent and control illegal immigration. To this end:
 - The Republic of Azerbaijan agrees to readmit any of its nationals illegally present on the territory of a Member State, upon request by the latter and without further formalities;
 - and each Member State agrees to readmit any of its nationals, as defined for community purposes, illegally present on the territory of the Republic of Azerbaijan, upon request by the latter and without further formalities.

The Member States and the Republic of Azerbaijan will also provide their nationals with appropriate identity documents for such purposes.

2. The Republic of Azerbaijan agrees to conclude bilateral agreements with Member States which so request, regulating specific obligations for readmission including an obligation for the readmission of nationals of other countries and stateless persons who have arrived on the territory of any such Member State from the Republic of Azerbaijan or who have arrived on the territory of the Republic of Azerbaijan from any such Member State.
3. The Cooperation Council shall examine what other joint efforts can be made to prevent and control illegal immigration.

TITLE IX

CULTURAL COOPERATION

ARTICLE 72

The Parties undertake to promote, encourage and facilitate cultural cooperation. Where appropriate, the Community's cultural cooperation programmes or those of one or more Member States may be the subject of cooperation and further activities of mutual interest may be developed.

The cooperation may include:

- exchange of information and experience in the sphere of protection and maintenance of monuments and historic places (architectural legacy),
- cultural exchange between institutions, artists, and other people working in the area of art

TITLE X

FINANCIAL COOPERATION IN THE FIELD OF TECHNICAL ASSISTANCE

ARTICLE 73

In order to achieve the objectives of this Agreement and in accordance with Articles 74, 75 and 76, the Republic of Azerbaijan shall benefit from temporary financial assistance from the Community by way of technical assistance in the form of grants. The purpose of this assistance shall be to accelerate the economic transformation of the Republic of Azerbaijan.

ARTICLE 74

This financial assistance shall be covered within the framework of TACIS as foreseen in the Community's relevant Council Regulation.

ARTICLE 75

The objectives and the areas of the Community's financial assistance shall be laid down in an indicative programme reflecting established priorities to be agreed between the two Parties taking into account the Republic of Azerbaijan's needs, sectoral absorption capacities and progress with reform. The Parties shall inform the Cooperation Council thereof.

ARTICLE 76

In order to permit optimum use of the resources available, the Parties shall ensure that Community technical assistance contributions are made in close coordination with those from other sources such as the Member States, other countries, and international organizations such as the International Bank for Reconstruction and Development and the European Bank for Reconstruction and Development.

TITLE XI

INSTITUTIONAL, GENERAL AND FINAL PROVISIONS

ARTICLE 77

A Cooperation Council is hereby established which shall supervise the implementation of this Agreement. It shall meet at ministerial level once a year. It shall examine any major issues arising within the framework of the Agreement and any other bilateral or international issues of mutual interest for the purpose of attaining the objectives of this Agreement. The Cooperation Council may also make appropriate recommendations, by agreement between the two Parties.

ARTICLE 78

1. The Cooperation Council shall consist of the members of the Council of the European Union and members of the Commission of the European Communities, on the one hand, and of members of the Government of the Republic of Azerbaijan, on the other.
2. The Cooperation Council shall establish its rules of procedure.
3. The office of President of the Cooperation Council shall be held alternately by a representative of the Community and by a member of the Government of the Republic of Azerbaijan.

ARTICLE 79

1. The Cooperation Council shall be assisted in the performance of its duties by a Cooperation Committee composed of representatives of the members of the Council of the European Union and of members of the Commission of the European Communities on the one hand and of representatives of the Government of the Republic of Azerbaijan on the other, normally at senior civil servant level. The office of President of the Cooperation Committee shall be held alternately by the Community and by the Republic of Azerbaijan.

In its rules of procedure the Cooperation Council shall determine the duties of the Cooperation Committee, which shall include the preparation of meetings of the Cooperation Council, and how the Committee shall function.

2. The Cooperation Council may delegate any of its powers to the Cooperation Committee, which will ensure continuity between meetings of the Cooperation Council.

ARTICLE 80

The Cooperation Council may decide to set up any other special committee or body that can assist it in carrying out its duties and shall determine the composition and duties of such committees or bodies and how they shall function.

ARTICLE 81

When examining any issue arising within the framework of this Agreement in relation to a provision referring to an article of the GATT/WTO, the Cooperation Council shall take into account to the greatest extent possible the interpretation that is generally given to the article of the GATT/WTO in question by the Contracting Parties to the GATT/WTO.

ARTICLE 82

A Parliamentary Cooperation Committee is hereby established. It shall be a forum for Members of the Azerbaijani Parliament and the European Parliament to meet and exchange views. It shall meet at intervals which it shall itself determine.

ARTICLE 83

1. The Parliamentary Cooperation Committee shall consist of members of the European Parliament, on the one hand, and of members of the Azerbaijani Parliament, on the other.
2. The Parliamentary Cooperation Committee shall establish its rules of procedure.
3. The Parliamentary Cooperation Committee shall be presided in turn by the European Parliament and the Azerbaijani Parliament respectively, in accordance with the provisions to be laid down in its rules of procedure.

ARTICLE 84

The Parliamentary Cooperation Committee may request relevant information regarding the implementation of this Agreement from the Cooperation Council, which shall then supply the Committee with the requested information.

The Parliamentary Cooperation Committee shall be informed of the recommendations of the Cooperation Council.

The Parliamentary Cooperation Committee may make recommendations to the Cooperation Council.

ARTICLE 85

1. Within the scope of this Agreement, each Party undertakes to ensure that natural and legal persons of the other Party have access free of discrimination in relation to its own nationals to the competent courts and administrative organs of the Parties to defend their individual rights and their property rights, including those concerning intellectual, industrial and commercial property.
2. Within the limits of their respective powers and competences, the Parties:
 - shall encourage the adoption of arbitration for the settlement of disputes arising out of commercial and cooperation transactions concluded by economic operators of the Community and those of the Republic of Azerbaijan;

- agree that where a dispute is submitted to arbitration, each party to the dispute may, except where the rules of the arbitration centre chosen by the parties provide otherwise, choose its own arbitrator, irrespective of his nationality, and that the presiding third arbitrator or the sole arbitrator may be a citizen of a third State;
- will recommend their economic operators to choose by mutual consent the law applicable to their contracts;
- shall encourage recourse to the arbitration rules elaborated by the United Nations Commission on International Trade Law (Uncitral) and to arbitration by any centre of a State signatory to the Convention on Recognition and Enforcement of Foreign Arbitral Awards done at New York on 10 June 1958.

ARTICLE 86

Nothing in the Agreement shall prevent a Party from taking any measures:

- (a) which it considers necessary to prevent the disclosure of information contrary to its essential security interests;
- (b) which relate to the production of, or trade in arms, munitions or war materials or to research, development or production indispensable for defence purposes, provided that such measures do not impair the conditions of competition in respect of products not intended for specifically military purposes;
- (c) which it considers essential to its own security in the event of serious internal disturbances affecting the maintenance of law and order, in time of war or serious international tension constituting threat of war or in order to carry out obligations it has accepted for the purpose of maintaining peace and international security;
- (d) which it considers necessary to respect its international obligations and commitments in the control of dual use industrial goods and technology.

ARTICLE 87

1. In the fields covered by this Agreement and without prejudice to any special provisions contained therein:
 - the arrangements applied by the Republic of Azerbaijan in respect of the Community shall not give rise to any discrimination between the Member States, their nationals or their companies or firms;
 - the arrangements applied by the Community in respect of the Republic of Azerbaijan shall not give rise to any discrimination between Azerbaijani nationals or its companies or firms.
2. The provisions of paragraph 1 are without prejudice to the right of the Parties to apply the relevant provisions of their fiscal legislation to tax payers who are not in identical situations as regards their place of residence.

ARTICLE 88

1. Each of the two Parties may refer to the Cooperation Council any dispute relating to the application or interpretation of this Agreement.
2. The Cooperation Council may settle the dispute by means of a recommendation.
3. In the event of it not being possible to settle the dispute in accordance with paragraph 2, either Party may notify the other of the appointment of a conciliator; the other Party must then appoint a second conciliator within two months. For the application of this procedure, the Community and the Member States shall be deemed to be one Party to the dispute.

The Cooperation Council shall appoint a third conciliator.

The conciliators' recommendations shall be taken by majority vote. Such recommendations shall not be binding upon the Parties.

4. The Cooperation Council may establish rules of procedure for dispute settlement.

ARTICLE 89

The Parties agree to consult promptly through appropriate channels at the request of either Party to discuss any matter concerning the interpretation or implementation of this Agreement and other relevant aspects of the relations between the Parties.

The provisions of this Article shall in no way affect and are without prejudice to Articles 13, 88 and 94.

ARTICLE 90

Treatment granted to the Republic of Azerbaijan thereunder shall in no case be more favourable than that granted by the Member States to each other.

ARTICLE 91

For the purposes of this Agreement, the term "Parties" shall mean the Republic of Azerbaijan on the one part, and the Community, or the Member States, or the Community and the Member States, in accordance with their respective powers, on the other part.

ARTICLE 92

Insofar as matters covered by this Agreement are covered by the Energy Charter Treaty and Protocols thereto, such Treaty and Protocols shall upon entry into force apply to such matters but only to the extent that such application is provided for therein.

ARTICLE 93

This Agreement is concluded for an initial period of ten years. The Agreement shall be automatically renewed year by year provided that neither Party gives the other Party written notice of denunciation of the Agreement six months before it expires.

ARTICLE 94

1. The Parties shall take any general or specific measures required to fulfil their obligations under the Agreement. They shall see to it that the objectives set out in the Agreement are attained.
2. If either Party considers that the other Party has failed to fulfil an obligation under the Agreement, it may take appropriate measures. Before so doing, except in cases of special urgency, it shall supply the Cooperation Council with all relevant information required for a thorough examination of the situation with a view to seeking a solution acceptable to the Parties.

In the selection of these measures, priority must be given to those which least disturb the functioning of the Agreement. These measures shall be notified immediately to the Cooperation Council if the other Party so requests.

ARTICLE 95

Annexes I, II, III, IV and V together with the Protocol shall form an integral part of this Agreement.

ARTICLE 96

This Agreement shall not, until equivalent rights for individuals and economic operators have been achieved thereunder, affect rights assured to them through existing Agreements binding one or more Member States, on the one hand, and the Republic of Azerbaijan, on the other, except in areas falling within Community competence and without prejudice to the obligations of Member States resulting from this Agreement in areas falling within their competence.

ARTICLE 97

This Agreement shall apply, on the one hand, to the territories in which the Treaties establishing the European Community, the European Coal and Steel Community and the European Atomic Energy Community are applied and under the conditions laid down in those Treaties and, on the other hand, to the territory of the Republic of Azerbaijan.

ARTICLE 98

The Secretary-General of the Council of the European Union shall be the depository of this Agreement.

ARTICLE 99

The original of this Agreement of which the Danish, Dutch, English, Finnish, French, German, Greek, Italian, Portuguese, Spanish, Swedish and Azerbaijani languages are equally authentic, shall be deposited with the Secretary-General of the Council of the European Union.

ARTICLE 100

This Agreement will be approved by the Parties in accordance with their own procedures.

This Agreement shall enter into force on the first day of the second month following the date on which the Parties notify the Secretary-General of the Council of the European Union that the procedures referred to in the first paragraph have been completed.

Upon its entry into force, and as far as relations between the Republic of Azerbaijan and the Community are concerned, this Agreement shall replace the Agreement between the European Economic Community, the European Atomic Energy Community and the Union of Soviet Socialist Republics on trade and economic and commercial cooperation signed in Brussels on 18 December 1989.

ARTICLE 101

In the event that, pending the completion of the procedures necessary for the entry into force of this Agreement, the provisions of certain parts of this Agreement are put into effect by means of an Interim Agreement between the Community and the Republic of Azerbaijan, the Contracting Parties agree that, in such circumstances, the term "date of entry into force of the Agreement" shall mean the date of entry into force of the Interim Agreement.

LIST OF DOCUMENTS ATTACHED

Annex I Indicative list of advantages granted by the Republic of Azerbaijan to the Independent States in accordance with Article 8(3).

Annex II Intellectual, industrial and commercial property conventions referred to in Article 42.

Annex III Financial services definitions, referred to in Article 25.

Annex IV Community reservations in accordance with Article 22 (2).

Annex V Reservations of the Republic of Azerbaijan in accordance with Article 22 (4).

Protocol on mutual assistance between administrative authorities in customs matters.

Advantages granted by the Republic of Azerbaijan to the Independent States in accordance with Article 8(3)

1. No import duties are applied.
2. No export duties are applied with respect to goods delivered under annual bilateral interstate trade and cooperation arrangements, within the nomenclature stipulated therein.
3. No VAT is applied on import.
4. No excise duties are applied on import.

INTELLECTUAL, INDUSTRIAL AND COMMERCIAL PROPERTY CONVENTIONS REFERRED TO IN
ARTICLE 42

1. Paragraph 2 of Article 42 concerns the following multilateral conventions:
 - Berne Convention for the Protection of Literary and Artistic Works (Paris Act, 1971);
 - International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Rome, 1961);
 - Protocol relating to the Madrid Agreement concerning the International Registration of Marks (Madrid, 1989);
 - Nice Agreement concerning the International Classification of Goods and Services for the purposes of the Registration of Marks (Geneva 1977 and amended in 1979);
 - Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the purposes of Patent Procedures (1977, modified in 1980);
 - International Convention for the Protection of New Varieties of Plants (UPOV) (Geneva Act, 1991).
2. The Cooperation Council may recommend that paragraph 2 of Article 42 shall apply to other multilateral conventions. If problems in the area of intellectual, industrial and commercial property affecting trading conditions were to occur, urgent consultations will be undertaken, at the request of either party, with a view to reaching mutually satisfactory solutions.
3. The Parties confirm the importance they attach to the obligations arising from the following multilateral conventions:
 - Paris Convention for the Protection of Industrial Property (Stockholm Act, 1967 and amended in 1979);
 - Madrid Agreement concerning the International Registration of Marks (Stockholm Act, 1967 and amended in 1979);
 - Patent Cooperation Treaty (Washington, 1970, amended in 1979 and modified in 1984)
4. From the entry into force of this Agreement, the Republic of Azerbaijan shall grant to Community companies and nationals, in respect of the recognition and protection of intellectual, industrial and commercial property, treatment no less favourable than that granted by it to any third country under bilateral agreements.
5. The provisions of paragraph 4 shall not apply to advantages granted by the Republic of Azerbaijan to any third country on an effective reciprocal basis and to advantages granted by the Republic of Azerbaijan to another country of the former USSR.

CONCERNING ARTICLE 25
FINANCIAL SERVICES: DEFINITIONS

A financial service is any service of a financial nature offered by a financial service provider of a party. Financial services include the following activities:

- A. All insurance and insurance-related services;
 - 1. Direct insurance (including co-insurance).
 - (i) life
 - (ii) non-life
 - 2. Reinsurance and retrocession.
 - 3. Insurance intermediation, such as brokerage and agency.
 - 4. Services auxiliary to insurance, such as consultancy, actuarial, risk assessment and claim settlement services.
- B. Banking and other financial services (excluding insurance).
 - 1. Acceptance of deposits and other repayable funds from the public.
 - 2. Lending of all types, including, inter-alia, consumer credit, mortgage credit, factoring and financing of commercial transaction.
 - 3. Financial leasing.
 - 4. All payment and money transmission services, including credit charge and debit cards, travellers cheques and bankers drafts.
 - 5. Guarantees and commitments.
 - 6. Trading for own account or for the account of customers, whether on an exchange, in an over the counter market or otherwise, the following:
 - (a) money market instruments (cheques, bills, certificates of deposits, etc.)
 - (b) foreign exchange
 - (c) derivative products including, but not limited to, futures and options
 - (d) exchange rates and interest rate instruments, including products such as swaps, forward rate agreements, etc.
 - (e) transferable securities
 - (f) other negotiable instruments and financial assets, including bullion.
 - 7. Participation in issues of all kinds of securities, including under-writing and placement as agent (whether publicly or privately) and provision of services related to such issues.
 - 8. Money brokering.
 - 9. Asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial depository and trust services.
 - 10. Settlement and clearing services for financial assets, including securities, derivative products, and other negotiable instruments.
 - 11. Advisory intermediation and other auxiliary financial services on all the activities listed in points 1 to 10 above, including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy.

12. Provision and transfer of financial information, and financial data processing and related software by providers of other financial services.

The following activities are excluded from the definition of financial services:

- (a) Activities carried out by central banks or by any other public institution in pursuit of monetary and exchange rate policies.
- (b) Activities conducted by central banks, government agencies or departments, or public institutions, for the account or with the guarantee of the government, except when those activities may be carried out by financial service providers in competition with such public entities.
- (c) Activities forming part of a statutory system of social security or public retirement plans, except when those activities may be carried out by financial service providers in competition with public entities or private institutions.

COMMUNITY RESERVATIONS IN ACCORDANCE WITH ARTICLE 22 (2)

Mining

In some Member States, a concession may be required for mining and mineral rights for non-EC controlled companies.

Fishing

Access to and use of the biological resources and fishing grounds situated in the maritime waters coming under the sovereignty or within the jurisdiction of Member States of the Community is restricted to fishing vessels flying the flag of a Community Member State and registered in Community territory unless otherwise provided for.

Real estate purchase

In some Member States, the purchase of real estate by non-EC companies is subject to restrictions.

Audiovisual services including radio

National treatment concerning production and distribution, including broadcasting and other forms of transmission to the public, may be reserved to audiovisual works meeting certain origin criteria.

Telecommunications services including mobile and satellite services

Reserved services

In some Member States market access concerning complementary services and infrastructure is restricted.

Professional services

Services reserved to natural persons nationals of Member States. Under certain conditions those persons may create companies.

Agriculture

In some Member States national treatment is not applicable to non-EC controlled companies which wish to undertake an agricultural enterprise. The acquisition of vineyards by non-EC controlled companies is subject to notification, or, as necessary, authorization.

News agency services

In some Member States limitations of foreign participation in publishing companies and broadcasting companies

Reservations of the Republic of Azerbaijan in accordance with Article 22 (4).

Utilisation of subsoil and natural resources, including exploration and production, and mining.
A concession may be required for foreign companies for exploration and production of hydrocarbon resources as well as for mining some ores and metals.

Fishing

Authorisation from the competent governmental body is necessary for fishing.

Hunting

Authorisation from the competent governmental body is necessary for hunting.

Real estate (immovable property) purchase

Foreign companies are not allowed to acquire plots of land. Those companies can, however, lease plots of land on a long term basis.

Banking services

Total capital of foreign-owned banks may not exceed a given percentage of the total capital in the domestic banking system.

Azerbaijan undertakes not to reduce for Azerbaijani subsidiaries and branches of Community companies, the ceiling limiting the overall share of foreign capital in the Azerbaijani banking system which applies on the date of initialling of this Agreement unless so required in the framework of IMF programmes in Azerbaijan.

At the latest within five years from the date of signature of the Agreement, Azerbaijan will consider the possibility to increase this ceiling, taking into consideration all relevant monetary, fiscal, financial and balance of payments considerations and the state of the banking system of Azerbaijan.

Telecommunications and mass media services

Some limitations may be applied to foreign participation.

Professional activities

Some activities are closed, limited, or subject to special requirements for natural persons who are not Azerbaijani nationals.

Historical buildings and Monuments

Activities in this area are subject to restrictions.

* * *

The application of the reservations in this annex can in no case result in treatment less favorable than that accorded to companies of any third country.

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**DRAFT PROTOCOL
ON MUTUAL ASSISTANCE
BETWEEN ADMINISTRATIVE AUTHORITIES
IN CUSTOMS MATTERS**



ARTICLE 1

Definitions

For the purposes of this Protocol :

- a) "customs legislation" shall mean any legal or regulatory provisions applicable in the territory of the Contracting Parties governing the import, export, transit of goods and their placing under any customs procedure, including measures of prohibition, restriction and control;
- b) "applicant authority", shall mean a competent administrative authority which has been appointed by a Contracting Party for this purpose and which makes a request for assistance in customs matters;
- c) "requested authority", shall mean a competent administrative authority which has been appointed by a Contracting Party for this purpose and which receives a request for assistance in customs matters;
- d) "personal data", shall mean all information relating to an identified or identifiable individual.

ARTICLE 2

Scope

1. The Contracting Parties shall assist each other, in the areas within their jurisdiction, in the manner and under the conditions laid down in this Protocol, in preventing, detecting and investigating operations in breach of customs legislation.
2. Assistance in customs matters, as provided for in this Protocol, shall apply to any administrative authority of the Contracting Parties which is competent for the application of this Protocol. It shall not prejudice the rules governing mutual assistance in criminal matters. Nor shall it cover information obtained under powers exercised at the request of the judicial authorities, unless those authorities so agree.

ARTICLE 3

Assistance on request

1. At the request of the applicant authority, the requested authority shall furnish it with all relevant information which may enable it to ensure that customs legislation is correctly applied, including information regarding operations noted or planned which are or could be in breach of such legislation.
2. At the request of the applicant authority, the requested authority shall inform it whether goods exported from the territory of one of the Contracting Parties have been properly imported into the territory of the other Party, specifying, where appropriate, the customs procedure applied to the goods.

3. At the request of the applicant authority, the requested authority shall, within the framework of its laws, take the necessary steps to ensure that a special watch is kept on :
- (a) natural or legal persons of whom there are reasonable grounds for believing that they are breaching or have breached customs legislation;
 - (b) places where goods are stored in a way that gives grounds for suspecting that they are intended to supply operations in breach of customs legislation,
 - (c) movements of goods notified as possibly giving rise to breaches of customs legislation,
 - (d) means of transport for which there are reasonable grounds for believing that they have been, are or might be used in operations in breach of customs legislation.

ARTICLE 4

Spontaneous assistance

The Contracting Parties shall provide each other, in accordance with their laws, rules and other legal instruments, with assistance without prior request if they consider that to be necessary for the correct application of customs legislation, particularly when they obtain information pertaining to :

- operations which are or appear to be in breach of such legislation and which may be of interest to another Contracting Party;
- new means or methods employed in carrying out such operations.
- goods known to be subject to breaches of customs legislation.
- natural or legal persons of whom there are reasonable grounds for believing that they are or have been in breach of customs legislation
- means of transport for which there are reasonable grounds for believing that they have been, are or might be used in operations in breach of customs legislation

ARTICLE 5

Delivery/Notification

At the request of the applicant authority, the requested authority shall, in accordance with its legislation, take all necessary measures in order :

- to deliver all documents,
- to notify all decisions,

falling within the scope of this Protocol to an addressee, residing or established in its territory. In such cases, Article 6(3) shall apply as far as the request itself is concerned.

ARTICLE 6

Form and substance of requests for assistance

1. Requests pursuant to this Protocol shall be made in writing. They shall be accompanied by the documents necessary to enable compliance with the request. When required because of the urgency of the situation, oral requests may be accepted, but must be confirmed in writing immediately.
2. Requests pursuant to paragraph 1 shall include the following information :
 - (a) the applicant authority making the request;
 - (b) the measure requested;
 - (c) the object of and the reason for the request;
 - (d) the laws, rules and other legal elements involved;
 - (e) indications as exact and comprehensive as possible on the natural or legal persons who are the target of the investigations;
 - (f) a summary of the relevant facts and of the enquiries already carried out, except in cases provided for in Article 5.
3. Requests shall be submitted in an official language of the requested authority or in a language acceptable to that authority.
4. If a request does not meet the formal requirements, its correction or completion may be requested; precautionary measures may, however, be ordered.

ARTICLE 7

Execution of requests

1. In order to comply with a request for assistance, the requested authority shall proceed, within the limits of its competence and available resources, as though it were acting on its own account or at the request of other authorities of that same Contracting Party, by supplying information already possessed, by carrying out appropriate enquiries or by arranging for them to be carried out. This provision shall also apply to the administrative department to which the request has been addressed by the requested authority when the latter cannot act on its own.
2. Requests for assistance shall be executed in accordance with the laws, rules and other legal instruments of the requested Contracting Party.
3. Duly authorized officials of a Contracting Party may, with the agreement of the other Contracting Party involved and subject to the conditions laid down by the latter, obtain from the offices of the requested authority or other authority for which the requested authority is responsible, information relating to operations which are or may be in breach of customs legislation which the applicant authority needs for the purposes of this Protocol.
4. Officials of a Contracting Party may, with the agreement of the other Contracting Party involved and subject to the conditions laid down by the latter, be present at enquiries carried out in the latter's territory.

ARTICLE 8

Form in which information is to be communicated

1. The requested authority shall communicate results of enquiries to the applicant authority in the form of documents, certified copies of documents, reports and the like.
2. The documents provided for in paragraph 1 may be replaced by computerized information produced in any form for the same purpose.

ARTICLE 9

Exceptions to the obligation to provide assistance

1. The Contracting Parties may refuse to give assistance as provided for in this Protocol, where to do would:
 - (a) be likely to prejudice the sovereignty of the Republic of Azerbaijan or that of a Member State of the European Union which has been asked for assistance under this Protocol; or
 - (b) be likely to prejudice public policy, security or other essential interests, in particular in the cases referred to under Article 10 (2); or
 - (c) involve currency or tax regulations other than customs legislation; or
 - (d) violate an industrial, commercial or professional secret.
2. Where the applicant authority requests assistance which it would itself be unable to provide if so asked, it shall draw attention to that fact in its request. It shall then be left to the requested authority to decide how to respond to such a request.
3. If assistance is refused, the decision and the reasons therefor must be notified to the applicant authority without delay.

ARTICLE 10

Information exchange and confidentiality

1. Any information communicated in whatsoever form pursuant to this Protocol shall be of a confidential or restricted nature, depending on the rules applicable in each of the Contracting Parties. It shall be covered by the obligation of official secrecy and shall enjoy the protection extended to like information under the relevant laws of the Contracting Party which received it and the corresponding provisions applying to the Community institutions.
2. Personal data may be exchanged only where the receiving Contracting Party undertakes to protect such data in at least an equivalent way to the one applicable to that particular case in the supplying Contracting Party.
3. Information obtained shall be used solely for the purposes of this Protocol. Where one of the Contracting Parties requests the use of such information for other purposes, it shall ask for the prior written consent of the authority which furnished the information. Moreover, it shall be subject to any restrictions laid down by that authority.

4. Paragraph 3 shall not impede the use of information in any judicial or administrative proceedings subsequently instituted for failure to comply with customs legislation. The competent authority which supplied that information shall be notified of such use.
5. The Contracting Parties may, in their records of evidence, reports and testimonies and in proceedings and charges brought before the courts, use as evidence information obtained and documents consulted in accordance with the provisions of this Protocol.

ARTICLE 11

Experts and witnesses

1. An official of a requested authority may be authorized to appear, within the limitations of the authorization granted, as an expert or witness in judicial or administrative proceedings regarding the matters covered by this Protocol in the jurisdiction of the other Contracting Party, and produce such objects, documents or authenticated copies thereof, as may be needed for the proceedings. The request for an appearance must indicate specifically on what matters and by virtue of what title or qualification the official will be questioned.
2. The authorized official shall enjoy the protection guaranteed by existing legislation to officials of the applicant authority on its territory.

ARTICLE 12

Assistance expenses

The Contracting Parties shall waive all claims on each other for the reimbursement of expenses incurred pursuant to this Protocol, except, as appropriate, for expenses to experts and witnesses and to interpreters and translators who are not public service employees.

ARTICLE 13

Application

1. The application of this Protocol shall be entrusted to the central customs authorities of the Republic of Azerbaijan on the one hand and the competent services of the European Commission and, where appropriate, the customs authorities of the Member States of the European Union on the other. They shall decide on all practical measures and arrangements necessary for its application, taking into consideration the rules in force in the field of data protection. They may recommend to the competent bodies amendments which they consider should be made to this Protocol.
2. The Contracting Parties shall consult each other and subsequently keep each other informed of the detailed rules of implementation which are adopted in accordance with the provisions of this Protocol.

ARTICLE 14

Complementarity

Without prejudice to Article 10, any agreements on mutual assistance which have been concluded between one or more Member States of the European Union and the Republic of Azerbaijan shall not prejudice Community provisions governing the communication between the competent services of the Commission and the customs authorities of the Member States of any information obtained in customs matters which could be of Community interest.

JOINT DECLARATION

The Parties confirm that the twelfth recital in the preamble to this Agreement does not imply any judgement as to which countries, other than Azerbaijan, energy products should transit.



JOINT DECLARATION CONCERNING ARTICLE 3 BIS

In reviewing changing circumstances in the Republic of Azerbaijan, as foreseen in Art. 3 bis, the Parties shall discuss important changes which may have a significant bearing on Azerbaijan's future development. This could include accession by Azerbaijan to the WTO, the Council of Europe or other international bodies or accession to any regional customs union or any form of regional integration agreement.

JOINT DECLARATION IN RELATION TO ARTICLE 5

Should the Parties agree that circumstances warrant meetings at the highest level, such meetings may be arranged on an ad hoc basis.

**JOINT DECLARATION
CONCERNING ARTICLE 14**

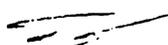
Until the Republic of Azerbaijan accedes to the WTO, the Parties shall hold consultations in the Cooperation Committee on their import tariff policies, including changes in tariff protection. In particular, such consultations shall be offered prior to the increase of tariff protection.

**JOINT DECLARATION
CONCERNING THE NOTION OF "CONTROL"
IN ARTICLE 24(b) AND ARTICLE 36**

1. The Parties confirm their mutual understanding that the question of control shall depend on the factual circumstances of the particular case.
2. A company shall, for example, be considered as being "controlled" by another company, and thus a subsidiary of such other company if:
 - the other company holds directly or indirectly a majority of the voting rights, or
 - the other company has the right to appoint or dismiss a majority of the administrative organ, of the management organ or of the supervisory organ and is at the same time a shareholder or member of the subsidiary.
3. Both Parties consider the criteria in paragraph 2 to be non-exhaustive.

**JOINT DECLARATION
CONCERNING ARTICLE 35**

The sole fact of requiring a visa for natural persons of certain Parties and not for those of others shall not be regarded as nullifying or impairing benefits under a specific commitment.



**JOINT DECLARATION
CONCERNING ARTICLE 42**

The Parties agree that for the purpose of the Agreement, intellectual, industrial and commercial property includes in particular copyright, including the copyright in computer programs, and neighbouring rights, the rights relating to patents, industrial designs, geographical indications, including appellations of origin, trademarks and service marks, topographies of integrated circuits as well as protection against unfair competition as referred to in Article 10 bis of the Paris Convention for the protection of Industrial Property and protection of undisclosed information on know-how.

**JOINT DECLARATION
CONCERNING ARTICLE 54**

The provisions of Article 54 (3) shall not require either of the Parties to provide information of a confidential nature.

**JOINT DECLARATION
CONCERNING ARTICLE 94**

1. The Parties agree, for the purpose of its correct interpretation and its practical application, that the term "cases of special urgency" included in Article 94 of the Agreement means cases of material breach of the Agreement by one of the Parties. A material breach of the Agreement consists in

(a) repudiation of the Agreement not sanctioned by the general rules of international law

or

(b) violation of the essential elements of the Agreement set out in Article 2.

2. The parties agree that the "appropriate measures" referred to in Article 94 are measures taken in accordance with international law. If a party takes a measure in a case of special urgency as provided for under Article 94, the other party may avail itself of the procedure relating to settlement of disputes.

EXCHANGE OF LETTERS
BETWEEN THE COMMUNITY
AND THE REPUBLIC OF AZERBAIJAN
IN RELATION TO THE ESTABLISHMENT OF COMPANIES

A. Letter from the Government of the Republic of Azerbaijan

Dear Sir,

I refer to the Partnership and Cooperation Agreement initialled on

As I underlined during the negotiations, the Republic of Azerbaijan grants to Community companies establishing and operating in the Republic of Azerbaijan in certain respects a privileged treatment. I explained that this reflects the Azerbaijani policy to promote by all means the establishment of Community companies in the Republic of Azerbaijan.

With this in mind, it is my understanding that during the period between the date of initialling of this Agreement and the entry into force of the relevant articles on establishment of companies, the Republic of Azerbaijan shall not adopt measures or regulations which would introduce or worsen discrimination of Community companies vis-à-vis Azerbaijani companies or companies from any third country as compared to the situation existing on the date of initialling of this agreement.

I would be obliged if you could acknowledge receipt of this letter.

Please accept, Sir, the assurance of my highest consideration.

For the Government of the Republic of Azerbaijan

B. Letter from the European Community

Dear Sir,

Thank you for your letter of today's date, which reads as follows:

"I refer to the Partnership and Cooperation Agreement initialled on

As I underlined during the negotiations, the Republic of Azerbaijan grants to Community companies establishing and operating in the Republic of Azerbaijan in certain respects a privileged treatment. I explained that this reflects the Azerbaijani policy to promote by all means the establishment of Community companies in the Republic of Azerbaijan.

With this in mind, it is my understanding that during the period between the date of initialling of this agreement and the entry into force of the relevant articles on establishment of companies, the Republic of Azerbaijan shall not adopt measures or regulations which would introduce or worsen discrimination of Community companies vis-à-vis Azerbaijani companies or companies from any third country as compared to the situation existing on the date of initialling of this agreement.

I would be obliged if you could acknowledge receipt of this letter."

I can acknowledge receipt of this letter.

Please accept, Sir, the assurance of my highest consideration.

On behalf of the European Community

**DECLARATION
BY THE FRENCH GOVERNMENT**

The French Republic notes that the Partnership and Cooperation Agreement with the Republic of Azerbaijan does not apply to the overseas countries and territories associated with the European Community pursuant to the Treaty establishing the European Community.

Outside the Agreement:

Declaration by the Community

The Community undertakes to provide technical assistance in the form of seminars or other appropriate means in order to help Azerbaijani authorities and economic operators to benefit in full from the advantages granted under the Community GSP as currently applied to Azerbaijan.

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