PREFERENTIAL TRADE AGREEMENT
BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF TURKEY
AND
THE GOVERNMENT OF THE REPUBLIC OF AZERBAIJAN

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Preamble

The Government of the Republic of Turkey and the Government of the Republic of Azerbaijan (hereinafter referred to collectively as “the Contracting Parties” and individually as “Contracting Party” or “Party”),

BASED ON the Agreement between the Government of the Republic of Turkey and the Government of the Republic of Azerbaijan on Partnership and Cooperation signed in 2007;

ACKNOWLEDGING their rights and obligations stemming from the Agreement on Trade and Economic Cooperation between the Government of the Republic of Turkey and the Government of the Republic of Azerbaijan signed in 1992;

WITH THE SPIRIT of rooted amity and fraternity;

CONSCIOUS that the Preferential Trade Agreement between the Government of the Republic of Turkey and the Government of the Republic of Azerbaijan (hereinafter referred to as “this Agreement”) will create a new climate for economic and trade relations between them;

BELIEVING that the content of this Agreement would be expanded gradually and extended to new areas of mutual interests;

FIRMLY CONVINCED that the increasing of bilateral mutually advantageous trade exchanges and strengthening close economic partnership will bring economic and special benefits and improve the life standards of the peoples of the Contracting Parties;

CONSIDERING that rights and obligations of the Contracting Parties arising from other bilateral, regional or multilateral agreements shall not be affected by the provisions of this Agreement;

TAKING INTO CONSIDERATION that Turkey signed the “Agreement Establishing an Association between the Republic of Turkey and European Economic Community” on September 12th, 1963;

STRESSING the need for the diversification of the tradable goods with a view to fostering further development of their respective economies;

Have agreed as follows:

ARTICLE 1
Objectives

1. The Contracting Parties, hereby, agree to establish a Preferential Trade Agreement.

2. The objective of this Agreement is to strengthen trade relations between the Contracting Parties in particular through:

a) the general principles referred to in Article 4;
b) the reduction or elimination of tariffs and elimination of para-tariffs and non-tariff barriers on goods specified in Annex I-A and Annex I-B of this Agreement;
c) the enhancement and promotion of trade through harmonious development of economic relations between the Contracting Parties;
d) the creation of enabling conditions for fair competition between the Contracting Parties;
e) the creation of more predictable and secure environment for sustainable growth of trade between the Contracting Parties.

ARTICLE 2
Interpretation of the Agreement

Provisions of this Agreement shall be interpreted in accordance with customary rules of interpretation of public international law, due account being taken of the fact that the Contracting Parties shall implement this Agreement in good faith and avoid circumvention of their obligations. The Annexes to this Agreement constitute an integral part of this Agreement.

ARTICLE 3
Definitions

For the purpose of this Agreement:

1.“Tariffs” mean customs tariffs or customs duties of tariff-like effect defined in the tariff schedules established under the national legislation in force on the territories of the Contracting Parties. Tariffs do not include any anti-dumping and countervailing duties referred to in Article 11 or bilateral and global safeguard measures referred to in Article 12 of this Agreement.

2. “Para-tariffs” mean border charges, taxes and fees other than tariffs on foreign trade transactions with a tariff like effect, which are levied solely on imported goods. Indirect taxes and charges which are levied in the same manner on like domestic goods or, import charges corresponding to specific services rendered, and other duties permitted under this Agreement, are not considered as para-tariff measures.

3. "Non-tariff barriers" mean any measure, regulation or practice, other than tariff and para-tariff, the effect of which is to significantly distort trade between the Contracting Parties or to restrict imports. Measures permitted under this Agreement shall not be considered as non-tariff barriers.

4. “Goods” constitute commodities and products under the Harmonized Commodity Description and Coding System, which are specified in the Annex I-A and Annex I-B of this Agreement.

5. "Preferential treatment" means any concession or privilege granted under this Agreement by a Contracting Party through the reduction or elimination of tariffs and elimination of non-tariff barriers on the movement of goods.

6. “Bilateral safeguard measures” mean safeguard measures described in the Article 12 of this Agreement.

7. “Global safeguard measures” mean safeguard measures applied to the goods being imported irrespective of their source in compliance with the national legislation of the Contracting Party.

8. "Joint Committee" means the committee established under the Article 19 of this Agreement.

9. “Transition period” means 10-year period following the date of entry into force of this Agreement.

ARTICLE 4
General Principles

This Agreement shall be practiced within the principle of reciprocity of advantages for the equal benefit of the Contracting Parties, considering the economic development level, the course of foreign trade and tariff policies of the Contracting Parties.

ARTICLE 5
Trade Relations Governed by Other Agreements

Nothing in this Agreement shall preclude the maintenance or establishment of customs unions, free trade areas, preferential trade agreements, multilateral trade agreements or cross-border trade arrangements by the Contracting Parties with other countries.

ARTICLE 6
Scope

The provisions of this Agreement shall apply to the goods originating in the territories of the Contracting Parties that are specified in Annex I-A and Annex I-B of this Agreement.

ARTICLE 7
Exchange of Concessions

1. The Contracting Parties shall grant concessions to each other for the goods listed in Annex I-A and Annex I-B of this Agreement in compliance with the provisions of Annex II of this Agreement concerning the rules of origin.

2. For each good, the basic tariff rate to which reductions will be applied is indicated in Annex I-A and Annex I-B of this Agreement.

3. If before and after the entry into force of this Agreement, any tariff reductions are made on an *erga omnes* basis for the goods in Annex I-A and Annex I-B of this Agreement, such reduced tariff rates shall replace the basic tariff rates referred to in the paragraph 2 of this Article as from the date such reductions are applied.

4. The Contracting Parties, unless otherwise provided therein, shall eliminate all non-tariff barriers and any measures having equivalent effect on the movement of goods specified in Annex I-A and Annex I-B of this Agreement from the date of entry into force of this Agreement.

5. From the date of entry into force of this Agreement, no new non-tariff barriers or measures having equivalent effect shall be introduced in trade of goods specified in Annex I-A and Annex I-B of this Agreement between the Contracting Parties.

6. The Contracting Parties shall exchange lists of para-tariff measures and from the date of entry into force of this Agreement, shall eliminate the existing para-tariff measures in the free movement of goods.

7. Upon entry into force of this Agreement, no new para-tariffs on the movement of goods specified in Annex I-A and Annex I-B of this Agreement shall be introduced.

8. From the date of entry into force of this Agreement, no new tariffs or charges having equivalent effect shall be introduced in trade of goods specified in Annex I-A and Annex I-B of this Agreement between the Contracting Parties.

9. The Contracting Parties shall consider further liberalization of their bilateral trade through consultations within meetings of the Joint Committee.

ARTICLE 8
Most Favored Nation Treatment

The Contracting Parties shall accord treatment to each other which is no less favorable than that accorded to any other country with regard to all the rules, regulations, procedures and formalities applicable to trade in goods. However, unless there is specific mutual agreement between the Contracting Parties, they shall not be eligible to benefit from tariff rate quotas or tariff concessions granted by each Contracting Party to some other country within the

framework of an autonomous regime, free trade agreement, preferential trade agreement, regional trade agreement, customs union agreement, or multilateral trade agreement.

ARTICLE 9
National Treatment

The goods of any Contracting Party, imported to the other Contracting Party shall be accorded treatment no less favorable than like products of national origin, in respect of laws, regulations and requirements affecting their sale, offer for sale, purchase, transportation, distribution or use.

ARTICLE 10
Rules of Origin

1. The Contracting Parties agreed to apply the preferential rules of origin in trade between them.

2. Goods covered by the provisions of this Agreement shall be eligible for preferential treatment provided that they satisfy the rules of origin as set out in Annex II to this Agreement.

3. In case there is a need to amend the rules of origin laid down in Annex II of this Agreement, the Joint Committee shall initiate the necessary procedures.

ARTICLE 11
Antidumping and Countervailing Measures

1. In order to counter injury caused by dumping or subsidy, the Contracting Parties shall have the right to take anti-dumping and countervailing measures in accordance with their national legislations.

2. Before the initiation of an anti-dumping and countervailing investigation, the authorities of the importing Contracting Party shall notify the authorities of exporting Contracting Party in a reasonable time.

3. As soon as an investigation has been initiated, the authorities of the importing Contracting Party shall provide the non-confidential text of the written application received to the known exporters and to the authorities of the exporting Contracting Party.

4. Interested parties receiving questionnaires used in investigation shall be given at least 30 days for reply. Due consideration should be given to any request for an extension of the 30-day period and, upon cause shown, such an extension should be granted whenever practicable.

5. The authorities of the importing Contracting Party shall, before a final determination is made, inform the exporting Contracting Party of the essential facts which form the basis for the decision whether to apply definitive measures. Such disclosure should take place in sufficient time for the parties to defend their interests.

ARTICLE 12
Safeguard Measures

1. Without prejudice to the rights and obligations of the Contracting Parties with regard to safeguard measures imposed in compliance with their national legislations, if, as a result of the reduction or elimination of a tariff under this Agreement, originating goods of a Contracting Party are being imported into the territory of the other Contracting Party in such increased quantities, in absolute terms or relative to domestic production, and under such conditions as to cause or threaten to cause serious injury to a domestic industry producing like or directly competitive goods, the importing Contracting Party, in prior consultations with the other Contracting Party in accordance with Article 20 of this Agreement, may adopt bilateral safeguard measures.

2. Before applying bilateral safeguard measures, the Contracting Party intending to apply such measure shall supply the other Contracting Party with all the relevant information required for an examination of the situation with a view to seeking an acceptable solution to both of the Contracting Parties. In order to find such a solution, the Contracting Parties shall immediately hold consultations. If, as a result of the consultations, the Contracting Parties do not reach an agreement within 30 days, the complaining Contracting Party may initiate the investigation process.

3. A Party shall apply a bilateral safeguard measure only following an investigation by its competent authorities.

4. In the investigation to determine whether increased imports have caused or are threatening to cause serious injury to a domestic industry under the terms of this Agreement, the competent authorities shall evaluate all relevant factors of an objective and quantifiable nature having a bearing on the situation of that industry, in particular, the rate and amount of the increase in imports of the product concerned in absolute and relative terms, the share of the domestic market taken by increased imports, changes in the level of sales, production, productivity, capacity utilization, profits and losses, and employment.

5. The determination referred to in Paragraph 4 of this Article shall not be made unless this investigation demonstrates, on the basis of objective evidence, the existence of the causal link between increased imports of the product concerned and serious injury or threat thereof. When factors other than increased imports are causing injury to the domestic industry at the

same time, such injury shall not be attributed to increased imports.

6. The competent authorities shall publish promptly a detailed analysis of the case under investigation as well as a demonstration of the relevance of the factors examined.

7. Each Party shall ensure that its competent authorities complete any such investigation within one year of its date of initiation.

8. Neither Party shall apply a bilateral safeguard measure:

(a) except to the extent, and for such time, as may be necessary to prevent or remedy serious injury and to facilitate adjustment;

(b) for a period exceeding two years, except that the period may be extended by up to one year if the competent authorities of the applying Party determine, in conformity with the procedures specified in this Article, that the measure continues to be necessary to prevent or remedy serious injury and to facilitate adjustment and that there is evidence that the industry is adjusting, provided that the total period of application of a bilateral safeguard measure, including the period of initial application and any extension thereof, shall not exceed three years; or

(c) beyond the expiration of the transition period.

9. The importing Contracting Party may take a bilateral safeguard measure which:

(a) Suspends reduction of the tariff rate on the concerned good provided for under this Agreement; or

(b) Increases the rate of tariff on the good to a level which does not exceed the lesser of:

(i) the applied rate of customs duty on the good in effect at the time the measure is taken; or

(ii) the basic tariff rate specified in Annex I-A and Annex I-B of this Agreement.

10. When a Party terminates a bilateral safeguard measure, the rate of customs duty shall be the rate that, according to Annexes I-A and I-B of this Agreement, would have been in effect but for the measure.

11. A Party can only apply a bilateral safeguard measure after one year from the date of entry into force of this Agreement. Neither Party shall apply a bilateral safeguard measure more than once against the same good.

12. Where the expected duration of the bilateral safeguard measure is over one year, the applying Party shall progressively liberalize it at regular intervals.

13. The Contracting Parties retain the right to apply the global safeguard measures and nothing in this Article shall preclude the application of the global safeguard measures.

14. Neither Party shall apply, with respect to the same good, at the same time:

(a) a bilateral safeguard measure in accordance with Article 12.1; and

(b) a global safeguard measure.

ARTICLE 13

Standards, Technical Regulations, and Sanitary and Phytosanitary Measures

1. The Contracting Parties shall ensure that technical regulations, conformity assessment procedures and standards are not prepared, adopted or applied with a view to creating obstacles to mutual trade or to protect domestic production.

2. The Contracting Parties shall ensure that:

a. any sanitary or phytosanitary measures are applied *only* to the extent necessary to protect human, animal or plant life or health, based on scientific principles and not maintained without sufficient evidence, taking into account the availability of relevant scientific information and regional conditions,

b. Standards and technical regulations are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to mutual trade. For this purpose, technical regulations shall not be more trade-restrictive than necessary to fulfill a legitimate objective, taking into account the risks non-fulfillment would create. Such legitimate objectives are, inter alia: those described in Articles 16 and 17 of this Agreement; the prevention of deceptive practices, the protection of the environment. In assessing such risks, relevant elements of consideration shall be, inter alia the available scientific and technical information, the related processing technology or the intended end uses of products.

ARTICLE 14

Balance of Payments Difficulties

Where either Contracting Party is in a serious balance of payments difficulties, or under threat thereof, the Contracting Party concerned may, in accordance with the conditions laid down within the Articles VIII and XIV of the Articles of Agreement of International Monetary Fund, adopt restrictive measures, which shall be of limited duration and may not go beyond what is necessary to remedy the balance of payments situation. The Contracting Party concerned shall inform the other Contracting Party forthwith of their introduction and present to the other Contracting Party, as soon as possible a time schedule of their removal.

ARTICLE 15

Re-Export and Shortage Clause

1. In the event that a Contracting Party adopts or maintains a prohibition or restriction on the importation from or exportation to another country of a good, nothing in this Agreement shall be construed to prevent that Contracting Party from:

a) limiting or prohibiting the importation from the territory of the other Contracting Party of such good of that other country; or

b) requiring as a condition of export of such good to the territory of the other Contracting Party, that the good not be re-exported to the non-Contracting Party, directly or indirectly, without being consumed in territory of the other Contracting Party.

2. In addition, none of the provisions of this Agreement shall preclude the maintenance or adoption by either Contracting Party of any trade restrictive measures necessary to remove or forestall a serious shortage, or threat thereof, of a product essential to the exporting Contracting Party. The measures shall be non-discriminatory and shall be eliminated when conditions no longer justify their maintenance. The Contracting Parties shall inform each other immediately when taking measures according to this Article.

ARTICLE 16
General Exceptions

Subject to the condition that such measures are not applied in a manner so as to constitute arbitrary or unjustifiable discrimination or a disguised restriction on a trade between the Contracting Parties, nothing in this Agreement shall preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, religious values, national security, the protection of human, animal and plant life and health, the protection of national treasures possessing artistic, historic or archeological value, the protection of exhaustible natural resources and genetic reserves, the regulations concerning gold or silver and the regulations concerning the exports of these products, the price of which are held below the world price as part of a government stabilization plan.

ARTICLE 17
Security Exceptions

Nothing in this Agreement shall prevent a Contracting Party from taking any measures, which it considers necessary for security requirements:

a. to prevent the disclosure of confidential information contrary to its essential security interests;

b. for the protection of its essential security interests or for the implementation of international obligations or national policies such as:

i. relating to the traffic in arms, ammunition and implements of war, provided that such measures do not impair the conditions of competition in respect of the products not intended for specifically military purposes, and to such traffic in other

goods, materials and services as is carried on directly or indirectly for the purpose of supplying a military establishment; or

ii. relating to the non-proliferation of biological and chemical and nuclear weapons, or other nuclear explosive devices; or

iii. adopted in time of war or other serious international tension.

ARTICLE 18
Exchange of Information

1. On the request of the other Contracting Party, each Contracting Party shall provide information and reply to any question from the other Contracting Party within a period of 30 days, relating to an actual or proposed measure that might affect the operation of this Agreement.

2. Each Contracting Party shall ensure that its laws and regulations relating to any trade matter covered by this Agreement are published or made publicly available.

ARTICLE 19
Joint Committee

1. A Joint Committee, composed of the representatives of each Contracting Party is hereby established. The Joint Committee shall meet at least once a year to review the progress achieved in the implementation of this Agreement. Any Contracting Party may also request holding an extraordinary meeting by notifying the other Contracting Party.

2. The Joint Committee shall undertake any function assigned to it under the provisions of this Agreement. Upon request of a Contracting Party and subject to approval of the other Contracting Party, the Joint Committee shall also examine any other matter affecting the implementation of this Agreement. The Joint Committee may also make recommendations on matters related to this Agreement.

3. The Joint Committee shall set out its rules of procedures during its first meeting.

4. The Joint Committee may also establish any other sub-committees or working groups, as it deems necessary.

ARTICLE 20
Consultations and Dispute Settlement

1. Each Contracting Party shall accord sympathetic consideration and shall afford adequate opportunity for consultations with respect to any matter affecting the operation of this Agreement.

2. The Joint Committee shall meet within 30 days after the date of receipt of the request of either Contracting Party to consider any matter for which it has not been possible to find a satisfactory solution through consultations in accordance with paragraph 1 above.

3. Any disputes arising from the interpretation and/or application of the Agreement shall be settled amicably through bilateral consultations.

4. The Contracting Parties shall give the Joint Committee all assistance to examine and resolve the dispute.

5. The Contracting Parties shall take the necessary measures involved in carrying out for the implementation of the decisions of the Joint Committee. If a Contracting Party fails to implement the decisions, the other Contracting Party shall have the right to withdraw the equivalent preferential treatment.

ARTICLE 21

Fulfillment of Obligations

1. The Contracting Parties shall take all necessary measures to ensure the achievement of the objectives of this Agreement and the fulfillment of their obligations under this Agreement.

2. If either Contracting Party considers that the other Contracting Party has failed to fulfill an obligation under this Agreement, the Contracting Party concerned shall first have recourse to the procedures laid down in Article 20 of this Agreement.

3. If the consultations shall not be held within 30 days from the date of receipt of the request for consultations or if the Joint Committee cannot resolve the dispute within 90 days after the date of receipt of such request then the Party shall have the right to withdraw the equivalent preferential treatment.

ARTICLE 22

Amendments

This Agreement may be amended and supplemented by mutual consent of the Contracting Parties through separate protocols being an integral part of this Agreement. These Amendments shall enter into force in accordance with the Article 24 of this Agreement.

ARTICLE 23

Duration and Denunciation

1. This Agreement is concluded for an indefinite period.

2. This Agreement shall remain valid as long as one Contracting Party notifies through diplomatic channels of its intention to terminate it. In this case, this Agreement shall be

terminated on the first day of the seventh month following the date when the other Contracting Party receives the denunciation notice.

ARTICLE 24

Entry into Force

This Agreement shall enter into force on the first day of the second month following the receipt of the latter diplomatic note confirming that all the procedures required by the national legislation of each Contracting Party for entry into force of the Agreement have been completed.

In witness whereof, the undersigned, duly authorized thereto by their respective Governments, have signed this Agreement.

Done at Baku on 25 February 2020 in two originals in Turkish, Azerbaijani and English languages, all texts being equally authentic. In case of divergence of interpretation of the provisions of this Agreement, the English texts shall prevail.

FOR THE GOVERNMENT OF THE REPUBLIC OF TURKEY	FOR THE GOVERNMENT OF THE REPUBLIC OF AZERBAIJAN
Ruhsar PEKCAN	**Mikayil JABBAROV**
Minister of Trade	**Minister of Economy**

ANNEXES

ANNEX I: LISTS OF GOODS

ANNEX I-A: List of Goods Originating in the Republic of Azerbaijan, to be Applied Preferential Trade Regime by the Republic of Turkey, Basic Tariff Rates, Tariff Reduction Rates and Annual Tariff Quota Quantities

№	HS 2017	Product Name	Basic Tariff Rate	Tariff Reduction Rate	Annual Tariff Quota
1	0406.90.99.00.11	Chester, Parmesan, Dutch and similar cheeses	45%	100%	100 Tons
	0406.90.99.00.12	string cheese	140%		
	0406.90.99.00.19	other	140%		
2	0806.10.10.00	table grapes	54,9%	100%	3.500 Tons
3	0808.10.80.00	other	60,3%	100%	3.000 Tons
4	0809.40	plums and sloes	55,8%	100%	3.000 Tons
5	0810.70.00.00	persimmons	50%	100%	30.000 Tons
6	0902.30.00.00	black tea (fermented) and partly fermented tea, in immediate packings of a content not exceeding 3 kg	145%	100%	300 Tons
7	1512.19.90.00	other	67,5%	100%	5.000 Tons
8	1516.20.98.00	other	46,8%	100%	2.500 Tons
9	1701.99.10.00	white sugar	135%	100%	5.000 Tons
10	1806.90.19.00	other	8,3%+ T1	100%	1.250 Tons
11	2001.10.00.00	cucumbers and gherkins	39%	100%	500 Tons
12	2002.90.99.00	in immediate packings of a net content not exceeding 1 kg	135,9 %	100%	750 Tons
13	2007.99.97.00.13	for diabetics	0%	100%	3.000 Tons
	2007.99.97.00.14	hazelnut purée	58,5%		
	2007.99.97.00.15	apple purée (incl. compotes)	58,5%		
	2007.99.97.00.16	apricot purée	58,5%		
	2007.99.97.00.17	plum purée	58,5%		
	2007.99.97.00.18	other	58,5%		
14	2009.79.19.00	other	58,5%	100%	2.000 Tons
15	2204.21.96.00	other	70%	100%	900.000 Liters

ANNEX I-B: List of Goods Originating in the Republic of Turkey, to be Applied Preferential Trade Regime by the Republic of Azerbaijan, Basic Tariff Rates, Tariff Reduction Rates and Annual Tariff Quota Quantities

№	HS 2017	Product Name	Basic Tariff Rate	Tariff Reduction Rate	Annual Tariff Quota
1	0406.30.31.00	not exceeding 48%	15 %	100%	150 Tons
2	1206.00.99.00	other	5 %	100%	5.000 Tons
3	1517.90.99.00	other	15 %	100%	5.000 Tons
4	1704.10.10.00	containing less than 60% by weight of sucrose (including invert sugar expressed as sucrose):	15 %	100%	400 Tons
5	1704.90.71.00	boiled sweets whether or not filled	15 %	100%	1.500 tons
6	1704.90.75.00	toffees, caramels and similar sweets	15 %	100%	4.000 Tons
7	1704.90.81.00	compressed tablets	15 %	100%	200 Tons
8	1806.20.80.00	chocolate flavour coating	15%	100%	500 Tons
9	1806.31.00.00	filled	15 %	100%	1.300 Tons
10	1806.32.10.00	with added cereal, fruit or nuts	15 %	100%	500 Tons
11	1806.90.50.00	sugar confectionery and substitutes therefor made from sugar substitution products, containing cocoa	15 %	100%	1.500 Tons
12	1901.90.99.00	other	15 %	100%	1.500 Tons
13	1902.30.10.00	dried	15 %	100%	1.000 Tons
14	1905.32.99.00	other	15%	100%	1.000 Tons
15	2002.90.39.00	in immediate packings of a net content not exceeding 1 kg	15%	100%	750 Tons

ANNEX II

RULES CONCERNING PREFERENTIAL RULES OF ORIGIN AND METHODS OF ADMINISTRATIVE COOPERATION

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TITLE I

GENERAL PROVISIONS

Article 1

Scope

Annex II shall be applied for determining the origin of goods eligible for preferential concessions under the Preferential Trade Agreement (hereinafter referred to as "this Agreement") between the Republic of Turkey and the Republic of Azerbaijan (hereinafter referred to as "Turkey" and "Azerbaijan" or "the Contracting Parties" where appropriate)

Article 2

Definitions

For the purposes of this Annex:

(a) "chapters" and "headings" means the chapters and the headings (four-digit codes) used in the nomenclature which makes up the Harmonized Commodity Description and Coding System (hereinafter referred to as HS);

(b) "classification" refers to the classification of a product or material under a particular heading;

(c) "customs value" means the transaction value of imported goods, which is the price actually paid or payable for the goods when sold for export to the country of importation, including other leviable charges and adjustment. In cases where the Customs value cannot be determined based on transaction value, it will be determined using one of the following methods:

i. The transaction value of identical goods;

ii. The transaction value of similar goods;

iii. The deductive value method;

iv. The computed value method;

v. The fall-back method;

(d) "goods" means both material and the products;

(e) "manufacture" means any kind of sufficient working or processing including assembly or specific operations on both of industrial and agricultural products;

(f) "material" means any ingredient, raw material, component or part, etc., used in the manufacture of the product;

(g) "product" means the product being manufactured, even if it is intended for later use in another manufacturing operation;

(h) "territories" means territories of Contracting Parties including territorial waters;

(i) "value of materials" means the customs value at the time of importation of the non-originating materials used, or, if this is not known and cannot be ascertained, the first ascertainable price paid for the non-originating materials in a Contracting Party;

(j) "value added" shall be taken to be the ex-works price minus the customs value of each of the materials incorporated which originate in the other Contracting Party or where the customs value is not known or cannot be ascertained, the first ascertainable price paid for the materials in a Contracting Party;

(k) "ex-works price" means the price paid for the product ex-works to the manufacturer in a Contracting Party in whose undertaking the last working or processing is carried out, provided that the price includes the value of all the materials used, minus any internal taxes which are, or may be, repaid when the product obtained is exported;

(l) "the customs authorities" means Ministry of Trade of Turkey and State Customs Committee of Azerbaijan;

(m) "consignment" means products which are either sent simultaneously from one exporter to one consignee or covered by transport documents covering their shipment from the exporter to the consignee or, in the absence of such a document, by a single invoice;

(n) "resident" means any natural or legal persons, enterprises or organizations taxable on the basis of place of residence, permanent representative, management, registration or establishment or any other similar characteristics in accordance with the domestic legislation of the Contracting Party;

(o) "exporter" means the resident of one Contracting Party exporting goods to the other Contracting Party who can prove and bear responsibility for the country of origin of the goods;

(p) "importer" means the resident of one Contracting Party buying goods from the other Contracting Party;

(q) "competent authority" means the authority competent for the issuance of "TR-AZ Certificate of Origin" in accordance with the domestic legislation of the Contracting Party.

TITLE II

DETERMINATION OF THE ORIGIN OF GOODS

Article 3

General requirements

Goods covered by this Agreement imported into the territory of a Contracting Party from the other Contracting Party which are consigned directly within the meaning of Article 12 hereof, shall be eligible for preferential concessions if they conform to the origin requirement under any one of the following conditions:

a) goods wholly produced or obtained in the Contracting Party satisfying the requirements of Article 4 or

b) goods obtained in a Contracting Party incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in that Contracting Party within the meaning of Article 5.

Article 4

Wholly produced or obtained goods

1. Within the meaning of Article 3(a), the following shall be considered as wholly produced or obtained in the exporting Party:

   (a) raw or mineral products extracted from its soil, its water or from its seabed;

   (b) agricultural products harvested, picked or gathered there including forestry products;

   (c) live animals born and raised there;

   (d) products obtained from animals born and raised there;

   (e) products obtained by hunting, fishing or aquaculture activities conducted there;

   (f) products of sea fishing and other marine products taken from the sea outside the territorial waters of the Contracting Parties by their vessels;

   (g) products processed and/or made on boards its factory ships exclusively from products referred to in subparagraph (e) and (f) above;

   (h) used articles collected there, fit only for the recovery of raw materials;

   (i) waste and scrap resulting from manufacturing operations conducted there;

   (j) goods produced there exclusively from the products referred to in paragraph (a) to (i) above.

2. The terms "their vessels" and "their factory ships" in paragraph 1(f) (g) shall apply only to vessels and factory ships:

   a) which are registered or recorded in a Contracting Party;

   b) which sail under the flag of a Contracting Party;

   c) which are owned to an extent of at least 60 percent by nationals of a Contracting Party, or by a company with its head office in a Contracting Party, of which the manager or managers, Chairman of the Board of Directors or the Supervisory Board, and the majority of the members of such boards are nationals of a Contracting Party and of which, in addition, in the case of partnerships or limited companies, at least half the capital belongs to the Contracting Parties or to public bodies or nationals of the Contracting Parties.

Article 5

Sufficiently worked or processed goods

1. Within the meaning of Article 3 (b), materials of third party origin which are used in the manufacture of the products obtained in a Contracting Party shall be regarded as sufficiently worked or processed provided that the value of such materials does not exceed 45 percent of the ex-works price of the product.

2. Paragraph 1 shall apply subject to the provisions of Article 6.

Article 6

Insufficient working or processing

1. Any one or combination of two or more of the following operations or processes shall not by themselves constitute sufficient working or processing:

   (a) packing;

   (b) simple mixing;

   (c) simple placing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other simple-packaging operations;

   (d) labeling, affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging;

   (e) splitting into lots;

   (f) sorting or grading;

   (g) marking;

   (h) putting up into sets;

   (i) simple assembly[1];

   (j) preserving operations to ensure that the products remain in good condition during transport and storage;

   (k) breaking up and assembly of packages;

   (l) washing, cleaning; removal of dust, oxide, oil, paint or other coverings;

   (m) ironing or pressing of textiles;

   (n) simple painting and polishing operations;

   (o) husking, partial or total bleaching, polishing, and glazing of cereals and rice;

   (p) operations to color sugar or form sugar lumps;

   (q) peeling, stoning and shelling of fruits, nuts and vegetables;

   (r) sharpening, simple grinding or simple cutting;

   (s) sifting, screening, sorting, classifying, grading, matching; (including the making-up of sets of articles);

   (t) slaughter of animals.

2. All operations carried out in Turkey or in Azerbaijan on a given product shall be considered together when determining whether the working or processing undergone by that product is to be regarded as insufficient within the meaning of paragraph 1.

3. If specific skills, machines, apparatus or equipment are not required during the operations, such operations shall be considered simple operations and shall not meet the criterion of sufficient processing.

1Simple assembly describes activity which does not require the use of specially designed machines or apparatus or equipment and relevant training.

4. If sufficient working or processing is achieved in respect to any good by exclusively conducting the operations listed in paragraph 1, the country of origin of this good will not be considered the country where these operations are conducted.

Article 7

Cumulation principle of origin

1. Without prejudice to the provisions of Article 3, materials originating in a Party shall be considered as materials originating in the other Party when incorporated into a product there. It shall not be necessary that such materials have undergone sufficient working or processing, provided they have undergone working or processing going beyond the operations referred to in Article 6.
2. Where the working or processing carried out in a Contracting Party for the purpose of implementation of paragraph 1 does not go beyond the operations referred to in Article 6, the product obtained shall be considered as originating in that Contracting Party provided that the value added there is greater than the value of the materials used originating in the other Contracting Party.

Article 8

Unit of qualification

1. When determining country of origin of the product sets, each article included in the set shall be regarded as a separate object of application of the criterion of sufficient working or processing.

   Accordingly:

   a) product composed of a group of articles or assembled from a number of articles and classified in a single heading shall be regarded as a single object of application of the criterion of sufficient working or processing;

   b) If a consignment consists of a number of products classified under the same heading of the HS, each product must be taken into account individually for the purposes of application of the criterion of sufficient working or processing.

   c) If packaging is included with the product for classification purposes according to General Rule 5 of the HS, it shall be regarded as part of the good when determining the origin of the good.

Article 9

Accessories, spare parts and tools

Accessories, spare parts and tools dispatched with a piece of machine, equipment, apparatus or vehicle and used for their operation shall be deemed to have the same origin as the machine, equipment, apparatus or vehicle, provided that, they:

a) are considered as normal parts of the goods referred to above; and

b) are included in the price of the good; or

c) are not separately declared.

Article 10

Sets

1. Sets, as defined in General Rule 3 of the HS, shall be regarded as originating provided that all component products are originating.
2. When a set is composed of products originating in Contracting Parties and of third party origin, the set as a whole shall be regarded as originating in Contracting Parties, provided that the value of products of the third party origin does not exceed 15% of the ex-works price of the set.

Article 11

Neutral elements

For the purposes of determination of the country of origin of the good, the origin of the following products which might be used in its manufactures shall not be considered:

(a) energy and fuel;

(b) plant and equipment;

(c) machines and tools;

(d) products which are not included, and which are not intended to be included into the composition of the final product.

TITLE III

TERRITORIAL REQUIREMENTS

Article 12

Direct transport

1. The preferential concessions provided for under this Agreement apply only to goods satisfying the requirements of this Annex, which are transported directly between Turkey and Azerbaijan. However, products may be transported through other territories with, should the occasion arise, trans-shipment or temporary warehousing in such territories, provided that they remain under the surveillance of the customs authorities in the country of transit or temporary warehousing and do not undergo operations other than unloading, reloading or any operation designed to preserve them in good condition.

2. Originating products may be transported by pipeline across territory other than that of Turkey or Azerbaijan.

3. Evidence that the conditions set out in paragraph 1 have been fulfilled shall be supplied to the customs authorities of the importing country by the production of:

(a) a single transport document covering the passage from the exporting country through the country of transit; or

(b) a certificate issued by the customs authorities of the country of transit:

(i) giving an exact description of the products;

(ii) stating the dates of unloading and reloading of the products and, where applicable, the names of the ships, or the other means of transport used; and

(iii) certifying the conditions under which the products remained in the transit country; or

(c) failing these, any substantiating documents.

TITLE IV
PROOF OF ORIGIN

Article 13
General requirements

Goods which comply with origin requirements provided for in this Annex shall benefit from concessions of this Agreement upon submission of "TR-AZ Certificate of Origin" to the customs authorities of the importing Contracting Party.

Article 14
Procedure for the issue of "TR-AZ Certificate of Origin"

1. "TR-AZ Certificate of Origin" shall be issued by the competent authority (authorities) in accordance with this Annex and domestic legislation of the exporting country based on written application by the exporter or by his/her authorized representative.
2. "TR-AZ Certificate of Origin" shall be completed in accordance with the provisions of the domestic legislation of the exporting country in one of the official languages of the Contracting Parties or in English.
3. The exporter applying for the issue of "TR-AZ Certificate of Origin" shall submit at any time, to the designated/relevant competent authorities of the exporting country where the "TR-AZ Certificate of Origin" is issued, all appropriate documents proving the originating status of the products concerned as well as the fulfilment of the other requirements of this Annex.
4. The application form shall be determined in accordance with the domestic legislation of each Contracting Party.
5. The designated/relevant competent authorities issuing the "TR-AZ Certificate of Origin" shall take any steps necessary to verify the originating status of the products and the fulfilment of the other requirements of this Annex.
6. For this purpose, in accordance with their domestic legislation each Contracting Party may use the right to call for any evidence considered appropriate. The issuing designated/relevant competent authorities shall also ensure that the forms referred to in paragraph 2 are duly completed. In particular, they shall check whether the space reserved for the description of the products in Box.8 has been completed in such a manner as to exclude all possibility of fraudulent additions.

Article 15

Requirements for the submission of "TR-AZ Certificate of Origin"

"TR-AZ Certificate of Origin" shall be submitted to the customs authorities of the importing country in accordance with the procedures applicable in that country. The said authorities may require the relevant document to be accompanied by a statement from the importer to the effect that the products meet the conditions required for the implementation of this Agreement.

Article 16

"TR-AZ Certificate of Origin" issued retrospectively

1. "TR-AZ Certificate of Origin" may exceptionally be issued after exportation of the products to which it relates if:

   (a) it was not issued at the time of exportation because of errors or involuntary omissions or special circumstances; or

   (b) it is demonstrated to the satisfaction of the designated/relevant competent authorities that an "TR-AZ Certificate of Origin" was issued but was not accepted at importation for technical reasons.

2. For the implementation of paragraph 1, the exporter must indicate in his application the place and date of exportation of the products to which the "TR-AZ Certificate of Origin" relates, and state the reasons for his request.

3. The designated/relevant competent authorities may issue an "TR-AZ Certificate of Origin" retrospectively only after verifying that the information supplied in the exporter's application agrees with that in the corresponding file.

4. "TR-AZ Certificate of Origin" issued retrospectively must be endorsed with one of the followings:

   - *"SONRADAN VERİLMİŞTİR"*

   - *"SONRADAN VERİLMİŞDİR"*

   - *"ISSUED RETROSPECTIVELY"*

5. The endorsement referred to in paragraph 4 shall be inserted in the Box.5 (Remarks) of the "TR-AZ Certificate of Origin".

Article 17

Issue of a duplicate "TR-AZ Certificate of Origin"

1. In the event of theft, loss or destruction of "TR-AZ Certificate of Origin", the exporter may apply to the designated/relevant competent authorities which issued it for a duplicate made out on the basis of the export documents in their possession.

2. The duplicate issued in this way must be endorsed with one of the followings:

   - *"İKİNCİ NÜSHA"*

- *"DUBLİKAT"*

- *"DUPLICATE"*

3. The endorsement referred to in paragraph 2 shall be inserted in the Box.5 (Remarks) of the duplicate "TR-AZ Certificate of Origin".
4. The duplicate, which must bear the date of issue of the original "TR-AZ Certificate of Origin", shall take effect as from that date.

Article 18

Issue of "TR-AZ Certificate of Origin" on the basis of a proof of origin issued or made out previously

When originating products are placed under the control of a customs office in Turkey or in Azerbaijan, it shall be possible to replace the original proof of origin by one or more "TR-AZ Certificate of Origin" for the purpose of sending all or some of these products elsewhere within Turkey or Azerbaijan. The replacement "TR-AZ Certificate of Origin" shall be issued by the competent authority.

Article 19

Validity of "TR-AZ Certificate of Origin"

1. "TR-AZ Certificate of Origin" shall be valid for ten months from the date of issue in the exporting country, and must be submitted within the said period to the customs authorities of the importing country.
2. "TR-AZ Certificate of Origin" which are submitted to the customs authorities of the importing country after the final date for presentation specified in paragraph 1 may be accepted for the purpose of applying preferential treatment, where the failure to submit these documents by the final date set is due to exceptional circumstances.
3. In other cases of belated presentation, the customs authorities of the importing country may accept the "TR-AZ Certificate of Origin" where the products have been submitted before the said final date.

Article 20

Documents confirming the origin of goods

The documents referred to in paragraph 3 of Article 14 used for the purpose of proving that products covered by "TR-AZ Certificate of Origin" can be considered as products originating in one of the Contracting Parties and fulfill the other requirements of this Annex may consist *inter alia* of the following:

(a) direct evidence of the processes carried out by the exporter or supplier to obtain the goods concerned, contained for example in his accounts or internal bookkeeping;

(b) documents proving the originating status of materials used, issued or made out in one of the Contracting Parties where these documents are used in accordance

with domestic law;

(c) documents proving the working or processing of materials in one of the Contracting Parties, issued or made out in that Contracting Party, where these documents are used in accordance with domestic law;

(d) "TR-AZ Certificate of Origin" proving the originating status of materials used issued or made out in a Contracting Party in accordance with this Annex;

(e) any other evidence and/or documents considered necessary and specified in the domestic legislation of the Contracting Parties.

Article 21

Preservation of "TR-AZ Certificate of Origin" and documents confirming the origin of goods

In accordance with the domestic legislation in force in Contracting Parties, the exporter and/or the customs authorities of the importing country and/or the competent authority issuing "TR-AZ Certificate of Origin" shall keep copies of the documents confirming the origin of the goods submitted for the purposes of the determination of origin, the "TR-AZ Certificate of Origin" as well as the application form at least for three years.

Article 22

Discrepancies and formal errors

1. The discovery of slight discrepancies between the statements made in the "TR-AZ Certificate of Origin" and those made in the documents submitted to the customs authorities for the purpose of carrying out the formalities for importing the products shall not ipso facto render the "TR-AZ Certificates of Origin" null and void if it is duly established by the customs authorities of the importing country that this document does correspond to the products submitted.

2. Obvious formal errors such as typing errors on the "TR-AZ Certificates of Origin" should not cause this document to be rejected if these errors are not such as to create doubts concerning the correctness of the statements made in this document.

3. Erosions, obliterations, unauthorized corrections etc. are not allowed in the "TR-AZ Certificates of Origin" except for the cases where corrections are made in accordance with the written application submitted by the applicant and approved by the stamp and signature of the competent person. The certificates can be canceled if there are reasonable grounds.

TITLE V

ARRANGEMENTS FOR ADMINISTRATIVE COOPERATION

Article 23

Mutual assistance

1. The customs authorities of the Contracting Parties shall provide each other with specimen impressions of stamps used in their designated/relevant competent authorities for the issue

of “TR-AZ Certificate of Origin” and with the addresses of the customs authorities or relevant competent bodies responsible for verifying those certificates.

2. In order to ensure the proper application of this Annex, the Contracting Parties shall assist each other, through the competent customs authorities and relevant competent bodies, in checking the authenticity of the proofs of origin and the correctness of the information given in these documents.

Article 24

Verification of proofs of origin

1. Subsequent verifications of “TR-AZ Certificate of Origin” shall be carried out at random or whenever the customs authorities of the importing country have reasonable doubts as to the authenticity of such documents, the originating status of the products concerned or the fulfillment of the other requirements of this Annex.

2. For the purposes of implementing the provisions of paragraph 1, the customs authorities of the importing country shall return the “TR-AZ Certificate of Origin” and the invoice or a copy of these documents, to the customs or designated/relevant competent authorities of the exporting country giving, where appropriate, the reasons for the enquiry. Any documents and information obtained suggesting that the information given on “TR-AZ Certificate of Origin” is incorrect shall be forwarded in support of the request for verification.

3. The verification shall be carried out by the designated/relevant competent authorities of the exporting country. For this purpose, they shall have the right to call for any evidence considered appropriate.

4. If the customs authorities of the importing country decide to suspend the granting of preferential treatment to the products concerned while awaiting the results of the verification, release of the products shall be offered to the importer subject to any precautionary measures judged necessary.

5. The customs authorities requesting the verification shall be informed of the results of this verification as soon as possible. These results must indicate clearly whether the documents are authentic and whether the products concerned can be considered as products originating in one of the Contracting Parties and fulfil the other requirements of this Annex.

   Where the cumulation provisions in accordance with Article 7 of this Annex were applied, the reply shall include a copy (copies) of the certificate(s) relied upon.

6. If in cases of reasonable doubt there is no reply within ten months of the date of the verification request or if the reply does not contain sufficient information to determine the authenticity of the document in question or the real origin of the products, the requesting customs authorities shall, except in exceptional circumstances, refuse entitlement to the preferences.

Article 25

Dispute settlement

Where disputes arise in relation to the verification procedures of Article 24, which cannot be settled, between the customs authorities requesting verification and the designated/relevant

competent authorities responsible for carrying out this verification or where they raise a question as to the interpretation of this Annex, they shall be submitted to the Joint Committee. In all cases the settlement of disputes between the importer and the customs authorities of the importing country shall be under the legislation of the said country.

Article 26

Penalties

In accordance with national law/legislation of importing country penalties shall be imposed on any person who draws up, or causes to be drawn up, a document which contains incorrect information for the purpose of obtaining a preferential treatment for products.

Article 27

Free zones

1. The Contracting Parties shall take all necessary steps to ensure that products traded under cover of "TR-AZ Certificate of Origin" which during transportation use a free zone situated in their territory, are not substituted by other goods and do not undergo handling other than normal operations designed to prevent their deterioration.
2. By means of an exemption to the provisions contained in paragraph 1, when products originating in a Contracting Party are imported into a free zone under cover of an "TR-AZ Certificate of Origin" and undergo treatment or processing, the authorities concerned shall issue a new "TR-AZ Certificate of Origin" at the exporter's request, if the treatment or processing undergone is in conformity with the provisions of this Annex.

TITLE VI

FINAL PROVISIONS

Article 28

Sub-Committee on customs and origin matters

A Sub-Committee on customs and origin matters shall be set up under the Joint Committee to assist it in carrying out its duties and to ensure a continuous information and consultations process between experts. The said sub-committee shall be composed of experts from the Contracting Parties responsible for customs and origin matters.

Article 29

Appendix

Appendix to this Annex shall form an integral part thereof.

Article 30

Goods in transit and storage

Goods which conform to the provisions of Title II and which on the date of entry into force of this Agreement are either being transported or are being held in a Contracting Party in temporary storage, in bonded warehouses or in free zones, may be accepted as originating products subject to the submission, within four months from the date of entry into force of the Agreement, to the customs authorities of the importing country of "TR-AZ Certificate of Origin", drawn up retrospectively, and of any documents that provide supporting evidence of the conditions of transport.

Article 31

Amendments

The provisions of this Annex may be amended in accordance with the Article 22 of this Agreement.

Appendix to Rules Concerning Preferential Rules of Origin and
Methods of Administrative Cooperation

<table>
<tr><td colspan="3">1. Exporter (name, address, country)</td><td colspan="3" rowspan="2">4. №

CERTIFICATE ON ORIGIN OF GOODS

TR-AZ FORM

Issued_____
(name of the country)

To be submitted to
_____
(name of the country)</td></tr>
<tr><td colspan="3">2. Consignee (name, address, country)</td></tr>
<tr><td colspan="3">3. Means and routes of transportation (if known)</td><td colspan="3">5. For official remarks</td></tr>
<tr><td>6. № Item number of the good</td><td>7 Number of places and kind of packaging</td><td>8. Description of goods and marking</td><td>9. Origin criterion*</td><td>10. Brutto weight or other units of measurement</td><td>11. Number and date of invoice</td></tr>
<tr><td colspan="3">12. Verification: In accordance with the verification conducted it is hereby approved that the declaration of the applicant is true.

Place and date, signature and stamp
_____</td><td colspan="3">13. Declaration by the applicant

The person undersigned, declares that the information described above is true:
All goods are wholly produced or sufficiently processed in
_____
(name of the country)
and meet the requirements set for the origin of such goods.

Place and date, signature
_____</td></tr>
</table>

* Please indicate one of the following origin criteria:

- P:“P” should be placed in Box 9 if the good is wholly produced or obtained in a Party within the context of Article 3(a) and Article 4.

- C:“C” should be placed in Box 9 if the good is produced in a Party exclusively from originating materials from a Party within the context of Article 7.

- W:“W” should be placed in Box 9 if the good satisfies the requirement in Article 5.1 of a value content of third party originating materials not exceeding 45 percent of the ex-works price of the product.