

Non-tariff measures in Azerbaijan and their linkages to the Sustainable Development Goals

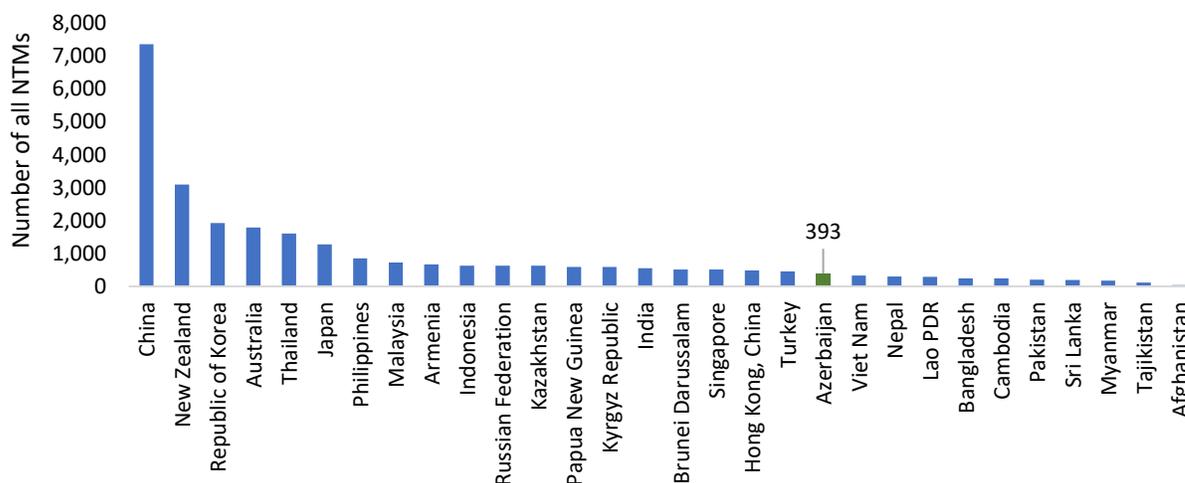
Non-tariff measure (NTM) data for Azerbaijan was collected by ESCAP and UNCTAD for the first time in 2019 using the International Classification of Non-tariff Measures (ICNTM)¹ methodology. This brief summarizes the preliminary overview of the collected data and discusses how NTMs in Azerbaijan link to the Sustainable Development Goals (SDGs). This brief should be read in conjunction with the *Asia-Pacific Trade and Investment Report 2019: Navigating Non-tariff Measures towards Sustainable Development (APTIR 2019)*, which provides a regional overview, details on methodology and limitations, as well as concrete policy recommendations to streamline NTMs towards sustainable development.

Non-Tariff Measures (NTMs) are policy measures - other than ordinary customs tariffs - that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both (UNCTAD, 2012). NTMs include a wide range of public policies, such as technical regulations, pre-shipment inspections, quantitative restrictions, price control measures, etc. imposed on imports and exports of goods. To allow for systematic monitoring and analysis of NTMs applied by countries, the UNCTAD maintains a continuously updated global database of NTMs within their TRAINS portal, which as of May 2019 contained more than 60,000 measures from 88 economies and over 25,000 measures from 28 Asia-Pacific economies.²

Overview of non-tariff measures in Azerbaijan

With the total number of NTMs at 393, Azerbaijan is on the par with some of Asia Pacific economies that have drastically different levels of economic development and trade volumes – see figure 1. Azerbaijan’s immediate neighbours in the ranking of Asia Pacific economies (for which NTM data is available) by total number of NTMs are Singapore (514); Hong Kong, China (489); Turkey (452); Viet Nam (334), and Nepal (300).

Figure 1. Number of NTMs imposed by selected economies in Asia-Pacific



Source: ESCAP, based on UNCTAD TRAINS database and data collected in Azerbaijan.

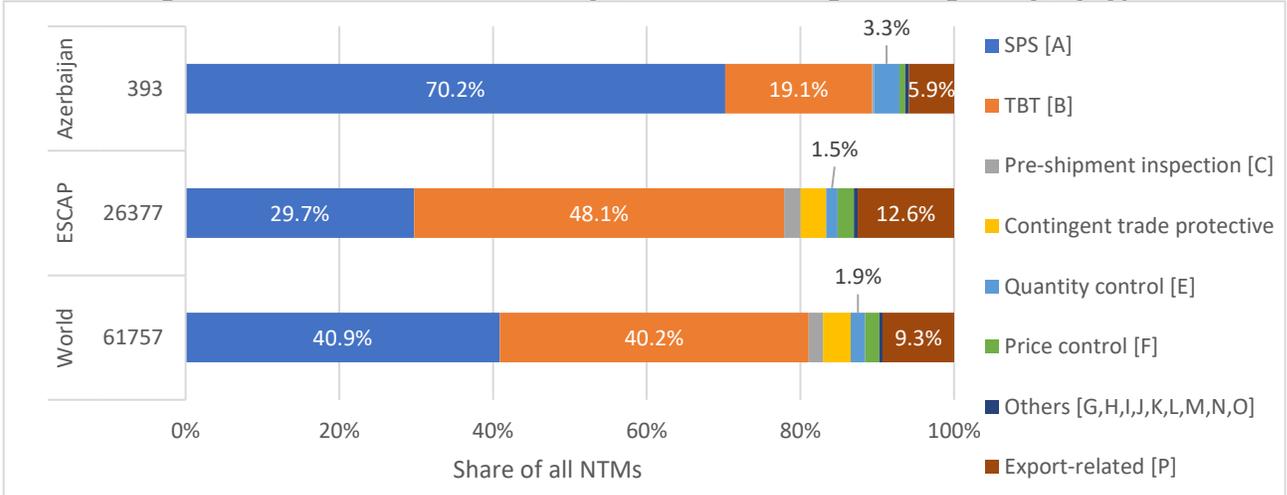
The majority of NTMs in Azerbaijan are technical measures, specifically, sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBTs) – see figure 2. The next most common category is

¹ Currently, data in the TRAINS database of NTMs utilize 2012 edition of the ICNTM (UNCTAD, 2012). A new 2019 edition was published that is used for all new cycles of NTM data collection (UNCTAD, 2019). Comparison between Azerbaijan and other countries and regions should thus be considered with caution since data for Azerbaijan was collected following the updated 2019 edition of ICNTM. Although there are a few very notable changes introduced in the new edition, the overall structure of the classification has been preserved.

² UNCTAD’s TRAINS portal trains.unctad.org; World Integrated Trade Solution (WITS) platform at wits.worldbank.org; and ITC/UNCTAD/WTO’s Global Trade Helpdesk at www.globaltradehelpdesk.org

export-related measures, which themselves contain a wide range of technical regulations, including SPS and TBT measures. Comparatively to regional and global shares of different types of NTMs, SPS measures in Azerbaijan are significantly more prevalent at 70.2% versus 29.7% and 40.9% in the region and globally, respectively. At the same time, the share of TBT measures in Azerbaijan is 19.1%, which is lower than average share of TBTs in the region and globally (48.1% and 40.2%, respectively). The share of export measures in Azerbaijan (5.9%) is notably lower than in the region and globally (12.6% and 9.3%, respectively). The share of quantitative restrictions in Azerbaijan is higher than the average for the region and the world (3.3% versus 1.5% and 1.9% respectively), while the shares of the rest of the NTMs are comparatively lower.

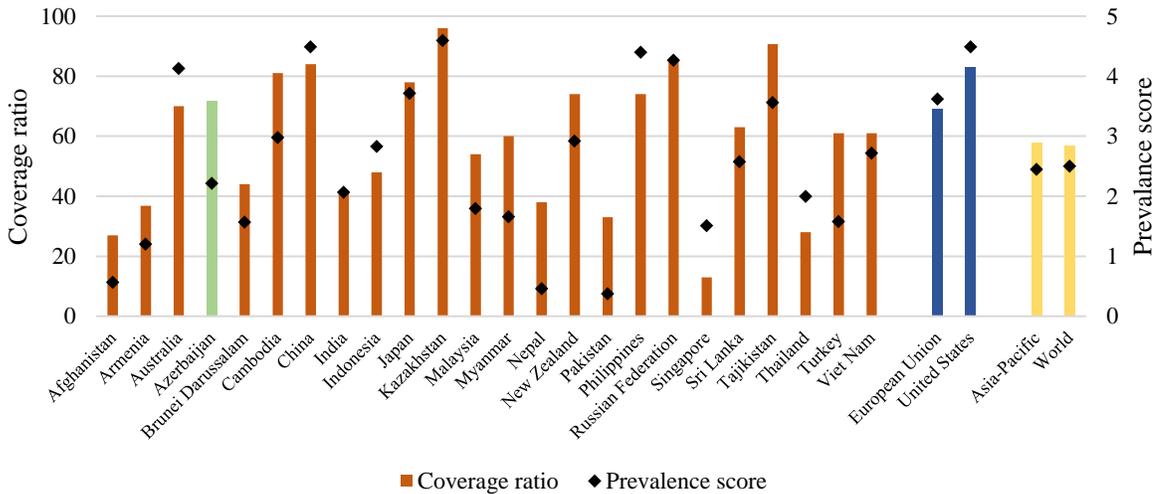
Figure 2- Shares of NTMs in Azerbaijan, Asia-Pacific region and globally, by type



Source: ESCAP, based on UNCTAD TRAINS database and data collected in Azerbaijan.

Two descriptive indicators commonly used to quantify the intensity of NTMs are coverage ratio and prevalence score (UNCTAD and World Bank, 2018). The coverage ratio captures how much of an economy's trade are subject to NTMs, and the prevalence score indicates how many distinct NTMs are applied to regulated products, on average.³ In general, less developed economies have lower coverage ratios and lower prevalence scores. As per Figure 3, Azerbaijan has coverage ratio of 71.6%, similar to that of such economies as Australia (70%), New Zealand (74%), Philippines (74%) and the European Union (69%), which is above regional and global averages of approximately 57%. The prevalence score of 2.2 for Azerbaijan is close to that of the regional and global averages of approximately 2.5 measures.

Figure 3. Coverage ratios and prevalence scores of non-tariff measures

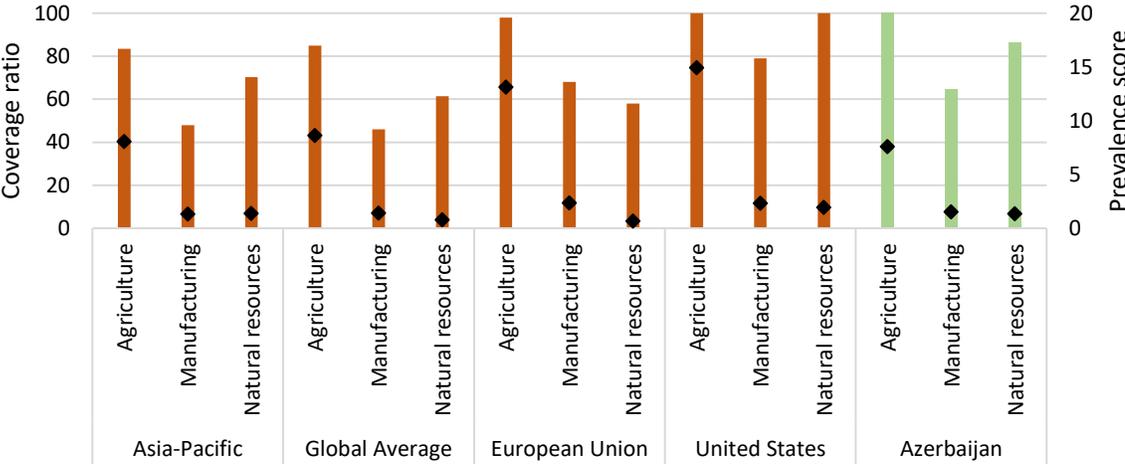


³ Products are defined according to the codes of the Harmonized Commodity Description and Coding System.

Source: UNCTAD. 2018. NTM hub: Data on non-tariff measures. Available from <https://unctad.org/> and ESCAP, based on data collected in Azerbaijan.
 Note: Averages are simple averages of the indicators.

Sector-wise, agricultural imports in Azerbaijan are generally more heavily regulated, with nearly 100% of imports subject to at least one NTM (similar to the levels in the European Union and the United States) – see figure 4. This is higher than in Asia-Pacific and the world (83% and 85%, respectively). At the same time, coverage ratios for manufacturing products and natural resources is lower in Azerbaijan comparatively to the coverage ratio of agricultural products, which also follows the overall regional and global levels. Azerbaijan, on average, imposes 8 distinct NTMs on agricultural products, 2 on manufacturing products and 1 on natural resources. These values are similar to the regional and global averages.

Figure 4. Coverage ratios and prevalence scores of non-tariff measures, by sector

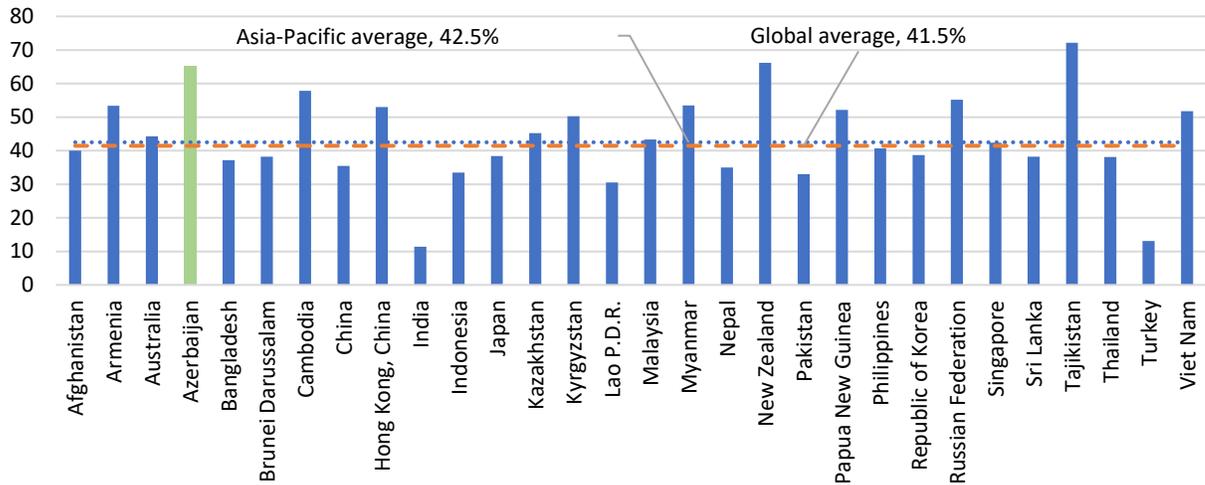


Source: UNCTAD. 2018. NTM hub: Data on non-tariff measures. Available from <https://unctad.org/> and ESCAP, based on data collected in Azerbaijan.
 Note: Averages are simple averages of the indicators.

NTMs directly and positively addressing SDGs

Overall, 256 measures out of the total of 393 in Azerbaijan (over 65%) are evaluated to address at least one SDG target directly and positively – see figure 5. This is significantly above the regional and global averages of approximately 42%. Although this indicator is on the par with that of New Zealand's, it is important to note that New Zealand has over 3,000 NTMs recorded in the TRAINS database, while only 393 NTMs were collected for Azerbaijan. As per ESCAP (2019), Azerbaijan's high share of NTMs directly addressing SDGs is to be expected, as 70% of all NTMs in the country are SPS measures, which tend to more frequently address SDGs.

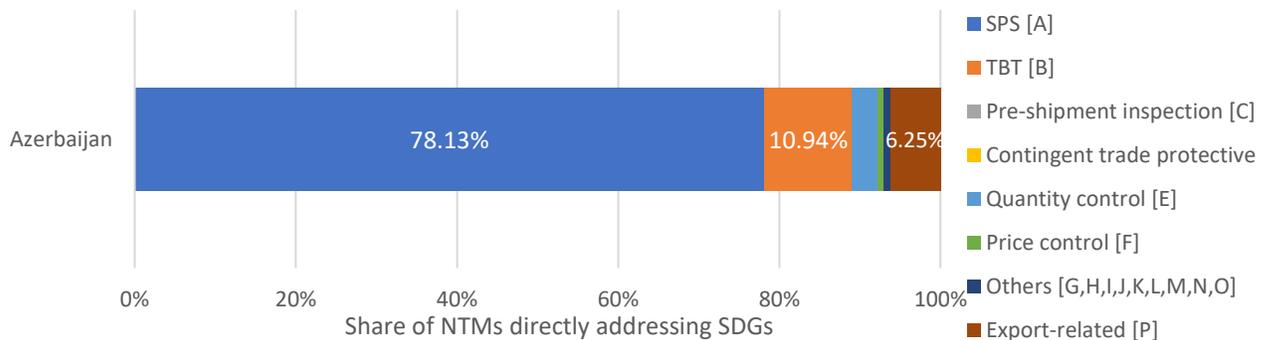
Figure 5. Share of NTMs that directly address SDGs



Source: ESCAP calculations based on UNCTAD TRAINS database and methodology developed by ESCAP and UNCTAD (Kravchenko, A., and others, 2019)

The distribution of Azerbaijan’s NTMs directly and positively addressing at least one SDG target is shown in figure 6. The majority of such NTMs are SPS and TBT measures (200 and 28 respectively), followed by export measures (16), and then by measures related to import licensing, quotas and restrictions (8), and the others (4). The proportions follow roughly the distribution of all NTMs, with increased share of SPS measures, as they tend to address SDGs more frequently (refer back to figure 2). The decreased share of TBTs as compared to their share within the total of NTMs is partially due to the fact that for TBTs linkages to SDGs are often not so clear.

Figure 6. Distribution of NTMs addressing SDGs by NTM type

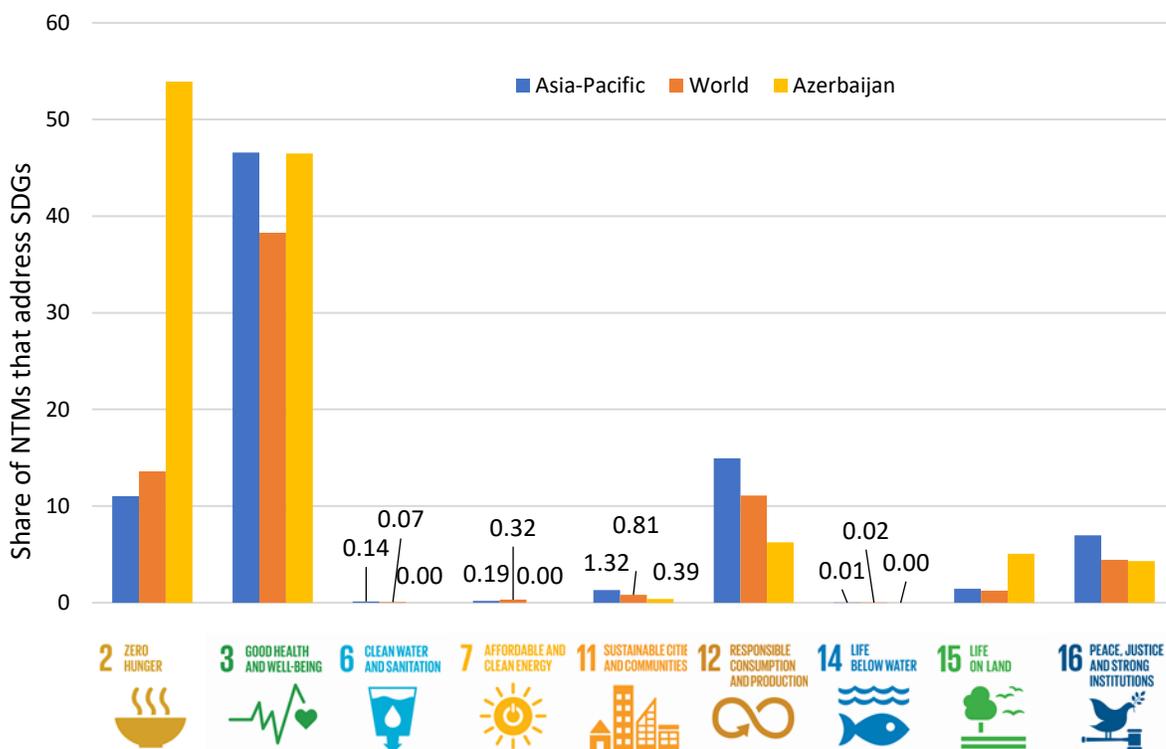


Source: ESCAP calculations based on UNCTAD TRAINS database and methodology developed by ESCAP and UNCTAD (Kravchenko, A., and others, 2019)

Figure 7 depicts the average share of NTMs in Azerbaijan and in each economy in Asia and the Pacific and the world, that have been identified as directly addressing SDGs across individual Goals. It is important to note that linkages describing direct positive intended impact of NTMs on the achievement of SDGs were

determined only for 9 of the 17 SDGs.⁴ At the same time, although the attempt was made to assign specific combinations of HS and NTM codes only to one specific SDG to minimize double counting, when interpreting the data, it is important to remember that many SDGs are tightly linked to each other and, thus, one measure may be directly or indirectly relevant to the achievement of more than one SDG.

Figure 7. Distribution of NTMs that directly address SDGs, by Goal



Source: ESCAP calculations based on UNCTAD TRAINS database and methodology developed by ESCAP and UNCTAD (Kravchenko, A., and others, 2019)

Note: The sum of shares exceeds 100%, as some measures address more than one SDG, which is reflected in their description in the TRAINS database of NTMs.

In Azerbaijan, share of NTMs related to SDG 3 (good health and wellbeing) are on the par with their share in Asia-Pacific and somewhat higher than in the world (46.5% versus 46.6% and 38.3%). Relevant to SDG 3 are SPS measures that aim to ensure safety of foods products to human health, as well as technical regulations aimed to address the issue of healthy diet, primarily through improving quality of ingredients used in foods products and through providing relevant information to the consumers by including certain ingredient information on the packages of food products (Target 3.4). Additionally, a bulk of NTMs address such issues as trade in narcotics, psychotropic substances, and alcohol (Target 3.5), as well as trade in medicines, medical equipment, supplies for healthcare services (Targets 3.1, 3.2, 3.3, 3.4, 3.7, 3.8), and trade in tobacco and tobacco products (Target 3.a). Overall, these types of goods are considered sensitive due to their potential to impact human health and to generate illicit financial flows (indirect impact of SDG 16). In the context of Azerbaijan, NTM types that are most commonly used to regulate trade in these goods are TBT measures, including measures pertaining to proper packaging, marking and labelling of goods (including health warning labels for alcohol and tobacco), transportation and storage, import authorization, registration of goods and traders, measures on the licensing, quotas, other restrictions and prohibitions on imports, as well as the corresponding export measures. Measures limiting trade in these products to specific channels are also present

⁴ See (Kravchenko, A., and others, 2019) for the definition of “direct impact” of NTMs within the framework of the established methodology.

for the transboundary movement of narcotic drugs (some of such goods have medical applications), as well as measures imposing excise and consumption taxes for trade in tobacco products and alcohol.

NTMs relevant to SDG 2 (zero hunger) primarily include SPS measures intending to prevent transboundary spreading of infectious diseases of animals and plants, as well as dangerous pests (Target 2.4). Specifically, such measures include prohibitions, restrictions and authorizations for SPS reasons, treatments for elimination of plant and animal pests and disease-causing organisms, testing, certification and inspection requirements, as well as the corresponding export-related measures, including export licensing. In Azerbaijan, share of NTMs addressing this goal is drastically higher than on average in Asia Pacific and the world (53.9% versus 11% and 14.6%). As stated above, this to some extent can be explained by the very high share of SPS measures among all NTMs imposed in Azerbaijan. Given, that some of such animal diseases can be contracted by humans, some of these measures provide an important contribution to the achievement of SDG 3 on health.

Another prevalent group of NTMs in Azerbaijan addresses SDG 12's targets on responsible and sustainable management of hazardous chemicals and waste (Targets 12.4 and 12.5). In the context of Azerbaijan, the most common NTMs here are measures on safe and informative packaging and labelling, transportation and storage, product safety, product registration, testing, certification requirements, licensing and prohibition, including for the purpose of environmental protection and protection of human health, as well as the relevant export measures. A bulk of such NTMs are imposed in implementation of international conventions aimed at controlling transboundary movement of hazardous chemicals, including pesticides, persistent organic pollutants, mercury, as well as waste and ozone depleting substances.⁵

NTMs that address protection of endangered species of flora and fauna are prevalently export measures and measures on licensing for the purpose of environmental protection (Target 15.7). For the case of Azerbaijan, NTMs relevant to SDG 16 (primarily through addressing Target 16.4) are chiefly those that aim to regulate trade in guns and weapons through such measures as restrictions and licensing, prohibitions product registration and certification, import authorization, as well as the relevant export measures. Lastly, one measure related to issuance of export permit was found to regulate trade in items that have cultural value (Target 11.4).

NTMs and RTAs

While NTMs often serve legitimate and necessary purposes, they add costs to trade, which at times may be excessive compared to the benefits achieved. As was demonstrated in APTIR 2019, NTMs are burdensome to a significant extent due to the regulatory divergences between the trading countries and due to the procedural obstacles often associated with NTM implementation. Thus, to improve efficiency of NTMs in achieving their intended objectives, including those related to SDGs, economies in the Asia-Pacific region increasingly address NTM issues in their regional trade agreements (RTAs). Best practices on addressing NTMs through RTAs include: use of international standards; technical assistance for less developed members; removal of duplicate measures; transparency; ensuring that technical regulations are binding; and ensuring that the application of regulations is carried out on a national treatment basis. In Annex to this brief please see which of the existing Azerbaijan's RTAs have provisions related to trade in goods, and specifically to those aspects of trade in goods that may be addressed by NTMs.⁶

NTMs and Trade Facilitation

Additionally, as discussed in APTIR 2019, trade facilitation and digitalization of trade-related procedures can have a significant impact in reducing costs associated with NTMs. Although, Azerbaijan is not a member of the WTO and, thus, not a signatory to the WTO's Trade Facilitation Agreement, the country in

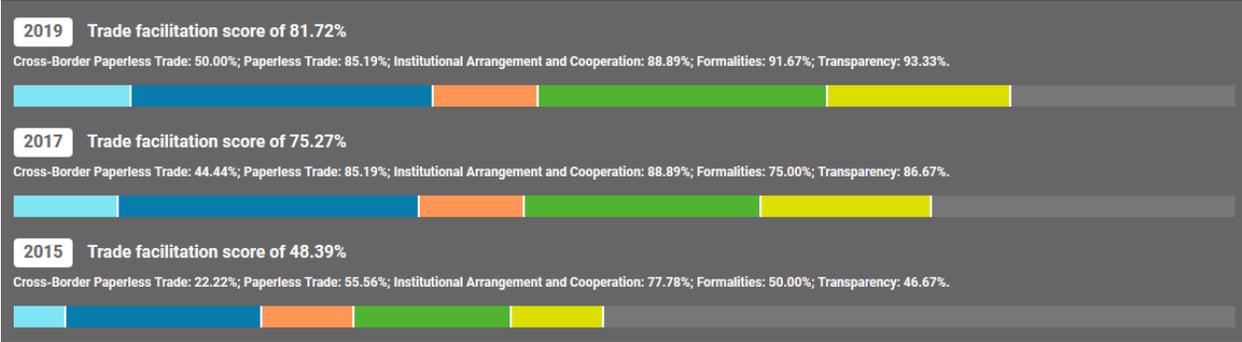
⁵ The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, Stockholm Convention on Persistent Organic Pollutants, Vienna Convention for the Protection of the Ozone Layer and its Montreal Protocol on Substances that Deplete the Ozone Layer, and Minamata Convention on Mercury

⁶ More detailed data is available from Asia-Pacific Trade and Investment Agreement Database – APTIAD at <https://www.unescap.org/content/aptiad/>.

2018 made steps to accede to the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific.⁷

Overall, according to the 2019 UN Global Survey on Digital and Sustainable Trade Facilitation⁸, Azerbaijan made a significant progress in the past four years. In 2015 the country’s trade facilitation score, reflecting the completeness of trade facilitation (TF) measures implementation, was estimated at 48.39%, while in 2017 and 2019 it has reached 75.27% and 81.72% - see figure 8.⁹

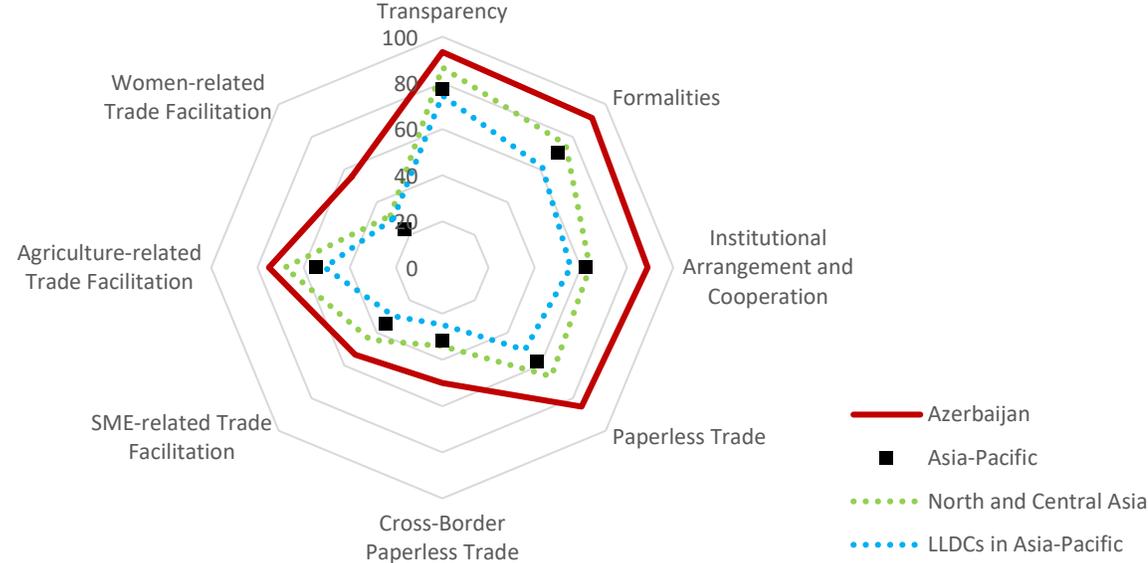
Figure 8. Progress in Azerbaijan’s trade facilitation score over time



Source: 2019 UN Global Survey on Digital and Sustainable Trade Facilitation at <https://untfsurvey.org>.

Its level of implementation is significantly higher than the level of Asia-Pacific (59.68%) and the level of North and Central Asia (65.59%) – see figure 9. Comparing the implementation of measures between 2017 and 2019, the “Formalities” measures saw the largest increase with a 16.7 percentage point increase, followed by “Transparency” and “Cross-Border Paperless Trade” with an increase of 6.6 and 5.6 percentage points respectively. Meanwhile, implementation of “Institutional Arrangement and Cooperation” and “Paperless Trade” measures remained the same.

Figure 9. Trade facilitation score of Azerbaijan, Asia-Pacific and selected subregions, 2019



Source: 2019 UN Global Survey on Digital and Sustainable Trade Facilitation at <https://untfsurvey.org>.

Note: LLDCs - Land-locked developing countries

⁷ Available at the United Nations Treaty Collection website at https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=X-20&chapter=10&clang=en#EndDec

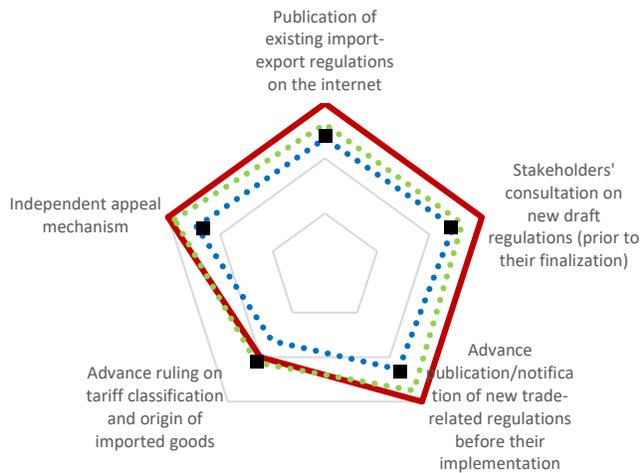
⁸ Results of the survey for 2015, 2017 and 2019 are available at <https://untfsurvey.org>.

⁹ Data does not take into account the Transit Facilitation measures and the new measures (SME-related Facilitation, Agriculture-related Facilitation and Women-related Facilitation) introduced in the 2019 survey.

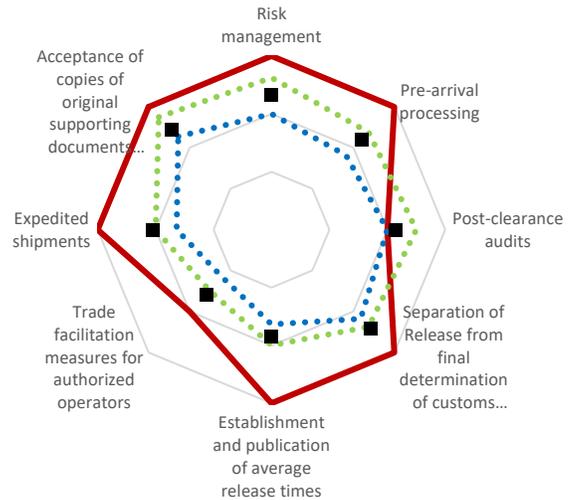
Among the core groups of trade facilitation measures, the most implemented in Azerbaijan are “Transparency” measures (93.33%) – see figure 10. The least implemented are “Cross-border paperless trade” measures (50.00%). Implementation of all five core groups are higher than both the regional and sub-regional averages. “Cross-Border Paperless Trade” is the lowest implemented group as *Paperless collection of payment from a documentary letter of credit* and *Electronic exchange of Sanitary & Phyto-Sanitary Certificate* have not been planned or implemented in the country. Looking at the new groups of measures, “SME-related Trade Facilitation”, “Agriculture-related Trade Facilitation” and “Women-related Trade Facilitation” all had higher implementation levels than the regional and sub-regional averages.

Figure 10. Completeness of trade facilitation measures implementation across core groups of measures, 2019

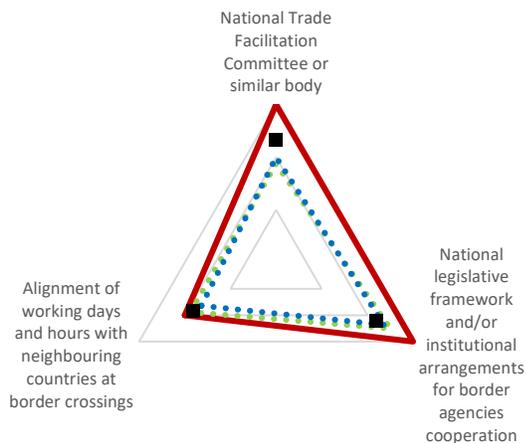
Transparency



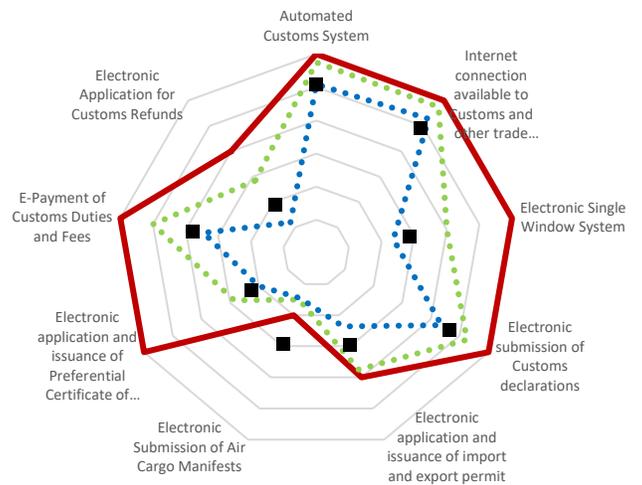
Formalities



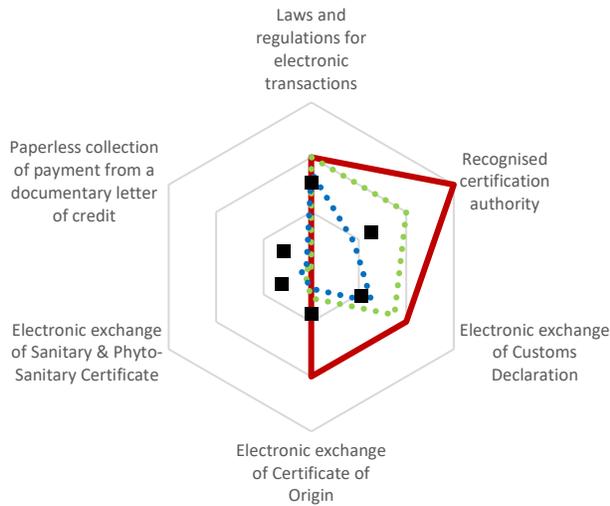
Institutional Agreement and Cooperation



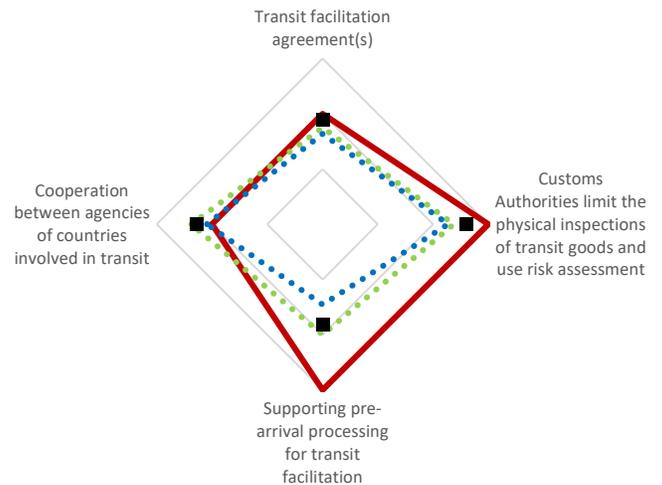
Paperless Trade



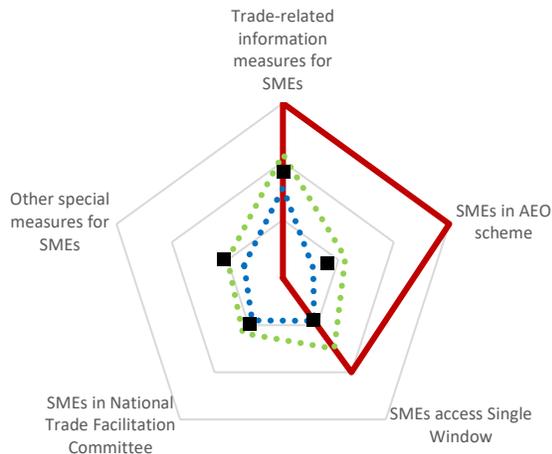
Cross-Border Paperless Trade



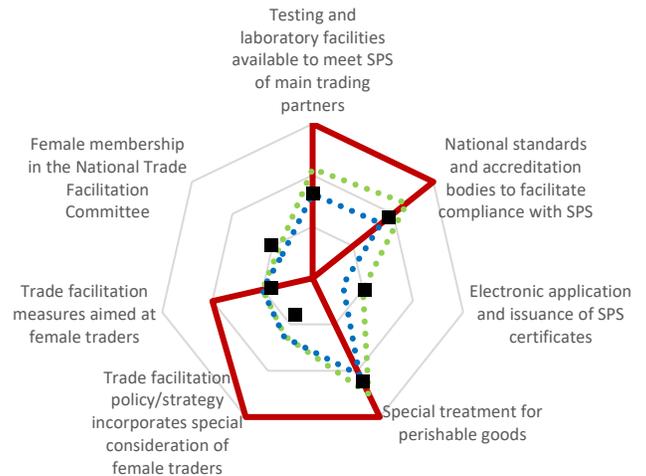
Transit Facilitation



Trade Facilitation for SMEs



Agriculture and Women-related Facilitation



Source: 2019 UN Global Survey on Digital and Sustainable Trade Facilitation at <https://untfsurvey.org>.

Azerbaijan may focus its trade facilitation efforts in particular on full implementation of “Formalities” measures given the momentum, as well as taking steps towards increasing implementation of “Cross-Border Paperless Trade” measures, the least implemented measure, through active participation in the new regional UN treaty on cross-border paperless trade facilitation.

As noted in *Asia-Pacific Trade and Investment Report 2019: Navigating Non-tariff Measures towards Sustainable Development* and described in this brief, NTMs often serve legitimate and important public policy objectives, and can therefore help achieve the 2030 Agenda for Sustainable Development. Failure to have essential technical NTMs in place, or their poor implementation, may have serious detrimental impacts (e.g., the spread of diseases such as the African swine fever in parts of the region). Technical NTMs can also boost demand and trade under certain conditions. At the same time, a key characteristic of NTMs is that they usually

generate costs for producers and traders, potentially inhibiting international trade. As such a careful balance must be struck to achieve all aspects of sustainability, namely economic, environmental and social. For a more comprehensive discussion of issues, including policy recommendations and best practices, please see APTIR 2019.

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Annex 1 - Azerbaijan's RTAs with provisions related to trade in goods and to those aspects of trade in goods that may be addressed by NTMs

Source: Asia-Pacific Trade and Investment Agreement Database – APTIAD at <https://www.unescap.org/content/aptiad/>.

Title/Members	In force	Scope	Type	Trade in Goods	SPS/TBT (Goods)	Trade Facilitation & Customs cooperation	Government Procurement	Competition Policy	Intellectual Property
Azerbaijan-Belarus	NA	Bilateral	FTA	YES	NA	NA	NA	NA	NA
Azerbaijan-Georgia	1996	Bilateral	FTA	YES	NO	NO	NO	YES	NO
Azerbaijan-Kazakhstan	1999	Bilateral	FTA	YES	NO	NO	NO	NO	NO
Azerbaijan-Moldova	1996	Bilateral	FTA	YES	NO	NO	NO	NO	NO
Azerbaijan-Russian Federation	1993	Bilateral	FTA	YES	NO	NO	NO	YES	NO
Azerbaijan-Turkmenistan	1996	Bilateral	FTA	YES	NO	NO	NO	NO	NO
Azerbaijan-Ukraine	1996	Bilateral	FTA	YES	NO	NO	NO	NO	NO
Azerbaijan-Uzbekistan	1996	Bilateral	FTA	YES	NO	NO	NO	NO	NO
Commonwealth of Independent States (CIS): Azerbaijan; Georgia; Turkmenistan; Uzbekistan	1994	Plurilateral	FTA	YES	NO	NO	YES	YES	NO
Economic Cooperation Organization Trade Agreement (ECOTA): Afghanistan; Azerbaijan; Iran, Islamic Rep; Kazakhstan; Kyrgyzstan; Pakistan; Tajikistan; Turkey; Turkmenistan; Uzbekistan	2008	Plurilateral	Partial Scope Agreement	YES	NO	NO	NO	NO	YES
Georgia-Ukraine-Azerbaijan-Moldova (GUAM)	2003	Plurilateral	FTA	YES	YES	YES	YES	YES	YES
Azerbaijan-European Union (EU)	Under negotiation	Country - Bloc	FTA & EIA	YES	NA	NA	NA	NA	NA