***Draft***

**Memorandum of Understanding on Digital Trade**

**between the Government of the Republic of Azerbaijan and the Government of the Republic of Turkey**

The Government of the Republic of Azerbaijan and the Government of the Republic of Turkey, hereinafter referred to as “the Parties”,

Recalling the Preferential Trade Agreement between the Government of the Republic of Azerbaijan and the Government of the Republic of Turkey of 25 February 2020, signed in Baku,

Recognizing new opportunities [TR: provided by technology] to increase cross-border trade [TR: in goods and services],

[TR: Considering] [AZ: provided by] the recent developments [AZ: and] [TR: in] new transportation routes and connections between their [AZ: states] [TR: territories],

Desiring to further [AZ: extend] [TR: expand] and facilitate bilateral trade [TR: in goods and services] to foster closer ties, and drive greater inclusion and prosperity for citizens of both Parties,

Acknowledging the role of the 4th Industrial Revolution technologies in facilitating and improving the trade related processes and arrangements, and sharing a common objective of advancing trade in the digital era,

Emphasizing the rising importance of digitalization in trade facilitation, and wishing to contribute to the digital transformation of their economies, and further stimulate the development of paperless trade,

Noting that improvement of the quality [TR: and volume] of bilateral trade has a positive effect on regional trade relations, and [AZ: increases] the access of the [AZ: trade operators] [TR: business persons] of the Parties to the third markets via their territories,

[AZ: Hoping] [TR: Ensuring] that this Memorandum of Understanding will pave the way for and lead to the signing of Digital Economy Partnership Agreement between [TR: them] [AZ: their states] in the future,

Have agreed as follows:

**Article 1**

**Objective [TR:s and Principles]**

[AZ: The objective of this Memorandum of Understanding is to promote the digital trade, which for the purposes of this Memorandum of Understanding means trade digitization and trading of digital products, within the territories of the states of the Parties and between the Parties.]

[TR: 1. The Parties hereby establish an effective mechanism of communication between the contact points referred to in Article VII for facilitation of cooperation in e-commerce through this Memorandum of Understanding (MoU).

2. The purpose of the cooperation referred to in paragraph 1 is to promote sustainable and stable development of digital trade within the territories of the Parties and between the Parties.

3. The ultimate objective of this MoU is to start negotiations for a comprehensive Digital Economy Partnership Agreement between the Parties.

4. Parties agree to cooperate and work on the basis of equality, openness, mutual respect and mutual benefit.]

**Article [AZ:3] [TR:2]**

**[AZ: Forms] [TR:Methods] of Cooperation**

[AZ: The Parties agree to establish an effective channel of communication for the facilitation of cooperation in digital trade.] The cooperation in the spheres provided for in Article 2, shall be realized in particular, but not exclusively, by means of:

1. conducting joint studies [TR: and preparing joint reports], including digital trade gap assessment;
2. organizing informative meetings, workshops and seminars;
3. developing and implementing joint projects and programs, including pilot projects for the application of digital solutions in specific segments of bilateral trade;
4. training of staff, capacity building and increasing digital literacy in their states;
5. sharing related experience and knowledge [TR: through electronic correspondence, study visits and videoconferences] ;
6. [AZ: promoting cooperation between digital trade operators of both Parties];
7. [AZ: supporting the integration of small and medium enterprises into the cross-border digital trade ecosystem];
8. establishing public-private dialogues;
9. [AZ: establishing closer cooperation between related authorities of the Parties to facilitate digital trade and investments.]

**Article [AZ: 2] [TR:3]**

**[AZ: Scope] [TR: Content] of Cooperation**

[TR: 1. The Parties agree to explore opportunities to establish methods of cooperation as referred to in Article 2, *inter alia*, in the following areas:

[AZ: 1. With a view to digitalizing bilateral trade and speeding up their digital development, the Parties shall cooperate in the following spheres] :

[TR: legislation and its implementation in e-commerce],

1. application of 4th Industrial Revolution technologies for trade facilitation, such as Internet of Things, Blockchain, Artificial Intelligence (AI) and etc.;
2. simplification of customs and border regulatory processes, including through the application of AI in customs control and security systems;
3. exploring the possibility of establishing interoperability of national single windows;
4. applying and/or developing e-commerce standards and credit evaluation systems;
5. trade of digital products;

[TR: new marketing models including social media and short-video marketing,]

1. exchange and acceptance of trade-related data and documents in electronic form;
2. mutual recognition of e-signatures and digital identities for individuals and enterprises;
3. introduction and mutual recognition of e-certificates, including e-Phyto certificates;
4. digital payments of customs duties and fees, e-invoicing and digitalization of trade finance;

[TR: regulation of sharing economy and peer-to-peer business such as car-hailing, bike-sharing and accommodation services,]

[TR: on-line e-commerce dispute settlement mechanisms including online courts, online arbitration and mediation,]

[TR: alleviation of poverty through development of rural e-commerce,]

1. digital logistics and supply chain management, [TR: including cargo-handling systems, warehouses and fulfillment centers,]

[TR: tracking and tracing postal items,]

[TR: control of risks through customs cooperation,]

[TR: promoting the safety of products and transaction,]

1. export promotion and facilitation platforms, including sharing the experience of Easy Export project of Turkey and exploring the possibility of launching joint trade portal;
2. consumer rights protection in digital trade;
3. cybersecurity and data privacy;
4. improvement of digital literacy;

[TR: e-commerce negotiations under the World Trade Organization (WTO) and the Regional Trade Agreements (RTAs) as well as bilateral and regional cooperation initiatives,]

1. other spheres relevant to digital trade and economy.

2. The Parties shall cooperate to eliminate barriers to digital trade and to create favorable conditions and infrastructure in the territories of their states conducive to cross-border digital trade.

3. In order to facilitate freight transport between their states, the Parties shall cooperate in application of e-TIR system [TR: and shall endevour to facilitate railway transport] in transport routes connecting their territories.

4. The Parties shall cooperate in building digital infrastructure to further facilitate connection between the Republic of Azerbaijan and the Republic of Turkey through existing and newly available corridors.

[TR: 5. Each Party shall endevaour to facilitate investment flows in digital trade and also cooperate to provide assistance for the direct investments and investors of the other Party in their territories in e-commerce.

6. The Parties agree to encourage cooperation between enterprises operating in electronic commerce in Turkey and China, including by supporting the integration of Small and Medium Enterprises (SMEs) into the cross-border e-commerce ecosystem.]

**[TR: Article 4]**

**Working Group**

1. A Working Group on E-commerce (hereinafter referred to as "Working Group") is hereby established to implement this MoU.

2. The Working Group adopts its own rules of procedure and meets as agreed by the Parties, alternating in location between Azerbaijan and Turkey. The Working Group may also meet through videoconference.

3. The Working Group is responsible for the following:

1. identifying priorities of cooperation between the Parties and considering proposals for further development of the cooperation;
2. monitoring and facilitating the cooperation programs; and
3. exchanging opinions on the overall cooperation between the Parties under the MoU.

4. In performing its functions, the Working Group may, if necessary, create temporary joint sub- working groups to study and make recommendations on specific issues.]

**[TR: Article 5**

**Contact Points and Exchange of Information**

1. In order to facilitate communication between the Parties on any matter covered by this MoU, the Parties hereby establish the following contact points:

1. for the Government of the Republic of Turkey: Ministry of Trade, Directorate General for International Agreements and the European Union, or its successor; and
2. for the Government of the Republic of Azerbaijan: …………………, or its successor.

2. Contacts points of each Party is responsible for the internal coordination of their relevant stakeholders and communication between the Parties as well as providing information to the other Party to the extent possible under its domestic laws and regulations.

3. Each Party agrees to notify the other Party of any changes of its contact point in due time.]

**Article 4**

**Funding**

This Memorandum of Understanding imposes no financial obligations on the Parties under their national legislations or international law. Each Party shall bear its own costs and expenses arising from activities, projects or programs under this Memorandum of Understanding, unless agreed otherwise by the Parties.

**Article 5**

**Non-binding effect**

This Memorandum of Understanding shallnot create obligations under international law and shall not affect [AZ: national legislations of the Parties or] obligations assumed by them in accordance with the international law.

**Article 6**

**Settlement of Disputes**

Any disagreement that may arise from the interpretation or application of this Memorandum of Understanding shall be settled through negotiations and consultations between the Parties.

**Article 7**

**Entry into force, duration [TR: ,revision] and termination**

1. This Memorandum of Understanding takes effect from the date of signature and shall remain effective for an initial period of three years. Its effectiveness shall be prolonged automatically for subsequent three-year period if it is not terminated, six months prior to its expiry date by one of the Parties in writing through diplomatic channels.

2. The termination of this Memorandum of Understanding shall not affect the implementation of the projects and programs upon which both Parties have reached an understanding.

3. This Memorandum of Understanding may be amended by mutual consent of both Parties in a written form.

[AZ: Done] [TR: Signed] at \_\_\_\_\_\_, on \_\_\_\_\_\_\_\_\_in two original copies in the Azerbaijani, Turkish and English languages, all texts being equally authentic. In case of any divergence in interpretation the English text shall prevail.

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| **For the Government of**  **the Republic of Azerbaijan**    …………………………… | **For the Government of**  **the Republic of Turkey**  H.E. Ruhsar PEKCAN  Minister of Trade |