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COMMITTEE**

REPORT*

**“CONCLUSION OF PREFERENTIAL TRADE AGREEMENTS WITH A VIEW TO ELIMINATE
DOUBLE TAXATION BETWEEN THE BSEC MEMBER STATES”**

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I. INTRODUCTION

1. The global economy is formed by national economies engaged in continuous reciprocal economic interaction. The openness of the economy is one of the most effective ways of developing countries and regions. Active participation in the international division of labour within the framework of a well-established system of economic relations, along with material and financial resources is an important prerequisite for economic progress. The need to involve labour, natural and intellectual resources of the states in foreign economic activity requires establishment of international taxation mechanisms.
2. Intensification of integration processes in the Black Sea region calls for the approximation of the tax legislation in the Member States, including double taxation. Tax factors are becoming increasingly topical and have impact upon the development of intergovernmental activities, international trade, and investment movement. Management of tax relations with regard to international economic cooperation paves the way towards the need for developing the mechanisms of eliminating double taxation.
3. Double taxation is simultaneous levying of tax by different countries on the same income, i. e. when the same income is taxed in two or more jurisdictions at a time. Double taxation is caused by the fact that a non-resident must pay taxes on profits at the same time in the country of residence and in the country of citizenship. This leads to the increase in taxpayer expenses and impedes business activities. All these have negative impact upon the capital export and investments. However, double taxation affects not only companies and organizations, but also ordinary citizens who receive income abroad. Therefore, every state makes efforts to solve the problem of elimination or minimization of double taxation and its consequences. Conclusion of bilateral agreements on avoiding double taxation is one of the important legal instruments.
4. At present, agreements on avoidance of double taxation are widely used by various states. The number of such agreements has increased over the past decade. The tax agreements are designed to eliminate possible cases of double taxation that may arise between the partner countries. These agreements aim at harmonizing the national legislation of the contracting states with respect to income tax and profit tax during investments.
5. Double taxation is economic when more than one person is taxed on the same item and double taxation is when the same person is taxed twice on the same income by more than one state.
6. Every state takes two main approaches as a basis for taxation: the principle according to which all residents of a country are subject to tax on their income (the residence principle of taxation); and the principle of levying tax only within the territorial jurisdiction of a country where an economic operation is carried out (the territoriality principle of taxation).
7. If all the countries in the world could agree to use one of these two approaches, based on the same criteria for determining income sources, there would have been no problems. But since every country has different level of development and taxation system, most of states use both approaches at the same time. This leads to the international double taxation, i.e. levying taxes in two states from the same taxpayer for the same item in the same period of time, and this happens because of the collision of tax regulations in two or more countries.

8. One of the topical problems is the elimination of international double taxation, since taxation of one item in several countries makes it inexpedient to conduct any economic activity abroad, complicates commodity circulation and free movement of capital and people, and, at the end hinders development of foreign economic relations and economic growth.
9. There are two methods that can be used to solve the problem of double taxation: the first method is the relief from domestic tax on income from abroad; the second method envisages application of rules that divide the tax jurisdiction between the country where the company is resident and the country from where it receives income.
10. The problem of double taxation is one of the important aspects for the development of the Black Sea region, since the energy resources are transported through this region to the global markets and it is located at the crossroads of the major transport routes (the Silk Road, etc.), which paves the way towards intensification of international trade in the Region.
11. The Black Sea states apply various legal tools to help companies from the states in the region to realize their economic potential and channel their efforts to ensuring a favourable business environment given the practice of developed countries in establishing a stable, predictable and transparent regulatory framework.
12. In the course of its activities the PABSEC has recurrently discussed trade and taxation issues. The Assembly adopted the following Recommendations: Recommendation 16/1996 “Development of Cooperation in the Field of Trade and Business among the BSEC Member Countries”; Recommendation 20/1997 “Improvement of Customs Regulations of the BSEC Participating States”; Recommendation 22/1997 “The BSEC Free Trade Area: Part of the New European Architecture”; Recommendation 30/1998 “Legal Framework of the Avoidance of Double Taxation”; Recommendation 37/1999 “Trade Development in the Black Sea Region”; Recommendation 123/2012 “Improvement of Taxation System in the BSEC Member States”.
13. This Report has benefitted from the information received from the national delegations of Armenia, Azerbaijan, Bulgaria, Greece, Moldova, Romania, Russia, Serbia, Turkey and Ukraine. At the same time statistical data and research papers of relevant international organizations, as well as the information from sources of the BSEC and the Black Sea Trade and Development Bank was used.

II. CONCLUSION OF PREFERENTIAL TRADE AGREEMENTS WITH A VIEW TO ELIMINATE DOUBLE TAXATION BETWEEN THE BSEC MEMBER STATES

14. Double taxation leads to difficulties in the capital movement, slows down economic progress and creates imbalance at the international level. Therefore, not only the business partners but also states are interested in avoiding double taxation, which in juridical and economic view constitutes major obstacle to strengthening international economic relations.
15. Tax agreements are designed not only to eliminate double taxation, but also to distribute tax jurisdiction between countries, as well promote attraction of foreign investment. Also establishment of preferential economic activities are viewed envisaging preferential taxation and conclusion of preferential trade agreements.
16. Strengthening of foreign economic and trade cooperation and the use of new

instruments and market incentives imply some problems, including search for methods of adapting to the new conditions of international relations, creation of profitable forms of cooperation, and development of various forms of control over commercial activities.

17. In elimination of double taxation on income and property does not concern only taxpayers, who suffer from the burden of taxing the same item in different countries, but also the states, who try to increase domestic and foreign trade, to attract foreign investment and to increase competitiveness of national enterprises and national economy in general.
18. In order to achieve stabilization, strengthening of international economic relations and more active development of entrepreneurship within the country, states use all possible management tools especially in the sphere of taxation and tax policy.
19. The most important criterion for the economic integration is the increase of mutual trade. In 1999-2008, international trade in the BSEC region increased six-fold - from 270 billion USD to more than 1.6 trillion USD. In 2009, following the financial crisis, trade recovered quickly. Until 2017, regional foreign trade followed the general trends in world trade, especially with regard to emerging markets. Despite the relatively slow overall economic growth in 2018, the BSEC region overcame the global trade slowdown trend in 2018 and went through its second post-crisis recovery, exceeding the level of 1.6 trillion USD.
20. Current trade development models are based on the globalization of business and the use of information technology. The rapid growth of e-commerce based on distant business operations through computer networking, promotes effective trade between large corporations and countries. More frequent use of e-commerce leads to the reduction in transaction costs, simplification of trade procedures, expansion of geography and opportunities for investment inflows, business accessibility, and increased competition. The virtual communication in electronic commerce causes considerable problems in taxation, sales of digital and tangible production, especially in different tax jurisdictions. E-commerce allows companies to generate income without the physical presence of participants, and therefore the tax system must be flexible and adapted to technological and commercial development in order to ensure application of effective and fair domestic or foreign tax policies in order to reach maximum state regulation in electronic economic relations.
21. In the framework of the economic integration processes, preferential trade agreements (PTAs) are concluded between the states, which are signed either on bilateral level between the individual states, or between the integrational unions and a country or the group of countries. In conformity with these agreements the countries provide more favourable regimes to each other compared to the regimes they provide to the third countries. The preferential trade takes place in the context of the multilateral trade system of the WTO. This gives the opportunity to develop an optimum scenario for the coexistence and harmonization of multilateral and preferential methods for regulating international trade.
22. The purpose of the preferential trade agreements is to liberalize mutual access to the internal markets of the member states. Today, the scope of such agreements is expanding and the cooperation of the member states is deepening by including more issues in the agreements - from investments and migration to improving the environment and healthcare. Preferential trade agreements are often signed together

with other bilateral economic agreements, such as investment agreements and agreements on avoidance of double taxation.

23. The unique character of the BSEC region is constituted by the combination of diverse economies and different levels of economic development of the BSEC countries. The region is an interesting mosaic of various directions within the regional integration process.
24. Today, the twelve BSEC Member States participate in various regional groupings with different levels of responsibilities: Bulgaria, Greece and Romania are the EU members; Turkey - is a member of the EU Customs Union; Armenia and Russia are members of the Eurasian Economic Union; Armenia, Moldova, Russia and Ukraine are participants in the CIS Free Trade Area; 10 BSEC Member States are the members of the World Trade Organization, while Azerbaijan and Serbia are observers in this organization. Georgia, Moldova and Ukraine have signed Association Agreements with the European Union, which also conditions the establishment of Deep and Comprehensive Free Trade Area (DCFTA). This means that when dealing with the cross-border investments and projects, companies of these states should take into account, first of all, the domestic legislation of the country of origin and the country of destination, as well as the bilateral agreements concluded between the states of the BSEC region, namely agreements on mutual protection and promotion of investments, and double taxation agreements.
25. The guideline for concluding international agreements on avoidance of double taxation is the Model Double Taxation Convention on Income and Capital of the Organization for Economic Cooperation and Development (OECD) adopted in 1963, the latest amendments to which were made at the end of 1997 (*from the BSEC Member States only Greece and Turkey are members of the OECD*).
26. In addition to the global and regional international documents, bilateral treaties play an important role in the international legal regulation of investment relations. Along with agreements on the protection and promotion of foreign investment, agreements on the elimination of double taxation of income and property play a very important role.
27. The main purpose of double taxation agreements is to facilitate international trade and investment by reducing tax barriers that impede the free international exchange of goods and services. At the same time, each state involved in international trade are separated in two groups in terms of taxation: the states who take income tax as the country where the taxpayer resides, and the state who taxes the income as a source country of income received by a non-resident.
28. When dealing with the issue of double taxation, it is important to know the tax system of the countries where cross-border trade and business activities are taking place. At present the BSEC Member States have the legislation regulating taxation of their residents doing business abroad and for foreign taxpayers (non-residents) residing in the country. In relation to the profit (income) of non-resident legal entities, the taxation regime of all BSEC Member States is established according to the level of economic presence and type of the activity of the foreign company.

Situation in the BSEC Member States

29. The national legislation in each BSEC Member State regulating taxation of profits (income) contains a provision establishing that the determination of the tax legal status of a foreign legal entity requires appropriate qualification of circumstances indicating a

relationship between the level of economic presence of non-resident in the country and the profits (revenues) received as a result of such a presence.

30. **Armenia** has signed the agreements on the avoidance of double taxation with 8 BSEC Member States, which were ratified and entered into force as follows: with Bulgaria on 01/01/1996, with Ukraine on 01/01/1997, with Romania on 01.01. 1998, with Russia on 01.01.1999, with Georgia on 01.01.2001, with Greece on 01.01.2003, with Moldova on 01.01.2005, with Serbia on 01.01.2017.
31. In 2018 the total export of goods from Armenia amounted to US \$ 2412.4 million, which is 7.8% higher than in 2017. The total import was around US\$ 5015.5 million, which formed a deficit of foreign trade at the level of US\$ 2.6 billion. Armenia's foreign trade turnover showed a sharp increase of 17.3% in 2018, after modest growth of 7.4% in 2016 and 20.6% decline in 2015. The main export articles of Armenia are mining products, prepared food as well as precious and semiprecious stones, and precious metals. Moreover, export of prepared food increased by 4.2 times in 2018 compared to 2010, becoming the second largest export category after the mining products. Export of mining products and precious and semiprecious stones, and precious metals increased by 2.1 and 2.3 times respectively.
32. Armenia has ratified and acceded to the WTO Trade Facilitation Agreement and notified its A, B and C category commitments. Moreover, the country has already implemented many of the B category commitments earlier than indicated in the notification.
33. After Armenia joined the Eurasian Economic Union, the EAEU technical regulations became binding, which are based on generally recognized principles and norms of international law. According to the Treaty «On Eurasian Economic Union», technical regulations of the Union or national technical regulations must be applied to products included in the common list approved by the EA Commission. Since Armenia's membership to the EAEU, 46 national technical regulations have been reviewed. Currently, 41 EAEU technical regulations are enforced, 36 technical regulations are in a drafting stage (11 new technical regulations drafts and 25 changes on different technical regulations).
34. During the last ten years, the National Institute of Standards of Armenia (SARM) has developed new harmonized national standards (about 9000 standards) to remove trade barriers and to promote export and import of products. SARM is a member of the International Organization for Standardization since 1997 and an affiliate member of the European Committee for Standardization since 1 January 2008. In 2016 SARM signed a memorandum of understanding with the American National Standards Institute and in 2017, a memorandum with the American Society for Testing and Materials.
35. Following the obtaining of independence by **Azerbaijan**, the transition to market relations became the demand of time. The transition to a new level of economic development was accompanied by fundamental changes in the tax system. The national leader of Azerbaijan, Heydar Aliyev, put forward for the tax authorities the task to determine the areas for improving the tax system, creating a transparent and understandable tax system and tax legislation, creating all conditions for attracting foreign investment.
36. With the growing pace of development, the country needs capital investments, and when the local economy is already unable to mobilise new investments, there is a need

to attract it from abroad. In order for a foreign investor to choose Azerbaijan, the state creates the conditions that will promote the choice of the country for investment. One of the main factors in solving this issue is the taxation system and avoidance of double taxation in which the investor may have big losses.

37. Azerbaijan joined the OECD Model Convention on Avoiding Double Taxation of Income and Capital, as well as the FATCA (Law on Tax Reporting on Foreign Accounts) agreement, and concluded 52 international double taxation agreements with other countries, including 9 BSEC Member States: Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Serbia, Turkey, Ukraine. The Convention provides recommendations on eliminating double taxation, the main provisions of which are supported by Azerbaijan. The FATCA agreement can be called an example of the openness of the tax and financial system of Azerbaijan for cooperation.
38. Despite all the successes, the tax system of Azerbaijan is being reshaped: to date, a lot of work has been done by scientists in the tax sphere and well-designed strategies have been proposed for the further development of international tax relations in the current realities. These studies, for the most part, evaluate certain issues of the tax system, while the problems of the formation and development of the tax system of Azerbaijan today yet need to be studied.
39. The problems of double taxation take important place in the international taxation of **Bulgaria**. Today, these issues are regulated by the conclusion of bilateral international agreements as a means of avoiding double taxation or the so-called double taxation agreements (DTAs).
40. In solving problems in the field of foreign trade, Bulgaria implements the European Union Common Trade Policy, according to which it does not have the right to independently enter into trade agreements with the third countries and regions. Foreign trade is the exclusive competence of the EU and the trade legislation is common to all EU member states. They are required to comply with it, and the European Commission is negotiating and concluding international trade agreements on behalf of the EU. In this regard, Bulgaria cannot liberalize trade at bilateral level or apply its own trade policy, which may differ from the EU Common Trade Policy. In accordance with this policy, Bulgaria is a party to the preferential trade agreements concluded by the EU with Georgia, Moldova and Ukraine in relation to the Deep and Comprehensive Free Trade Area, as well as with Albania and Serbia in the sphere of trade.
41. With regard to the avoidance of double taxation, Bulgaria has currently signed 68 agreements including the BSEC Member States: with Albania - 06/16/1999; with Armenia - 11/15/1995; with Azerbaijan - October 15, 2008, with Georgia - June 16, 1999; with Greece - December 20, 2000; with Moldova - 02/11/1999; with Romania - October 08, 2015; with Serbia - December 22, 1999; with Russia - 06/08/1993, with Turkey - 09/21/1995, with Ukraine - 09/18/1996.
42. In Bulgaria, DTAs are not directly applicable. The procedure for its application is regulated in the Tax and Insurance Procedural Code. For the application of DTAs, certain conditions must be met and the status of a foreign citizen must meet the requirements of the National Revenue Agency, namely, person has to be a resident of another state within the meaning of the corresponding DTAs; has to have income from a source in the Republic of Bulgaria; is not involved in economic activity or some site on the territory of the Republic of Bulgaria with which the corresponding income is associated.

43. Other laws that imply procedures for avoidance of double taxation are the Personal Income Tax Act and the Enterprise Income Tax Act. They regulate the priority of international treaties over the national laws.
44. **Greece**, when negotiating Double Taxation Agreements (DTAs), is taking into account the Model Tax Convention and as a result the majority of its DTAs are in accordance with it. As for the member states of the Black Sea Economic Cooperation (BSEC), at the time being, Greece has signed DTAs with all the member states of the BSEC.
45. DTAs between Greece signed and ratified by law with the member states of the BSEC: Albania (Law 2755/1999); Armenia (Law 3014/2002), Azerbaijan (Law 3826/2010); Bulgaria (Law 2255/1994 as modified by Law 2927/2001), Georgia (Law 3045/2002), Moldova (Law 3357/2005); Romania (Law 2279/1995); Russian Federation (Law 3047/2002 as modified by Law 3679/2008); Serbia (Law 3825/2010); Turkey (Law 3228/2004); Ukraine (Law 3046/2002).
46. Double taxation can create obstacles to the development of the economic relations between countries and negative impact on the cross-border economic activity and movement of capital, technology and people. Bilateral (and multilateral) tax treaties can encourage foreign investment and trade, prevent international tax avoidance and evasion, and, more generally, strengthen political ties with the partner country.
47. At present, the **Republic of Moldova** has a number of 50 conventions for the avoidance of double taxation concluded with states around the world. The preferential trade agreements for the elimination of double taxation concluded by the Republic of Moldova with all BSEC Member States.
48. These agreements are aimed at developing and strengthening the economic, scientific, technical and cultural cooperation between all the states and with a view to avoiding double taxation and preventing tax evasion with respect to income and property taxes and non-admission of tax discrimination.
49. All conventions for double taxation elimination provide for: setting up taxation rules for income and capital revenues and methods of eliminating double taxation; as well as establishing special provisions on non-discrimination, etc.
50. The Republic of Moldova has become, since 26 July 2001, a full-fledged member of the World Trade Organization, having an MFN (most favoured nation) treatment with all 164 WTO member states.
51. The Free Trade Agreement between the Republic of Moldova and the Republic of Turkey was signed on 11 September 2014, in Chisinau, and entered into force on 1 November 2016. The Agreement has the purpose of developing harmonious economic relationships between the parties, contributing to the elimination of trade barriers, in order to extend trade exchanges, and creating conditions for attracting foreign investments.
52. The Agreement establishing a Deep and Comprehensive Free Trade Area (DCFTA) with the European Union, initialled on 29 November 2013, during the Eastern Partnership Summit in Vilnius, is part of the Association Agreement between the Republic of Moldova and the European Union.
53. Following the signing of the mentioned Agreements, with the purpose of diversifying the market and boosting exports, the Republic of Moldova also ensures the security of

the domestic market by applying a series of commercial protection instruments, such as establishing import tariff quotas during the transition period, observing the provisions of the Agreements within the World Trade Organization on sanitary and phytosanitary measures (SPS) and technical barriers to trade (TBT).

54. **Romania** has concluded Double Taxation Agreements (DTAs) with all Member States of the Black Sea Economic Cooperation.
55. Furthermore, Romania, alongside with most of the Member States of the BSEC (except for Armenia and Serbia that are currently only signatory states), is part of the Convention on Mutual Administrative Assistance in Tax Matters, adopted in Strasbourg on 25 January 1988, and of the Protocol amending the Convention, adopted in Paris on 27 May 2010. These represent judicial instruments that complement the provisions of the article regarding the exchange of information from conventions/agreements for the avoidance of double taxation and allow assistance in collecting taxes in the situation when conventions/agreements do not provide it.
56. Romania, as member of the European Union, applies the provisions of the Common Trade Policy, and EU manages trade and investment relations with non-EU countries through its trade and investment policy.
57. The Treaty of Lisbon entered into force on 1 December 2009 stipulates in Article 207 that the European Union negotiates, concludes and implements trade agreements with other countries of the world. Trade Policy is an exclusive power of the EU - therefore, only the EU and not the Member States, individually, can legislate on trade. In this regard, the European Commission is negotiating preferential trade and cooperation agreements, on behalf of the EU, with third countries, in close cooperation with the Member States.
58. Among the main laws governing the foreign trade of the **Russian Federation** are the Federal laws: “On the basis of state regulation of foreign trade” (2003), “On export control” (1999), “On special protective, anti-dumping and countervailing measures for import of goods ”(2003).
59. According to Russian customs statistics, the foreign trade turnover of Russia with the BSEC countries in 2018 was 62878.7 million USD and was increased by 14.8% compared to 2017, while export increased by 15, 4% (to the level of 47291.3 million USD) by 15.4% (47291.3 million USD), and imports increased by 13.0% (15587.3 million USD). The positive balance of Russia in trade with the BSEC countries in 2018 was 31,704.0 million USD.
60. The state policy of the Russian Federation in the field of foreign trade is aimed at improving export through diversification of exports, strengthening the country's position in dynamic and promising markets, as well as increasing the volume of trade of the Russian Federation with member states of the Eurasian Economic Union (EAEU) of non-primary goods and services , development and deepening of integration processes in the EAEU, ensuring maximum efficiency of the single market and cooperation system.
61. The National Project “International Cooperation and Export” plays a key role in the development of foreign trade in Russia, which defines the following goals and indicators to be reached by 2024: increasing the export of non-primary non-energy goods to 250 billion USD; an increase in the share of exports of manufacturing products

and agricultural products and services in the gross domestic product of the country from 16.1% to 20%; a 1.7-fold increase in the export of services - from 57.8 billion USD to 100 billion USD; the formation of an effective system of division of labour and production cooperation within the EAEU in order to increase the volume of trade between the member states of the Union at least 1.5 times.

62. There are 80 agreements between the Russian Federation and foreign states on the avoidance of double taxation. The Russian Federation has concluded and enacted the double taxation treaties with all BSEC Member States, with the exception of Georgia (the respective agreement was concluded in 1999 but has not been ratified).
63. The foreign trade liberalisation process of the **Republic of Serbia** for the past two decades has resulted in conclusion of numerous bilateral and multilateral free trade agreements. Currently, the Republic of Serbia applies the following: Stabilisation and Association Agreement (SAA) with the European Union; Agreement on Amendment of and Accession to the Central European Free Trade Agreement - CEFTA 2006; Free Trade Agreement with EFTA countries; Free Trade Agreement with the Russian Federation; Free Trade Agreement with the Republic of Belarus; Free Trade Agreement with the Republic of Kazakhstan and Free Trade Agreement with the Republic of Turkey.
64. A high degree of free trade liberalisation has been achieved with the application of these agreements, which is reflected in the fact that in 2018, about 84.3% of the total trade of Serbia with the world was done with the countries with which we have signed free trade agreements, and as many as 92.8% of Serbian exports went to those countries, mostly to the EU (65.3%) and CEFTA (19.5%), while the third-ranked export market for Serbia is the Russian Federation (5.2%)
65. The Republic of Serbia has already concluded free trade agreements with most of the PABSEC member states, mentioned above: Trade cooperation with Romania, Bulgaria and Greece, and with all other EU Member States, develops under the SAA, with Albania and Moldova through the CEFTA, and with Turkey under a bilateral Free Trade Agreement; the Free Trade Agreement with the Russian Federation has been implemented since 2000.
66. For the purpose of consolidating the free trade regime with all EEU member states, Serbia has initiated negotiations on concluding a Single Free Trade Agreement with the Eurasian Economic Union (EEU) and its member states. Currently, the Agreement signed in 2014 between the Serbia and Armenia on economic, scientific and technical cooperation is in force, economic and trade cooperation with Ukraine develops under a bilateral Agreement on Trade and Economic Cooperation.
67. Regulatory framework of the economic cooperation with Azerbaijan is defined by the Agreement on Trade and Economic Cooperation, signed in May 2010, and came into force in 2011. Legal basis of the economic cooperation with Georgia is the Agreement on Economic and Trade Cooperation between the Government of the Republic of Serbia and the Government of Georgia, signed in November 2017 in Tbilisi. For the purpose of an efficient application of this agreement, a Joint Commission for Trade and Economic Cooperation has been established and it has an important role in bilateral relations between the Republic of Serbia and Georgia, as a tool for enabling and monitoring the economic development.
68. **Turkish** economy grew by 5.8% on average between 2002 and 2017, whereas it grew

by 7.4% in 2017. Turkish economy grew by 7.2% in the first quarter of 2018, 5.3% in the second quarter, and 1.6% in the third quarter of 2018. Per capita income increased from USD 3,581 in 2002 to USD 9,632 in 2018.

69. Turkey's foreign trade figures started to increase again in 2010 as the country began to recover from the global crisis. Turkish exportation has been realized as 152.5 billion dollars in 2012 going up to 168.0 billion dollars in 2018. On the other hand, Turkish importation has been realized as 236.5 billion dollars in 2012 going down to 223.0 billion dollars in 2018. In 2018, Turkey's foreign trade deficit has been realized as 55.0 billion dollars, which reflects a reduction in the deficit by 28.4%, and thus the ratio of exports to imports rose from 67.1% to 75.3%.
70. Within the framework of economic policy, priority goal of Turkey is to increase trade with the BSEC Countries, to liberalize trade in the region and to remove barriers to trade. In this context, first of all, it is planned to establish a Free Trade Zone or Preferential Trade Arrangement among the BSEC countries. It is aimed that these zones will be very suitable for the operational dynamics of international companies and that all arrangements in these zones will be created with a global vision to meet the demands of the private sector.
71. The exportation of Turkey to the Black Sea Economic Cooperation Region has been realized as 15.635 million dollars in 2017, and as 17.839 million dollars in 2018, which reflects an increase of 14.1% in exports. On the other hand, the importation of Turkey from the Black Sea Economic Cooperation Region has been realized as 30,605 million dollars in 2017, and as 32,810 million dollars in 2018, which reflects an increase, with a percentage of 7.2%. Exports to the BSEC region accounted for 10.6% of Turkey's total exports, whereas imports to the BSEC region accounted for 14.7% of Turkey's total imports.
72. Today, 37 Free Trade Agreements (FTAs) have been signed by Turkey, 11 of which have been concluded with Central and Eastern European countries and terminated as these countries have become EU members. Among the remaining FTAs, 20 FTAs are currently in force, some of which are the FTAs that have been concluded with countries from the BSEC Region, namely, Albania, Georgia, Serbia, and Moldova.
73. Negotiations with Serbia to update and extend the scope of the existing FTAs have been completed and the documents, the texts of which have been agreed upon, have already been signed. In addition, the negotiations being held with Georgia and Moldova for the same purpose are expected to be concluded soon. On the other hand, negotiations with 10 other countries are actively being carried out, within the scope of FTA negotiations that have been officially started with 17 countries/country groups, also including the negotiations currently being held with Ukraine from the BSEC region (in addition to goods trade, service trade chapters are also discussed with Ukraine). In order to improve trade and prevent double taxation in the BSEC Region, Turkey has signed "Prevention of Double Taxation on Income and Prevention of Tax Evasion Agreements" with all BSEC member states with the exception of Armenia.
74. At the same time, within the scope of economic vision, modernization of customs is another important topic on the agenda of Turkey. In order to increase competitiveness, efficiency and effectiveness in international trade, Turkey aim to ensure full digitalization, modernization and transparency in its customs system. Within this scope, topics such as Facilitation of Trade, E-commerce and Single Window are currently being negotiated with other BSEC member countries as well.

75. Recently, Ministry of Trade of the Republic of Turkey has started to focus particularly on the issue of facilitation of trade as it is an area where the member countries can cooperate more easily. In this context, during the meetings of the BSEC Trade and Economic Development Working Group held in 2012, concrete suggestions were made by Turkey for the steps that could be taken in the field of trade facilitation within the BSEC and a “BSEC Trade Facilitation Strategy” was prepared by Ministry of Trade of the Republic of Turkey, which was discussed within the respective Strategy Working Group.
76. The state policy of **Ukraine** in the field of foreign trade is aimed at building effective trade and economic relations with the countries in the world. Basic regulatory acts governing foreign economic activity in Ukraine: Law of Ukraine of 04.16.1991 “On foreign economic activities” (as amended), which determines the principles of foreign economic activities in Ukraine; The Law of Ukraine of 12.22.1998 “On the protection of the national producer against dumped imports”, which defines the mechanism for protecting the national producer against dumped imports from other countries, customs unions or economic groups, regulates the basis and procedure for initiating and conducting anti-dumping investigations, as well as compensation measures.
77. Today, the free trade regime with the BSEC countries is ensured in accordance with the bilateral free trade agreements with the Republic of Azerbaijan in accordance with the Agreement between the Government of Ukraine and the Government of the Republic of Azerbaijan on free trade dated 07.28.1995 (valid from 12.26.1996); with Georgia - in accordance with the Agreement between the Government of Ukraine and the Government of the Republic of Georgia on free trade dated 01/09/1995 (as amended on 06/17/2009).
78. Work is underway to conclude bilateral free trade agreements with priority countries defined by the Export Strategy of Ukraine (the road map of strategic trade development) for 2017-2021 including the BSEC member states, namely Turkey and Serbia.
79. Starting with 1 January 2016, the terms of free trade between Ukraine and the EU are governed by the provisions of section IV “Trade and trade-related issues” of the Association agreement between Ukraine and the EU (from 1 January 2016 to 31 August 2017 in a temporary application mode. From 1 September 2017, the Association Agreement entered into force in full). In accordance with the Agreement, a free trade regime is ensured with Bulgaria, Greece, Romania; the free trade regime with the Republic of Armenia and the Republic of Moldova is ensured in accordance with the Agreement on the Free Trade Zone of 10/18/2011 (CIS).
80. A brief review of the national taxation regimes in the BSEC countries points to the fact that the legal framework in the field of determination of the tax jurisdiction of the BSEC Member States in the course of their business activities by the business entities of these states is constituted by regulatory legal documents adopted by each of the state, as well as international treaties, including tax issues.
81. Most intergovernmental bilateral tax agreements between the BSEC Member States in a broad sense follow the principles and provisions of the OECD model agreements aimed at alleviating the burden of double taxation by establishing a single framework for resolving most common problems that in the field of multiple taxation.
82. The agreements concluded by the BSEC Member States apply to the taxation of individuals and legal entities receiving income from immovable property, international

transportation, profit from entrepreneurial activity, dividends, interest, income from copyrights and licenses, income from the sale of immovable and movable property, independent personal activity, income from employment, etc.

83. The national legislation in the BSEC Member States, implementing the principle of tax sovereignty, establishes taxation of total income for its tax residents, which means payment of taxes on all income, regardless of their source of origin (within or outside the country).

Measures undertaken in the framework of the BSEC

84. In the context of the current challenges facing world economy and BSEC region, supporting intra-regional trade and investment is essential for the development of the BSEC countries. The BSEC Economic Agenda: Towards an Enhanced BSEC Partnership adopted in 2012, guides BSEC initiatives in this regard by setting Intensifying Intra-Regional Trade and Investments as the main objectives under the Priority Areas of Action.
85. The participants in the Ministerial Meeting held in Chisinau on 29 May 2015 have adopted the Joint Declaration on Facilitating Intra-Regional Trade and Investment. With this Declaration Ministers declared that they give priority consideration to trade facilitation among the BSEC Member States and supported ongoing efforts at the relevant BSEC Working Groups to establish a Regional Trade Facilitation Strategy for the BSEC Region in conformity with the standards and rules of the World Trade Organization (WTO). Ministers also encouraged initiatives to develop cooperation mechanisms among the BSEC Member States in the sphere of electronic commerce, with the aim to create conditions to develop a barrier-free, secure and transparent cross-border e-commerce environment, in the BSEC Region.
86. The said Strategy Document has been referred to in the Chisinau Declaration, which has been adopted at the Third Meeting of the BSEC Ministers of Economy that was held in Moldova on May 29th, 2015, and finally, in 2016, it was simplified in line with the demands of the member states. At the Fourth Meeting of the BSEC Ministers of Economy that was held on 11 May 2017, it was decided to continue the work for the adoption and implementation of this Strategy Document. The Strategy Document was finalized at the Meeting of BSEC Working Group on trade and economic development held on 21 September 2017. The strategy aims to ensure that the BSEC Member States are not limited to the obligations they have assumed through the WTO Trade Facilitation Agreement (TFA), and to pave the way for cooperation in matters not covered by the WTO TFA.
87. The BSEC documents adopted at various levels have recurrently emphasize the desire to contribute to a greater inflow of foreign investment in the Black Sea countries and to expand the activities of the business community and the private sector in order to consolidate the Black Sea Economic Cooperation with the condition that they are politically acceptable and economically and socially beneficial.

III. CONCLUSIONS

88. Today, human society has reached a new level of globalization, with significant increase of international business and trade relations. This gradually leads to the need for legal regulation of the activities of subjects of international entrepreneurship to solve various problems by reaching consensus and harmonizing joint actions for the

development of multilateral and bilateral regulatory frameworks governing interstate trade relations and taxation systems.

89. Recognizing the importance of using international treaties in the regulation of tax relations, the BSEC Member States are actively working on concluding international tax agreements, which, in turn, significantly enhance foreign economic activity between the countries.
90. Taxation is one of the most effective tools for the investment process. It allows significant influence on both investment relations within the country and the whole international investment process. A state that signs an agreement on the avoidance of double taxation assumes the obligation to fully or partially exempt enterprises with foreign capital from taxation by providing tax benefits in accordance with national legislation.
91. Assessing agreements on the avoidance of double taxation of income and property in the BSEC Member States, certain achievements can be traced in the development of this form of taxation. This form is the most available and is aimed at creating a common market by reasonably reducing the costs of economic entities.
92. Along with bilateral double taxation agreements, the possibility of creating a multilateral mechanism between the BSEC Member States can be considered, taking into account the strengthening of integration processes in the region and increased potential for business and investment attractiveness in the BSEC countries.
93. A multilateral treaty could become an effective measure to further the harmonization of international taxation within the BSEC region as a long-term objective for the effective integration of the BSEC region into the global economy.
94. The conclusion of double taxation agreements leads to economic growth and the increase of welfare of the states. Therefore, for the further implementation of these agreements, it is necessary to develop an effective mechanism for the interaction of business with state authorities, to be aware of the needs of the business communities, and the problems that face when entering foreign markets, as well as to help them solve problems, thus increasing the economic potential.
95. The enlargement of foreign economic relations in the region allow the companies, despite differences in the economic development levels in the countries, carrying out trade and economic activities in several countries, and the people go to work in neighbouring countries. In these circumstances, ensuring the comprehensive development of cooperation and sustainable growth based on mutually beneficial conditions within the framework of the Black Sea Economic Cooperation is an important task for all Member States.