A STUDY ON TRADING PATTERNS IN THE ECO REGION

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EXECUTIVE SUMMARY

At a time when the world trading system is rapidly moving towards regionalism, the region comprising 10 members of the 'Economic Cooperation Organization' (ECO) --- Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan, and Uzbekistan --- remains one of the least integrated in the world, with weak intra-regional trade and investment linkages. Though the volume of bilateral trade remains small, and in some instances trade complementarity is low, there exists potential for strengthening intra-regional trade across a wide range of commodities. This study shows that trade in the ECO region can increase by a factor of eight as a result of a potential free trade agreement among the ECO member countries.

Based on an in-depth analysis of the regional trading patterns, this study argues that there is a strong case for promoting regional economic integration in the ECO region. First, regional economic integration through liberal trade policies can result in trade creation among the member countries entailing several benefits including lower prices, more product variety and quality, and improved incentives for innovation. The benefits of regional economic integration can go far beyond trade creation. For example, a greater level of economic integration can be instrumental in locking-in and institutionalizing trade policy reforms allowing the countries to enhance their policy credibility. Also, increased economic ties in the region may create stake-holding in the domestic economies, reduce the risk of conflict, and thus enhance regional security.

The study shows that not only is there potential for trade in goods, there exists a significant potential for trade in services as well. The services trade in the ECO member countries is of intra-industry variety signifying that intra-regional trade can be strengthened in all segments of the services sector. On the demand side, a majority of the ECO countries are in transition and have a great demand for construction, telecommunications, and financial services. On the supply side, both Turkey and Pakistan can be important suppliers of a wide variety of services including information and communications technology, construction, and business and financial services. Turkey has a very well developed capacity in construction and its world class construction companies have won contracts around the globe. The developing countries of the ECO region such as Afghanistan, Tajikistan, Turkmenistan, and Kyrgyzstan can benefit from Turkey's expertise in construction services. Turkey can also be an important supplier of business and financial services in the ECO region.

The study argues that a greater level of economic integration in the ECO region will be instrumental in promoting FDI in the ECO region. The ECO region is a combined market of 417 million inhabitants with average per capita GDP of US$3578. The region also offers diversity in terms of their production structures, and demand patterns. Whereas these are important attributes for foreign investors, the individual member countries must also take steps to put in place an environment that can enhance the profitability of foreign investors. In particular, to attract FDI the host countries need to provide a business-friendly environment, promote industrial diversification, upgrade physical infrastructure, promote special economic zones, and take effective steps for human resource development.

Regional cooperation in ECO can contribute significantly to the development of financial sectors in the ECO member countries. The less-developed countries can learn from the experiences of Turkey and Pakistan in financial sector development. Similarly, the individual countries can benefit from the financial institutions of the ECO members. There are some instances of cross-border presence of the financial institutions in the ECO region. For example, major commercial banks in Kazakhstan expanded their operations to neighboring countries in recent years. Also, Turkish banks have a presence in other ECO member states. There is great scope for enhancing intra-regional provision of financial services. Such cooperation will not only improve access to financial services and instruments but will also facilitate intra-regional trade in the ECO region. The ECO Trade and Development Bank can play an important role in the development of the financial sector. The Bank needs to expand its operations in terms of medium and long-term financing facilitates for both public and private sectors. The bank can also play an important role in promoting intra-regional trade through provision of trade finance facilities to the ECO member states.

The study spells out several policy recommendations to boost trade and investment ties in the region. To begin with, the potential for greater intra-regional trade cannot be realized unless supportive measures are adopted to put in place trade regimes that are open and responsive to the needs of intra-regional trade. First and foremost, there is a need to further liberalize trade through reduction in tariff and non-tariff barriers. Whereas many countries have already carried out trade policy reforms to liberalize their trade regimes, some ECO members continue to impose high tariffs and non-tariff barriers. Besides a liberal tariff regime, there is a need to improve trade facilitation mechanisms in many ECO member countries especially Uzbekistan,

Tajikistan, Turkmenistan, and Kyrgyzstan. It is generally believed that doing business in these countries is difficult because of the cumbersome and complex bureaucratic requirements imposed on international trade transactions as well as inefficient trade and transport infrastructure. Trade facilitation is universally accepted as a means of improving the efficiency of international trade and economic development. Trade facilitation is an issue that is linked to a number of critical areas with far reaching implications for competitiveness and economic efficiency. Despite efforts to streamline the customs procedures, the clearance of consignments remains a problem due to weaknesses in customs administration and cumbersome regulatory procedures.

Another initiative that can help boost intra-regional trade is monetary cooperation. Many ECO members often face foreign exchange constraints especially in the wake of external economic shocks. Lack of adequate foreign exchange reserves can hinder all international transactions including intra-regional trade and investment. In this context, monetary cooperation among the ECO members can be instrumental in enhancing intra-regional trade. For example, membership in the Asian Clearing Union (ACU) can help strengthen intra-regional trade by circumventing the need for hard currency. Pakistan and Iran are already members of the ACU and trade ties can be strengthened if other ECO countries also acquire the ACU membership.

There is a need to facilitate business to business contacts in the ECO region. The importance of advisory services, market intelligence, and export promotion in helping private businesses to sell their products in international markets cannot be overemphasized. The governments can help in international trade fairs, and overseas market visits to provide exposure to regional markets.

The ECO member countries need to put in place effective mechanisms to promote a broader level of economic and technological cooperation in the ECO region. First, the member countries need to open up cross-border movement of technical personnel in the region. Policies in this area may include temporary work permits to technical persons, exchange visas, and business visas. Second, the member countries need to facilitate their enterprises who wish to engage in cross-border service provision under Mode-3 of GATS. This will ensure that the regional companies are able to secure construction and infrastructure projects in the ECO member countries. Third, the member countries need to devise mechanisms to facilitate mutual sharing of their experiences especially in technological fields. For example, Pakistan has the knowledge and capacity in agricultural research and extension services. The experience

and knowledge of Pakistan can be instrumental in helping other ECO member countries to replicate best practice models in agricultural research and extension. Fourth, there is a need for individual member countries to develop a network of their universities that can help collaborative research and development activities to the mutual benefit of the member countries.

At the regional level, the ECO Secretariat can play an important role in strengthening economic and technological cooperation in the ECO region. The Secretariat can play host to a joint commission on economic and technological cooperation in the ECO region. The commission may serve as an umbrella to oversee all initiatives of technological cooperation in the ECO region. These measures will help realize the full potential economic and technological cooperation in the ECO region.

Chapter 1

INTRODUCTION

Recent decades have witnessed a growing interest in regional economic integration not least because the process of multilateral trade liberalization has not moved forward and negotiations under the Doha Round have stalled for quite some time. According to WTO, some 474 Regional Trade Agreements (RTA's) have been notified to the WTO and about 283 were in force as of July 2010. At a time when the world trading system is rapidly moving towards regionalism, the ECO region comprising 10 countries --- Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan, and Uzbekistan ----remains one of the least integrated regions in the world with low volumes of intra-regional trade and investment. The ECO is a diverse region that is endowed with enormous natural resources with a variety of production structures. There is thus significant potential for the region to become more integrated through greater intra-regional trade and investment flows.

There is a strong case for promoting regional economic integration in the ECO region. First, regional economic integration through liberal trade policies can result in trade creation among the member countries spurring competition in the domestic economies. Enhanced competition results in lower prices for consumers, more product variety and quality, and increased incentives for innovation. By promoting a more efficient allocation of resources, import competition increases productivity, living standards, and long-run growth of the economy. Empirical research has shown that the welfare consequences of trade liberalization through regional trading arrangements generally tend to be positive. Second, regional integration schemes are viewed as a way for nations to lock in and institutionalize trade policy reforms.[1] The improved policy credibility may also encourage both domestic and foreign investment by reassuring investors that policy will not be reversed in the future.[2] Third, regional economic integration may act as a stepping stone to multilateral trade liberalization by providing an opportunity to experiment trade liberalization on a limited scale. Fourth, increased economic ties in the region may create stake-holding in the domestic

[1] Fukase and Winters (1999) argue that regional trade agreements can help in strengthening the members' commitment to reform and thus enhance their external credibility.
[2] Foreign investment may also be encouraged due to increased market size within an RTA.

economies, reduce the risk of conflict, and thus enhance regional security.[3] Finally, it needs to be emphasized that ECO countries can provide easier access to each others' markets because of geographical proximity, and shared economic, social and cultural characteristics; and this makes it all the more imperative for them to foster regional economic cooperation.

This study explores the prospects of enhanced regional economic cooperation in the ECO region through greater trade and investment linkages. The study is organized as follows. Chapter 2 provides a macroeconomic overview of the ECO countries. Chapter 3 contains an analysis of bilateral trade flows in the ECO in terms of revealed comparative advantage indices, trade complementarity indices and the gravity model. Chapter 4 deals with trade in services whereas Chapter 5 covers mutual investment. Chapter 6 looks at financial regulatory issues. Chapter 7 spells out avenues for economic and technological cooperation in the ECO region and Chapter 8 offers summary and conclusions.

[3] Schiff and Winters (1998) maintain that increased trade among members of an RTA can build mutual trust and thereby reduce tensions among trading nations.

Chapter 2

MACROECONOMIC OVERVIEW OF ECO COUNTRIES

The ECO region with average per capita GDP of $3578 and a combined population of 417 million is well endowed with natural resources like oil and gas, gold, uranium, and iron. The member countries have diverse production structures with Turkey, Iran and Pakistan having strong manufacturing and services sectors and the Central Asia Republics transforming from centrally planned economies to market based systems. Turkey is the most advanced country in the region while Kyrgyzstan is the poorest country.

Table 2.1: Population And Gross Domestic Product

Country Name	POPULATION (Percent of Region)			GDP (Percent of Region)			PER CAPITA INCOME (US $)		
	1991	2000	2009	1991	2000	2009	1991	2000	2009
Afghanistan	6.2*	6.7	7.1			1.9**	..	..	486**
Azerbaijan	2.4	2.3	2.1	2.4	1.1	2.7	1223	655	2303
Iran	18.4	18.0	17.5	21.2	20.9	21.5	1432	1584	2168
Kazakhstan	5.5	4.2	3.8	6.3	3.8	5.1	1425	1229	2376
Kyrgyzstan	1.5	1.4	1.3	0.5	0.3	0.3	422	279	385
Pakistan	36.9	38.9	40.7	14.1	15.3	15.1	477	536	657
Tajikistan	1.8	1.7	1.7	0.6	0.2	0.2	387	139	249
Turkey	19.0	18.7	17.9	50.3	55.0	48.5	3293	4011	4778
Turkmenistan	1.3	1.3	1.2	1.0	0.6	1.3	965	645	1827
Uzbekistan	7.0	6.9	6.7	3.7	2.8	3.4	667	558	893

Source: World Development Indicators (http://databank.worldbank.org)
* Figure for 1990, **http://www.economywatch.com/economic-statistics/country/Afghanistan/
Note: GDP and Per Capita Income are based on Constant US $ 2000

The ECO region is dominated by three countries namely Turkey, Pakistan and Iran both in terms of population as well as economic size. Pakistan is the largest country accounting for more than 40 percent of the region's population, followed by Turkey (17.9%), and Iran (17.5%) (Table 2.1). In terms of the level of income, Turkey is the regional leader accounting for 48.5 percent of the regional GDP, followed by Iran (21.5%), and Pakistan (15.1%). Turkey has the highest per capita GDP in the region, followed by Kazakhstan, Iran, Azerbaijan, Turkmenistan, Uzbekistan, Pakistan, Kyrgyzstan, Tajikistan and Afghanistan.

The regional countries have diverse production structures. In Azerbaijan and Turkmenistan, Iran, and Kazakhstan, the share of industrial sector in GDP is respectively 60 percent, 53.5 percent, 44.5 percent, and 40.3 percent reflecting the dominance of energy related industries. The industrial sector in other countries also has a significance presence: the share of industrial sector in national income ranges from 19.3 percent in Kyrgyzstan to 33.2 percent in Uzbekistan.

Despite significant structural changes with falling share of agriculture over time, the agriculture sector continues to play in important role in some ECO countries, especially Afghanistan, Kyrgyzstan, Tajikistan, Pakistan, and Uzbekistan where the share of agriculture in GDP is 32.5 percent, 29.2 percent, 22.4 percent, 21.6 percent and 19.5 percent. The role of agriculture in other economies including Azerbaijan, Iran, Kazakhstan, Turkey and Turkmenistan is rather limited with agriculture's share in GDP at less than 10 percent.

Though the commodity-producing sectors account for a sizable share in national economies, it is the services sector that plays a dominant role in these economies with Turkey having the highest share of services in its economy (64.9%), and Azerbaijan the lowest (31.8%).

Table 2.2: Sectoral Composition Of National Income as % of GDP)

	AGRICULTURE			INDUSTRY			SERVICES		
Country Name	1991	2000	2009	1991	2000	2009	1991	2000	2009
Afghanistan	..	..	32.5	..	..	22.1	..	..	45.4
Azerbaijan	32.3	17.1	8.2	31.4	45.3	60	36.3	37.5	31.8
Iran	18.5	13.7	10.2**	28.7	36.7	44.5**	52.7	49.5	45.3**
Kazakhstan	26.7*	8.7	6.4	44.6*	40.5	40.3	28.7*	50.8	53.3
Kyrgyzstan	37.0	36.7	29.2^	35.5	31.4	19.3^	27.6	31.9	51.5^
Pakistan	25.8	25.9	21.6	25.4	23.3	24.3	48.8	50.7	54.2
Tajikistan	36.6	27.4	22.4	36.9	38.9	23.7	26.4	33.7	53.9
Turkey	15.8	11.3	9.3	32.7	31.5	25.8	51.5	57.2	64.9
Turkmenistan	32.3	24.4	12.3	31	44.4	53.5	36.7	31.2	34.2
Uzbekistan	37.0	34.4	19.5	36.6	23.1	33.2	26.5	42.5	47.3

SOURCE: World Development Indicators (http://databank.worldbank.org); * value for 1992; ** value for 2007; ^ value for 2008

Before the onset of the financial crisis, the industrial sectors in most of the ECO countries exhibited robust growth. In 2007, the industrial sector showed a stellar performance in Azerbaijan and Turkmenistan with industrial output growing respectively at 32.8 percent and 25.9 percent. The industrial sector in other economies also posted strong growth with industrial growth ranging from 12.5 percent in Kyrgyzstan to 5.8 percent in Turkey. Industrial growth in most ECO countries slowed sharply after the financial crisis, and most of the economies are still in recovery phase.

Table 2.3: Growth Performance Of Industrial Sector (% Per Annum)

Country	1981-1990	1991-2000	2002	2003	2004	2005	2007	2008	2009
Afghanistan	..	..	..	6.1	32.1	23.9	-2.7	5.7	19.1
Azerbaijan	..	-4.2	14.8	12.5	11.6	43.4	32.8	10.0	2.5
Iran	6.9	4.0	9.5	9.6	6.5	4.7	7.9	..	..
Kazakhstan	..	-6.2	12.0	9.2	11.3	10.7	8.5	1.9	0.4
Kyrgyzstan	6.5	-7.9	-9.0	12.7	3.0	-9.8	12.5	7.6	..
Pakistan	7.8	4.2	2.7	4.2	16.3	12.1	8.8	1.4	-1.9
Tajikistan	4.9	-8.7	8.4	9.9	15.1	10.4	6.0	6.0	8.7
Turkey	7.2	4.4	4.6	7.8	11.8	8.7	5.8	-1.3	-8.4
Turkmenistan	..	-0.1	13.2	16.2	25.8	21.8	25.9	134.2	25.0
Uzbekistan	6.7	-2.7	3.4	3.2	5.0	5.0	6.6	6.8	4.1

SOURCE: World Development Indicators (http://databank.worldbank.org)

While the manufacturing sector has expanded in almost all the ECO countries, the sector is not too much diversified in most of the economies. Except for Turkey, and to some extent Pakistan and Iran the manufacturing sector in other economies is dominated by energy and food industries. Turkey is classified as a developed country of the region having comparative advantage in the industries of mine-metal and chemical, automotive, electrical and electronics, textile and clothing and in agriculture. On the other hand, Pakistan has significant textiles and light engineering sectors that play an important role in country's exports. The diverse production structures in these economies essentially reflect different levels of technological advancement, which in turn can be an important basis for enhancing trade links among the ECO countries.

In terms of the overall growth performance, the ECO economies show a mixed trend. The Afghan economy has obviously suffered because of political instability with growth slowing down from 14.3 percent in 2003 to 2.3 percent in 2008. Though economic growth in Azerbaijan slowed down in 2008, the economy performed quite strongly with economic growth as high as 34.5 percent in 2006. Economic growth in Iran reached 7.8 percent in 2007 before slowing sharply to 2.3 percent in 2008 and 1.8 percent in 2009 not least because of international sanctions. Economic growth in Kazakhstan remained robust until 2007 when the economy grew on average at 10 percent. However, the economy lost the growth momentum in 2008 and 2009 on the back of a slowing world economy. Pakistan's economy also grew strongly at about 6 percent per annum until 2007 but thereafter economic growth fell sharply due to the global financial crisis as well as hike in global fuel and food prices. A similar picture is observed in Turkey where economic growth slowed sharply in 2008 to only 0.7 percent from 4.7 percent in 2007. In 2009, the economy experienced a sharp contraction in output with growth at negative 4.7 percent. Turkmenistan and Uzbekistan showed

resilience as growth remained strong in these economies because of their limited exposure to the global financial turmoil.

Table 2.4: GDP Growth Rate in ECO Region

Country/Years	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Afghanistan	--	--	--	14.3	9.4	14.5	11.2	16.2	2.3	
Azerbaijan	11.1	9.9	10.6	11.2	10.2	26.4	34.5	25.0	10.8	9.3
Iran	5.1	3.7	7.5	7.1	5.1	4.6	5.9	7.8	2.3	1.8
Kazakhstan	9.8	13.5	9.8	9.3	9.6	9.7	10.7	8.9	3.3	1.2
Kyrgyzstan	5.4	5.3	0.0	7.0	7.0	-0.2	3.1	8.5	8.4	2.3
Pakistan	4.3	2.0	3.2	4.8	7.4	7.7	6.2	5.7	2.0	3.7
Tajikistan	8.3	10.2	9.1	10.2	10.6	6.7	7.0	7.8	7.9	3.4
Turkey	6.8	-5.7	6.2	5.3	9.4	8.4	6.9	4.7	0.7	-4.7
Turkmenistan	18.6	20.4	15.8	17.1	17.2	13.0	11.4	11.8	10.5	8.0
Uzbekistan	3.8	4.2	4.0	4.2	7.7	7.0	7.3	9.5	9.0	8.1

Source: World Development Indicator, http://databank.worldbank.org

In terms of international trade, the region is dominated by Turkey, Iran and Pakistan. In 2009, Turkey accounted for 45.9 percent of total regional imports and 39.9 percent of total regional exports, whereas the share of Iran in total regional imports and exports stood respectively at 18.8 percent and 25.7 percent. The share of Pakistan in total regional imports and exports respectively was 10.1 percent and 5.8 percent in 2009.

Table 2.5: Country Share In Regional Aggregates: 1991, 2000 And 2009

Country Name	IMPORTS			EXPORTS			GDP		
	1991	2000	2009	1991	2000	2009	1991	2000	2009
Afghanistan	--	2.4^	1.7^^	--	1.2^	0.5^^	--	0.5^	0.9^^
Azerbaijan	4.8	1.8	3.3	5.3	1.9	6.3	2.8	1.1	3.2
Iran	15.7*	16.0	18.8#	21.8*	21.3	25.7#	19.2*	20.8	24.7#
Kazakhstan	24.7**	8.1	11.9	24.4**	9.6	13.5	8.0**	3.8	8.6
Kyrgyzstan	1.2	0.6	1.1	1.2	0.5	0.6	0.8	0.3	0.3
Pakistan	11.1	9.8	10.1	10.2	9.2	5.8	14.6	15.2	12.1
Tajikistan	1.1	0.8	0.9	1.1	0.8	0.2	0.8	0.2	0.4
Turkey	33.1	55.7	45.9	27.7	49.7	39.9	48.4	54.8	45.9
Turkmenistan	1.1	2.1	2.8	1.6	2.6	4.2	1.0	0.6	1.5
Uzbekistan	7.1	2.7	3.6	6.5	3.1	3.3	4.4	2.8	2.4

SOURCE: World Development Indicators (http://databank.worldbank.org)
* value for 1992; ** value for 1993; ^ value for 2002; ^^ value for 2008; and # value for 2007

Macroeconomic stability is essential for sustained economic growth. Whereas some countries have generally maintained macroeconomic stability in recent years as indicated by a low rate of inflation, others have struggled with persistently high rates of inflation due to lax macroeconomic management. For example, in 2009, the rate of inflation in Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, and Turkey remained in

single digits whereas other countries have witnessed high rates of inflation ranging from 13.5 percent in Iran to 20.8 percent in Uzbekistan.

Table 2.6: Inflation (CPI)

Country/Year	2004	2005	2006	2007	2008	2009
Afghanistan		12.1	3.5	17.0	22.7	-13.2
Azerbaijan	6.8	11.6	8.3	16.7	20.8	1.4
Iran	14.8	13.4	11.9	17.2	25.5	13.5
Kazakhstan	6.9	7.6	8.6	10.8	17.2	7.3
Kyrgyz Republic	4.1	4.4	5.6	10.2	24.5	6.9
Pakistan	7.4	9.1	7.9	7.6	20.3	13.6
Tajikistan	7.1	7.1	10.0	13.1	20.5	6.4
Turkey	10.6	10.1	10.5	8.8	10.4	6.3
Turkmenistan*	6.0	7.1	11.8	8.5	46.4	20.5
Uzbekistan*	15.6	21.4	21.5	24.0	19.9	20.8

Source: World Development Indicator, http://databank.worldbank.org
Note: * GDP deflator values

All the ECO countries are open to foreign direct investment (FDI). In 2009, Kazakhstan was the largest recipient of FDI relative to GDP with such inflows amounting to 11.54 percent of GDP, followed by Turkmenistan (6.79%), Kyrgyzstan (4.14 %), Uzbekistan (2.29%), and Pakistan (1.43%). The major sectors where FDI has been concentrated include oil and gas sectors, textiles, and construction.

Table 2.7: FDI as percent of GDP

Country Name	2004	2005	2006	2007	2008	2009
Afghanistan	3.28	3.98	2.91	2.39	2.82	
Azerbaijan	40.97	12.68	-2.78	-14.37	0.03	1.10
Iran, Islamic Rep.	1.75	1.63	0.74	0.58	0.48	0.91
Kazakhstan	9.63	3.45	7.75	10.60	11.83	11.54
Kyrgyz Republic	7.93	1.73	6.42	5.47	7.33	4.14
Pakistan	1.14	2.01	3.35	3.90	3.29	1.43
Tajikistan	13.10	2.36	12.05	9.70	7.32	0.32
Turkmenistan	5.17	5.16	7.11	6.35	4.82	6.79
Uzbekistan	1.47	1.34	1.02	3.16	2.55	2.29

Source: World Development Indicator, http://databank.worldbank.org

The significance of international trade in domestic economies varies greatly across the ECO member countries. For example, merchandize trade accounts for 98 percent of GDP in Kyrgyzstan, followed by Tajikistan (72%), Kazakhstan (66%), Azerbaijan (65%), Uzbekistan (53%), Turkey (39%), Iran (39%), and Pakistan (30%). It is clear that the importance of trade in domestic economies is roughly inversely proportional to the size of the country.

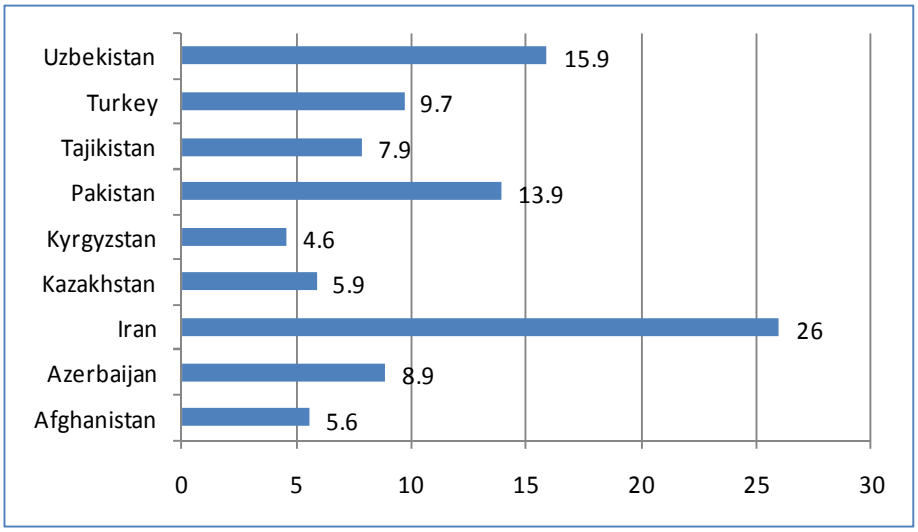
Table 2.8: Merchandise Trade as percent of GDP

Country/Years	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Afghanistan	…	72	59	47	44	42	37	33	35	…
Azerbaijan	55	56	61	72	82	91	87	83	82	65
Iran	42	37	39	43	45	50	53	47	51	39
Kazakhstan	76	68	66	69	76	79	76	77	82	66
Kyrgyzstan	77	62	67	68	75	72	89	93	111	98
Pakistan	27	27	29	30	32	38	37	35	38	30
Tajikistan	170	124	119	108	101	97	111	106	91	72
Turkey	31	37	38	38	41	39	42	43	46	39
Turkmenistan	148	140	111	103	105	97	95	92	105	67
Uzbekistan	40	48	51	58	64	59	59	58	62	53

Source: World Development Indicator, http://databank.worldbank.org

Almost all the countries in the region have introduced trade policy reforms in recent years to enhance their growth prospects. Three countries of the region --- namely Turkey, Pakistan, and Kyrgyzstan --- are members of the WTO, whereas the other countries have observer status in WTO. The WTO member countries have reformed their trade policy regimes in line with the WTO requirements with low tariff and non-tariff barriers.

Figure 1: Simple Mean MFN Applied Tariff (All Products): 2009



For some ECO countries, especially the non-members of the WTO, the low tariff rates mask the actual restrictiveness of their trade regimes due mainly to imposition of non-tariff barriers. For example, goods imported into these countries must comply with a host of standards and certification requirements. Technical standards are mostly outdated, and the system of testing is weak and fragmented. Poor institutional capacity of the agencies responsible for testing and issuing certificates of

conformity often contributes to delays in the completion of certification requirements. Presently, all the countries are striving to bring their technical standards and certification requirements in line with internationally accepted norms under the WTO.

Also, customs and inspection procedures at the borders are complicated and vague, leaving room for arbitrary interpretation and enforcement. Transporters often have insufficient knowledge of the customs rules and procedures, not least because of frequent changes in the procedural requirements at the borders. Furthermore, differences in the permissible technical characteristics of vehicles (total weight, axle load, and vehicle dimension) often lead to cumbersome physical inspections of the vehicles, contributing to delays in the clearance of the goods. Due to unpredictable transit times, producers have to keep their stocks in excess of the optimal size required for the production process. Another major concern is the delay in repayment of guarantees and deposits for goods in transit.

Chapter 3

BILATERAL TRADE ANALYSIS

The success of regional integration schemes hinges on a number of factors, prominent among them being the pattern of comparative advantage and the extent of trade complementarity within a regional trading bloc. More specifically, regional integration schemes are likely to promote intra-regional trade in situations where members have comparative advantage in diverse products and exhibit strong trade complementarities. On the other hand, prospects of regional trade expansion are likely to be limited for countries whose production and trade structures are characterized by identical pattern of comparative advantage and low trade complementarities.[4]

This chapter undertakes a detailed analysis of the pattern of comparative advantage and the extent of trade complementarity in the ECO region, with a view to identifying the potential of intra-regional trade in the short to medium term. We compute three types of indices namely the revealed comparative advantage (RCA) index, trade complementarity index, and trade specialization index to measure the product complementarities, export efficiencies and diversification in the trade profile of the regional members.

3.1 Revealed Comparative Advantage Analysis

This section aims to examine the ECO region's relative competitiveness and compare the pattern of specialization in trade. The analysis has been undertaken at both the industry and product level. For the industry level, the revealed comparative advantage index has been computed for all ECO countries in all the 97 sectors of the Harmonized System 1996 classification for the year 2003 to 2008. The profile of industry-wise revealed comparative advantage provides a broader picture of the trade structure. However there is possibility that the pattern of comparative advantage may differ across the different levels of aggregation at the product level. Therefore this study has analyzed the export performance of the industries at product level i.e. at 4-digit and 6-digit level of HS classification.

[4] Obviously if trade is opened up, there are possibilities of changes in comparative advantage and a large number of products not traded now would become a part of trade.

The RCA index is defined as the ratio of two shares. The numerator is the share of a country's total exports of the commodity of interest in its total exports. The denominator is share of world exports of the same commodity in total world exports. [5]

$$RCA = \frac{\sum_d x_{isd} / \sum_d X_{sd}}{\sum_{wd} x_{iwd} / \sum_d X_{wd}}$$

Where *s* is the country of interest, *d* and *w* are the set of all countries in the world, *i* is the sector of interest, *x* is the commodity export flow and *X* is the total export flow. The numerator is the share of good *i* in the exports of the country *s*, while the denominator is the share of good *i* in the exports of the world.

RCA takes a value between zero and positive infinity. A country is said to have a revealed comparative advantage if the value exceeds unity. A country therefore has a revealed comparative advantage only in those products for which its market share of world exports is above its average share of world exports. Data for measuring RCA are collected from World Bank and UN COMTRADE.

The revealed comparative advantage indices can be computed at various levels of commodity aggregation according to the harmonized system (HS) classification. To begin with, 2-digit HS classification has been used to provide a broad picture of the pattern of comparative advantage. However, the finer the disaggregation, the better the identification of the products in which potential for exports exists. Accordingly, the 4 and 6 digit HS commodity classifications have also been used for identification of products of export interest to each country.

3.2 Sector Level Analysis

In this section Revealed Comparative Advantage (RCA) analysis has been conducted at the sector levels for Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan and Turkey in all the 97 sectors of the Harmonized System (HS 1996) 2-digit classification for the period 2003 to 2008.[6]

3.2.1 Pakistan

In the case of Pakistan the RCA indices are greater than one for more than 30 sectors, indicating that Pakistan has comparative advantage in a broad range of commodities. The analysis shows that Pakistan has maximum comparative advantages

[5] "*Trade statistics in policymaking"* A handbook published by UNESCAP.
[6] Due to non-availability of data, RCA indices could not be computed for Tajikistan, Uzbekistan, and Turkmenistan.

in textiles and this has not changed since 2003. In 2008, the RCA index for this sector stood at 58.1 and its share in total exports at 15.5 percent, up from 57 and 20 percent respectively in 2003. The second top ranked sector in terms of the RCA is cotton (HS-52) which has the largest share in total exports of Pakistan.

The top ten sectors with highest RCA include textile articles, cotton, leather, cereals, carpets and textile floor, raw hides and skin, staple fibers, apparel and clothing, gums, vegetable, starches, salt, sulpher, ships, boats, toys, sports material, fish and edible fruits (Table 3.1).

Table 3.1: Top ten sector based on RCA index: Pakistan

Sectors	HS-codes	Share	RCA	HS-codes	RCA	HS-codes	RCA
	2008			2007		2003	
Other made textile articles, sets, worn clothing etc	63	15.5	58.1	63	60.9	63	57.2
Cotton	52	17.7	54.8	52	58.9	52	41.5
Cereals	10	12.4	17.5	42	13.9	57	14.3
Carpets and other textile floor coverings	57	0.9	11.3	10	13	54	11.9
Articles of leather, animal gut, harness, travel goods	42	3.8	11.2	57	12.8	42	11.7
Raw hides and skins (other than furskins) and leather	41	1.9	11	41	10.5	10	10.4
Articles of apparel, accessories, knit or crochet	61	9.3	8.9	55	9.6	61	8.4
Salt, sculpture, earth, stone, plaster, lime and cement	25	3	7.6	61	9.1	36	7.1
Manmade staple fibers	55	1.4	6.7	13	7.1	41	6.6
Lac, gums, resins, vegetable saps and extracts nes	13	0.2	6.3	11	7	13	6.1

Overall, Pakistan has relatively weak advantage in 64 out of 97 sectors. Silk, ceramic products, glass and glassware, tobacco and manufactured tobacco, dairy product, mineral fuels, oil products, wood and articles of wood, organic chemical and many others are the industries where Pakistan has comparatively a disadvantageous position. A complete list of these sectors is given in a (Appendix 1, Table 4).

3.2.2 Azerbaijan

Azerbaijan enjoyed comparative advantage in 11 sectors in 2007. Mineral fuel and sugar and sugar confectionary are the top ranked sector followed by fruit and nuts, peel of citrus, animal and vegetable oils, vegetables products, cotton, ships, boats coffee, tea, spices, inorganic chemicals, and iron and steel. The pattern of comparative

advantaged changed considerably in 2008 when Azerbaijan maintained its comparative advantage in only Mineral fuels, oils, and distillation products.

Table 3.2: Top ten sector based on the RCA index: Azerbaijan

Sectors	HS-codes	RCA	HS-codes	RCA	HS-Codes	RCA
	2008		2007		2003	
Mineral fuels, oils, distillation products, etc	27	5.5	17	11.4	27	8.9
Sugars and sugar confectionery	17	0.8	27	6.4	15	3.7
Edible fruit, nuts, peel of citrus fruit, melons	8	0.7	8	4.7	8	3.3
Ships, boats and other floating structures	89	0.5	15	2.9	52	2.6
Animal,vegetable fats and oils, cleavage prod	15	0.5	7	2	28	2
Edible vegetables and certain roots and tubers	7	0.4	52	1.9	24	1.2
Milling products, malt, starches, inulin,	11	0.3	89	1.9	76	0.9
Aluminium and articles thereof	76	0.3	9	1.6	20	0.9
Coffee, tea, mate and spices	9	0.2	28	1.6	9	0.8
Articles of iron or steel	73	0.2	20	1.4	12	0.6

A look at past comparative advantage reveals that Azerbaijan's comparative advantage lied in only 6 sectors in 2003. The sector mineral fuel was not in the top ten products in 2003 and remained as a disadvantaged sector in 2005. The performance of this sector improved remarkably during the last two years. Other sectors including coffee, tea, spices, vegetable products, fruit, nuts and ships, boats and floating structure also improved their performance over time. Other than efficient 11 sectors, Azerbaijan has weak comparative advantage in 88 sectors [7].

3.2.3 Iran

At the sectoral level (HS-2 digit), carpets and other textile floorings (HS-57), and mineral fuels and oils are the top ranked sectors with respective RCA at 8.7 and 6.

[7] Detailed list of sectors where Azerbaijan does and doesn't hold comparative advantage is provided in Appendix

Table 3.3: Top ten sector based on the RCA index: Iran

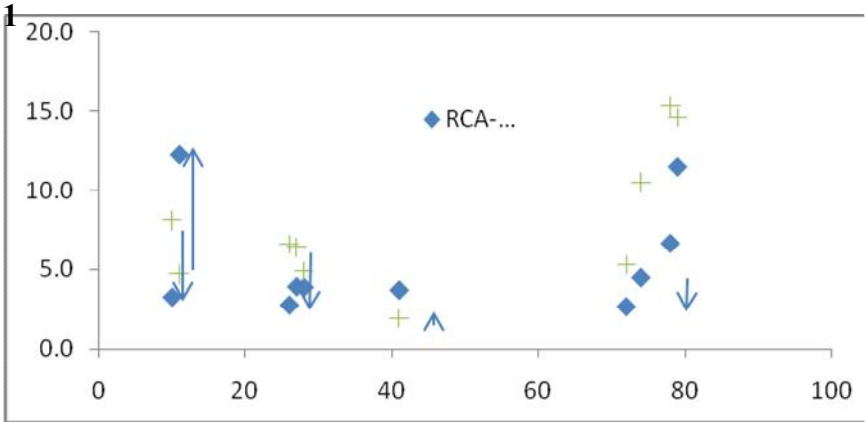
Sectors	HS-codes	RCA	HS-codes	RCA	HS-Codes	RCA
	2008		2007		2003	
Mineral fuels, oils, distillation products, etc	27	4.9	57	8.7	57	14.9
Carpets and other textile floor coverings	57	3	27	6	27	8.9
Edible fruit, nuts, peel of citrus fruit, melons	8	1.9	8	5.3	8	5.2
Salt, sulphur, earth, stone, plaster, lime and cement	25	1.9	5	2.5	5	2.4
Organic chemicals	29	1.3	79	1.8	14	1.8
Ores, slag and ash	26	1.2	14	1.4	9	1.6
Products of animal origin, nes	5	1.1	7	1.3	25	1.3
Zinc and articles thereof	79	1.1	78	1.2	58	1
Lac, gums, resins, vegetable saps and extracts nes	13	0.9	9	1.2	13	1
Lead and articles thereof	78	0.8	13	1.1	41	0.9

The shares of these sectors in total exports of Iran are 1 percent and 83 percent respectively. The top ten sectors with highest RCA indices include edible fruits and nuts; zinc and vegetable plaiting materials, vegetables product, salt, sulpher, organic chemicals, coffee, tea, spices and cereals in the top ten sectors. Out of 97 sectors, Iran holds comparative advantage in 11 sectors whereas in 88 sectors it has relatively weak comparative advantage.

3.2.4 Kazakhstan

Out of 97 sectors Kazakhstan holds comparative advantage in 15 sectors. Zinc and related items is the highest ranked sector with a RCA of 14.2 and 2.1 percent share in total exports. This sector's share in total exports was only 0.4 percent in 2003 but it remained an efficient sector with RCA of 15. Lead and articles thereof, starches, copper mineral fuels and oils product inorganic chemicals and cereals.

Figure 1: Top ten sector based on RCA index: Kazakhstan

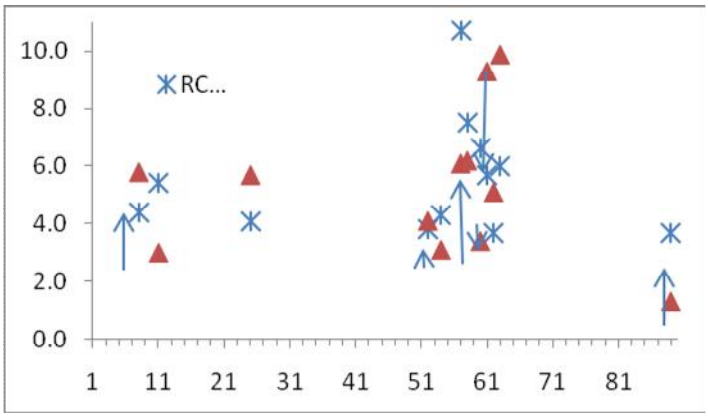


Mores, raw hides and skins, wool, iron, steel and base metal are the top ten sector of Kazakhstan. There are 82 sectors where Kazakhstan is comparatively weak in terms of the RCA index. These sectors include sugar and sugar confectionary, footwear, cotton, carpet and textile products, beverages, spirit, vinegar, silk, arms and ammunition and many others (complete list is providing in appendix Table 7).

3.2.5 Turkey

Turkey has a diversified production structure which is reflected in its international trade profile. Out of 97 sectors at HS-2 digit classification, Turkey has comparative advantage in 45 sectors. Carpets and textiles floorings) is the top ranked sector but it has only 1 percent share in Turkey's total exports. Incidentally, export shares of products in which Turkey has comparative advantage do not exceed 6 percent of the country's total exports. Other products in which Turkey has comparative advantage include apparel and clothing accessories,

Figure 2: Top ten sector based on RCA index: Turkey



Woven and knitted fabrics, fruit and nuts, salt, sulphur; and stones, cotton, and fertilizers, footwear, dairy products, silk, live animals, cooper, mineral fuel oil and products, paper and paperboard, cork and articles of cork, tins, organic chemicals, live tree and other plants are the sectors where Turkey has weak comparative advantage. [8]

3.2.6 Kyrgyz Republic

The Krygyz Republic holds comparative advantage in 24 out of 97 sectors at the HS-2 digit classification. The top ten RCA profile in Table 3.4 reveals that the top ranked sectors of Kyrgyzstan are fruits and nuts, raw hide skins, vegetable product, precious stones, cement, cotton, wool, animal hors, salts; sulphur; ceramic products,

[8] Detail list is providing in Appendix Table)

paper and paper board, mineral fuels, glass and glassware, furnitures; bedding, mattress, nuclear reactors, boilers, apparel and clothing and sugar and sugar confectionary. Over time, a more diversified production structure appears to have emerged in the country: the exports share of the top ranked sector i.e. natural and cultured pearls, stone was 45 percent of the total exports in 2003 but the share declined to 20 percent in 2007 with an increasing share of other sectors in total exports.

There are also some sectors where Kyrgyzstan exhibits a relatively weak comparative advantage at HS-2-digit level. These sectors are iron and steal, footwear, soap organic, organic chemicals, pharmaceutical products, musical instruments, live animals, leather products , clock and watches and parts, toy games and sports material, printed book, newspapers and pictures and rubber products.

Table 3.4: Top ten sector based on the RCA in 2007 and 2003: Krygyz

Sectors	HS-codes	RCA	HS-codes	RCA	HS-Codes	RCA
	2008		2007		2003	
Edible fruit, nuts, peel of citrus fruit, melons	8	48.1	71	44.7	71	25.1
Raw hides and skins (other than furskins) and leather	41	38.4	68	42.2	52	14.7
Edible vegetables and certain roots and tubers	7	34.4	52	25.5	78	12.2
Salt, sulphur, earth, stone, plaster, lime and cement	25	13.1	51	21.8	24	7.6
Cotton	52	11	25	15.8	41	6.4
Articles of apparel, accessories, not knit or crochet	62	10.7	87	13.8	70	5.6
Glass and glassware	70	8.8	7	12.8	17	5.3
Dairy products, eggs, honey, edible animal product nes	4	7.3	70	12.2	68	5
Wool, animal hair, horsehair yarn and fabric thereof	51	6.9	94	9.4	25	4.5
Products of animal origin, nes	5	6.1	84	8.7	7	3.5

3.3: Product Level Analysis:

3.3.1 Pakistan

At a disaggregated level of product classification (HS 4 digits), Pakistan's comparative advantage is indicated in some 180 products with prominent being cotton textiles, organic chemicals, salt, sulphar, fish, cutlery, ceramics, electro medical apparatus and cement. The RCA analysis at the product level shows the importance of other potential sectors and products that could be the competitive sectors in future,

such as footwear, mattresses, copper wire, toys, and machines of preparing textiles can be value added products in export earnings.

Pakistan's revealed comparative advantage analysis at the 6-digit level shows that in the year 2008, all the top 10 exports came from top export items at 2 and 4-digit levels (Appendix Table). Pakistan exhibited the highest comparative advantages in bed linen of textile materials. In year 2008, although the share of bed linen of textile materials remained the highest, it has substantially declined as has Pakistan's competitiveness in this product. At the same time, Pakistan has been able to enhance its competitiveness in some products like Plain weave cotton fabrics since the year 2003. This product has become the second most important export item from Pakistan. The share of other products such as cotton yarn, leather prepared, footwear, and woven fabrics has continuously increased it is clear that Pakistan has been able to maintain its competitiveness in these products. With an increase in the RCA value of the product category 'other vehicles with spark ignition', its share has risen in Pakistan's exports. Other Men/boy jackets, twill weave cotton fabrics. Electric generating sets and Portland cement have also become important in the Pakistan's export basket with a high RCA value.

Table 3.5: Sector wise distribution of product

Rank	HS code	Sectors	No. of products
1	52	Cotton	44
2	63	Other textile	11
3	61	Art of apparel & clothing access,	15
4	42	Raw hides and skins	5

At the six-digit level of HS classification, the sector in which Pakistan has weak comparative advantages are the Jams, fruit jellies, marble granules, and chipping Office and desk equipment ,base metal Plaster boards, wheeled tractors, transmission apparatus for radio-broadcasting refrigerators, household type and cooking appliances. The analysis shows that these are the potential commodities in which Pakistan can gain competitiveness through enhanced investments in product development.

3.3.2 Turkey

Among all the ECO countries, Turkey has the most diversified export structure with comparative advantage in diverse product categories. At the 2-digit classification, Turkey enjoys comparative advantage in 42 out of 97 sectors whereas at a more

disaggregated level (HS 4-digits), its comparative advantage is indicated in 346 out of 1286 products.

The sectors with the maximum number of commodities where Turkey has comparative advantage in the world market are Carpets and other textile floor (HS 57), iron and steel, salt, sulphur. The top products at the four-digit level in which Turkey holds comparative advantage are as follows: yarn, dried fruit, copper strandd wire, jams, fruit jellies & marmalades, refrigerator, freezer, machine-tools for working metal. These sectors represent the comparatively advantageous position of Turkey; however according to share in total exports, the product level and sector wise ranking are different. The following shows that the top contributing sectors and products in total exports at two digit level of classification are vehicles, iron and steel, petroleum and oil.

Table 3.6: Share in total exports: the top 4-digit products

HS Codes	Products
7214	Bars&rods of iron/non-al/s, nfw than forged, hr, hd,/hot-extruded
8703	Cars (incl. station wagon)
2710	Petroleum oils, not crude
8704	Trucks, motor vehicles for the transport of goods
7108	Gold unwrought or in semi-manuf forms
6109	T-shirts, singlets and other vests, knitted or crocheted
8708	Parts & access of motor vehicles
6204	Women's suits, jackets,dresses skirts etc&shorts
8901	Cruise ship, cargo ship, barges
8544	Insulated wire/cable
8528	Television receivers (incl video monitors & video projectors)

At the four-digit level of classification, cars, truck and motor vehicle for the transport goods, parts & accessories of motor vehicles, and Television receiver, are the products with a significant share in the total exports of Turkey. The competitiveness of the Turkey has increased rapidly over time. These sectors and products changed their comparative position from disadvantages to advantageous since 2000.

At the individual level product i.e. six-digit level of HS classification, Turkey holds comparative advantage in some 1286 products. The top exported products according to their performance are the filament yarn, tuna fish, marble yarn of synthetic filaments, and diesel powered trucks. However, the sanitary ware and parts,

parts of turbo-jets door closures, olive oil, and pharmaceuticals are the potential products where value addition can be enhanced in total production and exports earnings for Turkey.

3.3.3 Kazakhstan

At four digit level of HS classification, Kazakhstan holds comparative advantage in only 77 products. The top ranked products in terms of RCA include natural asphalt, natural & petroleum bitumen, wheat and flour, chromium oxides and hydroxides, copper products, radioactive chemical and isotopes. In terms of the share in total exports, crude petroleum, refined copper, petroleum oils, radioactive chemical and isotope, coal; fuels, zinc, and flat-rolled product of iron are the top contributing sectors in the total exports of Kazakhstan. Copper plates, sheets and strip, wallpaper and similar wall coverings, calcium and aluminum calcium phosphate are the products in which Kazakhstan has weak comparative advantage but these sectors and products have the potential to become important export earners in the future.

Table 3.7: Sector wise distribution of product according to share in total exports and RCA index

Top product according to share in total exports		Top product according to RCA Index	
20321	Swine carcasses and half carcasses, frozen	250621	Quartzite, crude or roughly trimmed
20621	Bovine tongues, edible offal, frozen	811212	Unwrought beryllium; beryllium powders
20725	Turkey, whole, frozen	250629	Quartzite, nes
20810	Rabbit or hare meat and edible meat offal, fresh, chilled or frozen	720250	Ferro-silico-chromium
20900	Pig fat lean meat free&poultry fat unrenderd,frsh,chilld,frozn or curd	284410	Natural uranium&its compounds;mixtures cntg natural uranium/its compds
30110	Ornamental fish, live	271500	Bituminous mixtures based on natural asphalt etc
30231	Tunas,albacore or longfinned,fr or chd excl headg No 03.04,livers&roes	811259	Articles of thallium, n.e.s.

Table 3.7 depicts the top ranked commodities in terms of share in total exports and RCA indices at the 6-digit commodity classification. The crude oil is the top ranked product according to the RCA index, however Swine carcasses and half carcasses, frozen is the top ranked top product according to its share in total exports. Beryllium power, quartzite, Natural uranium are top products according their exports performance and frozen meat and ornamental fish are the top ranked products according to their share in total exports of Kazakhstan.

3.3.4 Iran

At the product level, the revealed comparative advantage index is calculated for all 1241 commodities exported by Iran to the world at four-digit level and 4995 at six-digit level of HS classification in 2008. The index values suggest that Iran enjoys comparative advantage in 50 products at four-digit level and 138 products at six-digit level of HS classification. Iran's comparative advantage is lies in sectors like petroleum oils, copper mattes, marble, raw skins of sheep and carpets and other textile. However the top contributing products in total exports are the crude petroleum oils petroleum oils, petroleum gases, iron and copper. The product with the maximum comparative advantage is identified as copper with RCA value of 24.3 and followed by the carpets and textile floor. At the six digit level, the top commodities include carpets of man-made textile and saffron products.

3.3.5 Kyrgyzstan

Kyrgyzstan has comparative advantage in 140 products with significant export potential in varieties of fruits and vegetables, and raw hides and skin. There are some sectors in which Kyrgyzstan has weak comparative advantage at present but these sectors have the potential to play a larger role in the country's exports in future provided investments are made in expansion of scale as well as quality improvements. These products include live animals, paper, household and sanitary items, carpets and textile floor, medicinal plants and shavers and hair clippers. At the 6-digit level, coarse animal hair, apricots, cadmium and scrap, mercury, and cherries are the top ranked commodities in terms of revealed comparative advantage.

3.3.6 Azerbaijan

As compared with other smaller countries of the ECO region, the profile of Azerbaijan's comparative advantage is more diversified with top ranked products of crude petroleum oils, aluminum oxide, and vegetable oil. Other products of significant export potential include vegetable products and petroleum products. At a more disaggregated level (6-digit), the most important export products include fruits, sheep or lamb skin, petroleum minerals, sugar beet and cotton-seed oil crude. Overall, Azerbaijan has revealed comparative advantage in 11 sectors at two- digits level of classification and 19 and 55 products at four-digit and six-digit level of classification respectively.

3.3.7 Afghanistan

Afghanistan's export potential at present is quite limited as it is exporting only 7 products at both four-digit level and six-digit level of HS classification. The most important export product is carpets and textiles floor coverings flowers. Other significant export products at four digit level of classification are seeds of anise, and Oil seeds. The pattern of export performance is not different at six digit level of classification: wool carpets seeds, sesame seeds are the top-ranked commodities in terms of the revealed comparative advantage.

3.4 Trade Complementarities Index

The success of regional integration schemes depends largely on the extent of trade complementarity in a regional trading bloc. For example, regional trading arrangements are likely to succeed in strengthening intra-regional trade if the trade structures of member countries exhibit strong complementarities. This section explores the extent of trade complementarity in the ECO region in terms of trade complementarity index, which measures the compatibility of imports of country i with exports of country j, as defined below.

$$TCI_{ij} = \sum_{k} \frac{X_{iw}^{k}}{X_{iw}} * \frac{M_{ww} - M_{iw}}{M_{ww}^{k} - M_{iw}^{k}} * \frac{M_{jw}^{k}}{M_{jw}}$$

where *Xi* and *Xi k* represent country *i*'s exports of commodity *k* and total exports, respectively; *Mi* and *Mi k* represent country *i*'s imports of commodity *k* and total imports, respectively; *Mw* and *Mw k* represent the world's imports of commodity k and total imports, respectively; and *Mj* and *Mj k* represent country *j*'s imports of commodity *k* and total imports, respectively. The value of the index ranges between zero and 100 with values greater than unity indicating complementarity between country *i*'s exports and country *j*'s imports. According to Michealy (1994) and Yeats (1998) the higher the trade complementarities the more likely a regional trade arrangement is to succeed.

Table 3.8: Trade Complementarities Index of ECO region

Countries	2005	2006	2007	2008
Azerbaijan	0.5	1.8	0.3	1.9
Iran	1.1	1.0	0.9	0.7
Kazakhstan	1.3	1.0	1.0	0.8
Kyrgyzstan	1.2	0.9	0.8	0.6
Pakistan	1.2	0.9	1.1	1.0
Tajikistan	1.4	1.0	1.0	0.8
Turkey	1.0	0.8	0.9	0.8
Turkmenistan	1.2	1.0	1.0	0.7
Uzbekistan	1.7	1.6	1.2	0.9

Table 3.8 reports the trade complementarity indices of the member countries with reference to the rest of the ECO region. In 2008, the indices for Azerbaijan and Pakistan show some trade complementarity with the ECO region. The indices for other countries are not very much significantly different from unity, indicating some measure of trade complementarity. It is also obvious that there is considerable variation in the level of trade complementarity over time signifying that intra-regional trade has been quite volatile in the ECO region. Trade compelemtarity indices for individual member countries vis-à-vis their bilateral trade have also been computed and these are reported in the appendix.

3.5 Trade Competition in the ECO Region

The foregoing analysis shows that though there is potential for expanding intra-regional trade in many product categories, there are many product segments in which the ECO members have identical comparative advantage and hence are competitors in the world market. It is important to note that trade can take place even in products in which the countries have comparative advantage in similar products. This type of trade is of intra-industry variety and is largely driven by product differentiation and increasing returns to scale. Table 3.9 provides details of the products in which ECO members compete with Pakistan. It is clear that there are a number of products in which intra-industry trade can take place provided the regional countries are able to develop the technological capacity to achieve product differentiation at declining average cost.

Another avenue through which the ECO members can strengthen trade complementarities in similar product categories is vertical specialization through product sharing arrangements. A good example is the case of garments. There would

be little or no regional trade if each country is a garments producer. On the other hand, trade can take place if one country specializes in yarn and fabrics while another in finished products. Vertical specialization would not only allow the regional trading partners to strengthen their trade ties, but also enable them to reap economies of scale by concentrating on a specific production process in the value-addition chain. Therefore, as in the case of various regional trading groups around the world, the ECO countries can achieve an enhanced level of economic cooperation by developing vertically integrated production structures, thereby attaining vertical specialization.

The ECO countries can also build an alliance for the marketing of their competing export products. This would not only promote mutual economic cooperation in the region but also allow regional exporters to collectively reap the benefits of improved export opportunities.

Table: 3.9: Trade competition between Pakistan and ECO Countries

	Products	2008			Competitor Countries				
		Code	Export shares	RCA	Azerbaijan	Iran	Kazakhstan	Kyrgyz	Turkey
1	Other made up textile articles; set	63	17.82	60.9	1	-	-	-	6
2	Cotton.	52	19.28	58.9	2	-	1	26	4
3	Articles of leather; saddlery/harne	42	3.88	13.9	-	-	-	-	1
4	Cereals	10	6.97	13	-	-	5	-	-
5	Carpets and other textile floor co	57	1.25	12.8	-	9	-	-	9
6	Raw hides and skins (other than fu	41	2.2	10.5	1	1	3	6	1
7	Man-made staple fibres.	55	2.16	9.6	-	-	-	-	3
8	Art of apparel & clothing access,	61	10.38	9.1	-	-	-	3	6
9	Lac; gums, resins & other vegetable	13	0.19	7.1	-	1	-	1	-
10	Prod.mill.indust; malt; starches;	11	0.62	7	1	-	8	-	5
11	Art of apparel & clothing access, n	62	7.69	6.7	-	-	-	6	4
12	Explosives; pyrotechnic prod; match	36	0.14	6.7	-	-	-	-	-
13	Salt; sulphur; earth & ston; plaste	25	1.41	5.9	-	1	1	16	5
14	Vegetable plaiting materials; veget	14	0.02	4.5	1	1	1	1	4
15	Ships, boats and floating structure	89	2.41	3.1	-	-	-	-	2
16	Lead and articles thereof.	78	0.14	2.7	-	2	14	-	-
17	Man-made filaments.	54	0.76	2.6	-	-	-	-	4
18	Knitted or crocheted fabrics.	60	0.37	2.4	-	-	-	-	6
19	Toys, games & sports requisites; pa	95	1.18	2.4	-	-	-	-	-
20	Products of animal origin, nes	5	0.1	2.2	-	3	-	1	1

	or								
21	Special woven fab; tufted tex fab;	58	0.2	2.1	-	-	-	-	6
22	Other vegetable textile fibres; pap	53	0.05	1.9	-	-	-	-	1
23	Fish & crustacean, mollusc & other	3	0.9	1.9	-	-	-	-	1
24	Edible fruit and nuts; peel of citr	8	0.7	1.7	5	5	-	6	6
25	Sugars and sugar confectionery.	17	0.34	1.6	11	-	-	3	1
26	Beverages, spirits and vinegar.	22	0.87	1.5	1	-	-	-	-
27	Animal/veg fats & oils & their clea	15	0.61	1.4	3	-	-	2	1

3.6 Trade Specialization Index

The previous analysis has focused on export performance of ECO member countries in terms of the RCA indices. It remains to be seen which sectors of each member country have significant potential for expansion of trade with the ECO region. This section examines this issue in terms of the trade specialization index (TSI) which is defined as:

$$TSI = (x_i - m_i)/(x_i + m_i)$$

Where x_i is the country' exports on this particular product and m_i is the imports. It measures ratio of the trade balance for the product to the total value of trade of that product. The index varies between +1 and -1; a value closer to +1 signifies exporter's comparative advantage and a value closer to -1 implies comparative advantage of the trading partner which is taken to be the ECO region. This index in computed at HS-2 digit commodity classification for Azerbaijan, Pakistan, Turkey, Kyrgyzstan and Afghanistan.[9]

Table 3.10: Trade Specialization Index 2007-2008 –Azerbaijan versus ECO

Product Code	Product	TSI 2007	TSI 2008
97	Works of art, collectors pieces and antiques	0.9	1.0
14	Vegetable plaiting materials, vegetable products nes	1.0	1.0
41	Raw hides and skins (other than furskins) and leather	1.0	1.0
89	Ships, boats and other floating structures	1.0	1.0
78	Lead and articles thereof	1.0	1.0
43	Furskins and artificial fur, manufactures thereof	-1.0	-1.0
42	Articles of leather, animal gut, harness, travel goods	-0.9	-1.0

[9] The index could not be computed for other countries due to non-availability of data.

36	Explosives, pyrotechnics, matches, pyrophorics, etc	-1.0	-1.0
31	Fertilizers	-1.0	-1.0
26	Ores, slag and ash	-0.9	-1.0
21	Miscellaneous edible preparations	-1.0	-1.0
13	Lac, gums, resins, vegetable saps and extracts nes	-1.0	-1.0
11	Milling products, malt, starches, inulin, wheat gluten	-1.0	-1.0
6	Live trees, plants, bulbs, roots, cut flowers etc	-1.0	-1.0
3	Fish, crustaceans, molluscs, aquatic invertebrates nes	0.1	-1.0
2	Meat and edible meat offal	-1.0	-1.0
1	Live animals	-0.5	-1.0

Table 3.10 reports the trade specialization indices for Azerbaijan. It is evident that Azerbaijan has comparative advantage in only a narrow range of products (5 products at HS2) including raw materials such as cotton, collectors pieces and antiques, vegetable plaiting materials, vegetable products, raw hides, skins and leather, ships, boats and other floating structures. These products are the potential products that can be traded with the rest of ECO countries. Whereas it has comparative disadvantages in the sectors of furskins, live animals, live trees, plants, cut flowers, fish, crustaceans, molluscs, aquatic invertebrates fertilizers, and leather goods. These are the potential sectors in which Azerbaijan can expand its imports from other countries of the ECO region.

Pakistan has comparative advantage in 20 sectors including headgear and parts, wool, animal hair, horsehair yarn and fabric, tobacco products, pharmaceutical products, apparel, accessories, and food item sectors (Table 3.11). These are the potential sector for expansion of Pakistan's exports to the ECO region. On the other hand, Pakistan can expand its imports from the ECO region in a range of products including tramway locomotives, rolling stock equipment, organic chemical, copper, works of art, collectors' pieces and antiques, zinc and umbrellas, walking-sticks, seat-sticks.

Table 3.11: Trade Specialization Index 2007-2008 –Pakistan versus ECO

Product Codes	All products	TSI 2007	TSI 2008
65	Headgear and parts thereof	1.0	1.0
57	Carpets and other textile floor coverings	1.0	1.0
51	Wool, animal hair, horsehair yarn and fabric thereof	1.0	1.0
24	Tobacco and manufactured tobacco substitutes	1.0	1.0
16	Meat, fish and seafood food preparations nes	1.0	1.0
3	Fish, crustaceans, molluscs, aquatic invertebrates nes	1.0	1.0
2	Meat and edible meat offal	1.0	1.0
44	Wood and articles of wood, wood charcoal	1.0	1.0
11	Milling products, malt, starches, inulin, wheat gluten	1.0	1.0
75	Nickel and articles thereof	1.0	1.0

26	Ores, slag and ash	-1.0	-1.0
58	Special woven or tufted fabric, lace, tapestry etc	-1.0	-1.0
86	Railway, tramway locomotives, rolling stock, equipment	-1.0	-1.0
29	Organic chemicals	-1.0	-1.0
74	Copper and articles thereof	-1.0	-1.0
97	Works of art, collectors pieces and antiques	-1.0	-1.0
79	Zinc and articles thereof	-1.0	-1.0
78	Lead and articles thereof	-1.0	-1.0
66	Umbrellas, walking-sticks, seat-sticks, whips, etc	-1.0	-1.0
13	Lac, gums, resins, vegetable saps and extracts nes	-1.0	-1.0

Turkey has comparative advantage in wide range of commodities (41 products at HS2) than any other ECO member country. Its comparative advantageous products are railway, tramway locomotives, rolling stock, equipment, ships, boats and other floating structures, tin, pharmaceutical products, electrical, electronic equipment, Tin, cork and articles of cork, nickel and cocoa and cocoa preparations, Pearls, precious stones, metals, coins, Essential oils, perfumes, cosmetics, toileteries Wood products, sugars and sugar confectionery, Beverages, vehicles other than railway, live trees, plants, cut flowers and many other including the food items [See Appendix for a detailed listing]. It is thus clear that Turkey can enhance its exports to the ECO region in these product categories. On the other hand, a number of products can be imported by Turkey from the ECO region including mineral fuels, oils, distillation products, animal products, cereals, and zinc product, and articles thereof, ores, slag.

The trade similarity index for Kyrgyzstan indicates 12 potential sectors for the expansion of exports to the ECO region including ships, boats and other floating structures, cork and articles of cork, manufactures of plaiting material, basketwork, animal products, vegetables products and few food commodities [see detail in appendix]. On the other hand, Kyrgyzstan can import a wide range of products from the ECO region including tobacco and manufactured items base metals, cement, explosives, pyrotechnics, matches, pyrophorics, fertilizers, carpets and textile floor coverings, cereals, Copper, zinc, nickel, umbrellas, walking-sticks, knitted fabricw and furskins.

There are only a few items in which Afghanistan can enhance its exports to the ECO region. These are wool, animal hair, horsehair yarn and fabrics, vegetable, fruit, and nuts, raw hides and skins (other than furskins) and leather. It can, however, import a large number of products from the ECO region including products of pearls, precious stones, metals, coins, clocks and watches and parts thereof, optical, photo, technical, medical, etc apparatus, vehicles other than railway, tramway, electrical, electronic equipment, machinery, nuclear reactors, boilers, tools, implements, cutlery, base metal,

aluminum iron or steel, iron and steel, footwear, and textile and clothing, wood products, charcoal, rubber and food commodities.

Overall, it is important to emphasize that whereas the differences in the patterns of comparative advantage indicate the existence of trade potential among the ECO member countries, the economies of Azerbaijan, Kyrgyzstan and Afghanistan presently lack diversification with a high concentration of exports in a few product categories. This situation may, however, change in a longer term perspective when the increasing trade ties may encourage a shift in production structures that can support a different pattern of intra-regional trade than the one predicted on the basis of the existing production structures and trade patterns.

3.7 Gravity Model

The gravity model has been widely used to measure the impact of trade policy issues such as preferential trade agreements, currency unions, and border trade measures. The model was first introduced by Tinbergen (1962) who used the gravity equation to measure bilateral trade flows in terms of the size of the economy and the geographical distance between the trading partners. Subsequent work has attempted to provide theoretical foundations to the basic gravity model. In particular, Anderson (1979), Bergstrand (1985, 1989), Helpman and Krugman (1985), Frankel and Romer (1999), Anderson and Wincoop (2003), and Helpman (2006) have shown that the gravity model can be derived from a variety of theoretical settings including partial and general equilibrium frameworks.

The standard gravity model proposed that the bilateral trade is proportional to their national income and inversely related to the distance between partner countries which is proximity of transportation cost and information cost. Other explanatory variables that are typically included in the model are country size represented by population or GDP per capita and dummy variables reflecting contiguity; geographical and cultural proximity such as common border and common language. In empirical literature, studies have added dummy variables for participation in various preferential arrangements. A positive coefficient of preferential arrangement dummy variable suggests that both participants of the preferential arrangement would trade more with each other. This is called trade creation effect of regional arrangement. On the other hand, a negative coefficient shows that the members have loss in their trade because they are moving from low cost sources to the high cost sources. This is called the trade

diversion effect. Some member countries are found to have trade creation within the preferential arrangement region but divert their trade with the non member countries. The log form gravity model of trade equation is given below:

$$Log(Trade_{ijt}) = \alpha_0 + \alpha_1 Log(GDP_{it} * GDP_{jt}) + \alpha_2 Log(PCI_{it} * PCI_{jt}) + \alpha_3 Log(Dis\tan ce_{ij}) + \alpha_4(Tariff_{ij}) + \alpha_5(Border_{ij}) + \alpha_6(ECO) \quad \ldots\ldots(1)$$

Equation (1) is the estimated equation. It shows that Trade*ijt* is bilateral trade between countries *i* and *j* at the time *t* (measured in million U.S. dollars), GDP is real gross domestic product of country *i* and *j)*, PCI is per capita income, Distance is the land distance in Kilometers between two countries, Tariff is trade cost borne by the partner *i* and *j* and Border is dummy variable that takes a value of 1 if two countries have common border and 0 otherwise. Equation (1) shows that trade is expected to increase with the size of the economy that is GDP: the rich countries would trade more as compare to the poor countries. It is also expected that trade will increase if the partner countries share common border and if they observed an increase in their per capita incomes. Trade is expected to decrease with the distance between countries as the transportation cost and information cost will increase.

The study has estimated gravity model for the time period 1996 to 2008 with a focus on bilateral trade in the ECO region. Panel data estimation is generally preferred over cross section analysis because the former incorporates the year effect. Regional trading blocs (ECO and Pakistan) are included to examine the behavior of regional trade over time. The study has included 29 countries in the data set that are regular and significant trade partners of Pakistan and rest of the ECO members. Annual data on bilateral trade flows have been collected from UNCOMTRADE Trade Statistics. The data on GDP and per capita incomes have been collected from World Bank indicators and the data on Distance and border are collected from the website of CEPII.

Table 3.12 : Random Effect Gravity Model

Variables	Model 1		Model 2	
	Coefficient	S.E	Coefficient	S.E
C	6.83	10.17	4.77	9.68
LOG(GDP)	0.14	0.12	0.16	0.18
LOG(PCI)	0.95	0.41	1.27	0.44
LOG(DISTANCE)	-1.67	0.94	-0.71	0.62
LOG(TARIFF)	-0.05	0.04	-1.92	0.73
ECO	2.13	0.95	2.08	2.52
ASEAN	-3.22	1.19		
EE	-4.4	2.12		
R^2 Adjusted	0.52		0.57	
Hausman Test	χ^2	Fixed verses Random Effect =331.35 prob(0.00)		

As expected, GDP is positive and significant, implying a direct (positive) relationship between economic size and bilateral trade. Similarly, Per Capita Income (PCI) is also positive and highly significant, indicating that as the countries grow richer, they tend to have stronger ties in terms of bilateral trade. As predicted by gravity model, distance, which is used as a proxy for transaction costs, has a fairly significant negative effect on bilateral trade flows. As expected, tariffs have a negative impact on trade flows, though the magnitude is not so significant.

Of particular interest is the assessment of the impact of free trade agreement of ECO countries. The model predicts that bilateral trade should expand by a factor of 8.4 as a result of the free trade agreement and the member countries are likely to gain significantly in future from increased volume of trade. The enhanced volume of trade is expected to encourage competition in the domestic economies resulting in lower prices for consumers, more product variety and quality and increased incentives for innovation. By promoting a more efficient allocation of resources, bilateral trade will increase productivity, living standards and improve long-term growth prospects of the economies. Estimating the impact of ECO in the presence of two other regional trading agreements, the European Union and ASEAN, yields similar interesting results (see Model 1 in Table). One is that the impact of the key economic indicators (GDP and PCI), as well as the geographical Indicator DISTANCE are somewhat diluted in the presence of these agreements. However, the impact of the ECO FTA is increased, and would result in bilateral trade expanding by a factor of roughly 8.

3.8 Policy Recommendations

This chapter has carried out an analysis trade patterns in the ECO region with a special focus on revealed comparative advantage, and trade complementarities. An addition, a gravity model has been developed and estimated to explore the potential of intra-regional trade in the ECO region as a result of possible free trade agreement among members. The results show that though the volume of bilateral trade remains small, and in some instances trade complementarity is low, there exists potential for strengthening intra-regional trade across a wide range of commodities. The results of the gravity model show that trade in the ECO region can increase by a factor of eight as a result of the potential free trade agreement.

It is important to note that potential for expanding intra-regional trade cannot be realized unless supportive measures are adopted to put in place trade regimes that are open and responsive to the needs of intra-regional trade. First and foremost, there is a need to further liberalize trade through reduction in tariff and non-tariff barriers. Whereas many countries have already carried out trade policy reforms to liberalize their trade regimes, some ECO members continue to impose high tariffs and non-tariff barriers. Besides a liberal tariff regime, there is a need to improve trade facilitation mechanisms in many ECO member countries especially Uzbekistan, Tajikistan, Turkmenistan, and Kyrgyzstan. It is generally believed that doing business in these countries is difficult because of the cumbersome and complex bureaucratic requirements imposed on international trade transactions as well as inefficient trade and transport infrastructure. Trade facilitation is universally accepted as a means of improving the efficiency of international trade and economic development. Trade facilitation is an issue that is linked to a number of critical areas with far reaching implications for competitiveness and economic efficiency. Despite efforts to streamline the customs procedures, the clearance of consignments remains a problem due to weaknesses in customs administration and cumbersome regulatory procedures. Excessive procedural requirements are also to be blamed for providing an opportunity for customs officials to engage in corrupt practices.

There is a need to build the trade capacity of producers especially in countries that are in transformation. The trade capacity of producers depends on a number of factors including the ability to produce according to world market requirements, the availability of skilled labor, product designing capabilities that are driven by world market demand, reliable supply of quality inputs and raw materials, and ability to meet

technical standards and certifications. In a highly competitive global trading regime, it is essential for exporters to enhance their trade capacity with a view to maximizing the gains from improved market access. These efforts must be supported by a comprehensive program of trade capacity building by the public sector. A major challenge faced by these economies is the lack of national capability to produce according to required standards and technical regulations applied in the international markets. In addition to product related standards and technical regulations, system standards are rapidly gaining currency. More and more international buyers ask for the proof that internationally recognized (certified) operational systems and procedures are in place for the control of food contamination (HACCP), quality management (ISO 9000), environmental management (ISO 14000), traceability, social accountability (SA 8000), occupational health and safety and others.

The importance of advisory services, market intelligence, and export promotion in helping private businesses to sell their products in international markets cannot be overemphasized. The governments can help in international trade fairs, and overseas market visits to facilitate business to business contacts in the ECO region.

Another initiative that can help boost intra-regional trade is monetary cooperation. Many ECO members often face foreign exchange constraints especially in the wake of external economic shocks. Lack of adequate foreign exchange reserves can hinder all international transactions including intra-regional trade and investment. In this context, monetary cooperation among the ECO members can be instrumental in enhancing intra-regional trade. For example, membership in the Asian Clearing Union (ACU) can help strengthen intra-regional trade by circumventing the need for hard currency. Pakistan and Iran are already members of the ACU and trade ties can be strengthened if other ECO countries also acquire the ACU membership.

Chapter 4

TRADE IN SERVICES

The services sector plays a dominant role in the ECO member countries. It is generally recognized that the services sector has a significant impact on economic growth, job creation, and development in the emerging economies. The services sector is a key source of overall efficiency in the economy as it facilitates the commodity producing sectors including manufacturing and agriculture through backward and forward linkages. The services sector covers a wide range of economic activities such as transport, telecommunication, computer services, construction, financial services, and wholesale and retail distribution. In recent years, trade in services sector has surged across the globe owing to advances in information and communications technology that have enabled service providers to expand into global markets. With falling communications costs this trend is likely to further strengthen in the future.

4.1 Importance of Services Sector In Eco Economies

The services sector, which constitutes over 50 percent of GDP in most ECO countries, plays an important role in the development process of ECO region. Four countries namely Kazakhstan, Pakistan, Tajikistan and Turkey have high shares of services sector in their respective GDPs. Over the last three decades, the ECO region has shown tremendous progress in services sector and almost all countries of the region show a consistently rising trend in the share of the services sector in GDP (Table 4.1).

Table 4.1: Service Sector (As % Of GDP)

Country	1981-1990	1991-2000	2002	2003	2004	2005	2006	2007	2008	2009
Afghanistan	..	..	35.1	35.3	35.1	35.2	39.2	39.7	45.2	45.4
Azerbaijan	38.1	37.7	34.7	34.0	33.4	26.5	23.8	24.5	23.8	31.8
Iran	52.4	50.0	46.6	47.1	46.0	45.1	46.0	45.3	..	..
Kazakhstan	..	51.0	52.8	53.9	54.8	53.1	52.0	53.3	51.0	53.3
Kyrgyz Republic	31.4	31.9	39.0	40.6	42.6	45.7	47.2	49.6	51.5	..
Pakistan	48.5	49.7	52.8	52.7	50.8	51.4	52.8	52.6	52.9	54.2
Tajikistan	28.0	32.8	35.9	35.5	46.6	44.7	47.8	50.4	48.4	53.9
Turkey	49.8	52.5	59.6	60.0	60.6	60.7	61.8	63.1	63.7	64.9
Turkmenistan	35.9	30.9	35.6	38.4	40.5	43.6	46.3	42.8	34.0	34.2
Uzbekistan	34.9	37.9	43.7	43.4	43.3	48.9	46.5	44.0	47.9	47.3

SOURCE: World Development Indicators (http://databank.worldbank.org); simple averages for period 1981-1990 and 1991-2000

Owing to its advanced stage of development, Turkey has the highest share of services sector in GDP at 65% in 2009, up from about 50 percent during the 1980s (Table 4.2). The services sector plays a dominant role in Pakistan's economy as well with its share rising gradually from 48.5 percent of GDP in the 1980s to 54.2 percent in

2009. In Tajikistan, the contribution of services sector in GDP has increased from 28 percent in 1981-1990 to 54 percent in 2009, whereas in Kazakhstan the services sector accounted for 53.3 percent of GDP in 2009. In other countries of the region, the services sector has gradually gained prominence: in 2009 the share of services sector stood at 47.3 percent of GDP in Uzbekistan, followed by Afghanistan (45.4 percent), Turkmenistan (34.2 percent), and Azerbaijan (31.8 percent).

Progress in services sector is clearly linked with economic development in the region. The most developed countries of the region have highest share of services sector in their GDP. Turkey, Pakistan, Kazakhstan and Iran are the more developed countries than the rest of the ECO members, and with rising income levels in these countries, a more developed services sector is emerging. Growth performance of services sector depicts that average growth rate of services sector remained impressive in the region and it has witnessed a consistent increase over the years (Table 4.2). However, after global financial crisis, growth in services has slowed in recent years especially in Turkey, Pakistan, Kazakhstan and Azerbaijan.

Table 4.2: Service Sector (Growth Rates)

Country	1981-1990	1991-2000	2002	2003	2004	2005	2006	2007	2008	2009
Afghanistan	..	..	..	13.7	16.2	14.6	16.9	-5.0	13.8	45.2
Azerbaijan	..	-3.4	6.0	8.0	8.9	9.6	18.2	12.5	13.7	4.5
Iran	-0.1	4.1	5.3	4.9	4.4	5.4	6.1	6.4	..	..
Kazakhstan	..	0.3	9.2	10.6	9.7	8.8	8.7	9.1	5.8	1.2
Kyrgyz Republic	17.4	-4.5	4.4	7.3	11.9	8.4	5.5	10.1	10.7	..
Pakistan	6.6	4.5	4.8	5.2	5.8	8.5	6.5	7.0	6.0	1.6
Tajikistan	3.3	-8.8	8.2	10.3	9.0	6.7	8.0	6.0	..	..
Turkey	5.1	3.9	6.4	5.3	9.2	8.0	6.0	6.1	1.6	-3.2
Turkmenistan	..	-0.4	40.2	24.9	18.6	13.6	7.9	20.4	-5.0	5.0
Uzbekistan	-1.9	0.2	3.2	3.2	7.5	8.0	10.1	14.8	13.1	11.7

SOURCE: World Development Indicators (http://databank.worldbank.org); simple averages for period 1981-1990 and 1991-2000

4.2 Trade in Services

The level of trade in services varies across the ECO region. Kyrgyzstan has the highest level of trade in services expressed in terms of GDP, with the share of services trade in GDP rising from 15.4 percent in 2000 to 37.7 percent in 2009 (Table 4.3). Both Azerbaijan and Kazakhstan exhibit a declining trend in trade in services in recent years: in Azerbaijan services trade as a percent of GDP declined from 37.1 percent in 2004 to 11.9 percent in 2009 whereas in Kazakhstan the same fell from 16.5 percent to 12.4 percent during the same period. A similar picture is observed in the case of

Tajikistan. The share of services trade in GDP in Pakistan and Turkey, the two large economies in the region, stood respectively at 6.4 percent and 8.2 percent in 2009. The low shares of these two countries are in line with the fact that larger countries tend to have a smaller share of trade in their economies.

Table 4.3: Trade In Services Sector

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
					(AS % OF GDP)					
Azerbaijan	14.1	16.7	26.6	34.1	37.1	25.2	18.1	14.0	11.8	11.9
Kazakhstan	15.9	17.6	20.6	17.7	16.5	17.0	14.3	14.6	11.7	12.4
Kyrgyz Republic	15.4	13.6	18.0	16.6	19.6	22.4	29.6	33.9	36.8	37.7
Pakistan	4.9	5.2	6.5	7.5	8.3	10.2	9.4	8.8	8.5	6.4
Tajikistan	..	..	14.2	13.5	16.2	17.2	18.8	20.0	12.4	9.5
Turkey	10.4	10.9	8.7	8.4	8.5	7.9	7.1	6.9	7.2	8.2
					(AS % OF TOTAL TRADE)					
Azerbaijan	18.2	21.4	28.7	31.7	30.6	21.8	17.2	14.5	12.5	15.4
Kazakhstan	15.0	18.9	21.9	19.4	17.1	17.3	15.6	15.8	12.4	16.4
Kyrgyz Republic	17.2	18.5	21.7	19.7	20.8	23.2	24.5	25.6	24.9	28.9
Pakistan	17.5	17.2	21.2	22.9	27.2	28.9	24.3	24.7	31.6	19.3
Tajikistan	..	..	10.1	9.9	12.6	21.8	23.3	22.3	13.9	13.6
Turkey	24.0	21.4	17.8	17.9	17.0	16.8	14.1	13.9	13.9	17.1

SOURCE: World Development Indicators (http://databank.worldbank.org)

A somewhat different picture is observed for trade in services in terms of its share in each country's total trade. In 2009, the share of services in total trade in Kyrgyzstan was the highest at 28.9 percent, followed by Pakistan (19.3 percent), Turkey (17.1 percent), Kazakhstan (16.4 percent), Azerbaijan (15.4 percent), and Tajikistan (13.6 percent).

Exports of services exhibit an increasing trend in a majority of the ECO member countries. In Azerbaijan, export of services increased manifold from US$260 million in 2000 to US$1750 million in 2009. Kazakhstan witnessed a four-fold increase in services exports from US$1053 million in 2000 to US$4266 million in 2009. Though the value of export of services in Kyrgyzstan and Tajikistan remains small, it increased from US$62 million in 2000 to US$ 860 million in 2009 in Kyrgyzstan and from US$69 million in 2002 to US$180 in 2009 in Tajikistan. Pakistan's total exports of services increased from US$ 1.38 billion in 2000 to US $ 4.2 billion in 2008. Transport services, communication services and government services sectors are the main contributing sectors in Pakistan's total exports of services. Turkey is a major exporter of services with services exports rising from US$19.5 billion in 2000 to US$33.2 billion in 2009. Travelling and transport services are the major sources of export earnings in Turkey.

Except for Kyrgyzstan and Tajikistan, the ECO member countries are also major importers of services. In 2009, imports of services in Turkey stood at US$16.9 billion, followed by Kazakhstan (US$10.06 billion), Pakistan (US$6.4 billion), Azerbaijan (US3.3 billion), Kyrgyzstan (US$867 million), and Tajikistan (US291 million). Major imports include business services, transport services, and financial services.

Table 4.4: Trade In Service: Exports And Imports (Us $ Million)

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
					EXPORTS					
Azerbaijan	260	290	362	432	492	683	940	1248	1547	1750
Kazakhstan	1053	1260	1540	1712	2009	2228	2819	3564	4428	4266
Kyrgyz Republic	62	83	142	158	210	259	379	685	896	860
Pakistan	1380	1459	2429	2968	2749	3678	3506	3767	4263	3891
Tajikistan	..	..	69	89	123	146	134	149	181	180
Turkey	19528	15234	14046	18013	22960	26770	25600	29027	34996	33218
					IMPORTS					
Azerbaijan	485	665	1298	2047	2730	2653	2863	3379	3889	3358
Kazakhstan	1850	2635	3538	3753	5108	7496	8760	11730	11119	10066
Kyrgyz Republic	148	125	147	160	223	290	460	604	993	867
Pakistan	2252	2330	2241	3294	5333	7508	8418	8811	9717	6482
Tajikistan	..	..	105	122	213	252	394	592	456	291
Turkey	8153	6098	6161	7502	10163	11505	11990	15683	17875	16913

Source: UN

4.3 Trade in Commercial Services

Pakistan's exports of commercial services in 2005-06 stood at US$3.75 billion with computer and information technology, professional services, and travel services being the major contributing sectors. The imports of commercial services amounted to US$8.15 billion with transport and travel services and other business services dominating the services imports profile. The major trading partners were United States, European Union, and Middle East. Trade in commercial services also showed strong growth during in Turkey, Azerbaijan, Kazakhstan, and Kyrgyzstan during the period 2003-08 (Fig. 4).

Figure 3: ECO's Commercial Services, 2003-2008

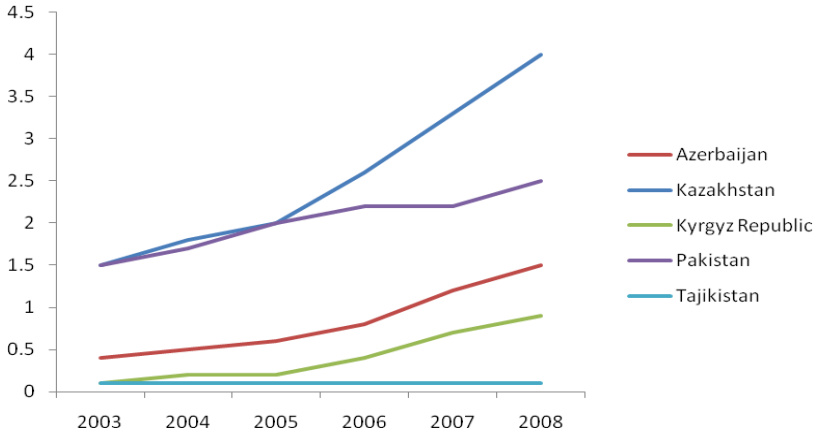
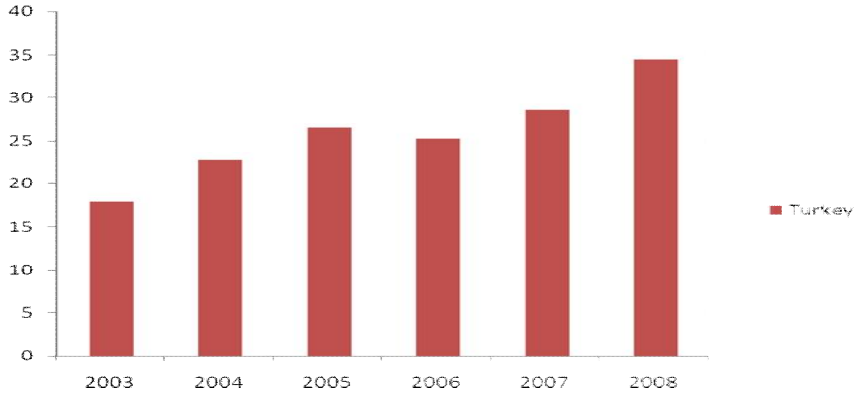


Figure 4: Turkey's Commercial Services, 2003-2008



4.4 Trade in Financial Services

Turkey is the only major player in ECO region with substantial exports of financial services: its exports of services were as high as US$841 million in 2008, before falling to US$464 million in 2009 due mainly to the global financial crisis. Pakistan's exports of financial services stood at US$55 million in 2008, up from US$47 million in 2005. Kazakhstan's exports of financial services, though small, have risen substantially risen years from US$18 million 2005 to US$ 112 million in 2008. With the global economic slowdown, Kazakhstan's exports of financial services fell to US$48 million in 2009. Exports of financial services remain quite low in other ECO members including Azerbaijan, Kyrgyzstan, and Tajikistan.

Turkey, Kazakhstan, Pakistan, and Azerbaijan are significant importers of financial services in the ECO region. Imports of financial services in Turkey increased from US$386 million in 2005 to US$826 million in 2009, showing strong growth over the years. In Kazakhstan, imports of financial services stood at US$287 million in 2009, up from US$47 million in 2005. Pakistan also witnessed an increase in the import of financial services from UD$124 million in 2005 to US$217 million in 2008. In terms of the trade balance, all the ECO countries under review recorded a deficit, reflecting their excess demand for a variety of financial services.

Table 4.5: Trade Financial Service

Country	2005	2006	2007	2008	2009
EXPORTS (US $ MILLION)					
Azerbaijan	0.1	0.2	0.1	0.12	0.3
Kazakhstan	18	22	75	112	48
Kyrgyz Republic	4	2	3.6	1.4	1.1
Pakistan	47	64	67	55	..
Tajikistan	8	8.8	12.5	17.3	6
Turkey	345	277	395	841	464
IMPORTS (US $ MILLION)					
Azerbaijan	10	48	121.7	125	153
Kazakhstan	47	182	193	323	287
Kyrgyz Republic	4.4	3.5	9	9	4
Pakistan	124	132	125	217	
Tajikistan	4.2	12	11	25	12.3
Turkey	386	524	623	978	826

Source: UN

4.5 Trade in Communication Services

Turkey and Pakistan are the leading countries in the ECO region in terms of exports of communication services. In Turkey, exports of communication services amounted to US$725 million in 2008, up from US$412.4 million in 2005. In Pakistan, however, exports of communication services fell from US$ 284 million in 2005 to US$91 million in 2008. Azerbaijan is the next important player in terms of exports of communication services showing an increasing trend from US$73 million in 2005 to US$98.4 million in 2008. Both Turkey and Pakistan are also major importers of communication services in the ECO region with respective imports amounting to US$298 million and US$128 million in 2008.

Table 4.6: Trade In Communication Services (Us $ Million)

Countries	2005			2008		
	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance
Turkey	412.4	228280	184.2	725	298	427
Azerbaijan	73	72.4	23.2	98.4	121	19
Tajikistan	36	12.5	5.6	47	28	5.6
Kyrgyzstan	13.5	7.8	5.4	39	33	3.8
Kazakhstan	6.4	6	0.7	16.4	13	-22.5
Pakistan	284	84	200	91	128	-37

Source: UN

4.6 Potential in Trade in Services

There is a significant potential for trade in services in the ECO region. The services trade in the ECO member countries is of intra-industry variety signifying that intra-regional trade can be strengthened in all segments of the services sector. On the demand side, a majority of the ECO countries are in transition and have a great demand for construction, telecommunications, and financial services. On the supply side, both Turkey and Pakistan can be important suppliers of a wide variety of services including information and communications technology, construction, and business and financial services. Turkey has a very well developed capacity in construction and its world class construction companies have won contracts around the globe. The developing countries of the ECO region such as Afghanistan, Tajikistan, Turkmenistan, and Kyrgyzstan can benefit from Turkey's expertise in construction services. Turkey can also be an important supplier of business and financial services in the ECO region.

Pakistan can be an important source of information and communications technology and financial services. Over the years, Pakistan has developed substantial capacity in information and communications technology and its firms are supplying such services to the US and the European Union. As many ECO member countries are rapidly transforming into market economies based on private enterprise, their demand for information and communications services is likely to grow strongly in the future thus opening up possibilities for intra-regional trade in information technology.

The ECO member countries are likely to benefit particularly from trade in services under Mode 3 of the GATS (sales by foreign affiliates). This mode of trade

involves FDI by foreign enterprises that can bring additional benefits in terms of transfer of managerial and technical expertise. For example, Turkish construction companies operating in ECO member countries can be beneficial for the domestic construction enterprises through spillovers of technology. Similarly, opening up of foreign banks can be instrumental in improving the overall efficiency of the financial sector in the host economies. There is significant scope for intra-regional trade in services under Mode 3 with Turkey and Pakistan.

4.7 Barriers to Trade in Services Sector

Despite the potential for trade in services, intra-regional trade in services remains minimal due to several barriers that usually take the form of establishment and foreign equity participation requirements under Mode 3 service delivery while in mode 4 there are limitations on movement of intra-corporate transferees and contractual service suppliers. Similarly, services trade under Mode 1 is generally restrained by residency requirements. Foreign suppliers are discriminated by nationality and residency requirements. In other instances, these are replaced by requirements such as collaboration with locals through joint ventures. Furthermore, there are barriers that relate to requirements in ownership and control of establishment, regulation of international transactions, and cross-border movement of personnel.

Trade barriers also come in the form of regulations such as citizenship or nationality requirements for professionals practice in such fields as medicine and law, economic needs test, educational and other qualification requirements, licensing requirements for temporary or occasional practice, fee setting regulations, compulsory membership in professional associations, and compulsory partnership with local professionals. Other barriers that restrict trade in services include local presence requirements through permanent residency, cumbersome registration procedures, restricted mobility of natural persons, and the requirement of hiring minimum number of local professionals. Discrimination in government procurement also often acts against foreign service providers. Trade in transportation services is hindered by lack of trade and transit facilitation. For example, there are restrictions on the movement of Afghan vehicles for transportation of goods to Pakistan, Iran, Tajikistan, and Turkmenistan. Also, lack of adequate financial intermediation for the cross-border transfer of payments and profits has impeded trade in services.

Chapter 5

MUTUAL INVESTMENT

Foreign direct investment (FDI) is believed to be a key determinant of economic growth and development. It not only provides the necessary capital to the host economies but also brings spillover benefits including transfer of technology, productivity improvements, and introduction of better management practices. In recent years, regional economic integration schemes have played an important role in encouraging not only intra-regional FDI but also FDI from non-members. In the ECO region, there is significant potential for intra-regional FDI to expand. The ECO region also has the potential to become a major FDI destination from non-member countries owing to a large combined market.

5.1 Overview of trends in Foreign Direct Investment

All the ECO member countries rely on FDI as an important source of economic development and growth. Total FDI in the ECO member states reached at a level of $42 billion in 2008 accounting for 2.5 percent of the total FDI in the world. Kazakhstan, Turkey, Pakistan and Iran are the four major countries for inward FDI (Table 5.1). Until 2004, Kazakhstan was the top FDI recipient in the ECO region, with Turkey overtaking Kazakhstan after 2004 to become a major FDI destination in the region.

Table 5.1: FDI in ECO members and the World

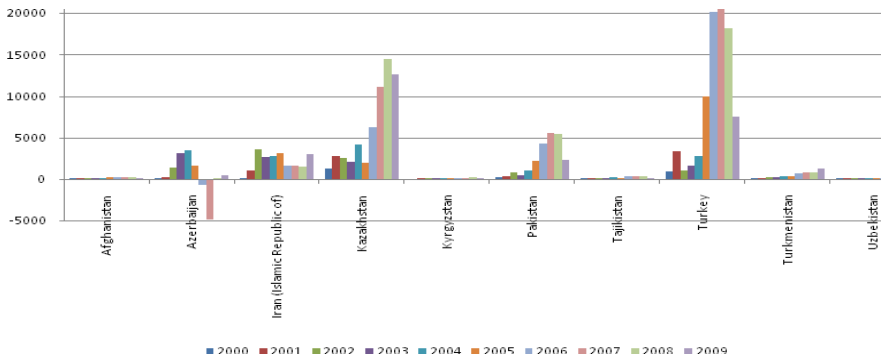
Economy	Total Foreign Direct Investment US$ Million)									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Afghanistan	0.17	0.68	50	57.8	186.9	271	238	243	300	185
Azerbaijan	30	220	1393	3227	3535	1679	-601	-4817	11	473
Iran	193.58	1084.48	3657.07	2697.87	2863.39	3135.59	1625.55	1657.58	1491.99	3016
Kazakhstan	1282.52	2835.0	2590.22	2092.03	4157.21	1971.22	6278.17	11126.2	14543.43	12649
Kyrgyzstan	-2.36	5.01	4.66	45.54	175.5	42.6	182	207.9	232.67	60
Pakistan	309	383	823	534	1118	2201	4273	5590	5438	2387
Tajikistan	23.54	9.50	36.07	31.65	272.03	54.48	338.63	359.9	375.8	8
Turkey	982	3352.0	1082	1702	2785	10031	20185	22046	18198	7611
Turkmenistan	131	170	276	226	353.7	418.2	730.9	804	820	1355
Uzbekistan	74.7	82.8	65.3	70.4	187.4	87.7	194.5	739	918	750
ECO	3024.15	8142.46	9977.31	10684.29	15634.12	19891.78	33444.74	37956.58	42328.89	28494
World	1381675	820430	629675.3	565159.5	734892	973329.1	1461074	1978838	1697353	1114189
ECO as % of World	0.22	0.99	1.58	1.89	2.13	2.04	2.29	1.92	2.49	2.56

Source: UNCTAD, FDI/TNC database.

Turkey is ranked 15th in the 15 most attractive economies for the location of FDI in the World Investment Prospects Survey (WIPS 2008-10). Not surprisingly, FDI volumes in Turkey grew at a significant rate by reaching at $22046 million in 2007 from a value of $982 million in 2000. In Turkey the financial intermediation and the manufacturing sectors have absorbed the highest amount of FDI during the last five years.10 Turkey's performance in terms of FDI has been driven by wide-ranging reforms including opening up of key markets for FDI such as banking, telecommunications. Investment facilitation measures such as the formation of the National Coordination Council for the Improvement of the Investment Environment (CCIIE) and international "Investment Advisory Board" also played an effective role in attracting FDI into Turkey.

Kazakhstan received strong FDI flows in recent years, mainly in its oil and gas sector, with total FDI inflows amounting to $14.5 billion in 2008. To attract investors Kazakhstan has lowered its corporate income tax from 30 to 20 percent in 2009 and plans to further reduce it to 15 percent in 2011.

Figure 5: FDI in the ECO members during the current decade



In Iran FDI inflows continued to increase at a reasonable magnitude till the year 2005 but after that they showed a downward trend in the recent years due mainly to international sanctions. In Pakistan, FDI increased substantially from US$309 million in 2000 to US$5.4 billion 2008, before declining to US$2.3 billion in 2009 due mainly to global financial crisis and domestic security situation. Major sectors that have received FDI in Pakistan include oil and gas and telecommunications.

[10] Source: Central Bank of the Republic of Turkey

Azerbaijan was one of the leading countries in attracting FDI till 2004 due to its significant oil and gas reserves. More than 70 per cent of FDI flows to Azerbaijan were in the oil and gas industry. During 2006-7, Azerbaijan witnessed disinvestment but the trend has been reversed in 2009 with FDI amounting to US$473 million. Turkmenistan has witnessed an increasing trend in FDI inflows from UD$131 million in 2000 to US 1355 million in 2009 with most of FDI going into the energy sector. Other ECO countries including Afghanistan, Kyrgyzstan, Tajikistan, and Uzbekistan have received relatively little FDI.

5.2 Constraints to FDI including Intra regional FDI

The level of FDI into ECO member countries remains far below potential and is much less than the FDI received by the fast growing emerging economies such as Brazil, India and China. The only exception is Turkey which has succeeded in attracting an increasing FDI on the back of its market-oriented reforms and liberalization policies. The situation is much worse at the intra-regional level. Except for some intra-regional investment by Turkey in the ECO region and bilateral investment between Turkey and Iran, intra-regional investment remains insignificant.

There are number of constraints that impede both global and intra-regional investment in the ECO region. Foreign investors respond to various location specific factors such as the state of physical infrastructure, the quality of skilled manpower, and regulatory and institutional efficiency. Evidence shows that countries which offer a conducive environment for business performance and growth are more successful at attracting FDI than those where doing business remains a challenge. Though ECO region has made progress in terms of improving the business climate challenges remain in several areas such as inadequate physical infrastructure, electricity shortages, lack of highly qualified manpower, and law and order problems.

5.2.1 Inadequate Physical Infrastructure and High Cost of Doing Business

The quality of physical infrastructure plays an important role in attracting both domestic and foreign investment. High quality infrastructure reduces the transaction costs of doing business and hence contributes towards the productive efficiency and competitiveness. A well developed infrastructure is one of the prerequisites for attracting FDI. Yet most of the member states have not developed their infrastructural facilities up to the mark. Table 5.2 shows the ranking of ECO member states with

respect to the ease of doing business in these countries. Doing Business 2010 report gives this ranking out of a total of 183 countries.

Table 5.2: Doing Business: Where Does the ECO Member Stand?
Doing Business 2010

Country	2010.0
Afghanistan	160
Azerbaijan	38
Iran	137
Kazakhstan	63
Source: World Bank Indicators	41
Pakistan	85
Tajikistan	152
Source: World Bank Indicators	73
Turkmenistan	
Uzbekistan	150

Source: Doing Business 2010, World Bank

5.2.2 Weak Intellectual Property Rights

In recent years, there has been a surge on foreign direct investment in technology intensive sectors such as computers and telecommunications equipment manufacturing. However, such investment relies on secure intellectual property rights that provide appropriate incentives to firms to invest in product innovation. Most of the ECO countries have not been able to attract foreign direct investment in high-tech segments and this is typically attributed to weak enforcement of intellectual property laws.

5.2.3 Availability and Quality of Manpower

Foreign investors require a sufficient pool of skilled and highly qualified manpower. The availability of such manpower ensures productive efficiency which in turn determines the competitiveness of firms. Unfortunately, skilled and technical manpower is in short supply which prevents foreign investors to make investments in high value added segments that require an adequate supply of highly skilled manpower.

5.2.4 Regulatory Framework

Over the past many years, the ECO countries have significantly reformed their regulatory frameworks, though still much more remains to be done. In particular, businesses continue to face a host of regulations including strict labor laws, business licensing and registration, and location of business, all of which act as major constraints on establishing new businesses. In addition, businesses often identify

weaknesses in the regulatory framework such as legal problems, lack of transparency, and excessive documentation requirements that raise their transactions costs.

5.2.5 Law and Order

Law and order is essential for the security of private enterprises. In recent years, however, law and order has deteriorated --- especially in Afghanistan, Pakistan, Kyrgyzstan, and Uzbekistan --- resulting in travel advisories issued by foreign countries. Such travel advisories raise transaction costs as firms have to deal with non-availability of foreign managerial and technical expertise. Weak law and order situation, increasing terrorist activities and anti-terrorism war in some member states like Pakistan and Afghanistan are the major factors constraining FDI. Business activities are being severely affected by the uncertain situation prevailing in these countries.

5.2.6 High Transportation Cost

According to a survey, access to market is by far the most important location determinant of FDI. Among the ECO member states, seven member states are land locked having long distances from seaports. Kazakhstan has the longest distance from a seaport. High transportation costs and the lack of easy accessibility to the world market are negatively affecting the level of FDI in these countries.

5.2.7 Low Mutual Financial Cooperation

Mutual financial cooperation is very low in the region which in turn impedes the flow of intra-regional FDI. Presence of developed banking network and branches in other member states is imperative to have smooth flow of funds and business transactions. However many ECO member states do not have branches of their banks in other member countries.

5.2.8 Cross Border Transportation and communication facilities

Cross-border transportation and communication facilities are insufficient in the ECO region. Intra regional investment can be promoted by building the modes of transportation and communication at the required level.

5.3 Policy Recommendations

According to the (WIPS 2008-10), size and growth of the market are the most important location criteria, followed by the quality of resources (including skilled

labor) and of the technical and administrative business environment, and government incentives. To begin with, a greater level of economic integration in the ECO region itself will be instrumental in promoting FDI in the ECO region. The ECO region is a combined market of 417 million inhabitants with average per capita GDP of US$3578. The region also offers diversity in terms of their production structures, and demand patterns. Whereas these are important attributes for foreign investors, the individual member countries must also take steps to put in place an environment that can enhance the profitability of foreign investors. In particular, to attract FDI the host countries need to provide a business-friendly environment, promote industrial diversification, upgrade physical infrastructure, promote special economic zones, and take effective steps for human resource development.

The creation of a market-friendly business environment is essential to spur FDI. While the ECO countries have taken steps to improve their business climates in the recent past, more regulatory reforms are needed particularly in the labor markets as well as in tax administrations. In particular, consolidation of labor levies and the linkage between productivity and benefits; improving customs procedures, information flows, documentation related regulations and distribution/collection system; reduction in regulatory uncertainty by reducing the frequency of changes in the rules affecting businesses and making all rules transparent and by removing discretion from the administration of rules. Such reforms can be instrumental in attracting FDI by reducing the transactions cost of doing business in the host economies.

A well-diversified industrial structure is essential to attract FDI. This is because a diversified economy has the necessary dynamism and complementarities that are essential for businesses to thrive and grow. Except for Turkey and to some extent Pakistan, other ECO economies are not well diversified, and have mostly attracted FDI into energy-related activities with little spillover benefits for the rest of the economy. These economies need to promote the establishment of new enterprises in high value-added segments of the industrial value chain. Also, the transforming economies of the ECO region have an opportunity to leapfrog to high technology industries especially in information and communications technology. Provision of proper incentives to such enterprises will help them to overcome initial disadvantages and to attain a competitive scale of operations that is essential for their growth.

Experience has shown the foreign investors tend to locate in countries with good physical infrastructure. Good quality infrastructure allows businesses to gain

efficiencies by lowering their transactions costs. Modern businesses operations require an efficient infrastructure network and utilities that allow the businesses to effectively run their supply chains, achieve on-time deliveries, and manage their inventories. The ECO countries, especially the less developed members, need to improve their physical infrastructure to attract more FDI into their economies.

Special economic zones have played an important role in attracting FDI into developing economies. The experience of China and other East Asian economies is a testament to this fact. These zones offer special incentives and better physical infrastructure to foreign investors. Both Turkey and Pakistan have set up special economic zones to attract FDI particularly in export-oriented enterprises. Other ECO countries may also emulate the experience of Turkey and Pakistan in establishing special economic zones for foreign and domestic investors.

Availability of affordable and skilled manpower is one of the most important factors influencing investors' decision to locate in a particular country. Whereas some regional countries offer advantages in terms of cheap unskilled labor, labor with adequate skills required by modern businesses remain in deficient supply. It is imperative for the regional countries to develop their manpower in line with the global industrial requirements.

Chapter 6
Financial Regulations

An efficient financial system that channels investible funds to most productive uses is essential for development and growth. Studies have shown that financial deepening helps improve overall efficiency in the economy by lowering transactions costs as well as by facilitating consumers and businesses in terms of access to credit and other financial instruments such as bonds and equities. The financial sector is prone to instability due mainly to its risk-taking nature and hence requires effective regulations. The recent global financial crisis attributed mainly to lax regulation of the financial sector underscores the importance of putting in place mechanisms for the effective functioning of the financial system.

6.1 Role of Financial Regulatory Authorities

The financial regulatory authorities regulate the financial system with the overarching aim of ensuring financial stability in the economy. Other major objectives of the regulating authorities are to: provide easy access to the required information for investors, guarantee the reliability of the financial system, improve financial services and meet the challenge of globalization of financial services. The regulatory bodies manage and monitor registration procedures, facilitate trade in equities, regulate monetary policy, and oversee foreign investment in the financial sector.

The major regulatory body in each member country is the central bank, which regulates the financial sector and conducts monetary policy to achieve the dual objectives of price stability and economic growth. In addition, each country has regulatory bodies to oversee the securities and capital markets (Table 6.1). These agencies provide a regulatory framework for the functioning of the non-bank financial institutions as well as the equities markets. A key concern of the regulatory bodies in the ECO members has been to manage international capital flows. With the liberalization of financial markets around the globe, developing countries are becoming increasingly integrated into the global financial system. In the ECO region, both Turkey and Pakistan have seen a rising trend in private capital inflows especially the portfolio investment. It is generally recognized that such inflows can often be volatile and may thus destabilize the recipient economies. To avoid the potential risks attached with short term capital flows, the regulatory authorities aim to strengthen the domestic financial system through good governance and prudent regulations.

Table 6.1: Financial Regulatory Authorities in the Eco member States

Economy	Regulatory Bodies
Afghanistan	Da Afghanistan Bank (DAB)
Iran	Securities and Exchange Organization (SEO)
Kazakhstan	Financial Markets Supervisory Agency (FMSA)
Kyrgyz Republic	Kyrgyz Republic Financial Market Oversight and Regulation Agency
Pakistan	Securities and Exchange Commission of Pakistan
Turkey	Banking Regulation and Supervision Agency of Turkey Capital Markets Board of Turkey (CMB)
Uzbekistan	Center for Coordination and Control over Functioning of Securities Market

The International Organization of Securities Commissions (IOSCO) is helping the ECO economies in transition in standardizing their financial regulations. A multilateral Memorandum of Understanding (MoU) has been developed for sharing information regarding banks, brokerage and client identification records among signatories. So far 24 IOSCO members have signed this MoU. Among the ECO member states Pakistan, Turkey, Kazakhstan, Kyrgyz Republic and Uzbekistan hold IOSCO membership status.

6.2 Financial Regulations in the ECO Region

The financial sector in Turkey made a remarkable recovery after the financial crisis in the year 2000. The restructuring program particularly the creation of Banking Regulation and Supervision Agency brought the banking sector regulations in line with the international standards and greatly improved the performance of the banking sector. The banking sector in Turkey is growing rapidly with the five largest banks holding about 60 percent of total assets. There were 33 commercial banks till 2008 including the three state-owned banks that hold about 30 percent of total assets. Mutual funds and insurance companies rank second and third respectively in the financial sector of Turkey with 26 non-life and 26 life/pension insurance companies. Foreign intermediaries may provide cross-border investment services in the Turkish markets.

The only way for a new investment firm to enter the Turkish financial intermediation market is by acquiring an existing brokerage firm[11].

Since the mid-90s Kazakhstan implemented wide-ranging reforms in the financial sector to bring it in line with the international standards. However, there is still much room for further improvements. In particular, the financial sector is still dominated by the public sector and there exist several state-owned financial institutions including the Exim Bank of Kazakhstan, Development Bank of Kazakhstan (DBK), and Investment Fund of Kazakhstan. In the private sector, there are 18 domestic and 17 foreign banks operating in Kazakhstan. However the private banking industry is very much concentrated with a few large players: the largest four banks (BTA Bank, Halyk Bank, Kazkommertsbank and Alliance Bank) hold 70 percent of the banking sector assets[12].

The financial sector in Iran is dominated by eleven state owned banks however six private banks have started operations in recent years. Whereas the private banks have been given some flexibility to set the deposit and lending rates and the allocation of credit, they face strict restrictions in terms of capital requirements. In addition to private banks, the credit institutes, which mobilize domestic savings on a smaller scale, are also part of the Iranian banking system.

Pakistan has a well developed financial sector with a large presence of the private sector. Pakistan's financial sector encompasses Commercial Banks, Microfinance Banks (MFBs), Non-banking Finance Companies (NBFCs), Development Finance Institutions (DFIs), Modarabas, and Insurance Companies. According to SBP 41 scheduled banks, 6 DFIs, and 2 MFBs are functioning in the country. State Bank of Pakistan regulates the private banks, Development Finance Institutions (DFIs), and Microfinance Banks (MFBs). The Securities and Exchange Commission (SEC) has been assigned the regulatory responsibility for the non-banking finance companies (NBFCs), private pension schemes and insurance industry. Over the years, Pakistan's financial sector has been greatly liberalized through various reform programs, and regulatory framework has been modernized and is at par with global standards. Foreign investors can own up to 100 percent equity in financial and general insurances sector.

[11] surveys
[12] National Bank of Kazakhstan, 2007, "Annual Report."

Kyrgyzstan has implemented reforms to restructure and modernize its financial system. The banking sector is comprised of 21 banks with a majority being foreign-owned. These banks account for more than 70 percent of total assets. Full foreign ownership of banks and micro credit institutions is permitted and the central bank has set minimum capital requirements. Whereas the banking sector in Azerbaijan is dominated by the sate-owned International Bank of Azerbaijan, the private sector has grown rapidly in recent years with private banks owning about 60 percent of the total assets. The market is open for foreign investors and foreign banks face no ownership restrictions. The capital market still lacks depth with limited availability of long-term financial instruments. The financial sector in Uzbekistan is relatively under-developed as compared with other member states due mainly to the extensive government intervention. State-owned banks still dominate the banking sector and the regulatory framework is hindering the development of market-led financial intermediation.

The banking sector in Tajikistan is highly concentrated as 80 percent of the deposits are held by just four banks of which one is state owned bank. The banking sector has a limited capability to effectively facilitate the needs of financial intermediation and there is much scope for private sector expansion. According to the latest ranking of the World Economic Forum, the financial development index shows that Tajikistan stands at 127th position out of a total of 139 countries which is also the lowest in the ECO region.

Table 6.2 provides the ranking of some ECO member states from the World Economic Forum's second annual Financial Development Report. The report ranks 55 of the world's leading financial systems and capital markets.

Table 6.2: The Financial Development Index 2009

Country	Rankings				
	Financial Development Index 2009	Financial Development Index 2008	Institutional Environment	Business Environment	Financial Stability
Kazakhstan	47	45	47	41	54
Pakistan	49	34	52	50	48
Turkey	44	39	46	32	51

Source: Financial Development Report 2009, World Economic Forum

Turkey's financial system ranks 44th out of 55 countries whereas Kazakhstan is at 47th and Pakistan on 49th position. Pakistan was ranked ahead of the many countries including Turkey and Kazakhstan in 2008 but it lost its position in the second report

and now it comes after Turkey. Turkey got a better position in terms of its business and institutional environment and Pakistan got a better position in terms of the financial stability.

Table 6.3 shows the financial market development in the ECO region as given in the latest Global Competitiveness Report 2010-2011 by the World Economic Forum. It describes the recent situation of financial market in these countries in terms of scores obtained. Among the ECO member states, Turkey got the highest scores in terms of the availability of financial services and regulation of securities exchange whereas Pakistan is showing better performance for providing the ease of access to loans.

Table 6.3: Financial Development in the ECO Region, 2010-11

Country	Financial market development		Availability of financial services	Ease of access to loans	Regulation of securities exchange
	Rank/139	Score	1 = not at all; 7 = extremely well	1 = very difficult; 7 = very easy	1 = ineffective; 7 = effective
Turkey	61	4.23	5	2.6	4.6
Kazakhstan	117	3.39	4.1	2.1	3.3
Source: World Bank Indicators	73	4.09	4	3.3	4
Tajikistan	127	3.14	3.6	2.5	2.8
Kyrgyz Republic	111	3.54	3.5	2	2.6
Source: World Bank Indicators	120	3.29	3		3.9
Azerbaijan	71	4.12	4	2.8	3.7

Source: The Global Competitiveness Report 2010-2011, World Economic Forum.

6.3 Impediments to Financial Sector Development

With the exception of Turkey and Pakistan, financial sectors in other ECO member countries are not very well developed. Several factors have impeded the development of an efficient financial sector in these economies. First, the dominance of the public sector in the financial market has hindered the development of private financial institutions. Private sector tends to shy away from markets with large public sector presence mainly because the presence of a large public sector creates an uncertain market environment. Second, large capital requirements for private financial institutions act as a major constraint to private sector participation. Consequently, financial sector remains concentrated and lacks depth in terms of offering appropriate financial instruments for consumers and businesses. Third, the equities markets have

not gained prominence in some ECO countries mainly because of the limited participation of private manufacturing enterprises on the bourses.

6.4 Policy Recommendations

Financial sector development requires a comprehensive set of policies aimed at financial liberalization, improving the regulatory roles of the central banks, capital market development, facilitating the adoption of modern banking technology, and capacity building. Financial liberalization aimed at greater participation of the private sector will introduce more competition in the market that will ensure provision of effective financial services and instruments. The central bank, being the major regulator, plays an important role in the development of the financial sector. In particular, there is a need for the independence and autonomy of the central bank to ensure policy credibility. Also, there is a need to build the capacity of the financial regulatory authorities in terms of managerial and technical expertise to develop and enforce prudential regulations, as well as in risk management. Some ECO countries lack well developed capital markets. For the deepening of the capital markets, there is a need to further develop the corporate debt market through promotion of bonds and securities, and other term financing facilities.

In recent years, modern technology has transformed financial operations across the globe. However, some ECO members such as Tajikistan and Uzbekistan lack such modern technology. There is a need to facilitate the adoption of modern technology by strengthening the communication infrastructure and by making it available at lower prices. The introduction of Real Time Gross Settlement (RTGS) can greatly improve the payment settlement infrastructure improving the efficiency of the financial system. Also, the Negotiated Dealing System (NDS) has become essential feature of a modern financial system, enabling on-line dealing and dissemination of trade information relating to instruments in the money and foreign exchange market.

Regional cooperation in ECO can contribute significantly to the development of financial sectors in the ECO member countries. The less-developed countries can learn from the experiences of Turkey and Pakistan in financial sector development. Similarly, the individual countries can benefit from the financial institutions of the ECO members. There are some instances of cross-border presence of the financial institutions in the ECO region. For example, major commercial banks in Kazakhstan expanded their operations to neighboring countries in recent years. Also, Turkish banks

have a presence in other ECO member states. There is great scope for enhancing intra-regional provision of financial services. Such cooperation will not only improve access to financial services and instruments but will also facilitate intra-regional trade in the ECO region. The ECO Trade and Development Bank can play an important role in the development of the financial sector. The Bank needs to expand its operations in terms of medium and long-term financing facilitates for both public and private sectors. The bank can also play an important role in promoting intra-regional trade through provision of trade finance facilities to the ECO member states.

Chapter 7

Economic and Technological Cooperation

Economic and technological cooperation among developing countries is increasingly being emphasized as an effective vehicle for greater development and prosperity of developing economies. More and more developing countries are striving to achieve economic growth through greater economic and technological cooperation among themselves and to encourage the transfer and adoption of technology that can address their mutual development needs. Cooperation among developing countries can result in mutually beneficial exchange of new ideas and techniques resulting in greater productivity and enhanced global competitiveness. In recent years, the regional integration schemes have played a vital role in fostering broader economic and technological cooperation among the member countries by providing specific modalities for enhanced technological cooperation. In this context, ECO member countries can also benefit from a greater level of cooperation on a variety of economic and technological fronts.

7.1 infrastructure and Construction Projects in ECO Countries

The ECO member countries are at different stages of development with different infrastructure needs. Turkey, Iran, and Pakistan are relatively more developed countries in the region with reasonable infrastructure. But these countries are investing in upgrading and modernizing infrastructure. Other countries of the ECO region have inherited Soviet-era infrastructure that needs modernization. Overall all the countries are making investments in construction and infrastructure projects to uplift their economies for greater competitiveness.

There are a variety of planned and ongoing construction and infrastructure projects in Pakistan. The major megaprojects include the planned construction of oil and gas pipeline projects. In addition, a number of road construction projects are being pursued including the construction of a north-south corridor linking Gawadar with Central Asia. There are a number of construction projects to uplift the region surrounding the new port of Gawadar. These include construction of roads and bridges, and hotels and amenities. Pakistan is in the process of modernizing its airports, and the construction of a new airport in the capital city of Islamabad is a major project. Turkey

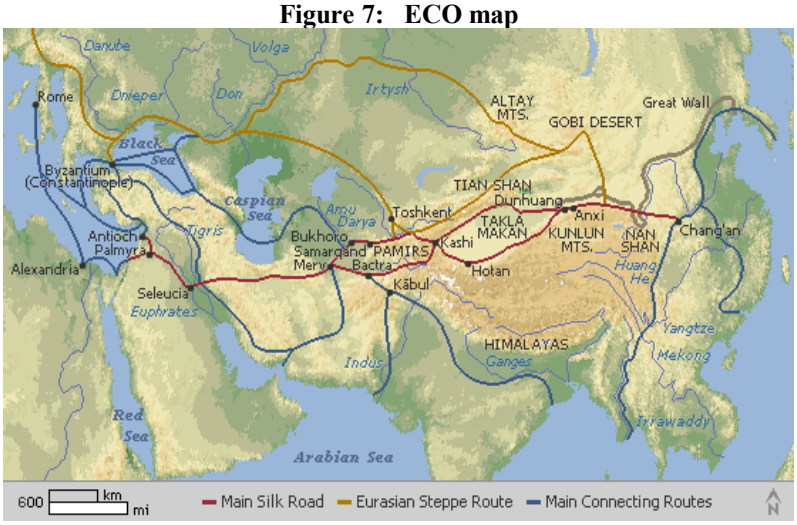
is also rapidly expanding its road networks, and the major projects include trans-European south-north motorway projects, and trans-Turkey highway. Turkey is also modernizing its rail network with plans to introduce a high speed train and Baku-Kars-Tbilisi railway project linking Turkey, Georgia, and Uzbekistan.

Other ECO members are also engaged in the process of upgrading and building new infrastructure. In Turkmenistan, the major project is the construction of North-South transport corridor. Iran plans to expand its port capacity and has plans to upgrade/build road network linking Iran with neighboring countries. Kazakhstan has plans to build railway track linking Kazakhstan with China.

The construction and infrastructure projects offer a significant opportunity to enhance broader economic and technological cooperation in the ECO region through mutual undertaking of the construction and infrastructure projects. The ECO members can develop important partnerships by pooling their financial resources as well as sharing technical expertise in construction and infrastructure development. In this context, Turkey can take the lead in view of its capacity in undertaking large construction projects.

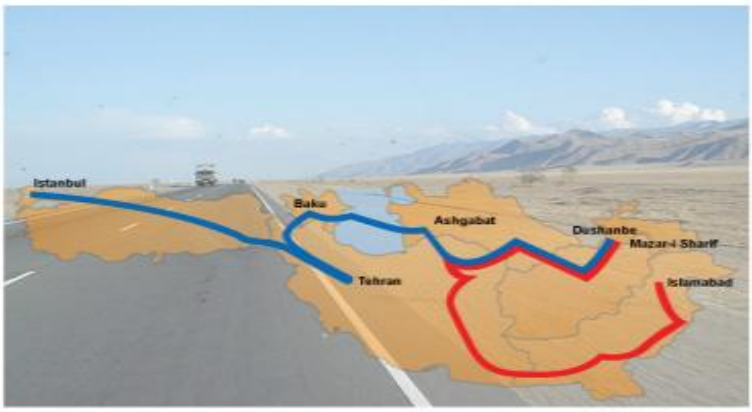
7.2 Cross-Border Transportation

Figure 7: ECO map



There exists a network of cross-border transportation in many ECO member states --- many ECO members were former Soviet Republics with adequate transportation connectivity --- but due to lack of proper investments most of it needs

upgradation. A broad railway line runs from Quetta (Pakistan) to Zahedan (Iran) linking with the rest of the Iranian rail network.



Currently there is no rail link to Afghanistan since no railway network is present in that country, however Pakistan Rail has proposed to help build a rail network in Afghanistan in three phases. The first phase will stretch from the Chaman to Spin Boldak in Afghanistan. The second phase will extend the line to Kandahar and the third phase will eventually connect to Hear. From there, the line will be extended to Khushka, Turkmenistan. The final phase would link 1,676 mm (5 ft 6 in) gauge with Central Asian 1,520 mm (4 ft 11 5⁄6 in) gauge. The proposed line will also be connected to the port town of Gawadar via Dalbadin and Taftan, consequently connecting the port town to Central Asia.

An Istanbul-Tehran-Islamabad passenger rail service has been proposed recently. Meanwhile a container train service was launched by the Prime Minister of Pakistan between Islamabad and Istanbul on 14 August 2009. The first train carried 20 containers and traveled 6,500 km (4,000 mi) from Islamabad, through Tehran, and on to Istanbul in two weeks' time.

The Silk Road is an extensive interconnected network of trade routes across the Asian continent connecting East, South, and Western Asia with the Mediterranean world, including North Africa and Europe. It passes through the mid section of Pakistan through Peshawar, Taxila and Multan. This road networks link Pakistan to central Asian states and European countries.

Turkey has direct air links with the other member states. However, some ECO countries lack direct air links. For example, Pakistan has no direct air links with Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan, and Azerbaijan. Strengthening of these links is essential for wider economic cooperation in the ECO region.

7.3 Information and Communications Technology

In recent years, major and rapid advances have been made in information and communications technology. The rise of the internet and mobile telephones have not only transformed business practices but have also changed the lives of millions of users of such technology. Studies have shown that there is a strong positive association between advances in information and communications technology and economic development. Information technology helps improve overall efficiency in the economy thus boosting economic growth.

Like other sectors of the economy, information and communication technology sector in the ECO member countries can get a significant boost from regional cooperation. Both Pakistan and Turkey have adopted measures to promote their IT industries with deregulation of the telecommunications industry transforming it from a monopolistic structure to a competitive market. Greater level of competition in the telecommunication industry led to an explosive increase in demand for mobile telephone services as well as internet start-ups. Also, the governments promoted the globalization strategy for their IT industries including encouragement of FDI through various tax and financial incentives.

During the past decade, digital connectivity and e-commerce have flourished around the globe and there is great potential for ECO member countries to benefit from cooperation in these areas. Information and communications technology is a rapidly growing sector in Pakistan with a sizable presence of English-speaking trained professionals. Pakistan can be an important source for the growing needs of the ECO members in information and communications technology. Similarly, Turkey can also be an important partner of the ECO members for developing their capacities in

information and communications technology including software development, office automation, and business process outsourcing.

7.4 Exchange of Technical Personnel

It is widely recognized that temporary movement of workers across international borders is a positive sum game entailing benefits for both receiving countries and countries of origin. Whereas the receiving countries are able to tap skills and expertise of expatriates, the countries of origin benefit both in terms of remittances as well improved skills of the return migrants. Experience has shown that the developed countries of the west have benefited enormously from movement of skilled workers. As a result of heightened global competition, the manpower in developing countries has acquired a variety of skills and expertise and the mutual exchange of skilled personnel among developing countries have assumed greater prominence.

So far, there has been limited mobility of labor in the ECO region but there is significant potential for ECO member countries to expand such ties for their mutual benefit. First, many countries in the region share the same language --- both Russian and Turkish are common languages in the ECO countries in transition. This can greatly ease the absorption of migrant workers among the countries in transition and Turkey. Second, the geographical proximity and shared culture can also boost intra-ECO mobility of personnel provided the countries adopt a liberal regulatory regime for such exchanges. Third, the diversity of skills can also lead to beneficial exchange of labor among the ECO member countries. For example, manpower in countries in transition has skills and expertise suited for heavy manufacturing industries established under the Soviet rule. ECO countries that are in clear need for establishing and expanding similar heavy industries such can benefit from movement of such labor in the ECO region. On the other hand, Pakistan can be an important source of English-speaking workers and professionals in a wide range of fields including engineering, medicine, information technology, teaching, and agriculture research and extension. Fourth, promotion of tourism in the region can greatly facilitate people-to-people contact in the region that can ultimately help strengthen mutual trade and investment ties. Finally, there is significant potential for exchange of students in the ECO region. Almost all the countries of the ECO region have established world-class educational institutions that can cater to the needs of the regional students.

It needs to be emphasized that the potential for the beneficial exchange of personnel cannot be realized unless the regional countries adopt a liberal regulatory framework for the temporary movement of workers. In particular, there is a need for an effective institutional framework for interaction between government, industry and business of all countries. Simplification of the visa process, especially for business visitors, professionals, tourists, and students would significantly enhance economic linkages and trade in services among the ECO members. In addition to these measures, the member countries can provide greater facilitation for personnel exchange by providing information on possibilities for mutual exchange of professionals in the respective fields.

7.5 Energy

Energy has emerged as one of the most critical issues all over the world. It is particularly important for the ECO region where some countries are endowed with abundant energy resources whereas others are energy deficient. Energy has become an important issue in energy deficient countries as energy shortages have hampered their economic development. Whereas the sharp fluctuation in the prices of oil in the world market makes the people and the governments vulnerable, the power and gas shortages also affect rather badly the output levels in the country. Frequent disruption of power and other energy supplies have tended to lead to serious crisis affecting both human and national security.

Regional cooperation in energy will open up new avenues for economic development of the ECO member countries. It will lead to a more effective utilization of natural resources in the region while at the same time helping the energy deficient countries to improve their energy supplies. Regional energy cooperation will also help achieve large scale transformation in the energy sectors thus contributing to economic growth.

7.6 Policy Recommendations

The ECO member countries need to put in place effective mechanisms to promote a broader level of economic and technological cooperation in the ECO region. First, the member countries need to open up cross-border movement of technical personnel in the region. Policies in this area may include temporary work permits to technical persons, exchange visas, and business visas. Second, the member countries need to facilitate their enterprises who wish to engage in cross-border service provision

under Mode-3 of GATS. This will ensure that the regional companies are able to secure construction and infrastructure projects in the ECO member countries. Third, the member countries need to devise mechanisms to facilitate mutual sharing of their experiences especially in technological fields. For example, Pakistan has the knowledge and capacity in agricultural research and extension services. The experience and knowledge of Pakistan can be instrumental in helping other ECO member countries to replicate best practice models in agricultural research and extension. Fourth, there is a need for individual member countries to develop a network of their universities that can help collaborative research and development activities to the mutual benefit of the member countries.

At the regional level, the ECO Secretariat can play an important role in strengthening economic and technological cooperation in the ECO region. The Secretariat can play host to a joint commission on economic and technological cooperation in the ECO region. The commission may serve as an umbrella to oversee all initiatives of technological cooperation in the ECO region. These measures will help realize the full potential economic and technological cooperation in the ECO region.

It is increasingly being recognized that south-south cooperation initiatives should not only promote technical collaboration but also encourage joint efforts in social and economic development. In this context, a particular initiative of the United Nations Development Program (UNDP) is 'technical cooperation among developing countries (TCDC). More emphasis is now being placed on bringing the TCDC within the broader framework of economic cooperation among developing countries (ECDC). As the ECO member countries are striving to achieve greater regional economic cooperation, there is a need to facilitate the integration of TCDC in the ECO program of work. This would allow the member countries to broaden the scope of their cooperation especially with other developing countries in the region.

Chapter 8

Summary and Conclusions

This study has carried out an in-depth analysis of the trading patterns in the ECO region with a view to identifying potential for expanding intra-regional trade through which a greater level of economic integration can be achieved. The results show that though the volume of bilateral trade remains small, and in some instances trade complementarity is low, there exists potential for strengthening intra-regional trade across a wide range of commodities. The results of the gravity model show that trade in the ECO region can increase eight times as a result of the potential free trade agreement among the ECO member countries.

The study has argued that potential for expanding intra-regional trade cannot be realized unless supportive measures are adopted to put in place trade regimes that are open and responsive to the needs of intra-regional trade. First and foremost, there is a need to further liberalize trade through reduction in tariff and non-tariff barriers. Whereas many countries have already carried out trade policy reforms to liberalize their trade regimes, some ECO members continue to impose high tariffs and non-tariff barriers. Besides a liberal tariff regime, there is a need to improve trade facilitation mechanisms in many ECO member countries especially Uzbekistan, Tajikistan, Turkmenistan, and Kyrgyzstan. It is generally believed that doing business in these countries is difficult because of the cumbersome and complex bureaucratic requirements imposed on international trade transactions as well as inefficient trade and transport infrastructure. Trade facilitation is universally accepted as a means of improving the efficiency of international trade and economic development. Trade facilitation is an issue that is linked to a number of critical areas with far reaching implications for competitiveness and economic efficiency. Despite efforts to streamline the customs procedures, the clearance of consignments remains a problem due to weaknesses in customs administration and cumbersome regulatory procedures. Excessive procedural requirements are also to be blamed for providing an opportunity for customs officials to engage in corrupt practices.

The study has shown that there is a significant potential for trade in services in the ECO region. The services trade in the ECO member countries is of intra-industry variety signifying that intra-regional trade can be strengthened in all segments of the services sector. On the demand side, a majority of the ECO countries are in transition and have a great demand for construction, telecommunications, and financial services. On the supply side, both Turkey and Pakistan can be important suppliers of a wide variety of services including information and communications technology, construction, and business and financial services. Turkey has a very well developed capacity in construction and its world class construction companies have won contracts around the globe. The developing countries of the ECO region such as Afghanistan, Tajikistan, Turkmenistan, and Kyrgyzstan can benefit from Turkey's expertise in construction services. Turkey can also be an important supplier of business and financial services in the ECO region.

A greater level of economic integration in the ECO region will be instrumental in promoting FDI in the ECO region. The ECO region is a combined market of 417 million inhabitants with average per capita GDP of US$3578. The region also offers diversity in terms of their production structures, and demand patterns. Whereas these are important attributes for foreign investors, the individual member countries must also take steps to put in place an environment that can enhance the profitability of foreign investors. In particular, to attract FDI the host countries need to provide a business-friendly environment, promote industrial diversification, upgrade physical infrastructure, promote special economic zones, and take effective steps for human resource development.

Financial sector development requires a comprehensive set of policies aimed at financial liberalization, improving the regulatory roles of the central banks, capital market development, facilitating the adoption of modern banking technology, and capacity building. Financial liberalization aimed at greater participation of the private sector will introduce more competition in the market that will ensure provision of effective financial services and instruments. The central bank, being the major regulator, plays an important role in the development of the financial sector. In particular, there is a need for the independence and autonomy of the central bank to ensure policy credibility. Also, there is a need to build the capacity of the financial regulatory authorities in terms of managerial and technical expertise to develop and enforce prudential regulations, as well as in risk management. Some ECO countries

lack well developed capital markets. For the deepening of the capital markets, there is a need to further develop the corporate debt market through promotion of bonds and securities, and other term financing facilities.

Regional cooperation in ECO can contribute significantly to the development of financial sectors in the ECO member countries. The less-developed countries can learn from the experiences of Turkey and Pakistan in financial sector development. Similarly, the individual countries can benefit from the financial institutions of the ECO members. There are some instances of cross-border presence of the financial institutions in the ECO region. For example, major commercial banks in Kazakhstan expanded their operations to neighboring countries in recent years. Also, Turkish banks have a presence in other ECO member states. There is great scope for enhancing intra-regional provision of financial services. Such cooperation will not only improve access to financial services and instruments but will also facilitate intra-regional trade in the ECO region. The ECO Trade and Development Bank can play an important role in the development of the financial sector. The Bank needs to expand its operations in terms of medium and long-term financing facilitates for both public and private sectors. The bank can also play an important role in promoting intra-regional trade through provision of trade finance facilities to the ECO member states.

The ECO member countries need to put in place effective mechanisms to promote a broader level of economic and technological cooperation in the ECO region. First, the member countries need to open up cross-border movement of technical personnel in the region. Policies in this area may include temporary work permits to technical persons, exchange visas, and business visas. Second, the member countries need to facilitate their enterprises who wish to engage in cross-border service provision under Mode-3 of GATS. This will ensure that the regional companies are able to secure construction and infrastructure projects in the ECO member countries. Third, the member countries need to devise mechanisms to facilitate mutual sharing of their experiences especially in technological fields. For example, Pakistan has the knowledge and capacity in agricultural research and extension services. The experience and knowledge of Pakistan can be instrumental in helping other ECO member countries to replicate best practice models in agricultural research and extension. Fourth, there is a need for individual member countries to develop a network of their universities that can help collaborative research and development activities to the mutual benefit of the member countries.

At the regional level, the ECO Secretariat can play an important role in strengthening economic and technological cooperation in the ECO region. The Secretariat can play host to a joint commission on economic and technological cooperation in the ECO region. The commission may serve as an umbrella to oversee all initiatives of technological cooperation in the ECO region. These measures will help realize the full potential economic and technological cooperation in the ECO region,

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APPENDICES

Appendix - I

Appendix Table 1. Trade Specialization Index 2007-2008 –Turkey versus ECO

Product Code	Product	Tsi 2007	TSI 2008
89	Ships, boats and other floating structures	1.0	1.0
86	Railway, tramway locomotives, rolling stock, equipment	1.0	1.0
81	Other base metals, cermets, articles thereof	1.0	1.0
80	Tin and articles thereof	1.0	1.0
45	Cork and articles of cork	1.0	1.0
19	Cereal, flour, starch, milk preparations and products	1.0	1.0
16	Meat, fish and seafood food preparations nes	1.0	1.0
15	Animal,vegetable fats and oils, cleavage products, etc	1.0	1.0
11	Milling products, malt, starches, inulin, wheat gluten	1.0	1.0
2	Meat and edible meat offal	1.0	1.0
1	Live animals	0.8	1.0
24	Tobacco and manufactured tobacco substitutes	1.0	1.0
18	Cocoa and cocoa preparations	1.0	1.0
75	Nickel and articles thereof	1.0	1.0
30	Pharmaceutical products	1.0	1.0
49	Printed books, newspapers, pictures etc	1.0	1.0
21	Miscellaneous edible preparations	1.0	1.0
83	Miscellaneous articles of base metal	1.0	1.0
71	Pearls, precious stones, metals, coins, etc	1.0	1.0
43	Furskins and artificial fur, manufactures thereof	0.6	1.0
48	Paper & paperboard, articles of pulp, paper and board	1.0	1.0
94	Furniture, lighting, signs, prefabricated buildings	1.0	1.0
4	Dairy products, eggs, honey, edible animal product nes	1.0	1.0
88	Aircraft, spacecraft, and parts thereof	1.0	1.0
33	Essential oils, perfumes, cosmetics, toileteries	1.0	1.0
85	Electrical, electronic equipment	1.0	1.0
44	Wood and articles of wood, wood charcoal	1.0	1.0
59	Impregnated, coated or laminated textile fabric	1.0	1.0
66	Umbrellas, walking-sticks, seat-sticks, whips, etc	1.0	1.0
99	Commodities not elsewhere specified	0.9	1.0
37	Photographic or cinematographic goods	1.0	1.0
73	Articles of iron or steel	1.0	1.0
64	Footwear, gaiters and the like, parts thereof	1.0	1.0
84	Machinery, nuclear reactors, boilers, etc	1.0	1.0
68	Stone, plaster, cement, asbestos, mica, etc articles	1.0	1.0
46	Manufactures of plaiting material, basketwork, etc.	1.0	1.0
58	Special woven or tufted fabric, lace, tapestry etc	0.9	1.0
32	Tanning, dyeing extracts, tannins, derivs,pigments etc	1.0	1.0
34	Soaps, lubricants, waxes, candles, modelling pastes	1.0	1.0
53	Vegetable textile fibres nes, paper yarn, woven fabric	1.0	1.0
6	Live trees, plants, bulbs, roots, cut flowers etc	0.9	1.0
27	Mineral fuels, oils, distillation products, etc	-1.0	-1.0
5	Products of animal origin, nes	-1.0	-1.0
74	Copper and articles thereof	-1.0	-1.0
10	Cereals	-1.0	-1.0
78	Lead and articles thereof	-0.9	-1.0
79	Zinc and articles thereof	-1.0	-1.0
26	Ores, slag and ash	-1.0	-1.0

Appendix Table 2. Trade Specialization Index 2007-2008 –Kyrgyzstan versus ECO

Product code	Product	TSI 2007	TSI 2008
89	Ships, boats and other floating structures	-0.9	1.0
78	Lead and articles thereof	1.0	1.0
67	Bird skin, feathers, artificial flowers, human hair	1.0	1.0
46	Manufactures of plaiting material, basketwork, etc.		1.0
45	Cork and articles of cork	-0.6	1.0
13	Lac, gums, resins, vegetable saps and extracts nes	1.0	1.0
05	Products of animal origin, nes	1.0	1.0
01	Live animals	1.0	1.0
88	Aircraft, spacecraft, and parts thereof	1.0	1.0
47	Pulp of wood, fibrous cellulosic material, waste etc	1.0	1.0
07	Edible vegetables and certain roots and tubers	1.0	1.0
24	Tobacco and manufactured tobacco substitutes	-0.9	-1.0
81	Other base metals, cermets, articles thereof	-1.0	-1.0
36	Explosives, pyrotechnics, matches, pyrophorics, etc	-1.0	-1.0
31	Fertilizers	-0.9	-1.0
57	Carpets and other textile floor coverings	-1.0	-1.0
11	Milling products, malt, starches, inulin, wheat gluten	-1.0	-1.0
10	Cereals	-1.0	-1.0
74	Copper and articles thereof	-1.0	-1.0
58	Special woven or tufted fabric, lace, tapestry etc	-1.0	-1.0
99	Commodities not elsewhere specified	0.1	-1.0
79	Zinc and articles thereof	-1.0	-1.0
75	Nickel and articles thereof	-1.0	-1.0
66	Umbrellas, walking-sticks, seat-sticks, whips, etc	-0.8	-1.0
60	Knitted or crocheted fabric	-0.3	-1.0
59	Impregnated, coated or laminated textile fabric	0.7	-1.0
43	Furskins and artificial fur, manufactures thereof	-1.0	-1.0

Appendix Table 3. Trade Specialization Index 2007-2008 –Afghanistan versus ECO

Product Code	Product	TSI 2008
51	Wool, animal hair, horsehair yarn and fabric thereof	1.0
41	Raw hides and skins (other than furskins) and leather	1.0
20	Vegetable, fruit, nut, etc food preparations	1.0
13	Lac, gums, resins, vegetable saps and extracts nes	1.0
05	Products of animal origin, nes	1.0
08	Edible fruit, nuts, peel of citrus fruit, melons	1.0
71	Pearls, precious stones, metals, coins, etc	-1.0
15	Animal,vegetable fats and oils, cleavage products, etc	-1.0
91	Clocks and watches and parts thereof	-1.0
90	Optical, photo, technical, medical, etc apparatus	-1.0
87	Vehicles other than railway, tramway	-1.0
85	Electrical, electronic equipment	-1.0
84	Machinery, nuclear reactors, boilers, etc	-1.0
83	Miscellaneous articles of base metal	-1.0
82	Tools, implements, cutlery, etc of base metal	-1.0
76	Aluminium and articles thereof	-1.0
75	Nickel and articles thereof	-1.0
73	Articles of iron or steel	-1.0
72	Iron and steel	-1.0
70	Glass and glassware	-1.0
64	Footwear, gaiters and the like, parts thereof	-1.0
63	Other made textile articles, sets, worn clothing etc	-1.0
62	Articles of apparel, accessories, not knit or crochet	-1.0
61	Articles of apparel, accessories, knit or crochet	-1.0
58	Special woven or tufted fabric, lace, tapestry etc	-1.0
53	Vegetable textile fibres nes, paper yarn, woven fabric	-1.0
48	Paper & paperboard, articles of pulp, paper and board	-1.0
44	Wood and articles of wood, wood charcoal	-1.0
40	Rubber and articles thereof	-1.0
39	Plastics and articles thereof	-1.0
36	Explosives, pyrotechnics, matches, pyrophorics, etc	-1.0
34	Soaps, lubricants, waxes, candles, modelling pastes	-1.0
32	Tanning, dyeing extracts, tannins, derivs,pigments etc	-1.0
31	Fertilizers	-1.0
30	Pharmaceutical products	-1.0
28	Inorganic chemicals, precious metal compound, isotopes	-1.0
27	Mineral fuels, oils, distillation products, etc	-1.0
25	Salt, sulphur, earth, stone, plaster, lime and cement	-1.0
24	Tobacco and manufactured tobacco substitutes	-1.0
22	Beverages, spirits and vinegar	-1.0
18	Cocoa and cocoa preparations	-1.0
17	Sugars and sugar confectionery	-1.0
11	Milling products, malt, starches, inulin, wheat gluten	-1.0
10	Cereals	-1.0
04	Dairy products, eggs, honey, edible animal product nes	-1.0
02	Meat and edible meat offal	-1.0
01	Live animals	-1.0

Appendix Table 4: Pakistan RCA profile: ranked 97 Sectors.

		2007	2006		2005		2004		2003	
CODES		RCA	Code	RCA	Codes	RCA	Codes	RCA	Codes	RCA
63	Other made up textile articles; set	60.9	63	61.3	63	57.2	63	55.2	63	57.2
52	Cotton.	58.9	52	55.0	52	51.4	52	48.3	52	41.5
42	Articles of leather; saddlery/harne	13.9	10	15.6	57	15.5	57	16.0	57	14.3
10	Cereals	13.0	42	14.2	10	15.4	42	12.4	54	11.9
57	Carpets and other textile floor co	12.8	57	13.5	42	14.3	61	10.5	42	11.7
41	Raw hides and skins (other than fu	10.5	61	10.0	61	9.2	10	10.1	10	10.4
55	Man-made staple fibers.	9.6	11	9.3	41	8.1	41	8.1	61	8.4
61	Art of apparel & clothing access,	9.1	41	8.3	11	7.7	60	7.2	36	7.1
13	Lac; gums, resins & other vegetable	7.1	62	6.4	62	6.1	54	5.7	41	6.6
11	Prod.mill.indust; malt; starches;	7.0	36	5.7	13	4.7	13	5.6	13	6.1
62	Art of apparel & clothing access, n	6.7	55	5.6	36	4.7	36	5.2	62	5.6
36	Explosives; pyrotechnic prod; match	6.7	13	5.4	54	4.1	58	5.1	11	4.6
25	Salt; sulphur; earth & ston; plaste	5.9	95	3.7	95	3.6	62	5.0	95	4.2
14	Vegetable plaiting materials; veget	4.5	25	2.9	25	2.7	11	4.5	14	3.2
89	Ships, boats and floating structure	3.1	54	2.7	17	2.6	95	4.2	17	2.9
78	Lead and articles thereof.	2.7	14	2.7	60	2.4	17	3.6	56	2.8
54	Man-made filaments.	2.6	17	2.2	14	2.2	89	3.2	60	2.1
60	Knitted or crocheted fabrics.	2.4	58	2.2	58	2.1	55	2.9	05	2.0
95	Toys, games & sports requisites; pa	2.4	05	2.0	07	2.1	05	2.6	96	2.0
05	Products of animal origin, nes or	2.2	60	2.0	53	2.0	14	2.4	55	2.0
58	Special woven fab; tufted tex fab;	2.1	03	1.9	56	2.0	56	2.2	03	1.8
53	Other vegetable textile fibres; pap	1.9	53	1.6	05	1.9	08	1.7	07	1.8
03	Fish & crustacean, mollusc & other	1.9	08	1.6	55	1.8	03	1.5	93	1.7
08	Edible fruit and nuts; peel of citr	1.7	15	1.5	03	1.6	53	1.4	08	1.5
17	Sugars and sugar confectionery.	1.6	56	1.4	64	1.6	25	1.3	58	1.4
22	Beverages, spirits and vinegar.	1.5	64	1.4	15	1.6	64	1.3	64	1.1
15	Animal/veg fats & oils & their clea	1.4	22	1.2	96	1.6	96	1.2	01	1.0
07	Edible vegetables and certain roots	1.3	96	1.1	08	1.4	94	1.1	25	0.9
56	Wadding, felt & nonwoven; yarns; tw	1.2	78	0.9	82	0.8	15	1.0	09	0.9
64	Footwear, gaiters and the like; par	1.1	07	0.8	22	0.8	07	0.9	15	0.9
82	Tool, implement, cutlery, spoon & f	1.0	09	0.8	09	0.7	82	0.9	82	0.8
96	Miscellaneous manufactured articles	0.9	82	0.7	32	0.7	16	0.9	68	0.6
09	Coffee, tea, matï and spices.	0.8	68	0.6	68	0.5	12	0.8	16	0.4
12	Oil seed, oleagi fruits; miscell gr	0.8	16	0.6	39	0.5	09	0.7	90	0.4
26	Ores, slag and ash.	0.6	92	0.6	12	0.4	68	0.6	39	0.4
68	Art of stone, plaster, cement, asbe	0.5	12	0.5	78	0.4	01	0.4	53	0.4
16	Prep of meat, fish or crustaceans,	0.5	40	0.5	92	0.4	92	0.4	92	0.3
90	Optical, photo, cine, meas, checkin	0.5	04	0.4	90	0.4	90	0.4	12	0.3
92	Musical instruments; parts and acce	0.5	50	0.4	73	0.4	39	0.4	22	0.3
27	Mineral fuels, oils & product of th	0.5	39	0.4	16	0.3	59	0.4	51	0.3
02	Meat and edible meat offal	0.4	27	0.4	27	0.3	24	0.4	21	0.3
04	Dairy prod; birds' eggs; natural ho	0.4	51	0.3	69	0.3	22	0.4	24	0.3
20	Prep of vegetable, fruit, nuts or o	0.4	94	0.3	04	0.3	26	0.3	69	0.3
71	Natural/cultured pearls, prec stone	0.4	90	0.3	19	0.3	69	0.3	27	0.2
51	Wool, fine/coarse animal hair, hors	0.3	20	0.3	26	0.3	50	0.3	35	0.2
39	Plastics and articles thereof.	0.3	19	0.3	20	0.3	27	0.3	73	0.2
59	Impregnated, coated, cover/laminate	0.3	02	0.3	24	0.3	20	0.3	94	0.2
19	Prep.of cereal, flour, starch/milk;	0.3	35	0.3	51	0.3	31	0.3	34	0.2
24	Tobacco and manufactured tobacco su	0.3	59	0.3	46	0.2	73	0.3	89	0.2
73	Articles of iron or steel.	0.3	32	0.2	89	0.2	51	0.3	02	0.2
70	Glass and glassware.	0.3	69	0.2	29	0.2	21	0.2	04	0.2
35	Albuminoidal subs; modified starche	0.3	73	0.2	21	0.2	88	0.2	26	0.2
30	Pharmaceutical products.	0.2	26	0.2	35	0.2	93	0.2	29	0.2
69	Ceramic products.	0.2	70	0.2	94	0.2	34	0.2	74	0.2
74	Copper and articles thereof.	0.2	24	0.2	40	0.2	02	0.2	50	0.2
65	Headgear and parts thereof.	0.2	30	0.2	59	0.2	04	0.2	31	0.2
21	Miscellaneous edible preparations.	0.2	74	0.2	30	0.2	30	0.2	30	0.1
50	Silk.	0.2	46	0.2	93	0.2	65	0.2	20	0.1
88	Aircraft, spacecraft, and parts the	0.2	21	0.2	02	0.2	35	0.1	19	0.1
32	Tanning/dyeing extract; tannins &	0.2	65	0.2	31	0.2	32	0.1	46	0.1
94	Furniture; bedding, mattress, matt	0.2	29	0.1	49	0.2	19	0.1	70	0.1
23	Residues & waste from the food indu	0.2	93	0.1	65	0.2	70	0.1	71	0.1
33	Essential oils & resinoids; perf,	0.1	49	0.1	01	0.2	71	0.1	49	0.1
28	Inorgn chem; compds of prec mtl, r	0.1	76	0.1	70	0.1	74	0.1	23	0.1
40	Rubber and articles thereof.	0.1	23	0.1	76	0.1	23	0.1	65	0.1

76	Aluminium and articles thereof.	0.1	33	0.1	74	0.1	46	0.1	33	0.1
93	Arms and ammunition; parts and acc	0.1	44	0.1	50	0.1	49	0.1	44	0.1
34	Soap, organic surface-active agents	0.1	71	0.1	34	0.1	33	0.1	66	0.1
44	Wood and articles of wood; wood ch	0.1	38	0.1	44	0.1	44	0.1	32	0.1
48	Paper & paperboard; art of paper pu	0.1	91	0.1	88	0.1	29	0.1	18	0.1
84	Nuclear reactors, boilers, mchy & m	0.1	48	0.1	23	0.1	28	0.1	76	0.1
49	Printed books, newspapers, pictures	0.1	34	0.1	71	0.1	37	0.1	38	0.1
85	Electrical mchy equip parts thereof	0.1	87	0.1	38	0.1	40	0.1	84	0.0
66	Umbrellas, walking-sticks, seat-sti	0.1	85	0.1	28	0.1	76	0.1	59	0.0
38	Miscellaneous chemical products.	0.0	89	0.1	33	0.1	48	0.1	37	0.0
72	Iron and steel.	0.0	72	0.1	91	0.1	38	0.1	88	0.0
80	Tin and articles thereof.	0.0	28	0.1	84	0.1	84	0.0	40	0.0
79	Zinc and articles thereof.	0.0	84	0.1	85	0.1	78	0.0	28	0.0
46	Manufactures of straw, esparto/othe	0.0	80	0.0	66	0.0	85	0.0	78	0.0
83	Miscellaneous articles of base meta	0.0	88	0.0	83	0.0	18	0.0	87	0.0
81	Other base metals; cermets; article	0.0	31	0.0	18	0.0	66	0.0	48	0.0
87	Vehicles o/t railw/tramw roll-stock	0.0	47	0.0	37	0.0	43	0.0	85	0.0
29	Organic chemicals.	0.0	66	0.0	72	0.0	87	0.0	83	0.0
67	Prepr feathers & down; arti flower;	0.0	79	0.0	06	0.0	06	0.0	45	0.0
86	Railw/tramw locom, rolling-stock &	0.0	37	0.0	79	0.0	72	0.0	91	0.0
06	Live tree & other plant; bulb, root	0.0	18	0.0	48	0.0	83	0.0	72	0.0
43	Furskins and artificial fur; manuf	0.0	06	0.0	87	0.0	91	0.0	06	0.0
37	Photographic or cinematographic goo	0.0	01	0.0	86	0.0	97	0.0	47	0.0
18	Cocoa and cocoa preparations.	0.0	67	0.0	67	0.0	67	0.0	97	0.0
47	Pulp of wood/of other fibrous cellu	0.0	81	0.0	47	0.0	47	0.0	80	0.0
01	Live animals	0.0	83	0.0	97	0.0	80	0.0	81	0.0
45	Cork and articles of cork.	0.0	97	0.0	81	0.0	86	0.0	79	0.0
91	Clocks and watches and parts thereo	0.0	43	0.0	43	0.0	81	0.0	86	0.0
31	Fertilisers.	0.0	45	0.0	80	0.0	45	0.0	75	0.0
97	Works of art, collectors' pieces an	0.0	86	0.0	75	0.0	79	0.0	67	0.0
75	Nickel and articles thereof.	0.0	75	0.0	45	0.0	75	0.0	43	0.0

Appendix Table 5: Azerbaijan RCA profile: ranked 97 sectors.

		2007	2006		2005		2004		2003	
Code		RCA	Code	RCA	Code	RCA	Code	RCA	Code	RCA
17	Sugars and sugar confectionery.	11.4	27	6.1	08	7.0	27	7.9	27	8.9
27	Mineral fuels, oils & product of th	6.4	28	3.5	27	6.0	89	5.3	15	3.7
08	Edible fruit and nuts; peel of citr	4.7	08	3.5	89	4.3	15	3.1	08	3.3
15	Animal/veg fats & oils & their clea	2.9	15	2.6	15	4.0	09	2.9	52	2.6
07	Edible vegetables and certain roots	2.0	17	1.9	28	3.4	52	2.3	28	2.0
52	Cotton.	1.9	52	1.7	52	2.4	28	2.1	24	1.2
89	Ships, boats and floating structure	1.9	07	1.6	24	2.4	08	2.0	76	0.9
09	Coffee, tea, matï and spices.	1.6	09	1.5	07	1.8	50	1.4	20	0.9
28	Inorgn chem; compds of prec mtl, r	1.6	89	1.5	09	1.7	24	1.3	09	0.8
20	Prep of vegetable, fruit, nuts or o	1.4	24	1.4	94	1.4	76	1.3	12	0.6
76	Aluminum and articles thereof.	1.3	20	0.9	84	1.3	07	1.0	07	0.6
14	Vegetable plaiting materials; veget	0.8	76	0.9	20	1.2	20	0.9	63	0.6
11	Prod.mill.indust; malt; starches;	0.8	50	0.9	76	1.2	14	0.8	72	0.4
41	Raw hides and skins (other than fu	0.7	22	0.5	16	0.7	39	0.6	16	0.4
63	Other made up textile articles; set	0.7	39	0.5	11	0.7	12	0.6	39	0.4
23	Residues & waste from the food indu	0.6	63	0.5	39	0.5	16	0.5	41	0.3
22	Beverages, spirits and vinegar.	0.6	23	0.4	14	0.5	63	0.4	11	0.3
24	Tobacco and manufactured tobacco su	0.6	14	0.3	63	0.5	72	0.4	14	0.3
16	Prep of meat, fish or crustaceans,	0.5	73	0.3	50	0.4	41	0.3	22	0.2
50	Silk.	0.5	54	0.3	22	0.4	29	0.2	29	0.2
54	Man-made filaments.	0.4	11	0.3	87	0.3	22	0.2	89	0.2
39	Plastics and articles thereof.	0.4	41	0.2	72	0.3	25	0.1	36	0.2
73	Articles of iron or steel.	0.3	86	0.2	12	0.3	86	0.1	34	0.1
12	Oil seed, oleagi fruits; miscell gr	0.3	29	0.2	82	0.2	23	0.1	86	0.1
72	Iron and steel.	0.2	12	0.2	54	0.2	82	0.1	06	0.1
25	Salt; sulphur; earth & ston; plaste	0.2	72	0.2	56	0.2	36	0.1	05	0.1
78	Lead and articles thereof.	0.2	74	0.2	23	0.2	05	0.1	38	0.1
74	Copper and articles thereof.	0.2	25	0.1	41	0.2	54	0.1	84	0.1
18	Cocoa and cocoa preparations.	0.2	16	0.1	29	0.2	34	0.1	51	0.1
29	Organic chemicals.	0.1	21	0.1	74	0.2	11	0.1	03	0.1
94	Furniture; bedding, mattress, matt	0.1	38	0.1	25	0.1	06	0.1	73	0.1
06	Live tree & other plant; bulb, root	0.1	94	0.1	05	0.1	94	0.1	25	0.1
90	Optical, photo, cine, meas, checkin	0.1	18	0.1	90	0.1	56	0.1	74	0.1
38	Miscellaneous chemical products.	0.1	78	0.1	73	0.1	57	0.1	57	0.0
49	Printed books, newspapers, pictures	0.1	05	0.1	38	0.1	74	0.1	94	0.0
21	Miscellaneous edible preparations.	0.1	10	0.1	34	0.1	73	0.1	82	0.0
86	Railw/tramw locom, rolling-stock &	0.1	57	0.0	06	0.1	48	0.0	44	0.0
19	Prep.of cereal, flour, starch/milk;	0.1	84	0.0	48	0.1	90	0.0	04	0.0
57	Carpets and other textile floor co	0.1	06	0.0	68	0.0	21	0.0	88	0.0
84	Nuclear reactors, boilers, mchy & m	0.0	82	0.0	18	0.0	04	0.0	54	0.0
32	Tanning/dyeing extract; tannins &	0.0	68	0.0	04	0.0	38	0.0	90	0.0
88	Aircraft, spacecraft, and parts the	0.0	34	0.0	21	0.0	84	0.0	56	0.0
05	Products of animal origin, nes or	0.0	56	0.0	32	0.0	88	0.0	21	0.0
03	Fish & crustacean, mollusc & other	0.0	32	0.0	03	0.0	32	0.0	30	0.0
97	Works of art, collectors' pieces an	0.0	19	0.0	57	0.0	44	0.0	85	0.0
68	Art of stone, plaster, cement, asbe	0.0	48	0.0	36	0.0	30	0.0	49	0.0
44	Wood and articles of wood; wood ch	0.0	90	0.0	44	0.0	49	0.0	32	0.0
58	Special woven fab; tufted tex fab;	0.0	44	0.0	49	0.0	03	0.0	23	0.0
92	Musical instruments; parts and acce	0.0	69	0.0	85	0.0	18	0.0	31	0.0
48	Paper & paperboard; art of paper pu	0.0	88	0.0	83	0.0	68	0.0	92	0.0
04	Dairy prod; birds' eggs; natural ho	0.0	49	0.0	70	0.0	51	0.0	48	0.0
55	Man-made staple fibres.	0.0	58	0.0	17	0.0	92	0.0	87	0.0
35	Albuminoidal subs; modified starche	0.0	92	0.0	64	0.0	81	0.0	68	0.0
82	Tool, implement, cutlery, spoon & f	0.0	87	0.0	88	0.0	40	0.0	70	0.0
83	Miscellaneous articles of base meta	0.0	40	0.0	53	0.0	64	0.0	47	0.0
33	Essential oils & resinoids; perf,	0.0	55	0.0	58	0.0	69	0.0	40	0.0
91	Clocks and watches and parts thereo	0.0	97	0.0	78	0.0	62	0.0	01	0.0
85	Electrical mchy equip parts thereof	0.0	03	0.0	42	0.0	87	0.0	33	0.0
96	Miscellaneous manufactured articles	0.0	85	0.0	30	0.0	47	0.0	97	0.0
10	Cereals	0.0	04	0.0	40	0.0	85	0.0	61	0.0
37	Photographic or cinematographic goo	0.0	70	0.0	47	0.0	53	0.0	64	0.0
40	Rubber and articles thereof.	0.0	33	0.0	62	0.0	61	0.0	66	0.0
87	Vehicles o/t railw/tramw roll-stock	0.0	35	0.0	61	0.0	59	0.0	35	0.0
34	Soap, organic surface-active agents	0.0	64	0.0	60	0.0	26	0.0	69	0.0
70	Glass and glassware.	0.0	30	0.0	81	0.0	70	0.0	59	0.0

64	Footwear, gaiters and the like; par	0.0	61	0.0	59	0.0	97	0.0	83	0.0
69	Ceramic products.	0.0	42	0.0	19	0.0	35	0.0	19	0.0
42	Articles of leather; saddlery/harne	0.0	01	0.0	10	0.0	75	0.0	95	0.0
01	Live animals	0.0	62	0.0	33	0.0	83	0.0	26	0.0
30	Pharmaceutical products.	0.0	65	0.0	86	0.0	01	0.0	62	0.0
61	Art of apparel & clothing access,	0.0	83	0.0	92	0.0	31	0.0	96	0.0
62	Art of apparel & clothing access, n	0.0	37	0.0	69	0.0	17	0.0	37	0.0
47	Pulp of wood/of other fibrous cellu	0.0	47	0.0	97	0.0	95	0.0	91	0.0
26	Ores, slag and ash.	0.0	95	0.0	01	0.0	65	0.0	42	0.0
56	Wadding, felt & nonwoven; yarns; tw	0.0	79	0.0	65	0.0	33	0.0	65	0.0
31	Fertilisers.	0.0	96	0.0	35	0.0	19	0.0	67	0.0
95	Toys, games & sports requisites; pa	0.0	67	0.0	66	0.0	42	0.0		
65	Headgear and parts thereof.	0.0	91	0.0	95	0.0	96	0.0		
02	Meat and edible meat offal	0.0	60	0.0	96	0.0	91	0.0		
67	Prepr feathers & down; arti flower;	0.0	66	0.0	67	0.0	02	0.0		
66	Umbrellas, walking-sticks, seat-sti	0.0	75	0.0	91	0.0	10	0.0		
46	Manufactures of straw, esparto/othe	0.0	31	0.0	26	0.0	66	0.0		

Appendix Table 6: Azerbaijan RCA profile: ranked 97 sectors.

		2006	2005		2004		2003	
Code		RCA	Code	RCA	Code	RCA	Code	RCA
57	Carpets and other textile floor co	8.7	57	9.1	57	11.6	57	14.9
27	Mineral fuels, oils & product of th	6.0	27	6.8	27	8.4	27	8.9
08	Edible fruit and nuts; peel of citr	5.3	08	4.3	08	3.8	08	5.2
05	Products of animal origin, nes or	2.5	05	2.0	05	2.1	05	2.4
79	Zinc and articles thereof.	1.8	01	1.7	09	1.5	14	1.8
14	Vegetable plaiting materials; veget	1.4	79	1.3	14	1.2	09	1.6
07	Edible vegetables and certain roots	1.3	25	1.1	25	1.2	25	1.3
78	Lead and articles thereof.	1.2	09	1.1	13	0.9	58	1.0
09	Coffee, tea, matï and spices.	1.2	14	0.9	41	0.7	13	1.0
13	Lac; gums, resins & other vegetable	1.1	68	0.8	58	0.7	41	0.9
25	Salt; sulphur; earth & ston; plaste	1.0	07	0.6	68	0.6	94	0.9
19	Prep.of cereal, flour, starch/milk;	0.8	41	0.6	07	0.6	68	0.7
74	Copper and articles thereof.	0.8	13	0.6	79	0.6	07	0.7
41	Raw hides and skins (other than fu	0.8	72	0.6	51	0.5	20	0.6
68	Art of stone, plaster, cement, asbe	0.8	19	0.5	72	0.5	74	0.6
69	Ceramic products.	0.7	69	0.5	28	0.5	79	0.6
34	Soap, organic surface-active agents	0.6	28	0.5	20	0.4	51	0.5
72	Iron and steel.	0.6	58	0.5	78	0.4	28	0.5
26	Ores, slag and ash.	0.6	29	0.4	34	0.4	34	0.5
28	Inorgn chem; compds of prec mtl, r	0.6	34	0.4	69	0.4	78	0.4
20	Prep of vegetable, fruit, nuts or o	0.6	76	0.4	74	0.3	16	0.4
51	Wool, fine/coarse animal hair, hors	0.5	26	0.4	26	0.3	64	0.4
17	Sugars and sugar confectionery.	0.5	35	0.4	76	0.3	69	0.3
01	Live animals	0.4	51	0.4	35	0.3	19	0.3
58	Special woven fab; tufted tex fab;	0.4	17	0.3	70	0.3	76	0.3
70	Glass and glassware.	0.4	20	0.3	17	0.3	15	0.3
15	Animal/veg fats & oils & their clea	0.4	78	0.3	29	0.3	38	0.3
29	Organic chemicals.	0.4	70	0.3	19	0.2	17	0.3
63	Other made up textile articles; set	0.4	63	0.3	16	0.2	26	0.3
39	Plastics and articles thereof.	0.4	38	0.3	46	0.2	29	0.3
76	Aluminium and articles thereof.	0.3	06	0.3	38	0.2	63	0.3
04	Dairy prod; birds' eggs; natural ho	0.3	74	0.3	15	0.2	35	0.2
38	Miscellaneous chemical products.	0.3	15	0.2	31	0.2	70	0.2
35	Albuminoidal subs; modified starche	0.3	39	0.2	64	0.2	61	0.2
32	Tanning/dyeing extract; tannins &	0.2	64	0.2	01	0.2	72	0.2
64	Footwear, gaiters and the like; par	0.2	22	0.2	03	0.2	62	0.2
46	Manufactures of straw, esparto/othe	0.2	61	0.1	63	0.2	03	0.2
22	Beverages, spirits and vinegar.	0.2	73	0.1	61	0.2	56	0.2
73	Articles of iron or steel.	0.2	32	0.1	91	0.2	46	0.2
21	Miscellaneous edible preparations.	0.2	46	0.1	73	0.1	31	0.2
55	Man-made staple fibres.	0.1	04	0.1	62	0.1	33	0.2
56	Wadding, felt & nonwoven; yarns; tw	0.1	16	0.1	39	0.1	40	0.2
61	Art of apparel & clothing access,	0.1	56	0.1	55	0.1	04	0.2
03	Fish & crustacean, mollusc & other	0.1	21	0.1	22	0.1	39	0.1
71	Natural/cultured pearls, prec stone	0.1	40	0.1	32	0.1	73	0.1
16	Prep of meat, fish or crustaceans,	0.1	55	0.1	40	0.1	65	0.1
18	Cocoa and cocoa preparations.	0.1	18	0.1	24	0.1	32	0.1
47	Pulp of wood/of other fibrous cellu	0.1	71	0.1	83	0.1	52	0.1
40	Rubber and articles thereof.	0.1	03	0.1	21	0.1	93	0.1
06	Live tree & other plant; bulb, root	0.1	12	0.1	54	0.1	86	0.1
12	Oil seed, oleagi fruits; miscell gr	0.1	62	0.1	65	0.1	55	0.1
11	Prod.mill.indust; malt; starches;	0.1	47	0.1	52	0.1	42	0.1
83	Miscellaneous articles of base meta	0.1	54	0.1	56	0.1	21	0.1
49	Printed books, newspapers, pictures	0.1	83	0.1	33	0.1	83	0.1
33	Essential oils & resinoids; perf,	0.1	11	0.1	47	0.1	59	0.1
44	Wood and articles of wood; wood ch	0.1	33	0.1	04	0.1	89	0.1
62	Art of apparel & clothing access, n	0.1	65	0.0	96	0.1	18	0.1
87	Vehicles o/t railw/tramw roll-stock	0.1	49	0.0	42	0.1	22	0.1
54	Man-made filaments.	0.1	59	0.0	12	0.0	47	0.1
65	Headgear and parts thereof.	0.0	24	0.0	71	0.0	01	0.1
02	Meat and edible meat offal	0.0	23	0.0	59	0.0	50	0.1
59	Impregnated, coated, cover/laminate	0.0	87	0.0	94	0.0	12	0.1
86	Railw/tramw locom, rolling-stock &	0.0	31	0.0	95	0.0	49	0.1
94	Furniture; bedding, mattress, matt	0.0	44	0.0	18	0.0	54	0.1
45	Cork and articles of cork.	0.0	30	0.0	23	0.0	24	0.1

43	Furskins and artificial fur; manuf	0.0	95	0.0	67	0.0	23	0.0
50	Silk.	0.0	02	0.0	80	0.0	06	0.0
24	Tobacco and manufactured tobacco su	0.0	94	0.0	87	0.0	02	0.0
80	Tin and articles thereof.	0.0	67	0.0	06	0.0	30	0.0
30	Pharmaceutical products.	0.0	42	0.0	02	0.0	48	0.0
48	Paper & paperboard; art of paper pu	0.0	96	0.0	30	0.0	82	0.0
84	Nuclear reactors, boilers, mchy & m	0.0	84	0.0	48	0.0	44	0.0
52	Cotton.	0.0	52	0.0	49	0.0	11	0.0
67	Prepr feathers & down; arti flower;	0.0	91	0.0	84	0.0	84	0.0
95	Toys, games & sports requisites; pa	0.0	48	0.0	82	0.0	71	0.0
96	Miscellaneous manufactured articles	0.0	82	0.0	11	0.0	90	0.0
42	Articles of leather; saddlery/harne	0.0	50	0.0	44	0.0	96	0.0
91	Clocks and watches and parts thereo	0.0	80	0.0	53	0.0	87	0.0
23	Residues & waste from the food indu	0.0	85	0.0	86	0.0	67	0.0
85	Electrical mchy equip parts thereof	0.0	45	0.0	85	0.0	95	0.0
82	Tool, implement, cutlery, spoon & f	0.0	53	0.0	50	0.0	85	0.0
31	Fertilisers.	0.0	81	0.0	89	0.0	60	0.0
75	Nickel and articles thereof.	0.0	92	0.0	60	0.0	53	0.0
53	Other vegetable textile fibres; pap	0.0	43	0.0	90	0.0	75	0.0
81	Other base metals; cermets; article	0.0	90	0.0	97	0.0	43	0.0
90	Optical, photo, cine, meas, checkin	0.0	60	0.0	43	0.0	10	0.0
10	Cereals	0.0	86	0.0	10	0.0	91	0.0
97	Works of art, collectors' pieces an	0.0	10	0.0	45	0.0	97	0.0
60	Knitted or crocheted fabrics.	0.0	97	0.0	75	0.0	80	0.0
66	Umbrellas, walking-sticks, seat-sti	0.0	66	0.0	66	0.0	36	0.0
92	Musical instruments; parts and acce	0.0	37	0.0	92	0.0	66	0.0
89	Ships, boats and floating structure	0.0	89	0.0	37	0.0	92	0.0
37	Photographic or cinematographic goo	0.0	75	0.0	81	0.0	45	0.0

Appendix Table 7: Kazakhstan RCA profile: ranked 97 sectors.

Code	2007	RCA	2006 Code	2006 RCA	2005 Code	2005 RCA	2004 Code	2004 RCA	2003 Code	2003 RCA
79	Zinc and articles thereof.	14.2	79	12.8	79	13.1	79	14.1	78	15.3
78	Lead and articles thereof.	9.7	78	7.7	78	10.0	78	13.9	79	14.6
11	Prod.mill.indust; malt; starches;	8.0	74	5.9	74	7.1	74	8.5	74	10.5
74	Copper and articles thereof.	5.3	11	5.9	11	6.1	26	6.8	10	8.1
27	Mineral fuels, oils & product of th	5.2	28	5.0	27	5.5	27	6.2	81	6.6
28	Inorgn chem; compds of prec mtl,	5.0	27	4.9	26	4.7	11	5.4	26	6.6
10	Cereals	4.9	26	3.5	28	4.4	81	4.4	27	6.4
26	Ores, slag and ash.	3.7	10	3.4	81	4.2	10	4.3	72	5.3
41	Raw hides and skins (other than fu	3.4	81	3.3	41	3.8	14	4.1	28	4.9
81	Other base metals; cermets; article	2.9	41	2.7	14	3.1	72	3.8	11	4.7
72	Iron and steel.	2.4	14	2.4	72	2.8	28	3.3	14	4.4
51	Wool, fine/coarse animal hair, hors	1.6	72	2.1	10	1.9	41	2.5	52	2.2
25	Salt; sulphur; earth & ston; plaste	1.4	52	1.4	52	1.5	25	1.9	41	1.9
52	Cotton.	1.3	25	1.2	25	1.4	52	1.9	25	1.7
14	Vegetable plaiting materials; veget	1.1	51	1.1	17	0.9	17	1.1	17	1.2
71	Natural/cultured pearls, prec stone	0.8	71	1.0	71	0.8	71	1.0	71	1.1
88	Aircraft, spacecraft, and parts the	0.7	17	0.5	51	0.8	07	0.8	31	0.5
24	Tobacco and manufactured tobacco su	0.5	88	0.5	24	0.5	31	0.6	24	0.5
07	Edible vegetables and certain roots	0.4	24	0.5	07	0.4	24	0.5	05	0.4
03	Fish & crustacean, mollusc & other	0.3	38	0.4	31	0.3	08	0.4	07	0.3
31	Fertilizers.	0.3	07	0.4	86	0.3	05	0.3	51	0.2
93	Arms and ammunition; parts and acc	0.3	89	0.3	03	0.3	03	0.3	73	0.2
08	Edible fruit and nuts; peel of citr	0.3	03	0.2	16	0.2	16	0.2	03	0.2
05	Products of animal origin, nes or	0.2	36	0.2	05	0.2	86	0.2	36	0.2
17	Sugars and sugar confectionery.	0.2	23	0.2	08	0.2	36	0.2	89	0.2
38	Miscellaneous chemical products.	0.2	08	0.2	73	0.2	51	0.2	76	0.2
23	Residues & waste from the food indu	0.2	86	0.2	04	0.2	73	0.2	08	0.2
89	Ships, boats and floating structure	0.2	31	0.2	36	0.2	19	0.2	86	0.2
73	Articles of iron or steel.	0.2	68	0.2	23	0.1	15	0.1	15	0.2
36	Explosives; pyrotechnic prod; match	0.1	20	0.1	93	0.1	23	0.1	19	0.1
68	Art of stone, plaster, cement, asbe	0.1	05	0.1	19	0.1	34	0.1	04	0.1
86	Railw/tramw locom, rolling-stock &	0.1	73	0.1	68	0.1	12	0.1	34	0.1
12	Oil seed, oleagi fruits; miscell gr	0.1	15	0.1	34	0.1	76	0.1	82	0.1
19	Prep.of cereal, flour, starch/milk;	0.1	04	0.1	15	0.1	82	0.1	88	0.1
15	Animal/veg fats & oils & their clea	0.1	19	0.1	49	0.1	68	0.1	16	0.1
34	Soap, organic surface-active agents	0.1	12	0.1	76	0.1	88	0.1	93	0.1
76	Aluminium and articles thereof.	0.1	76	0.1	82	0.1	04	0.1	12	0.1
40	Rubber and articles thereof.	0.1	34	0.1	12	0.1	59	0.1	23	0.1
22	Beverages, spirits and vinegar.	0.0	40	0.1	89	0.1	84	0.0	84	0.1
84	Nuclear reactors, boilers, mchy & m	0.0	84	0.0	88	0.1	90	0.0	59	0.1
04	Dairy prod; birds' eggs; natural ho	0.0	48	0.0	40	0.1	40	0.0	68	0.1
48	Paper & paperboard; art of paper pu	0.0	22	0.0	84	0.0	22	0.0	22	0.0
01	Live animals	0.0	82	0.0	22	0.0	48	0.0	40	0.0
49	Printed books, newspapers, pictures	0.0	21	0.0	48	0.0	20	0.0	90	0.0
32	Tanning/dyeing extract; tannins &	0.0	18	0.0	18	0.0	33	0.0	75	0.0
18	Cocoa and cocoa preparations.	0.0	33	0.0	20	0.0	89	0.0	20	0.0
21	Miscellaneous edible preparations.	0.0	32	0.0	64	0.0	21	0.0	48	0.0
82	Tool, implement, cutlery, spoon & f	0.0	49	0.0	46	0.0	64	0.0	64	0.0
20	Prep of vegetable, fruit, nuts or o	0.0	64	0.0	59	0.0	01	0.0	33	0.0
33	Essential oils & resinoids; perf,	0.0	90	0.0	90	0.0	63	0.0	18	0.0
85	Electrical mchy equip parts thereof	0.0	39	0.0	33	0.0	85	0.0	63	0.0
63	Other made up textile articles; set	0.0	70	0.0	21	0.0	18	0.0	21	0.0
39	Plastics and articles thereof.	0.0	30	0.0	38	0.0	87	0.0	85	0.0
30	Pharmaceutical products.	0.0	85	0.0	95	0.0	39	0.0	65	0.0
56	Wadding, felt & nonwoven; yarns; tw	0.0	63	0.0	56	0.0	56	0.0	87	0.0
90	Optical, photo, cine, meas, checkin	0.0	56	0.0	85	0.0	65	0.0	39	0.0
95	Toys, games & sports requisites; pa	0.0	09	0.0	63	0.0	83	0.0	38	0.0
70	Glass and glassware.	0.0	01	0.0	09	0.0	57	0.0	94	0.0
43	Furskins and artificial fur; manuf	0.0	95	0.0	13	0.0	69	0.0	01	0.0
16	Prep of meat, fish or crustaceans,	0.0	59	0.0	87	0.0	09	0.0	56	0.0
09	Coffee, tea, matï and spices.	0.0	69	0.0	32	0.0	38	0.0	09	0.0
87	Vehicles o/t railw/tramw roll-stock	0.0	94	0.0	39	0.0	94	0.0	69	0.0

35	Albuminoidal subs; modified starche	0.0	83	0.0	62	0.0	13	0.0	49	0.0
59	Impregnated, coated, cover/laminate	0.0	87	0.0	69	0.0	43	0.0	35	0.0
02	Meat and edible meat offal	0.0	46	0.0	55	0.0	95	0.0	66	0.0
69	Ceramic products.	0.0	96	0.0	70	0.0	30	0.0	02	0.0
94	Furniture; bedding, mattress, matt	0.0	62	0.0	30	0.0	55	0.0	83	0.0
83	Miscellaneous articles of base meta	0.0	16	0.0	61	0.0	35	0.0	30	0.0
64	Footwear, gaiters and the like; par	0.0	57	0.0	35	0.0	49	0.0	62	0.0
29	Organic chemicals.	0.0	44	0.0	83	0.0	96	0.0	13	0.0
57	Carpets and other textile floor co	0.0	35	0.0	94	0.0	62	0.0	50	0.0
96	Miscellaneous manufactured articles	0.0	06	0.0	96	0.0	70	0.0	57	0.0
61	Art of apparel & clothing access,	0.0	65	0.0	02	0.0	32	0.0	70	0.0
65	Headgear and parts thereof.	0.0	43	0.0	65	0.0	97	0.0	96	0.0
58	Special woven fab; tufted tex fab;	0.0	61	0.0	50	0.0	42	0.0	47	0.0
97	Works of art, collectors' pieces an	0.0	42	0.0	01	0.0	92	0.0	42	0.0
44	Wood and articles of wood; wood ch	0.0	29	0.0	42	0.0	02	0.0	29	0.0
55	Man-made staple fibres.	0.0	02	0.0	54	0.0	50	0.0	95	0.0
92	Musical instruments; parts and acce	0.0	13	0.0	66	0.0	06	0.0	67	0.0
37	Photographic or cinematographic goo	0.0	97	0.0	43	0.0	44	0.0	61	0.0
42	Articles of leather; saddlery/harne	0.0	67	0.0	57	0.0	47	0.0	43	0.0
13	Lac; gums, resins & other vegetable	0.0	92	0.0	97	0.0	66	0.0	32	0.0
62	Art of apparel & clothing access, n	0.0	66	0.0	67	0.0	29	0.0	37	0.0
66	Umbrellas, walking-sticks, seat-sti	0.0	55	0.0	75	0.0	75	0.0	44	0.0
75	Nickel and articles thereof.	0.0	37	0.0	44	0.0	61	0.0	55	0.0
91	Clocks and watches and parts thereo	0.0	91	0.0	29	0.0	54	0.0	54	0.0
80	Tin and articles thereof.	0.0	54	0.0	92	0.0	37	0.0	06	0.0
06	Live tree & other plant; bulb, root	0.0	50	0.0	91	0.0	91	0.0	91	0.0
45	Cork and articles of cork.	0.0	53	0.0	06	0.0	58	0.0	97	0.0
53	Other vegetable textile fibres; pap	0.0	58	0.0	37	0.0	46	0.0	46	0.0
67	Prepr feathers & down; arti flower;	0.0	47	0.0	58	0.0	67	0.0	80	0.0
54	Man-made filaments.	0.0	60	0.0	53	0.0	80	0.0	92	0.0
46	Manufactures of straw, esparto/othe	0.0	75	0.0			45	0.0	58	0.0
60	Knitted or crocheted fabrics.	0.0					60	0.0		
50	Silk.	0.0								
47	Pulp of wood/of other fibrous cellu	0.0								

Appendix 8. Turkey RCA profile: ranked 97 sectors.

	Sectors	2007	2006		2005		2004		2003	
Code		RCA	Code	RCA	Code	RCA	Code	RCA	Code	RCA
57	Other made up textile articles; set	9.2	57	8.0	63	8.0	63	9.0	63	9.9
63	Art of apparel & clothing access,	6.5	61	7.2	61	7.9	61	8.1	61	9.3
61	Special woven fab; tufted tex fab;	6.4	63	7.1	57	7.8	57	6.8	58	6.2
58	Knitted or crocheted fabrics.	6.2	58	6.6	11	7.6	08	6.3	57	6.1
60	Edible fruit and nuts; peel of citr	5.8	08	6.3	08	7.0	58	6.3	08	5.8
08	Prod.mill.indust; malt; starches;	5.7	60	5.4	58	6.8	25	5.5	25	5.7
11	Salt; sulphur; earth & ston; plaste	5.1	25	5.2	25	5.8	14	5.0	43	5.7
25	Cotton.	5.0	55	4.8	20	5.4	62	5.0	14	5.4
52	Art of apparel & clothing access, n	4.4	11	4.7	14	4.9	55	4.9	62	5.1
62	Furskins and artificial fur; manuf	4.3	62	4.4	62	4.8	20	4.6	55	5.1
43	Man-made filaments.	4.0	20	4.1	55	4.8	52	4.1	52	4.1
54	Vegetable plaiting materials; veget	3.9	52	4.0	60	4.5	11	4.0	20	3.9
14	Prep of vegetable, fruit, nuts or o	3.6	43	4.0	52	3.8	60	3.6	60	3.4
20	Art of stone, plaster, cement, asbe	3.6	54	3.7	68	3.6	43	3.6	69	3.2
68	Man-made staple fibres.	3.3	68	3.6	54	3.4	68	3.2	24	3.1
55	Tobacco and manufactured tobacco su	3.1	14	3.6	24	3.2	69	3.1	54	3.1
24	Ceramic products.	2.7	24	3.6	43	3.2	54	3.1	11	3.0
69	Iron and steel.	2.6	69	2.7	69	3.0	72	2.9	68	2.8
72	Edible vegetables and certain roots	2.4	72	2.5	89	2.4	24	2.9	72	2.8
07	Arms and ammunition; parts and acc	2.4	07	2.5	72	2.4	07	2.2	07	2.6
93	Ships, boats and floating structure	2.2	59	2.2	07	2.2	73	2.1	59	2.2
89	Impregnated, coated, cover/laminate	2.1	93	2.2	59	2.2	59	2.1	93	2.2
59	Articles of iron or steel.	2.0	89	2.2	73	2.1	70	1.9	70	2.1
73	Wool, fine/coarse animal hair, hors	2.0	73	2.1	51	1.9	34	1.9	42	2.0
51	Glass and glassware.	2.0	34	1.9	34	1.8	56	1.8	34	2.0
70	Prep.of cereal, flour, starch/milk;	1.7	51	1.9	70	1.8	51	1.8	73	1.9
19	Cocoa and cocoa preparations.	1.7	70	1.7	15	1.7	93	1.7	05	1.9
18	Vehicles o/t railw/tramw roll-stock	1.6	19	1.6	56	1.7	42	1.7	51	1.8
87	Soap, organic surface-active agents	1.6	18	1.6	18	1.6	18	1.6	18	1.7
34	Wadding, felt & nonwoven; yarns; tw	1.6	87	1.6	19	1.5	89	1.5	15	1.7
56	Rubber and articles thereof.	1.4	15	1.5	93	1.5	19	1.5	17	1.6
40	Miscellaneous edible preparations.	1.4	42	1.5	42	1.5	17	1.5	19	1.5
21	Articles of leather; saddlery/harne	1.4	56	1.4	87	1.4	05	1.4	40	1.4
42	Miscellaneous articles of base meta	1.3	40	1.3	40	1.3	87	1.4	56	1.3
83	Natural/cultured pearls, prec stone	1.3	21	1.3	17	1.1	40	1.3	89	1.3
71	Aluminium and articles thereof.	1.3	17	1.2	76	1.1	94	1.1	87	1.1
76	Sugars and sugar confectionery.	1.3	76	1.2	05	1.1	15	1.0	21	1.1
17	Furniture; bedding, mattress, matt	1.3	83	1.2	71	1.0	21	1.0	94	1.0
94	Other vegetable textile fibres; pap	1.1	71	1.2	94	1.0	76	1.0	76	1.0
53	Umbrellas, walking-sticks, seat-sti	1.1	94	1.1	21	1.0	71	0.9	71	1.0
66	Ores, slag and ash.	1.1	53	1.0	83	1.0	83	0.9	36	0.9
26	Plastics and articles thereof.	0.9	05	0.8	53	1.0	74	0.9	74	0.9
39	Animal/veg fats & oils & their clea	0.8	74	0.8	74	0.9	28	0.8	83	0.9
15	Copper and articles thereof.	0.8	39	0.8	28	0.7	36	0.7	53	0.8
74	Products of animal origin, nes or	0.7	66	0.8	39	0.7	53	0.7	28	0.8
05	Tanning/dyeing extract; tannins &	0.7	28	0.8	36	0.7	39	0.6	09	0.7
32	Paper & paperboard; art of paper pu	0.7	26	0.7	32	0.6	26	0.6	39	0.6
48	Miscellaneous manufactured articles	0.6	32	0.7	66	0.6	85	0.6	96	0.6
96	Nuclear reactors, boilers, mchy & m	0.6	96	0.7	96	0.6	09	0.6	64	0.6
84	Essential oils & resinoids; perf,	0.6	33	0.6	33	0.6	96	0.6	88	0.6
33	Electrical mchy equip parts thereof	0.6	84	0.6	48	0.6	64	0.5	85	0.6
85	Raw hides and skins (other than fu	0.6	85	0.6	85	0.6	88	0.5	26	0.6
41	Footwear, gaiters and the like; par	0.5	48	0.6	26	0.5	33	0.5	41	0.6
64	Fish & crustacean, mollusc & other	0.5	10	0.5	84	0.5	32	0.5	48	0.5
03	Explosives; pyrotechnic prod; match	0.5	41	0.5	41	0.5	48	0.5	33	0.5
36	Coffee, tea, matï and spices.	0.5	03	0.5	03	0.5	41	0.5	32	0.5
09	Wood and articles of wood; wood ch	0.5	12	0.5	64	0.5	03	0.5	66	0.5
44	Mineral fuels, oils & product of th	0.5	64	0.5	09	0.5	84	0.5	84	0.4
27	Oil seed, oleagi fruits; miscell gr	0.4	09	0.4	12	0.4	66	0.4	03	0.4
12	Aircraft, spacecraft, and parts the	0.4	36	0.4	06	0.4	06	0.4	12	0.4
88	Albuminoidal subs; modified starche	0.4	44	0.4	10	0.3	12	0.4	06	0.4
35	Dairy prod; birds' eggs; natural ho	0.4	35	0.4	44	0.3	50	0.3	86	0.3

04	Tool, implement, cutlery, spoon & f	0.3	06	0.3	22	0.3	78	0.3	04	0.3
82	Live tree & other plant; bulb, root	0.3	88	0.3	35	0.3	44	0.3	44	0.3
06	Headgear and parts thereof.	0.3	27	0.3	27	0.3	65	0.3	65	0.3
65	Fertilisers.	0.3	82	0.3	65	0.3	22	0.3	50	0.3
31	Miscellaneous chemical products.	0.3	22	0.3	88	0.2	35	0.2	16	0.3
38	Beverages, spirits and vinegar.	0.3	65	0.3	04	0.2	31	0.2	35	0.2
22	Inorgn chem; compds of prec mtl, r	0.3	04	0.3	82	0.2	16	0.2	82	0.2
28	Printed books, newspapers, pictures	0.2	38	0.3	38	0.2	27	0.2	10	0.2
49	Lac; gums, resins & other vegetable	0.2	49	0.2	16	0.2	82	0.2	22	0.2
13	Musical instruments; parts and acce	0.2	31	0.2	50	0.2	04	0.2	27	0.2
92	Prep of meat, fish or crustaceans,	0.2	29	0.2	49	0.2	79	0.2	38	0.2
16	Silk.	0.1	92	0.2	31	0.2	38	0.2	31	0.2
50	Pharmaceutical products.	0.1	16	0.1	86	0.2	29	0.2	29	0.2
30	Organic chemicals.	0.1	30	0.1	79	0.2	86	0.2	49	0.2
29	Cereals	0.1	50	0.1	30	0.2	49	0.2	30	0.1
10	Optical, photo, cine, meas, checkin	0.1	86	0.1	78	0.1	30	0.2	79	0.1
90	Toys, games & sports requisites; pa	0.1	78	0.1	92	0.1	92	0.1	92	0.1
95	Tin and articles thereof.	0.1	13	0.1	29	0.1	13	0.1	01	0.1
80	Zinc and articles thereof.	0.1	90	0.1	13	0.1	01	0.1	78	0.1
79	Lead and articles thereof.	0.1	95	0.1	90	0.1	95	0.1	13	0.1
78	Railw/tramw locom, rolling-stock &	0.1	01	0.1	02	0.1	90	0.1	95	0.1
86	Meat and edible meat offal	0.1	79	0.1	95	0.1	91	0.1	23	0.1
02	Photographic or cinematographic goo	0.1	02	0.1	23	0.1	02	0.1	90	0.1
37	Clocks and watches and parts thereo	0.1	37	0.1	01	0.1	10	0.1	46	0.1
91	Live animals	0.1	91	0.1	91	0.1	23	0.1	91	0.1
01	Nickel and articles thereof.	0.1	46	0.0	37	0.0	46	0.0	37	0.1
75	Prepr feathers & down; arti flower;	0.0	23	0.0	46	0.0	37	0.0	02	0.1
67	Residues & waste from the food indu	0.0	80	0.0	67	0.0	81	0.0	67	0.0
23	Other base metals; cermets; article	0.0	67	0.0	81	0.0	67	0.0	81	0.0
81	Cork and articles of cork.	0.0	45	0.0	80	0.0	80	0.0	45	0.0
45	Manufactures of straw, esparto/othe	0.0	81	0.0	45	0.0	97	0.0	75	0.0
46	Works of art, collectors' pieces an	0.0	75	0.0	75	0.0	75	0.0	80	0.0
97	Pulp of wood/of other fibrous cellu	0.0	97	0.0	97	0.0	45	0.0	97	0.0
47		0.0	47	0.0	47	0.0	47	0.0	47	0.0

Appendix Table 9: Kyrgyz RCA Profile: Ranked 97 sectors.

		2007	2006		2005		2004		2003	
Code		RCA	Code	RCA	Code	RCA	Code	RCA	Code	RCA
71	Natural/cultured pearls, prec stone	44.7	71	14.6	71	20.4	71	22.7	71	25.1
68	Art of stone, plaster, cement, asbe	42.2	52	12.7	52	15.4	17	13.3	52	14.7
52	Cotton.	25.5	25	12.5	70	10.4	52	13.0	78	12.2
51	Wool, fine/coarse animal hair, hors	21.8	07	9.2	25	9.6	70	7.3	24	7.6
25	Salt; sulphur; earth & ston; plaste	15.8	70	7.8	41	7.5	25	6.7	41	6.4
87	Vehicles o/t railw/tramw roll-stock	13.8	41	7.8	24	7.5	24	6.2	70	5.6
07	Edible vegetables and certain roots	12.8	24	6.5	17	6.9	07	6.1	17	5.3
70	Glass and glassware.	12.2	04	6.1	07	6.1	68	5.0	68	5.0
94	Furniture; bedding, mattress, matt	9.4	68	5.4	68	5.9	41	4.6	25	4.5
84	Nuclear reactors, boilers, mchy & m	8.7	62	4.5	04	4.7	28	4.1	07	3.5
41	Raw hides and skins (other than fu	6.3	51	4.4	51	4.3	14	4.0	14	3.4
08	Edible fruit and nuts; peel of citr	6.1	14	3.7	01	3.2	51	3.1	51	2.9
24	Tobacco and manufactured tobacco su	5.7	17	3.5	05	2.4	93	2.8	04	2.6
62	Art of apparel & clothing access, n	5.5	08	3.0	62	2.3	01	2.7	57	2.6
04	Dairy prod; birds' eggs; natural ho	4.8	15	2.7	63	1.6	04	2.5	09	2.4
76	Aluminium and articles thereof.	3.2	01	2.5	22	1.5	57	2.4	55	2.1
01	Live animals	3.2	05	1.8	55	1.4	09	2.2	50	2.0
17	Sugars and sugar confectionery.	3.1	86	1.6	21	1.2	62	2.1	28	1.6
61	Art of apparel & clothing access,	3.0	21	1.6	08	1.2	55	1.7	08	1.6
27	Mineral fuels, oils & product of th	1.9	63	1.6	20	1.0	05	1.4	21	1.6
15	Animal/veg fats & oils & their clea	1.7	69	1.4	27	0.9	08	1.3	62	1.5
05	Products of animal origin, nes or	1.5	27	1.3	69	0.9	21	1.2	27	1.2
48	Paper & paperboard; art of paper pu	1.5	78	1.1	09	0.9	12	1.1	11	1.1
21	Miscellaneous edible preparations.	1.4	31	0.9	53	0.8	27	1.1	36	1.1
82	Tool, implement, cutlery, spoon & f	1.4	53	0.9	50	0.8	63	1.1	05	1.1
14	Vegetable plaiting materials; veget	1.4	18	0.9	15	0.7	76	1.0	12	1.1
18	Cocoa and cocoa preparations.	1.2	76	0.9	39	0.7	22	1.0	53	1.0
69	Ceramic products.	1.2	50	0.8	13	0.7	72	0.8	76	1.0
19	Prep.of cereal, flour, starch/milk;	0.8	19	0.8	19	0.7	50	0.8	86	0.9
13	Lac; gums, resins & other vegetable	0.7	13	0.8	57	0.7	53	0.7	63	0.9
72	Iron and steel.	0.6	39	0.7	76	0.6	43	0.6	43	0.7
20	Prep of vegetable, fruit, nuts or o	0.6	49	0.7	14	0.6	69	0.5	74	0.5
26	Ores, slag and ash.	0.6	82	0.6	72	0.6	39	0.5	96	0.5
43	Furskins and artificial fur; manuf	0.5	20	0.6	18	0.6	74	0.5	72	0.5
64	Footwear, gaiters and the like; par	0.4	65	0.6	86	0.5	82	0.4	69	0.4
74	Copper and articles thereof.	0.4	38	0.5	82	0.5	13	0.4	82	0.4
39	Plastics and articles thereof.	0.4	28	0.5	28	0.4	81	0.4	65	0.4
38	Miscellaneous chemical products.	0.4	55	0.5	12	0.4	96	0.4	20	0.4
90	Optical, photo, cine, meas, checkin	0.4	26	0.5	74	0.3	20	0.3	39	0.4
63	Other made up textile articles; set	0.3	12	0.5	43	0.3	86	0.3	13	0.3
22	Beverages, spirits and vinegar.	0.3	72	0.4	11	0.3	65	0.3	19	0.3
28	Inorgn chem; compds of prec mtl, r	0.3	88	0.4	38	0.3	35	0.3	85	0.2
35	Albuminoidal subs; modified starche	0.3	35	0.4	96	0.3	85	0.3	73	0.2
40	Rubber and articles thereof.	0.3	56	0.3	94	0.3	73	0.3	16	0.2
31	Fertilisers.	0.2	94	0.3	73	0.3	19	0.3	35	0.2
12	Oil seed, oleagi fruits; miscell gr	0.2	61	0.3	87	0.3	64	0.2	87	0.2
85	Electrical mchy equip parts thereof	0.2	48	0.3	35	0.3	48	0.2	22	0.2
11	Prod.mill.indust; malt; starches;	0.2	74	0.3	64	0.3	16	0.2	83	0.2
16	Prep of meat, fish or crustaceans,	0.2	43	0.3	48	0.2	78	0.2	10	0.2
32	Tanning/dyeing extract; tannins &	0.2	22	0.3	26	0.2	87	0.2	64	0.1
73	Articles of iron or steel.	0.1	84	0.3	78	0.2	32	0.2	48	0.1
55	Man-made staple fibres.	0.1	85	0.2	85	0.2	61	0.2	56	0.1
59	Impregnated, coated, cover/laminate	0.1	87	0.2	65	0.2	94	0.2	61	0.1
10	Cereals	0.1	16	0.2	61	0.2	11	0.1	84	0.1
09	Coffee, tea, matï and spices.	0.1	09	0.2	16	0.2	06	0.1	58	0.1
36	Explosives; pyrotechnic prod; match	0.1	64	0.2	40	0.2	84	0.1	34	0.1
83	Miscellaneous articles of base meta	0.1	57	0.2	56	0.1	40	0.1	94	0.1
79	Zinc and articles thereof.	0.1	73	0.2	83	0.1	34	0.1	81	0.1
37	Photographic or cinematographic goo	0.1	40	0.2	37	0.1	56	0.1	88	0.1
57	Carpets and other textile floor co	0.1	81	0.2	84	0.1	95	0.1	26	0.1
44	Wood and articles of wood; wood ch	0.1	58	0.1	32	0.1	10	0.1	32	0.1
53	Other vegetable textile fibres; pap	0.1	96	0.1	88	0.1	88	0.1	90	0.1
42	Articles of leather; saddlery/harne	0.1	36	0.1	06	0.1	90	0.1	06	0.1
78	Lead and articles thereof.	0.1	83	0.1	91	0.1	37	0.1	44	0.1
56	Wadding, felt & nonwoven; yarns; tw	0.1	32	0.1	34	0.1	83	0.1	02	0.0

65	Headgear and parts thereof.	0.1	44	0.1	44	0.1	44	0.1	67	0.0
96	Miscellaneous manufactured articles	0.0	06	0.1	33	0.0	38	0.1	15	0.0
30	Pharmaceutical products.	0.0	10	0.1	90	0.0	02	0.1	33	0.0
34	Soap, organic surface-active agents	0.0	91	0.1	49	0.0	49	0.0	47	0.0
03	Fish & crustacean, mollusc & other	0.0	29	0.1	45	0.0	18	0.0	38	0.0
50	Silk.	0.0	46	0.1	58	0.0	59	0.0	31	0.0
06	Live tree & other plant; bulb, root	0.0	11	0.1	47	0.0	30	0.0	40	0.0
33	Essential oils & resinoids; perf,	0.0	37	0.1	81	0.0	33	0.0	66	0.0
81	Other base metals; cermets; article	0.0	66	0.1	66	0.0	26	0.0	54	0.0
67	Prepr feathers & down; arti flower;	0.0	95	0.0	95	0.0	47	0.0	49	0.0
29	Organic chemicals.	0.0	34	0.0	30	0.0	58	0.0	95	0.0
54	Man-made filaments.	0.0	42	0.0	31	0.0	79	0.0	91	0.0
95	Toys, games & sports requisites; pa	0.0	47	0.0	42	0.0	45	0.0	18	0.0
97	Works of art, collectors' pieces an	0.0	45	0.0	23	0.0	42	0.0	23	0.0
86	Railw/tramw locom, rolling-stock &	0.0	90	0.0	02	0.0	15	0.0	42	0.0
92	Musical instruments; parts and acce	0.0	75	0.0	97	0.0	54	0.0	01	0.0
45	Cork and articles of cork.	0.0	33	0.0	10	0.0	67	0.0	97	0.0
75	Nickel and articles thereof.	0.0	30	0.0	67	0.0	66	0.0	92	0.0
88	Aircraft, spacecraft, and parts the	0.0	02	0.0	29	0.0	75	0.0	30	0.0
49	Printed books, newspapers, pictures	0.0	23	0.0	59	0.0	29	0.0	59	0.0
47	Pulp of wood/of other fibrous cellu	0.0	59	0.0	54	0.0	23	0.0	29	0.0
02	Meat and edible meat offal	0.0	03	0.0	46	0.0	03	0.0	79	0.0
60	Knitted or crocheted fabrics.	0.0	97	0.0	92	0.0	97	0.0	37	0.0
23	Residues & waste from the food indu	0.0	54	0.0	75	0.0	92	0.0		
66	Umbrellas, walking-sticks, seat-sti	0.0	92	0.0	36	0.0	91	0.0		
91	Clocks and watches and parts thereo	0.0	60	0.0			31	0.0		
58	Special woven fab; tufted tex fab;	0.0	79	0.0						
89	Ships, boats and floating structure	0.0								

Appendix Table 10 : Pakistan RCA Profile (at HS-4)

Pakistan				Turkey			
Product code	Product label	RCA 2008	RCA 2007	Product code	Product label	RCA 2008	RCA 2007
5210	Woven cotton fabrics, less than 85% cotton, mxd with manmade fibers, w	246.8	214.1	5511	Yarn of man-made staple fibres, put up for retail sale	43.3	38.2
5212	Woven fabrics of cotton, nes	154.5	303	7214	Bars&rods of iron/non-al/s, nfw than forged,	33.1	26.8
6302	Bed, table, toilet and kitchen linens	128.7	137.8	5702	Carpets&o tex floor covg, woven	29.6	7.6
4113	Leather further prepared after tanning or crusting ""incl. parchment-dressed leather"", of	101.6	86.5	2515	Marble, travertine, ecaussine etc,	28	27.6
5205	Cotton yarn (not sewing thread) 85% or more cotton,	97.5	118.8	813	Dried fruit	22.9	21.3
5701	Carpets and other textile floor covering knotted	97.1	99.5	1106	Flour and meal of vegetables, roots and tubers or fruits	21.6	25.4
3605	Matches o/t pryotechnic articles of hd no 36.04	94.9	92.5	7413	Copper strandd wire,cables,plaitd bands,	20.7	19.3
1006	Rice	88.4	65.7	5606	Gimped yarn nes; chenille yarn; loop wale-yarn	16.8	15.5
1703	Molasses resulting from the extraction	67.4	22.8	1101	Wheat or meslin flour	16.1	16.3
4203	Articles of apparel&clothing access, of leather	67.1	63.7	5406	Man-made filament yarn, put up for retail sale	16	15.4
5203	Cotton, carded or combed	65.9	84.5	5801	Woven pile & chenille fabrics	15.6	17.5
5513	Woven fab of syn stapl fib (< 85% of such fiber),	58.7	75	2001	Cucumbers, gherkins and onions preserved	15.5	16
6105	Men's shirts, knitted or crocheted	58	68.2	2610	Chromium ores and concentrates	15.4	15.8
5202	Cotton waste (including yarn waste and garnetted stock)	53.5	70.1	7322	Iron & steel radiators, air heaters&hot air distributors, etc.	15.2	16.1
5209	Woven cotton fabrics, 85% or more cotton,weight over 200 g/m2	47.1	31.8	5202	Cotton waste (including yarn waste and garnetted stock)	15.1	16.8
5208	Woven cotton fabrics, 85% or more cotton,	45.2	45.9	6305	Sacks and bags of a kind used for the packing	13.5	15.5
6103	Men's suits,jackets,trousers etc&shorts, knit/croch	42.4	44.1	2529	Felspar; leucite; nepheline & nepheline	13.5	15
5204	Cotton sewing thread	40.9	14.7	2617	Ores and concentrates, nes	13.2	13.4
9601	Worked ivory & art of ivory; animal carving material	35	27	802	Nuts nes	13	16.6
4112	Leather further prepared after tanning	34.3	28.7	6308	Set consisting of woven fab&yarn	12.9	6.8
6207	Men's singlets, briefs, pyjamas, bathrobes etc	33.1	33.5	8904	Tugs and pusher craft	12.3	3.8
2523	Cements, portland, aluminous, slag, super sulfate	32.9	13.8	6106	Women's blouses & shirts, knitted	11.5	10.8
1516	Animal or veg fats, oils &f ract, hydrogenated	32.3	25.8	2007	Jams,fruit jellies & marmalades	11.4	11.8
2610	Chromium ores and concentrates	32.2	34.2	5109	Yarn of wool or of fine animal hair	11.4	12.5
9602	Worked vegetal/mineral carving material; etc	29.8	22.6	2102	Yeast	11.2	11.4

Appendix Table 11: Turkey RCA profile: ranked 97 sectors.

Product code	Kazakhstan			Product code	Kyrgyzstan		
	Product label	RCA 2008	RCA 2007		Product label	RCA 2008	RCA 2007
2715	Bituminous mixtures from..natural asphalt	65.2	50.7	809	Apricots, cherries, peaches, nectarines, plums & sloes, fresh	380.2	19.8
1101	Wheat or meslin flour	41.1	29.2	711	Vegetables, provisionally	257	34.6
2819	Chromium oxides and hydroxides	38.2	42.7	4102	Raw skins of sheep or lambs	165.9	46.5
2610	Chromium ores and concentrates	24.5	30.5	706	Carrots, turnips and salad beetroot,	145.2	15.9
7405	Master alloys of copper	23.9	30.6	4304	Artificial fur and articles thereof	143.9	0.3
2524	Asbestos	19.3	24.4	806	Grapes, fresh or dried	141.7	13.2
2844	Radioactive chem elements&isotopes, their compounds,	17.4	15.3	5102	Fine or coarse animal hair, not carded	125.3	0.5
4104	Leather of bovine/equine animal, other than leather	16.5	15.1	4105	Sheep/lamb skin leather,	105.6	21.1
7202	Ferro-alloys	15.7	12.8	4101	Raw hides&skins of bovine/equine animals	104.7	19.3
7901	Unwrought zinc	14.8	17.5	2805	Alkali/alkaline-earth metal;rare earth metal,scandium&yttrium;mercury	79	0
8103	Tantalum and articles thereof, including waste and scrap	12.9	9.4	713	Dried vegetables, shelled	70	72.6
7403	Refined copper and copper alloys, unwrought	10.5	13.3	7005	Float glass&surf grd/polishd glas in sheet	69.8	62.8
4105	Sheep/lamb skin leather,other than leather	9.8	3.8	4104	Leather of bovine/equine animal,	64	5.2
8107	Cadmium and articles thereof, including waste and scrap	9.7	7.2	5003	Silk waste, nes	61.5	25
2503	Sulphur other than sublimed, precipitated and colloidal	9.5	6.9	8110	Antimony and articles thereof, including waste and scrap	60.7	0
5105	Wool & fine or coarse animal hair, carded or combed	8.2	13.4	2523	Cements, portland, aluminous, slag, supersulfate & similar hydraulic c	58.8	37.5
7801	Unwrought lead	8.1	12.3	702	Tomatoes	54.7	9.9
2702	Lignite w/n agglomerated, excl jet	7.5	8	6206	Women's blouses & shirts	52.7	23.7
2818	Aluminium oxide (incl artificial corundum);	7	10.2	704	Cabbages and cauliflowers,fresh or chilled	50.4	0.9
1001	Wheat and meslin	6.8	10.2	2617	Ores and concentrates, nes	44.6	24.4
2617	Ores and concentrates, nes	6.7	9	5201	Cotton, not carded or combed	43.3	30.9
2709	Crude petroleum oils	6.3	7.5	707	Cucumbers and gherkins, fresh or chilled	37.6	1.3
8108	Titanium and articles thereof, including waste and scrap	6.1	7.3	802	Nuts nes	36.2	13.3
2511	Nat barium sulphate, barium carbonate & witherite	5.9	4.6	808	Apples, pears and quinces, fresh	35.9	4.2
2824	Lead oxides; red lead and orange lead	5.5	9.5	1517	Margarine	35.6	31.9

Appendix Table 12: Azerbaijan RCA (at HS-4)

Product code	Azerbaijan	RCA 2008	RCA 2007	Product code	Afghanistan
	Product label				Product label
2709	Crude petroleum oils	9.5	6.8	5701	Carpets and other textile floor covering knotted
1516	Animal or veg fats, oils&fract, hydrogenated	4.4	26.8	909	Seeds of anise, badian,fennel,coriander, cumin, etc.
8905	Light vessel,dredger;floating dock;floating/submersible drill platform	3.4	0	1207	Oil seeds
1515	Fixed vegetable fats&oils & their fractions	2.8	9.8	9999	Commodities not elsewhere specified
0701	Potatoes	2.8	10.5		
0810	Fruits nes, fresh	2.7	13.9		
2302	Bran,sharps and other residues	2.5	24.7		
3911	Petroleum resins,polyterpenes,polysulphides etc nes,in primary forms	2.2	13.7		
808	Apples, pears and quinces, fresh	1.9	7.3		
1517	Margarine	1.6	10.6		
8906	Vessels, including warships and lifeboats other than rowing boats, nes	1.5	1.3		
1701	Cane or beet sugar and chemically pure sucrose, in solid form	1.4	18.6		
6305	Sacks and bags of a kind used for the packing of goods	1.2	10.4		
7308	Structures (rods,angle, plates) of iron & steel nes	1.2	0.3		
0802	Nuts nes	1.2	15.2		
0902	Tea	1.2	9.5		
2818	Aluminium oxide (incl artificial corundum); aluminium hydroxide	1.2	9.7		
0702	Tomatoes	1.1	4		
4413	Densified wood, in blocks, plates, strips or profile shapes	1	2.9		

Appendix Table 13: Pakistan RCA Profile (at HS-6)

Pakistan				Turkey			
Product code	Product label	RCA 2008	RCA 2007	Product code	Product label	RCA 2008	RCA 2007
630239	Bed linen, of other textile materials, nes	1801.3	2027	30235	Fresh or chilled bluefin tunas	120.9	30
521021	Plain weave cotton fab,<85% mixd w m-m fib,not more than 200 g/m2,bl	1310.7	989.6	600524	Printed cotton warp knit fabrics "incl. those made on galloon knitting	110.7	36.2
521051	Plain weave cotton fab,<85% mixd w m-m fib,nt more thn 200 g/m2,printd	1265.6	1132.4	540248	Filament yarn of polypropylene, incl. monofilament of < 67 decitex, si	97.1	183.1
610339	Mens/boys jackets and blazers, of other textile	909.5	669.6	81310	Apricots, dried	94.9	101.8
521222	Woven fabrics of cotton, weighing more than 200 g/m2, bleached, nes	851.7	736.2	580131	Woven uncut weft pile fabrics of manmade fibres,o/t terry&narrow fab.	70.6	75
520531	Cotton yarn,>/=85%, multi, uncombed,>/=714.29 dtex, not put up, nes	733.5	914.8	570242	Carpets of man-made textile mat,of woven pile construction,made up,nes	68.6	14
610590	Mens/boys shirts, of other textile materials, knitted	699.4	422.3	80222	Hazelnuts or filberts, fresh or dried, shelled	68.4	93.8
521211	Woven fabrics of cotton,weighing not more than 200 g/m2,unbleached,nes	668.9	1117.7	80420	Figs, fresh or dried	62.8	70.2
630210	Bed linen, of textile knitted or crocheted materials	532.3	440	190430	Bulgur wheat in the form of worked grains,	53.8	65.2
520532	Cotton yarn,>/=85%,multi,uncombed,714.29 >dtex>/=232.56,nt put up,nes	478.4	628.4	520291	Garnetted stock of cotton	49.7	87.5
521031	Plain weave cotton fab,<85% mixd w m-m fib,not more than 200 g/m2,dyd	337.4	322.4	551110	Yarn,>/=85% of synthetic staple fibres, o/t sewing thread, put up	49.4	42.9
521011	Plain weave cotton fab,<85% mixd w m-m fib,not more than 200 g/m2,unbl	297	350.1	600521	Unbleached or bleached cotton warp knit fabrics "incl. those made on g	49.1	78.2
551341	Plain weave polyester stapl fib fab,<85%,mixd w/cot,</=170g/m2,printd	285.3	305.3	721420	Bars & rods,i/nas,hr,hd or he,cntg indent,ribs,etc,prod dur rp/tar,nes	45.5	38.7
520813	Twill weave cotton fabric,>/=85%, not more than 200 g/m2, unbleached	278.7	141.4	251511	Marble and travertine, crude or roughly trimmed	44.6	31.5
521212	Woven fabrics of cotton,weighing not more than 200 g/m2,bleached,nes	277.7	326.4	251520	Ecaussine & other calcareous monumental or building stone; alabaster	44	52.5
411390	Leather further prepared after tanning or crusting "incl. parchment-dr	255.3	128.8	580136	Chenille fabrics of man-made fibres, o/t narrow fabrics	43.6	41.4
521215	Woven fabrics of cotton, weighing not more than 200 g/m2, printed, nes	233.1	254.6	600544	Printed warp knit fabrics of artificial fibres "incl. those made on ga	39.7	78.2
611530	Women"s full-length or knee-length hosiery, knitted	230.5	0	252910	Felspar	38.5	40.7
521221	Woven fabrics of cotton, weighing more than 200 g/m2, unbleached, nes	225.5	307.9	680291	Worked monumental/building stone nes, marble, travertine and alabaster	38.2	40.7

Appendix Table 14: Kazakhstan RCA Profile (at HS-6)

Product code	Kazakhstan			Product code	Kyrgyzstan		
	Product label	RCA 2008	RCA 2007		Product label	RCA 2008	RCA 2007
250621	Quartzite, crude or roughly trimmed	501.8	1417.5	510220	Coarse animal hair, not carded or combed	1689.4	0.6
811212	Unwrought beryllium; beryllium powders	196.1	175.6	80910	Apricots, fresh	1511.1	72
250629	Quartzite, nes	157.5	585.7	810730	Cadmium waste and scrap (excl. ashes and residues containing cadmium)	1268.6	0
720250	Ferro-silico-chromium	131.7	163.9	280540	Mercury	1181.4	0
284410	Natural uranium&its compounds;mixtures cntg natural uranium/its compds	74.3	47.2	71190	Vegetables nes&mixtures provis presvd but nt f immediate consumptn	583	0.3
271500	Bituminous mixtures based on natural asphalt etc	65.2	50.7	80920	Cherries, fresh	513.3	24.2
811259	Articles of thallium, n.e.s.	64.6	7.8	620413	Womens/girls suits, of synthetic fibres, not knitted	486.2	277.5
811219	Beryllium and articles thereof, nes	52.5	69.1	681130	Tubes,pipes&tube/pipe fittings of asbestos-cellulose fibre-cement etc	459.5	375.6
720241	Ferro-chromium containing by weight more than 4% of carbon	50	53.9	681110	Corrugatd sheets of asbestos-cement,of cellulose fibre-cement/the like	396.7	979.4
281990	Chromium oxides nes; chromium hydroxides	49.3	56.3	811090	Articles of antimony, n.e.s.	329.8	0
740110	Copper mattes	48	34.2	80232	Walnuts, fresh or dried, shelled or peeled	299.2	108.7
30420	Fish fillets frozen	45.8	32.9	71333	Kidney beans&white pea beans drid shelld,whether o not skinnd o split	261	345.1
283323	Chromium sulphates	45.6	160.6	410210	Sheep or lamb skins, raw, with wool on, nes	241.5	58.6
110100	Wheat or meslin flour	41.1	29.2	251830	Agglomerated dolomite (incl tarred dolomite)	217.4	34.7
410411	Full grains, unsplit and grain splits, in the wet state "incl. wet-blu	40.8	34.2	80940	Plums and sloes, fresh	199.8	17.7
280470	Phosphorus	40.4	37.8	620640	Womens/girls blouses and shirts, of man-made fibres, not knitted	196.9	42.7
720928	Cold roll iron/steel, not coil>600mm x <0.5mm	39.8	60.8	410120	Whole raw hides and skins of bovine "incl. buffalo" or equine animals,	192.2	108.8
720249	Ferro-chromium, nes	36.9	31.4	80930	Peaches, including nectarines, fresh	186.5	9.1
252400	Asbestos	36.8	34.6	70610	Carrots and turnips, fresh or chilled	173.7	22.1
810820	Unwrought titanium; titanium powders	33.5	34.6	80610	Grapes, fresh	169	15.4

Appendix Table 15: Azerbaijan and Afghanistan RCA Profile (at HS-6)

Product code	Azerbaijan			Product code	Afghanistan		
	Product label	RCA 2008	RCA 2007		Product label	RCA 2008	RCA 2007
81090	Fruits, fresh nes	12.6	61.6	570110	Carpets of wool or fine animal hair, knotted	4149	
410229	Sheep or lamb skins, raw, o/t pickled, without wool on	11.9	54	90930	Cumin seeds	1911.1	
890590	Floating docks and vessels which perform special functions	10.6	0	120740	Sesamum seeds, whether or not broken	213.3	
270900	Petroleum oils and oils obtained from bituminous minerals, crude	9.5	6.8	999999	Commodities not elsewhere specified	17.2	
151529	Maize (corn) oil and its fractions,refined but not chemically modified	8.6	46.9				
80222	Hazelnuts or filberts, fresh or dried, shelled or peeled	7.3	93.3				
121291	Sugar beet, fresh or dried, whether or not ground	6.5	126.9				
520513	Cotton yarn,>/=85%,single,uncombed,232.56>dtex>/=192.31, not put up	6.1	26.1				
151221	Cotton-seed oil crude, whether or not gossypol has been removed	5.4	107.5				
721669	Angles, shapes and sections, cold formed, nes	4.9	26				
160430	Caviar and caviar substitutes prepared from fish eggs	4.6	32.7				
151620	Veg fats &oils&fractions hydrogenatd,inter/re-esterifid,etc,ref'd/not	4.5	27.5				
230610	Cotton sed oil-cake&oth solid residues,whether or not ground or pellet	4.4	34				
290512	Propan-1-ol(propyl alcohol)and propan-2ol(isopropyl alcohol)	4.1	21				
262040	Ash and residues containing mainly aluminium	3.8	0.3				
90230	Black tea (fermented)&partly fermentd tea in packages not exceedg 3 kg	3.7	27.3				
70190	Potatoes, fresh or chilled nes	3.6	13.3				
630533	Sacks, bags, packing, of strip plastic material	3.6	29.4				
230230	Wheat bran, sharps and other residues, pelleted or not	3.5	35.6				
721631	Sections,U,i/nas,nfw than hot rolld,drawn or extrudd,hght 80mm or more	3.2	24.1				

Appendix II

Survey Questionnaire

Please use **BLOCK LETTERS** to fill in your contact details.

Survey Respondent Contact Details
Name of Organization:
Correspondence Address:
Telephone
Facsimile
E-mail i.d.
Contact Person
Designation

The questionnaire is divided into four parts. The questions in first section are relevant to bilateral trade in goods. Trade in services and mutual investment are focused in the second and third section respectively. This questionnaire also asked the transparency and regulation in trade in goods and services and investment. Last section provide queries on technical and economic cooperation

Each section have included the questions related to imports and export, trade barriers and rules of origin, export restrictions, trade facilitation, transparency in domestic regulation, technical barriers. The answers of each question should be provided for the ECO countries i.e. Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz, Pakistan, Tajikistan, Turkey, Turkmenistan, and Uzbekistan.

1. Trade in goods

1. What are the existing trade flows in the sector(s) of interest to you and what is your potential interest?

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2. Could you provide your priorities for your sector (ranked) in the ECO countries?
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3. In which sector/product, your state has competitiveness/comparative advantage? Please specify.
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4. How will the ECO's bilateral trade impact the domestic economy? It is likely to
o Increase growth o Increase employment o Increase FDI o Others

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5. Does your sector face export restrictions with respect to ECO countries? If so, please specify the type of export restriction.
o Export duty o VAT rebate schemes o discriminatory promotions schemes
o others
Please specify relevance of their elimination.

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6. Did you encounter problems regarding possible abuse of these countries of their trade defence instruments (anti-dumping, nti-subsidy and safeguards) against your exports?

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7. Are you faced with specific difficulties related to the use of trade defence instrument both in terms of substance and procedure (e.g. transparency, provision of information, respect of rules of confidentiality)?

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8. Would you say that ECO members tend to use safeguards instead of the anti-dumping, anti-subsidy instruments?

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9. Did you notice particular difficulties in communicating with and/or receiving information from their administrations ealing with those instruments?

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10. Have you encountered market distortions (subsidies, pricing policies) in these countries which should be addressed by e.g. rade defence measures or other types of measures or which create structural trade difficulties?

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11. problems related to:

- transparency/publication of and access to trade regulations
- documentary requirements
- data requirements
- fees and charges
- inspections and controls during clearance
- other customs procedures
- discriminatory treatment
- lack of uniformity in application of procedures
- customs valuation
- co-ordination between different border agencies
- use or non-use of information technology
- application or non-application of relevant international standards
- procedures for legal recourse/appeal

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12. Overall problems with import, export and / or transit procedures and requirements in these countries?

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2. Trade in Services

1. Which ECO countries are likely sources of demand for your services in the medium-term? Please specify possible Services

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2. What are the main barriers which are obstacle in cross-border trade in services with ECO countries?

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3. What are the main barriers that your sector faces with regard to the temporary movement of natural persons for business purposes in the primary, secondary or tertiary sector in these countries?

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4. Do you encounter problems due to lack of transparency e.g. lack of publication of legislation or other documents relevant for your trade behavior? Please specify.

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3. Investment

1. Within the region, which country should be invested in? What are the primary reasons for your choice?

2. What in your opinion are the main categories of commercial enterprise (for investment) in your country of choice and what is their role in that economy?

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3. What is the regulatory framework for economic activities and to what extent does it facilitate commercial enterprise in the country?

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4. What are the internal factors that adversely impact on business activity?

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5. What are the external factors that adversely impact on business activity?

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6. Are you aware of any investment facilitation measures being pursued in the region? And if so, do you feel they are effective in promoting investment in the target country?

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7. Have you encountered any anti-competitive practices in these markets (cartels, abuse of dominant position, vertical or horizontal restrictions of competition) that are harming your business? If yes, describe briefly the nature of the practices nd he problems encountered.

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8. Have these anti-competitive practices been effectively addressed since that time?

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9. Where in your opinion does the greatest potential exist for future mutual investment?

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4. Financial Regulatory Issues

1. Which authorities regulate insurance business in your state? What is their role?

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2. Are there exchange controls in your jurisdiction? If so, what are the restrictions?

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3. Are there any restrictions on a credit institution/investment firm/insurer dealing with, acting for or advising certain categories of client? If so, what are they?

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4. Are there any counterparties whose liability to the credit institution/investment firm/insurer will be limited in certain instances?

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5. Can deposit-taking/investment/insurance activities conducted on a cross-border basis or do a local subsidiary have to be established?

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6. Are there any other restrictions on foreign entities doing business in your regulatory authority?

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5. Transparency and regulatory issues

1. Is information on trade-related regulations and their administration published and readily available, including on laws and regulations, procedures, penalties, appeal procedures, administrative guidelines and practice, decisions, and agreements with third countries where relevant.

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2. Is information made available in a readily accessible way, including through websites?

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3. Are there enquiry points available and accessible to interested parties (including through web-sites) which help making information on trade-related regulations and their administration available?

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4. Other requirements, suggestions concerning the availability of information?

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5. Are the intervals between publication and entry into force sufficient to allow interested parties to become acquainted with and well prepared for complying with them?

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6. Are appropriate opportunities offered for prior consultation and commenting on new and amended rules?

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7. Are there effective consultation mechanisms between interested parties and government?

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8. Are there any areas or sectors where consultation could be improved?

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9. Are advance rulings available from the administration (like for trade in goods on customs classification and origin)?

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10. Are there adequate complaints possibilities and appeal procedures?

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11. Are the appeal procedures adequate in terms of non-discrimination, transparency, possibility for representation by independent legal counsel, cost and timelines?

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7. Economic and Technological cooperation

1. In what areas can industrial technology cooperation be encouraged? And how?

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2. In what areas is technology transfer likely between your country and specific ECO countries?

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3. How can cooperation on technology transfer and standards & quality be encouraged?

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4. How can cooperation be improved in trade facilitation/customs procedures?

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