Economic Cooperation Organization
ECO

Economic Affairs Research Institute
Ministry of Economic Affairs and Finance

Impediments to the Implementation of the ECO Trade Agreement and Recommended Solutions for Their Removal

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Note: The ECO and Economic Affairs Research Institute (EARI), technically and jointly conducted this research as a small sized research project for ECO region. Through the study ECO Secretariat has endeavored to find solution to the issues for operationalizing ECO Trade Agreement.

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Executive summary

The Economic Cooperation Organization (ECO), one of the oldest regional trade arrangements in Asia and dating back to 1964, is one of the regional multi-purpose organizations established for economic, cultural, educational and social purposes. It is very important in the Middle East and Central Asia. The scope of cooperation under the auspices of this organization covers various economic fields, but transportation, energy, and trade facilitation are the three priority areas of cooperation of the member countries of this organization.

At present, with a population of 460 million, an area of 8 million square kilometers and nearly $800 billion in world trade, of which only about 8 percent is between the ECO member countries, these countries have great potential to increase intra-group trade. According to the vision document approved by the 13th ECO Summit held in 2017 in Islamabad, Pakistan, the volume of intra-group trade should at least double by 2025.[1]

In this regard, one of the most important initiatives taken by the ECO is the preparation and ratification of the ECO Trade Agreement (ECOTA), which can be the most important step towards the development of trade liberalization among the ECO members. The ECO Trade Agreement aims to develop regional trade, increase and strengthen member trade relations by gradual reduction of tariffs and removal of non-tariff barriers, provide fair trade competition between members and increase trade-related investment opportunities in the region. It was signed by five ECO member states in July 2003, including Afghanistan, Iran, Pakistan, Tajikistan and Turkey, and ratified by their constitutional authorities by 2008. Despite initial high hopes that the Agreement would meet the ECO's long-term goals of expanding trade cooperation and intra-group trade, a long 17-year period has elapsed since its signing and members have failed to implement the terms of the Agreement. It shows that there are serious disagreements among the members on how to implement the Agreement. However, in the meetings of the various bodies of the Organization, including the Summit, Ministerial Meeting, Regional Planning Council, and Cooperation Council, which is its main executive body, the members have always asserted their political will to pursue the goals of the Organization in all areas, especially trade and implementation of the ECOTA and insisted on the rapid and sustainable removal of obstacles to the implementation of the Agreement. However, these efforts have so far failed to break the stalemate, and this failure has inevitably led some members to consider other options, such

1. ECO Vision 2025 & Implementation Framework, Feb 2017.

as reforming the structure of the Agreement, revising the liberalization methods, sector-specific liberalization or any other arrangements that would break the stalemate.

In order to find possible solutions and break the current impasse, the ECO Secretariat put on its agenda, conducting an independent study project to examine the obstacles to the implementation of the ECO Trade Agreement (ECOTA) and provide solutions in accordance with paragraph 13 of the report of the 30th meeting of the ECO Regional Planning Council, held on January 14-16, 2020 in Tehran.[2] The present report is the product of the study and contains its results.

This report is organized into the following three main parts:

1) Examining the status quo and pathology of the impediments to implementation of the ECOTA Agreement in view of the structure of the Agreement and the trade and tariff structures of the ECO members;

2) Providing appropriate solutions and scenarios for trade liberalization; and

3) Determining all the necessary textual amendments to the ECOTA and drafting them.

An examination of the background and positions of the members through the documents of formal meetings of the various ECO bodies and the Cooperation Council of the ECOTA shows that resolving the members' disagreement on how to implement the Agreement is impossible without finding and applying a mutually acceptable solution on the basis of external facts and understanding of positions and recognition of legitimate considerations and fair interests of each member, and the passage of time will not change anything by itself and the distance from the goals of the Vision will increase. Therefore, there is a big gap between the current situation and the goals of the Vision, and the continuation of the current path will definitely increase this gap day by day and reduce the opportunity to compensate for it.

Generally, it can be concluded that the ECO Trade Agreement (ECOTA), despite some ambiguities and shortcomings, is in fact designed to avoid complexity and to ease its implementation, which is, of course, its strength. But, unfortunately, how to balance the benefits and interests for all members in accordance with their

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[2]. For more details, see the third paragraph of the Annex III of the report of the 30th meeting of the ECO Regional Planning Council, which contains the list of proposed study projects in the field of trade and investment under the following heading: "Study on Impediments in Implementation of the ECO's Trade Tools and Measures to Resolve."

level of development, which is explicitly mentioned in the objectives of the Agreement, has been neglected, and the mechanism provided for in Article 4 on tariff reductions lacks the necessary conditions to meet this objective, plunging the members into a long and fruitless dispute. Given that tariff reduction commitments and trade liberalization methods are the important elements of any preferential trade agreement, the current impasse does not seem to be resolved except by appropriately amending the provisions on trade liberalization and tariff reduction methods. On the other hand, according to the positions of the members, replacing the Agreement with a new one or making fundamental amendments thereto cannot help advance the implementation of the Agreement, especially in the time horizons considered in the Vision 2025 and the decisions of the Summit and the Council of Ministers. Therefore, the amendment should be focused on reforming liberalization and tariff reduction methods, which are covered by Article 4 of the Agreement.

Through examination of the obstacles to the operationalization of the ECOTA Agreement, it can be said that the differences between the tariff structures of the countries and the basic rule contained in the Agreement to reduce tariff rates beyond 15 percent and the possibility of maintaining 20 percent of tariff lines for negative and sensitive lists for all members, regardless of the current state of their tariff structures, has led to the creation of a division among ECO member countries in terms of the level of benefits received and granted based on the positive list, which is a serious obstacle to the implementation of the ECOTA. This obstacle, which can be described as a fundamental imbalance between the interests and obligations of the members, has in practice imposed a heavy burden on the Agreement and has so far prevented the members from enforcing the Agreement, because countries that have little interest in implementing the Agreement, do not have enough motivation to advance the implementation and operational stages. This can clearly be understood from the positions of some members in recent years.

In other words, the wide gap and significant differences between tariff structures of the ECO member countries and their different export patterns based on RCA on the one hand, and the implementation of trade liberalization commitments and reducing tariff rates according to the rules of the ECOTA on the other hand, can lead to completely different outcomes for each member.

The fact that the preparation of commodity lists by each member, whether positive, negative or sensitive, will be done and adjusted in a completely unilateral manner without consulting or negotiating with other members, can make such a gap very significant. In fact, in the absence of the usual bilateral mechanisms such as the offer-request approach in setting up these lists, and with the flexibility provided for members under the ECOTA, each Member State may, without regard to the considerations and interests of other countries, maximize the benefits of implementing the Agreement for itself. Accordingly, in an extreme case, a group of countries can avoid any attempts to provide other members with more access to their own markets, while enjoying themselves the greatest benefits from trade liberalization and substantial reductions in the tariff rates of other members which are bound by the terms of the Agreement. Such an approach has led, in practice, one group of members to be among the main beneficiaries of the Agreement by being in a free-riding position, and another group to be the main donors obliged to substantially reduce their tariff rates without having proportionate benefits of accessing other countries' markets. In fact, according to the existing rules, only this group of countries will bear the main burden of implementing the market access provisions of the Agreement, and the others will just watch. Therefore, it can be construed that the implementation of the terms of the ECOTA on tariff reduction can divide members into winners and losers. Of course, in each category, the position of countries can be somewhat different depending on their tariff and trade structures. Obviously, a serious solution to overcome the current stalemate should mainly focus on removing the existing imbalance by amending the criteria set out in the Agreement.

Implementation of the Agreement in its current form results in completely different and unbalanced market access for members, given the different tariff and trade structure of each ECO member. Therefore, the main obstacle to the implementation of the provisions and obligations of the ECOTA is the imbalance of its results in terms of privileges and obligations of each member. As a result, members who are harmed by the implementation of the Agreement in practice and do not enjoy much market access benefits therefrom are inclined to hinder the implementation of the ECOTA and have refused to exchange their lists of negative and sensitive goods. In other words, since their benefit from the implementation of the Agreement is almost zero, they have no incentive to implement the Agreement. In practice, this issue has caused the divergence of the positions of the members on how to implement the Agreement and has so far prevented them from implementing the Agreement. Obviously, given the root cause of these problems, which lies in the imbalance of commitments and benefits arising from the implementation of the Agreement among members, providing any solutions to break the current impasse will be impossible without sufficient attention to solving the problem of imbalance and balancing the results of implementation of the Agreement for all parties. Therefore, considering this fundamental issue, the solutions and scenarios reviewed and proposed are aimed at finding solutions and options that help to balance the results of the implementation of the Agreement for member countries as much as possible and encouraging them to resolve existing disputes and implement the ECOTA Agreement as soon as possible.

Due to the different tariff and trade structures of member countries on the one hand and their different economic potentials and capabilities on the other hand, it is not possible to create a perfect balance between privileges and commitments of members, but complementary modalities of tariff and trade liberalization help reduce the existing imbalance, make a relative improvement in outcomes for members and provide a positive outlook for the implementation of the Agreement for all members.

In order to find solutions and provide appropriate scenarios, the following principles and assumptions are the basis for proposing scenarios:

1. Requiring as little change as possible in the text of the Agreement;

2. Maintaining the previous achievements of the Agreement and the prior agreement of members on various issues, in particular on the reduction of tariff peaks to a maximum of 15 percent;

3. Effectively contributing to the achievement of targets outlined and approved by the ECO leaders in the Vision 2025 to double the volume of intra-group trade of the ECO members;

4. Realizing the long-term objective of the Economic Cooperation Organization (ECO) to establish a free trade area between the ECO member countries within a reasonable time frame and being consistent therewith;

5. Using criteria complying not only with the international principles and standards governing free trade agreements in accordance with the GATT 1994 but with the capabilities of the ECO members, while being easily applicable;

6. Enabling easy implementation without operational complexity;

7. Encourage the participation of as many as five ECO member states that have not yet acceded to the ECOTA.

For this purpose, and taking into account the above principles and assumptions, four different scenarios have been considered to reduce tariff rates. Current scenario is the same as the basic scenario of the ECOTA, which is based on eliminating tariff peaks of the member countries and reducing the tariffs to a maximum of 15 percent in accordance with the provisions of the current Article 4 of the ECOTA. Under this scenario, 80 percent of national tariff rates of each country is reduced to a maximum of 15 percent within 8 years. Due to the severe heterogeneity of the tariff and trade structures of the ECO member countries, this scenario, creating imbalanced results, does not serve the interests of all member countries.

According to the provisions of Article 4, the ECOTA starts trade liberalization and tariff reduction from tariff rates above 15 percent (international tariff peaks) and its main goal is to reduce these rates to 15 percent, without making any commitments in respect of tariff rates less than 15 percent. On the one hand, this will not serve the purpose of creating a free trade area, which should usually be achieved within a reasonable period of time (usually 10 years). On the other hand, according to our studies on the tariff and trade structures of the ECO member countries, it will lead to completely unbalanced results in terms of the level of commitments and market access privileges. In other words, the top-down approach of the current tariff liberalization modalities of the ECOTA Agreement not only is inadequate to gradually provide for a free trade area by removing trade barriers as outlined in the ECO Vision 2025, but it has fueled disagreements among members over how to implement tariff reduction commitments and has failed to win the approval of all ECOTA members to implement the Agreement. Therefore, in this study, the use of a bottom-up approach was also considered in the implementation of tariff liberalization modalities as a complement to the previous approach and as a tool balancing the level of commitments and market access privileges, helping eliminate both above shortcomings to achieve the goal of creating a free trade area within the natural framework of commitments and reduce the imbalance of the previous approach and encourage members to implement the ECOTA as much as possible.

Given the tariff and trade structures of the ECO member countries and considering that a significant part of the ECO members' existing trade with the world and with each other takes place at tariff rates less than 15 percent, trade liberalization by reducing lower levels of tariff rates can be considered complementary to trade liberalization method of the ECOTA, and while improving the relative imbalances in the results of the current implementation of Article 4 of the ECOTA, effectively contribute to other important ECO objectives, including achievement of the 2025 vision, as well as creation of a free trade area.

For this purpose, in the designed scenarios, in addition to tariff lines with rates over 15 percent (current scenario or baseline scenario), tariff bands of 0-5, 5-0 and 15-10 percent will also be subject to tariff reduction in the form of complementary scenarios. Therefore, the proposed scenarios for reducing tariffs in addition to current (baseline) scenario are presented in the table below:

Tariff reduction scenarios

Scenarios	Coverage of each scenario plus current scenario	Final tariff rate in each scenario	Reference
Current scenario (base)	T[3] >15	15	Article 4 of the ECOTA
Scenario 1	Current scenario + 0<T≤5	15+ 0	Proposal out of the research findings
Scenario 2	Scenario 1 + 5<T≤10	15+ 0	Proposal out of the research findings
Scenario 3	Scenario 2 + 10<T≤15	15+ 0	Proposal out of the research findings

The methodologies of the proposed scenarios have, in principle, been based on the following three main steps:

1. Determination of the list of tariff lines exempted from tariff reductions for each ECO member in accordance with the current provisions of the ECOTA (19% negative list and 1% sensitive list), taking into account a series of basic assumptions, and their exclusion from the calculations to evaluate the results of each scenario;

2. Identification of the "positive list" of tariff lines that fall within the scope of the Agreement commitments (whether in terms of tariff reduction or standstill at the time of entry into force of the Agreement), which includes 80 percent of tariff lines of countries after extracting and leaving out the negative-list and sensitive-list goods; and

. T stands for tariff rate[3]

3. Evaluation of the effects of the implementation of each scenario according to the tariff and trade structure of each ECO member, based on both offered concessions and trade creation (increased imports) of each scenario for each ECO member and the ECO as a whole.

In determining the negative list of each ECO member, the following methodological assumptions and criteria have been used:

1. First stage (first priority): selecting the negative list from among the highest tariff rates of each country;

2. Second stage (second priority): selecting the negative list from among the tariff lines with the highest value of intra-group imports; and

3. Third stage: selecting the negative list from among the tariff lines with the highest value of imports from the world.

The tariff structures of the ECO members are also examined in terms of the following seven categories (hereinafter, referred only to the number of each band for convenience):

Tariff bands	Tariff rates
1	**T=0**
2	**0<T≤5**
3	**5<T≤10**
4	**10<T≤15**
5	**15<T≤25**
6	**25<T≤50**
7	**T>50**

The analysis of the tariff and trade structures of the ECO members shows that their imports are concentrated in the tariff bands less than 15 percent. Therefore, tariff reduction scenarios have been selected by focusing on the second, third, and fourth bands. The selected scenarios are as follows:

Current scenario (Baseline scenario): In this scenario, the provisions of the ECOTA are considered, i.e. 20 percent of the tariff lines of the ECO member countries are excluded from the list of tariff reductions as a negative and sensitive list. In this scenario, after the removal of the negative and sensitive list according to Article 4 of the ECOTA, in respect of the remaining tariff lines (as a positive list), tariffs above 15 percent are reduced to 15.

Scenario 1: In this scenario, in addition to the baseline scenario, tariffs up to 5 percent will be reduced to zero.

Scenario 2: In this scenario, in addition to the baseline scenario, tariffs up to 10 percent will be reduced to zero.

Scenario 3: In this scenario, in addition to the baseline scenario, tariffs up to 15 percent will be reduced to zero.

In the three proposed scenarios of this study, each of which can be implemented at the same time as the current scenario, all members will have tariff reduction commitments, which will bring the level of commitments and concessions of members closer to the balance. The available options for selecting the modality of tariff reductions are introduced based on three approaches: conservative, moderate and ambitious:

Conservative approach: Scenario 1 + simultaneous implementation of current (baseline) scenario (according to Article 4 of the ECOTA)

Moderate approach: Scenario 2 + simultaneous implementation of current (baseline) scenario (according to the provisions of Article 4 of the ECOTA)

Ambitious approach: Scenario 3 + simultaneous implementation of current (baseline) scenario (according to the provisions of Article 4 of the ECOTA).

Therefore, considering the above options, we can assume that during the 8-year timeframe for the implementation of the current (baseline) scenario, each of the other selected scenarios (after the agreement of the members) will be implemented in parallel, so that all members will participate in tariff reduction commitments and reciprocal market access.

In this study, in view of the considerations described, especially focusing on the scenarios and modalities that require the least textual amendment to the ECOTA, the timeframe set out in the ECOTA Agreement for the full implementation of tariff reduction commitments (implementation of the current scenario + scenario 3) is considered a reasonable period of time that not only provides the necessary speed in implementing and achieving the objective of creating a free trade area within a reasonable time frame but also takes into account the considerations of members for the gradual implementation of their commitments in proportion to the coverage of their positive lists. Therefore, the modality of reducing tariffs in each scenario is considered in the following two forms:

A) Fixed time frame for all members (except Afghanistan)

B) Variable time frame for each member in proportion to the scope of the commitments covered by its positive list.

In the proposed modality for the implementation of tariff reduction commitments with a fixed time frame, along with the implementation of current scenario within an 8-years period, the time allotted to the implementation of each scenario is the same for all members (except Afghanistan). Also, the implementation period of each of the three proposed scenarios (scenarios 1, 2 and 3) is considered different according to the depth of the commitments covered by each of them based on a conservative, moderate or ambitious approach. To this end, and taking into account the objectives of the ECO Vision 2025, the implementation period is considered two years for the conservative approach (scenario 1), four years for the moderate approach (scenario 2) and eight years for the ambitious approach (scenario 3). In this modality, the full implementation of the third scenario has a full time overlap with the implementation of the current (baseline) scenario, and all member tariff reduction commitments will be fulfilled within a maximum of 8 years. How to implement and schedule the mentioned modality is presented in the table below:

Fixed time period modality

ECO member	Current scenario (baseline)		Scenario 1 (conservative)		Scenario 2 (moderate)		Scenario 3 (ambitious)	
	Coverage of tariff lines to be reduced to 15 excluding negative list (percentage)	Fixed time frame already determined for current scenario (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Fixed time frame (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Fixed time period (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Fixed time frame (years)
Afghanistan	0	15 (void)	67.09	4	78.59	8	78.59	8
Azerbaijan	0	8 (void)	19.45	2	23.11	4	49.17	8
Iran	22.03	8	37.58	2	48.71	4	57.66	8
Kazakhstan	0	8 (void)	45	2	67	4	67	8
Kyrgyzstan	0	8 (void)	42.47	2	66.5	4	66.5	8
Pakistan	23.89	8	38.71	2	40.71	4	56.06	8
Tajikistan	0	8 (void)	59.39	2	75.5	4	75.5	8
Turkey	0	8 (void)	35.60	2	59.8	4	59.8	8
Uzbekistan	45.08	8	0.3	2	26.94	4	27.17	8

In scenario 1, unlike current scenario, all members will be subject to tariff reduction commitments based on their positive lists (tariffs more than zero up to 5 percent), because the tariff structures of the members are such that none of the members can simultaneously include all the tariff reductions covered by current (baseline) and 1 scenarios in their negative lists, although the coverage of their lists is different from each other.

Given that the tariff lines covered by scenario 1 are the lowest tariff rates (second band including tariff rates of more than zero up to 5 percent), members are reasonably less likely to have concerns about protecting domestic like products in fulfillment of their commitments, and as a result, its implementation will be easier and need a shorter period. Therefore, considering that the tariff rates of the products covered by scenario 1 are very close to the nuisance and low tariffs of the members, the estimated time for implementation is two years, divided into two equal phases. Given the level of development of Afghanistan and it's almost double time frame set in the current scenario (according to Article 4 of the ECOTA), the deadline for the implementation of scenario 1 commitments for this country is twice the deadline for other members, i.e. 4 years. On the other hand, considering the different levels of coverage of the positive lists of members in scenario 1 and current scenario, the simultaneous implementation of these two scenarios will bring the status of commitments and concessions of members closer to balance and at the same time, due to the wider coverage of goods by the scenario 1, expedite the realization of the target of the ECO Vision 2025 to double the volume of trade between the ECO member countries.

In scenario 2, which is a moderate scenario, the time required to fulfill the commitments of the positive lists of the members is 4 years, divided into 4 equal phases. This deadline is 8 years for Afghanistan. The time required to implement the second scenario is considered twice that of the scenario 1, given its more difficult implementation and the possible concerns of the members about protecting domestic like products.

In scenario 3, which is considered an ambitious scenario, the time required to fulfill the commitments of the positive lists of members is 8 years, divided into 8 equal phases. Due to the difficulty of fulfilling all the commitments of the scenario 3 and the more concerns of the members about protecting domestic like products, the timing of the implementation of scenario 3 commitments for all members is twice that of scenario 2. Given that the tariff structure of Afghanistan is such that the third scenario will not create any additional commitment for the country compared to the second scenario, its implementation does not require a longer deadline and therefore the implementation period for Afghanistan is similar to that of other members, i.e. 8 years. It should be noted that, due to the concurrence of the implementation of the third scenario with the current scenario during 8 years, the status of the Agreement in the final year of implementation of the commitments of all members (eighth year) will be very close to the condition of creating a free trade area, which is one of the important objectives of the ECO.

Although setting a fixed and equal deadline for all members has the advantage of simplicity in implementation, but due to the different tariff structures of members and their different burden in fulfilling their commitments to reduce tariffs, a modality with a fixed and uniform time frame for all members is not commensurate with the scope of their commitments and is not balanced. This may be at odds with the key objective of this study to find ways out of the impasse in the implementation of the ECOTA, which essentially stems from the unbalanced commitments of members. Therefore, an attempt was made to design another modality, paying due attention to the said important point. Accordingly, the modality of reducing tariffs with a variable time frame was considered. This modality, while fully fulfilling the commitments of the members in each scenario, it also sets an implementation schedule in proportion to the scope and share of the tariff lines covered by the positive list of each member, thus reducing as much as possible the imbalance caused by the implementation of the current scenario. Hence, differences of commitments of the members are reflected in implementation modality and its timing so that members can fulfill their commitments in a more balanced way. The details of this modality and the time frame of the implementation of members' commitments in each scenario are specified in the table below:

Variable time period modality

ECO member	Current Scenario (baseline)		Scenario 1 (conservative)		Scenario 2 (moderate)		Scenario 3 (ambitious)	
	Coverage of tariff lines to be reduced to 15 excluding negative list (percentage)	Time period already determined for current scenario (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Time period with annual full reduction of 10 percent of tariff lines (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Time period with annual full reduction of 10 percent of tariff lines (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Time period with annual full reduction of 10 percent of tariff lines (years)
Afghanistan	**0**	**15 (void)**	**67.09**	**7**	**78.59**	**8**	**78.59**	**8**
Azerbaijan	**0**	**8 (void)**	**19.45**	**2**	**23.11**	**3**	**49.17**	**5**
Iran	**22.03**	**8**	**37.58**	**4**	**48.71**	**5**	**57.66**	**6**
Kazakhstan	**0**	**8 (void)**	**45**	**5**	**67**	**7**	**67**	**7**
Kyrgyzstan	**0**	**8 (void)**	**42.47**	**5**	**66.5**	**7**	**66.5**	**7**
Pakistan	**23.89**	**8**	**38.71**	**4**	**40.71**	**5**	**56.06**	**6**
Tajikistan	**0**	**8 (void)**	**59.39**	**6**	**75.5**	**8**	**75.5**	**8**
Turkey	**0**	**8 (void)**	**35.60**	**4**	**59.8**	**6**	**59.8**	**6**
Uzbekistan	**45.08**	**8**	**0.3**	**1**	**26.94**	**3**	**27.17**	**3**

In this modality, while maintaining the time period of 8 years provided for in Article 4 of the Agreement on the implementation of the current scenario (baseline scenario), another identical criterion is considered to determine the annual level of the members' tariff reduction commitments. This criterion is based on the coverage of the tariff lines subject to tariff reduction commitments by the positive list of each member, so that at least 10 percent of the tariff lines subject to tariff reduction are reduced each year until the final rate of each scenario (zero rate) is reached. Accordingly, the timing of the implementation of tariff reductions of each member will be a function of its level of commitments and the coverage of its positive list in each scenario. For example, in scenario 1, if hypothetical country A have 50 percent of its tariff lines subject to tariff reduction commitments in its positive list, it needs a 5-year implementation period to fulfill its commitments evenly and annually in such a way that it covers 10 percent of its tariff lines every year. Obviously, for hypothetical country B whose positive list covers, for example, 20 percent of its tariff lines, the period will be only 2 years (10 percent for the first year and another 10 percent for the second year). For ease of implementation, in determining the time required to implement each scenario in proportion to the share of tariffs subject to reduction of the total tariff lines covered by the positive list of each member, the figures above the border points are rounded up. For example, in scenario 2, although only 23 percent of Azerbaijan's tariffs are subject to reduction, but the time required for its implementation is considered 3 full years, not 2.3 years.

As can be seen, in this modality, the coverage of the positive list of each member (share of tariff lines subject to a reduction in each scenario of the total national tariff lines of each country) determines the time required to implement it. This period cannot be more than 8 years even with the widest coverage and the longest time frame, because once the coverage of tariffs subject to a reduction of each country reaches 80 percent of its national tariff lines, full implementation of tariff reduction commitments under each scenario has been achieved (taking into account the 20 percent share of tariff lines subject to the negative list) and the period of the fulfillment of commitments ends (100 = 80 + 20).

In this modality, countries that, due to their tariff structures, accept more liberalization commitments and tariff reductions, enjoy more flexibility in scheduling the implementation of commitments, and this plays an important role in balancing the relative commitments of members vis-a-vis each other. In effect, through this modality, not only a significant amount of trade liberalization will be achieved each year for each member, but also they will be given sufficient implementation time in proportion to the burden of their commitments. Obviously, this method is more consistent with the aim of balancing the concessions and commitments of the members and seems more equitable. Therefore, from among the two mentioned modalities, the second modality is more appropriate and is recommended in this study.

Foreword

In recent decades, due to the technological developments and dramatic advances in the field of communications and transportation, international trade has faced major changes in the global paradigm, so that the structure of the game has changed from a non-cooperative to a cooperative one and the economic and trade cooperation is increasingly advancing in a wide range of regional trade alliances, unions, and agreements across the world. More than half of global trade now takes place among trade blocs, and almost every country is a member of one or more trade agreements of various forms of economic convergence. Preferential trade arrangements entail the lowest level of economic convergence in which signatory countries agree to impose preferential tariff rates on imports from each other. The most advanced form of economic convergence is the economic union, and the European Union can now be regarded as a prime example of this type of convergence. In addition to its static benefits that occur in the form of net benefits from "trade creation", economic convergence can have very important dynamic benefits such as the development of domestic market, increasing economies of scale, attracting foreign and domestic investment, building productive capacity, promotion of competition and productivity of production factors and specialization at the regional level. Politically, these arrangements can promote political stability and facilitate the resolution of security issues and the achievement of the desired goals concerning trade promotion and national economy.

Trade agreements and all kinds of trade arrangements and regional convergence play an important role in international trade relations in the contemporary world and have found a special role. Since the second half of the twentieth century, and especially during the last three decades, not only the number of these agreements has increased dramatically, but they have become ever deeper and more inclusive and complex. Surveys show that a significant majority of countries have entered into trade agreements, especially free trade ones, with the aim of facilitating trade and ensuring secure market access for their exports. This phenomenon has become more rapid and increasing, especially since 2000. This shows that countries have gained more access to markets through these agreements, so that in many successful trading blocs, most of their trade takes place with their allies. In some cases, up to 70% of some countries' exports are made in the form of free trade agreements. According to the World Trade Organization, more than half of the world's commodity exports have been covered by preferential trade agreements since 2008, and the trend continues to grow [4].

Not only have trade agreements grown in number, but they have also expanded in scope. In recent years, the scope of trade agreements has gone beyond trade and tariff liberalization to include issues such as capital transfers, investment, intellectual property rights, competitive policy, trade in services, non-tariff barriers, and even completely new issues such as environmental considerations.[5]

While at the time of the establishment of the World Trade Organization (1994) the total number of active world trade agreements was 38, today (as of December 11, 2020) it has increased to 305. The total number of ongoing trade agreements announced by members to the WTO Secretariat now stands at 496. According to statistics released by the WTO Secretariat, of the 305 trade agreements currently in force, 148 are in the field of trade in goods, 2 are in the trade in services, and 155 are in both trade in goods and services[6].

The Economic Cooperation Organization (ECO), one of the oldest regional trade arrangements in Asia and dating back to 1964, is one of the regional multi-purpose organizations established for economic, cultural, educational, and social purposes. It is very important in the Middle East and Central Asia. The scope of cooperation under the auspices of this organization covers various economic fields, but transportation, energy, and trade facilitation are the three priority areas of cooperation of the member countries of this organization.

This organization has been able to take effective steps to consolidate its position in the region and the world, and during the first decade of its life, despite facing crises caused by the economic transition from a centralized planning system to a free economy system, was able to prepare and approve several basic documents and strengthen its foundations. Signing memoranda of understanding with many international organizations, it is recognized as a major regional organization in the world.

At present, with a population of 460 million, an area of 8 million square kilometers, and nearly $ 800 billion in world trade, of which only about 8% is between the ECO member countries, these countries have great potential to increase intra-group trade. According to the vision document approved by the

[4] - World Trade Organization, World Trade Report 2011, The WTO and preferential trade agreements: From Co-existence to coherence, p. 64.
[5] - Ibid, PP. 13 and 132.
[6] - WTO, Regional Trade Agreements Information System (RTA-IS), Evolution of RTAs, 1948 – 2020.

13th ECO Summit held in 2017 in Islamabad, Pakistan, the volume of intra-group trade should at least double by 2025.[7]

Although the development of intra-regional trade has been one of the constant and important goals of the ECO throughout its life and it has so far used various institutional arrangements and executive measures to achieve this goal, its achievement has been less than expected and much lower than the potential and facilities of this geopolitical and geostrategic region. The Economic Cooperation Organization (ECO) is one of the regional organizations in which intra-regional trade of members is a small share of their total trade, and its founding countries have not yet been able to significantly increase their intra-regional trade. Meanwhile, other regional organizations such as the ASEAN, APEC, and NAFTA have increased their intra-regional exchanges day by day and have become powerful regional economic blocs. In this regard, one of the most important initiatives taken by the ECO is the preparation and ratification of the ECO Trade Agreement (ECOTA), which can be the most important step towards the development of trade liberalization among the ECO members. The ECO Trade Agreement aims to develop regional trade, increase and strengthen member trade relations by gradual reduction of tariffs and removal of non-tariff barriers, provide fair trade competition between members, and increase trade-related investment opportunities in the region. It was signed by five ECO member states in July 2003, including Afghanistan, Iran, Pakistan, Tajikistan, and Turkey, and ratified by their constitutional authorities by 2008. Despite initial high hopes that the Agreement would meet the ECO's long-term goals of expanding trade cooperation and intra-group trade, a long 17-year period has elapsed since its signing and members have failed to implement the terms of the Agreement. It shows that there are serious disagreements among the members on how to implement the Agreement. However, in the meetings of the various bodies of the organization, including the Summit, Ministerial Meeting, Regional Planning Council, and Cooperation Council, which is its main executive body, the members have always asserted their political will to pursue the goals of the organization in all areas, especially trade and implementation of the ECOTA, and insisted on the rapid and sustainable removal of obstacles to the implementation of the Agreement. However, these efforts have so far failed to break the stalemate, and this failure has inevitably led some members to consider other options, such as reforming the structure of the Agreement, revising the liberalization methods, sector-specific liberalization, or any other arrangements that would break the stalemate .

[7] - ECO Vision 2025 & Implementation Framework, Feb 2017.

In order to find possible solutions and break the current impasse, the ECO Secretariat put on its agenda, conducting an independent study project to examine the obstacles to the implementation of the ECO Trade Agreement (ECOTA) and provide solutions in accordance with paragraph 13 of the report of the 30th meeting of the ECO Regional Planning Council, held on January 14-16, 2020 in Tehran[8]. The present report is the product of the study and contains its results.

This report is organized into the following three main parts:

1) Examining the status quo and pathology of Impediments to implementation of the ECOTA Agreement;

2) Providing appropriate solutions and scenarios for trade liberalization; and

3) Determining all the necessary textual amendments to the ECOTA and drafting them.

In Part I, which is essentially exploratory and pathological in nature, considering the positions of the five member countries of the ECOTA on how to implement it, an attempt is made to discover the root causes of such positions, by using the external realities governing the trade relations of each member, which are affected by the ECOTA structure and the trade and tariffs structure of each member. Accordingly, Part I is divided into three chapters. In Chapter 1, the structure of the ECOTA is made subject to a pathological analysis and its adequacy and comprehensiveness is evaluated. In Chapter 2, an attempt is made to identify the major grounds for varying positions of member countries and inclination or lack of inclination of each member towards the implementation of the Agreement. This is done mainly through use of trade tools and analyses and the examination of the implications of implementing the provisions of Article 4 of the current ECOTA for the level of new access of each member to each other's markets as well as the balance of commitments and concessions. In this study, in addition to the current members of the ECOTA, the status of other ECO members and their potential gains from joining the Agreement is also examined and analyzed. In Chapter 3, the latest status of non-tariff barriers of the ECO members is examined and evaluated, using the latest available trade data.

[8]. For more details, see the third paragraph of the Annex III of the report of the 30th meeting of the ECO Regional Planning Council, which contains the list of proposed study projects in the field of trade and investment under the following heading: “Study on Impediments in Implementation of the ECO’s Trade Tools and Measures to Resolve."

Part II, which includes Chapter 4, is dedicated to the proposed solutions to break the existing deadlock. This is mainly done by using the pathological results presented in the first part of the report and focusing on the main factors preventing members from implementing the Agreement, including their market access obligations to reduce their tariffs. Based on this, various scenarios suitable for overcoming the current impasse are proposed and their results are evaluated by using trade analysis tools. Further, the proposed amendments to the structure of the Agreement and its various articles, including liberalization methods and tariff reductions, are identified and introduced.

Pert III, which includes fifth and final chapter of the report, contains all the necessary textual amendments to the ECOTA in order to implement the strategies and solutions presented in Part II. These amendments are presented through drafting the articles to be amended of the Agreement. Finally, a draft of amending protocol to the Agreement is presented.

PART 1:

Examining the status quo and pathology of Impediments to implementation of the ECOTA Agreement (Output 1): Analysis of ways & means of practical implementation of the ECOTA

Chapter 1 - An overview of the current status and pathology of the ECO Trade Agreement (Output 1.1): Review of physical/non-physical barriers that prevented ECOTA from implementation

1-1- Introduction

The ECO Trade Agreement (ECOTA), which was signed in July 2003 by Afghanistan, Iran, Pakistan, Tajikistan, and Turkey and subsequently reached the required quorum by March 2008 with the approval of half of the ECO members, despite the passage of many years, has not yet been implemented due to various reasons, including disagreement among members on how to implement the Agreement. This makes necessary a pathological analysis of the provisions of the Agreement in order to evaluate it and provide solutions to the current situation. In this chapter, we will review the latest status of the implementation of the Agreement, and overview the main provisions of the Agreement, and, taking into account the 2025 ECO Vision document, assess the current situation to achieve the vision goals. We will also examine the experiences of other similar regional trade agreements in terms of trade liberalization and tariff reduction methods. Finally, we will conclude with a critical textual analysis and evaluation of the provisions of the Agreement.

1-2- An overview of the latest situation

First of all, it is necessary to take a look at the latest status of the ECO Trade Agreement (ECOTA), based on the reports prepared by the ECO Secretariat and the decisions of the various ECO bodies. Here, in order to avoid prolonging the report, we refrain from repeating the details of events and actions or positions taken by each member since the signing of the Agreement and refer interested readers to the Report of the Eighth Meeting of the ECOTA Cooperation Council,[9] Report of the 24th Meeting of the ECO Council of Ministers,[10] Working Paper of the 30th Meeting of the ECO Regional Planning Council,[11] and Working Paper on the ECOTA[12]. Taking into account the above-mentioned events, the latest status of the signing, approval, and completion of the necessary procedures for

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[9] - Adopted Report on 8th Meeting of ECOTA Cooperation Council, ECO Secretariat, Tehran, August 18-19, 2019.

[2]- 24th Meeting of the ECO Council of Ministers (COM) Report, November 9, 2019 Antalya, Republic of Turkey, *ECO/24th COM/2019/*9th November 2019.

[3]- 30th Meeting of the ECO Regional Planning Council (RPC) , Working Paper on Trade and Investment Prepared by the ECO Secretariat, ECO/RPC/30/WP/T&I/2019 25 November, 2019.

[4]- Working Paper on ECO Trade Agreement (ECOTA), prepared for 8th Meeting of ECOTA Cooperation Council.

the implementation of the Agreement, including the exchange of product lists, such as positive, negative, and sensitive lists, is shown in Table A as follows.

Table (A)-The latest status of implementation of the ECOTA by each member states

No.	Member State	Ratification		Exchange of product list		
		ECOTA Agreement	ECOTA Annexes	P.L*	N.L*	S.L*
1	Afghanistan	(√)	(√)	(√)	(√)	(√)
2	Iran	(√)	(√)			
3	Pakistan	(√)	(√)	(√)	(√)	(√)
4	Tajikistan	(√)				(√)
5	Turkey	(√)	(√)	(√)	(√)	(√)

*P.L, N.L and S.L stand for positive list, negative list and sensitive list respectively.

As shown by the table above, Afghanistan, Iran, Pakistan, and Turkey have already passed the text of the Agreement and its annexes with the approval of their legal authorities. Although Tajikistan has ratified the text of the Agreement, the annexes to the Agreement have not yet been ratified.

Regarding the exchange of sensitive goods list (one percent of the total tariff lines of each country, which is exempted from most of the obligations of the Agreement), negative list (19 percent of tariff lines exempted from tariff reductions) and positive list (80 percent of the total tariff lines -less or more than 15 percent- are subject to the obligation of tariff reductions), although these lists have not been publicized yet, according to the ECO Secretariat, Afghanistan, Pakistan and Turkey have submitted their lists to the Secretariat. Tajikistan has provided only its sensitive list, and Iran has so far refused to provide the three lists and made it subject to being informed of other members' lists. The failure to exchange the three lists has in practice prevented the implementation of the ECOTA by the members, and this impasse has not yet been broken.

1-3- An overview of the provisions of the ECOTA and its principal obligations

The ECOTA is set out in 39 articles and after preamble, definitions and objectives, includes two chapters and four appendices. In stating its objectives (Article 2), the Agreement emphasizes the establishment of the Agreement on the principles of overall reciprocity and mutuality of advantages in such a way as to benefit equitably all Contracting Parties, taking into account their respective levels of economic and industrial development, the pattern of their external trade, trade and tariff policies, and systems.

The first chapter, which deals with goods and covers Articles 3 to 11 of the Agreement, excludes a maximum of one percent of goods (based on 6-digit classification of the Harmonized System) as sensitive goods, but the second chapter, which contains general provisions, also includes sensitive goods.

In the first chapter, in accordance with Article 4, 80% of tariff lines are subject to tariff reductions up to a rate of 15% within 8 years (15 years for Afghanistan) in 8 equal annual stages (longer period for Afghanistan has not been considered in implementation stages of the Agreement). According to the Agreement, 20-percent exception of the negative list may also include goods that are actually traded at the time of the implementation of the Agreement. The last paragraph of Article 4 of the Agreement requires Members to notify all Parties of their schedule of 8-year incremental concessions, which shall not be less than 10 percent of the existing tariffs per year.

Article 5 of the Agreement obliges the members to formally announce and not to increase the para-tariffs as well as to eliminate them within two years. According to Article 6, the deadline for the removal of prohibitions and quantitative restrictions on imports is set at two years. With regard to export duties and quantitative restrictions on exports, the same time limit has been set in accordance with Articles 8 and 9 of the Agreement. Any discrimination between domestic and foreign goods is also prohibited under Article 7 based on the principle of national treatment. Article 11 on transparency sets a 30-day deadline for the notification of relevant regulations and measures. Non-impairment of concessions is guaranteed, except as provided in Article 10 or with permission of the Cooperation Council. As mentioned, only sensitive goods (one percent of 6-digit tariff lines to the maximum) are excluded from Articles 3 to 10 of the Agreement, and sensitive goods will be negotiated periodically to reduce their number (Article 3).

In the second chapter, Article 12 sets out how to determine the origin of goods subject to preferences in accordance with the provisions of Annex I to the Agreement. Article 13 emphasizes the freedom of transit in transport. Article 14 limits the refund of duties on export goods to the amount of duties paid. Article 15 addresses general and security exceptions of the Agreement. Article 16 on state monopolies set out an 8-year period for eliminating discrimination between the nationals of the members regarding the procurement and trade of goods of a commercial nature, including exports and imports, by state-owned companies. Article 17 deals with freedom of payments. Article 18 deals with the issue of subsidies and considers subsidies that are detrimental to competition and affect trade between the members of the Agreement, with the exception of subsidies for agricultural products, to be subject to transparency and assessment in accordance with national regulations (referred to in Annex II) (ironically, here only assessment is mentioned, not action!), but in case of inadequacy or lack of national regulations, it refers to Article 21 of the Agreement (Article 21 appears to have been inadvertently inserted instead of Article 24). Article 19 on the protection of intellectual property rights, after emphasizing the principle of non-discrimination and referring to a range of literary and industrial property rights, has set an 8-year deadline for upgrading protection to a level corresponding to multilateral agreements (mentioned in Annex III).

Article 20 prescribes the adoption of anti-dumping measures in accordance with national regulations (referred to in Annex IV) to counteract or prevent dumping and unfair trading practices. According to Article 21 on the general safeguard measures, in the event of an increase in the import of a preferential good resulting in serious injury in the importing country, a temporary suspension of the preference granted in a non-discriminatory manner is permitted, but if within 90 days after official notification on the nature and scope of the safeguard measure, no agreement is reached through consultation, the matter shall be referred to the dispute settlement authority subject to Article 27 of the Agreement and if this authority fails to settle the case within four weeks from the date of reference, the affected member shall have the right to withdraw the equivalent concessions or other commitments. In this article, in addition to the serious injury mentioned in the definitions of the agreement, a serious deterioration is also mentioned, the definition of which is not mentioned in the Agreement and is vague. In addition, the reference of this article to the procedure laid down in Article 24 is inconsistent, given the different time limit set out in Article 21 itself. Article 22 prescribes quantitative restrictions on exports only in cases of the prohibition of re-export to third parties or shortages of essential goods. Article 23 refers any non-compliance by members with the procedures set out in Article 24 or the decisions of the Cooperation Council.

Article 24 sets out the procedure of referral to the Cooperation Council of practices referred to in a number of articles of the Agreement, according to which, as regards subsidies (Article 18), anti-dumping measures (Article 20), and restrictions on re-exports and shortages (Article 22), if the matter is not resolved after the expiration of a 30-day period, the members have been given the right to take appropriate action. With regard to Article 23, which deals with the non-fulfillment of the obligations of the members, the deadline is set at 90 days or the end of the consultations. (It should be noted that Article 24 seems to refer to Article 18 incorrectly instead of Article 17, while Article 17 is about freedom of payments and does not refer to Article 24. Reference of article 18 (subsidies) and article 20 (dumping) to this article also seems unnecessary, assuming the need to follow the procedures set out in the relevant annex concerning national regulations. Reference of Article 21 to Article 24 also seems inadvertent, because, as noted, there is a discrepancy between the two articles.) Article 25 makes any necessary restrictions in the event of balance of payments difficulties, subject to the terms agreed upon by the Cooperation Council (which is largely vague and it is not clear what it means exactly) and also subject to consultation in order to maintain the stability of the concessions granted to the members, and in case of no agreement within 90 days, the matter will be referred to the Cooperation Council.

Article 26 makes any decisions concerning the development and interpretation of the provisions of the Agreement subject to the consensus of the Members. Article 27 on dispute settlement provides for a 90-day period for the amicable settlement of disputes through bilateral consultations and in case the dispute is not settled amicably, any member may refer the matter to the Cooperation Council as the dispute settlement body which may seek the assistance of legal and trade experts. The decisions of the dispute settlement body are binding and in case of non-implementation of the decisions of the Council by a member, the party affected is allowed to take appropriate measures. Article 30 sets out the decision-making procedure of the Cooperation Council, as far as possible on the basis of consensus and otherwise on the basis of two-thirds of the votes of the members (one vote per member). Pursuant to Article 29, these decisions will be effective only in the cases provided for in the Agreement, and in other cases, the Council may only make recommendations. In accordance with Article 31, the Cooperation Council is responsible for overseeing the implementation of the Agreement Article 28 designates Secretary General of the ECO as the depository of the Agreement.

Article 32 deals with the ECO's relationship with other organizations, and Article 33 deals with the relationship of the Agreement with other agreements of the members. Article 34 deals with the withdrawal from the Agreement. Article 35 deals with the Annexes to the Agreement and Article 36 with the scope of implementation of the Agreement. Article 37 denies the possibility of any reservations to the Agreement. Article 38 makes any amendment to the Agreement subject to the agreement of the members. In accordance with Article 39, the Agreement shall enter into force 30 days after the date of receipt by the depository of the instrument of ratification, acceptance, or approval by five member states. In case of non-implementation of the Agreement due to non-fulfillment of the mentioned quorum, Article 39 allows the accepting members to decide on the implementation of the Agreement within one year (although the starting date of calculation of one year is not clear). Finally, the initial term of the Agreement is set at ten years, which will be renewed year by year if not terminated by either member.

The four annexes to the Agreement are devoted to the rules of origin, state aid (subsidies), protection of intellectual property rights and anti-dumping measures, respectively, and, except for the first annex, they are very short and only refer to domestic regulations (regarding subsidies and dumping) or selected international treaties (concerning the protection of intellectual property rights). Further, although the first annex includes relative details, it is not based on specific rules for each commodity and provides a single rule for identification of origin for all goods that are not entirely produced in one country, based on the basis of 40% local content or 60% cumulative content of the members according to the FOB value of the product.

1-4- The gap between the current situation and the Vision 2025

As mentioned, after a lapse of more than 17 years from the conclusion of the Agreement and despite the ratification of 5 member states (according to paragraph 1 of Article 39) and the formation of 8 meetings of the ECOTA Cooperation Council (according to Article 29), the Agreement has not been implemented yet, because one member (Tajikistan) has stated that the ratification process in that country requires the ratification of annexes to the Agreement that have not yet been ratified, and two members (Iran and Tajikistan) have not submitted all or some of their commodity lists and have made it subject to being informed of other members' lists. The members also have not reached another agreement on the implementation of the Agreement between a more limited number of members (according to paragraph 2 of Article 39). In addition, they have so far failed to encourage other ECO members to participate in the Agreement.

However, the ECO Vision 2025, which was prepared in 2015 and approved by the ECO Ministerial Meeting in Islamabad, Pakistan in 2017, has envisaged the formation of the ECO Free Trade Area by transforming the ECOTA from a preferential trade agreement into a free trade agreement with more members for 2025 with the aim of doubling intra-regional trade, and the 2017 Summit Declaration in Islamabad has also emphasized the goal of doubling the ECO intra-regional trade over the next three to five years (paragraph 10 of the 13th Summit Declaration). In accordance with the executive framework of the ECO Vision 2025, a two-year timeframe from December 2020 to December 2022 has been set for the conclusion and ratification of the Free Trade Agreement.

As can be seen, although about four years have passed since the summit decision to double the volume of trade among the ECO members, and while the ECO Trade Agreement (ECOTA) is considered the most important institutional tool for trade development between member countries, the Agreement has not been implemented so far, and despite the fact that 12 years have passed since the achievement of quorum required for entry into force of the Agreement, it is still in its infancy and has not made any progress forward. An examination of the background and positions of the members through the documents of formal meetings of the various ECO bodies and the Cooperation Council of the ECOTA shows that resolving the members' disagreement on how to implement the Agreement is impossible without finding and applying a mutually acceptable solution on the basis of external facts and understanding of positions and recognition of legitimate considerations and fair interests of each member, and the passage of time will not change anything by itself and the distance from the goals of the Vision will increase. Therefore, there is a big gap between the current situation and the goals of the Vision, and the continuation of the current path will definitely increase this gap day by day and reduce the opportunity to compensate for it. Clearly, the focus on the main reason why the Agreement has not been implemented, which can easily be deduced from the positions of the members during the meetings of the Cooperation Council and the ECO Council of Ministers, is the key to break the ECOTA stalemate.[13]

(Proposal of the Islamic Republic of Afghanistan received vide Embassy's Note Verbale No. 687-5 dated 15.6.2021).

To discuss/analyze the obstacles, possible dangers to interests of any Member States or considerations raised by Member States (if any), first the ECOTA needs to be implemented after all these years of investing time, energy and money. If making any minor changes in this agreement requires recommencement of official procedures in Member States, it'll result in loss of past years' achievements and waste of time.

[13] - In this report, in order to avoid repetition and extension of the report, we have refrained from mentioning the events during the meetings of the various bodies of the ECO, especially the Cooperation Council of the ECOTA, and only consider and evaluate the latest positions of members. For more details, please see the reports of the 30th Meeting of the ECO Regional Planning Council, the 24th Meeting of the ECO Council of Ministers, and the 8th Meeting of the ECOTA Cooperation Council.

1-5- An overview of tariff reduction criteria in other regional trade arrangements similar to the ECOTA

To compare trade liberalization and tariff reduction methods in the ECOTA Agreement with other similar trade arrangements, two examples of preferential trade agreements with limited scope, including the Organization of Islamic Cooperation (OIC) Protocol on Preferential Tariff Scheme (PRETAS) and the Preferential Trade Agreement of the D-8 Organization for Economic Cooperation in Eight Developing Countries (D8), as well as two examples of wide-ranging free trade agreements, including the ASEAN Free Trade Area (AFTA) and the South Asian Free Trade Area (SAFTA), were reviewed and evaluated. The summary of the results of these studies is as follows.

The D-8 Preferential Trade Agreement and the OIC Protocol on Preferential Tariff Scheme (PRETAS)

In terms of tariff liberalization, according to the D-8 Preferential Trade Agreement, six countries, including Indonesia, Iran, Malaysia, Nigeria, Pakistan, and Turkey (out of a total of eight member states), are required to reduce their tariffs for 8 percent of goods with tariff rates more than 10% within 4 years. This measure will be done in an optional range of any tariff categories by the choice of the member country, so that goods with tariffs above 25% will reduced to 25%, tariffs above 15% to 15%, and tariffs above 10% to 10% (Article 5 of the Agreement). Meanwhile, two other D-8 member states, including Bangladesh and Egypt, have not yet joined the Preferential Agreement. However, the Agreement has been in force since August 2011.[14]

The OIC Protocol on Preferential Tariff Scheme (PRETAS), like the D-8 Preferential Trade Agreement, has used similar methods of tariff reduction, except that its scope is limited to 7% of the total tariff lines with tariff rates more than 10% (Article 3 of the Protocol).

Although these agreements have a liberalization pattern similar to that of ECOTA, they have made possible a greater balance in the exchange of concessions between member countries, both because of their much more limited scope and the greater variety of tariff rates subject to liberalization.

[14] - http://developing8.org/areas-of-cooperation/supervisory-committee

The ASEAN Free Trade Area (AFTA) and the South Asian Free Trade Area (SAFTA)

Given the importance and successful operation of the ASEAN, the box below reviews the tariff liberalization process in the ASEAN countries. This study shows how the member countries have achieve a zero-tariff rate in at least 80% of their tariff lines. In this process, tariff reduction has been planned and implemented in two stages: tariff bands above 20% and tariff bands of 20% and less. By comparison, the ECOTA merely focuses on tariff reduction of bands above the target rate (15%) and does not set any liberalization agenda for other goods with rates below 15%. In other words, the reductions have been considered only up to tariff rate of 15%, but tariff rates below 15% have been ignored. Due to different structures of tariffs and trade of members, this issue has caused a widespread imbalance in the level of member concessions.

Tariff liberalization model in the Association of Southeast Asian Nations (ASEAN)

The Association of Southeast Asian Nations (ASEAN) was founded in 1967 (three years after the establishment of the Regional Cooperation for Development (RCD) or the predecessor of the ECO) and its first preferential trade arrangement was signed in 1977 and expanded in 1987 under an amendment protocol. In 1992, for the first time, an agreement to establish the ASEAN Free Trade Area until 2008 was signed, through common effective preferential tariffs in the range of 0 to 5 among the members, to be applied in two phases: reducing tariffs above 20% to 20% and reducing tariffs below 20% to 0 to 5% (Article 4 of the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area). Despite the initial target of establishing a free trade area in 2008, after entry into force of the agreement in 1993, the target for establishing a free trade area was changed first to 2003 and then to 2002. However, more time flexibility was considered for members who joined later. Initially, the agreement only covered industrial and processed agricultural products, but since 1996 it has also covered unprocessed agricultural products. At the same time, there were lists for temporary exceptions, general exceptions, and sensitive and highly sensitive goods, which gradually diminished in scope. The scope of the list of goods subject to liberalization in ASEAN's six leading countries, including Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand, is more than 98 percent, and for the four new members, including Cambodia, Laos, Myanmar and Vietnam, more than 80 percent. A minimum tariff rate of zero to 5 percent was achieved by the six leading countries in 2002 and shortly by Vietnam, and Laos and Myanmar by 2008 and Cambodia by 2010 reached the target in all items subject

to their tariff reduction obligations and imposed tariffs of 0 to 5 vis-a-vis other members. In 2002, members targeted a new level of liberalization by signing a protocol to achieve the goal of total tariff elimination. Under the protocol, the ASEAN leading members reduced their tariffs on two-thirds of their eligible items to zero in 2003, and the tariff rates for the remaining third of the eligible items were reduced to zero by 2010. The new members also applied zero tariffs on all their covered items until 2015. It should be noted that the coverage of these liberalizations has continued to increase in subsequent years.
Source: Information extracted from ASEAN Secretariat website (asean.org).

The tariff reduction method of the South Asian Free Trade Area (SAFTA) is similar to that of the ASEAN: both the reduction of tariffs above 20% to 20% and the reduction of tariffs of 20% and less to 5% and less have been considered through successive percentage reductions (preference margin) (Article 7 of the Agreement).

1-6- Evaluation of the ECOTA

After more than 17 years from the signing of the Agreement, a review of the positions of the members in the eight meetings of the ECOTA Cooperation Council can reveal the reasons for the failure to implement the Agreement, indicating the members' perceptions of textual shortcomings and trade liberalization methods. These positions indicate that some members do not find the criteria for tariff reductions in line with the objectives set out in the Agreement on equal and proportionate advantages for members from its implementation and, therefore, they want to amend the Agreement to achieve that goal. It is understood from some members' positions that in the liberalization methods of the Agreement, the mere focus on the reduction of high tariffs disproportionately places the burden of liberalization on members with higher tariffs and it even somehow excludes some members from any significant action in exchanging concessions. Also, some other members have considered the preference margin approach more appropriate than the approach of determining the final tariff rate and reducing tariffs to 15 percent, to observe the balance of concessions among the members.

It should be noted that the 15-year deadline set for one of the members (Afghanistan) to implement the tariff reduction obligations in the Agreement, compared to the 8-year deadline for other members, not only is inconsistent with the details of the implementation procedures of the Agreement --envisaging 8 equal stages per year-- but is in conflict with the general 10-year period of the

Agreement. In addition, this issue has been criticized by a member (Tajikistan) for its discriminatory treatment.

The Islamic Republic of Afghanistan has informed that their concerned authorities need some time to closely evaluate in order to provide comprehensive views in this regard and has proposed that the following paragraph be included in the report received vide Embassy of the Islamic Republic of Afghanistan Note Verbale No. 687-5 dated 15.6.2021:

"Considering the fact that Afghanistan is a war-torn and battle-scarred country and from economic aspect, one of the least developed countries of the world with the highest imports from and the least exports to other Members of ECOTA and countries of the region, the Islamic Republic of Afghanistan signed this agreement in view of country's priorities, otherwise different decision might have been made at that time."

Another controversial issue concerns how to exchange commodity lists, which has always been a contentious issue among members. Some members emphasize the need for members to be informed in advance of others' lists (based on the offer and request approach) and consider it inadequate to submit them confidentially to the Secretariat, but others insist that the lists are non-negotiable. In fact, although the Agreement makes no mention of the need to negotiate the lists, it urges members to make these lists known to all parties, contrary to the Secretariat's current approach to confidentiality of members' concessions schedules (Article 4).

The preparation of lists based on the six-digit codes of the Harmonized System has also been criticized by some members for limiting their choice of goods and the level of national tariffs of each country is considered more flexible for this purpose. It is clear, of course, that the Agreement provided for such a requirement to avoid differences in national tariff classifications.

Generally, it can be said that the main concerns of some members of the ECOTA are focused on how to implement tariff reductions and no significant criticism has been made so far as to other provisions. Apart from this, there are, of course, a number of textual shortcomings in the ECOTA. In addition to typographical errors in references to some articles of the Agreement, several instances of textual ambiguity or differences with international standards can be mentioned, some of which were mentioned in the section 1-3 on the provisions of the Agreement. Among other defects is the inclusion of the concept of serious deterioration in addition to serious injury in the provisions on safeguard measures in Article 21, without a definition thereof in the text or its meaning being known. It is also problematic to refer to Article 24 while these two articles have two different deadlines. Among other drawbacks and shortcomings of the text of the ECOTA are ambiguous references regarding subsidies and dumping to Article 24, the prohibition of reciprocal action regarding agricultural subsidies in Article 18 and the failure to assert reciprocity in the annex referred to in this article and the vague mention of the agreed provisions approved by the Cooperation Council regarding the limitations on the balance of payments in Article 25.

However, in spite of the numerous shortcomings mentioned above, it seems that, given the concerns about the lengthy process of amending the Agreement as a whole and its re-approval by the constitutional authorities of the member states, at present, the members' preference is by no means re-drafting of a new or similar agreement, and their focus should be solely on addressing the main and more important concerns, especially the reform of tariff reduction methods. Elimination of other shortcomings, given that it has nothing to do with the current impasse in the implementation of the Agreement, is not a priority for the members and is not very important.

In general, in terms of the adequacy of the issues covered, it can be said that the ECOTA is relatively well detailed. In terms of the level of trade liberalization, compared to other preferential trade agreements with a limited scope, it is in a higher position than similar agreements such as the OIC Protocol on Preferential Tariff Scheme (PRETAS) and the D-8 Preferential Trade Agreement. However, in terms of the scope and depth of trade liberalization, the ECOTA is significantly different from conventional free trade agreements such as the ASEAN Free Trade Area (AFTA) and the South Asian Free Trade Area (SAFTA). At the same time, the Agreement has the capacity to move from a preferential trade agreement with a limited scope to a free trade agreement through some limited amendments to tariff reduction methods, and this is the advantage of the Agreement.

1-7- Conclusion: Evaluation of the findings of Chapter 1

In a general evaluation, it can be concluded that the ECO Trade Agreement (ECOTA), despite some ambiguities and shortcomings, is in fact designed to avoid complexity and to ease its implementation, which is, of course, its strength. But, unfortunately, how to balance the benefits and interests for all members in accordance with their level of development, which is explicitly mentioned in the objectives of the Agreement, has been neglected, and the mechanism provided for in Article 4 on tariff reductions lacks the necessary conditions to meet this objective, plunging the members into a long and fruitless dispute. Given that tariff reduction commitments and trade liberalization methods are an important element of any preferential trade agreement, the current impasse does not seem to be resolved except by appropriately amending the provisions on trade liberalization and tariff reduction methods. On the other hand, according to the positions of the members, replacing the Agreement with a new one or making fundamental amendments thereto cannot help advance the implementation of the Agreement, especially in the time horizons considered in the Vision 2025 and the decisions of the Summit and the Council of Ministers. Therefore, the amendment should be focused on reforming liberalization and tariff reduction methods,. ~~which are covered by Article 4 of the Agreement.~~

(Received vide Embassy of the Islamic Republic of Afghanistan Note Verbale No. 687-5 dated 15.6.2021)

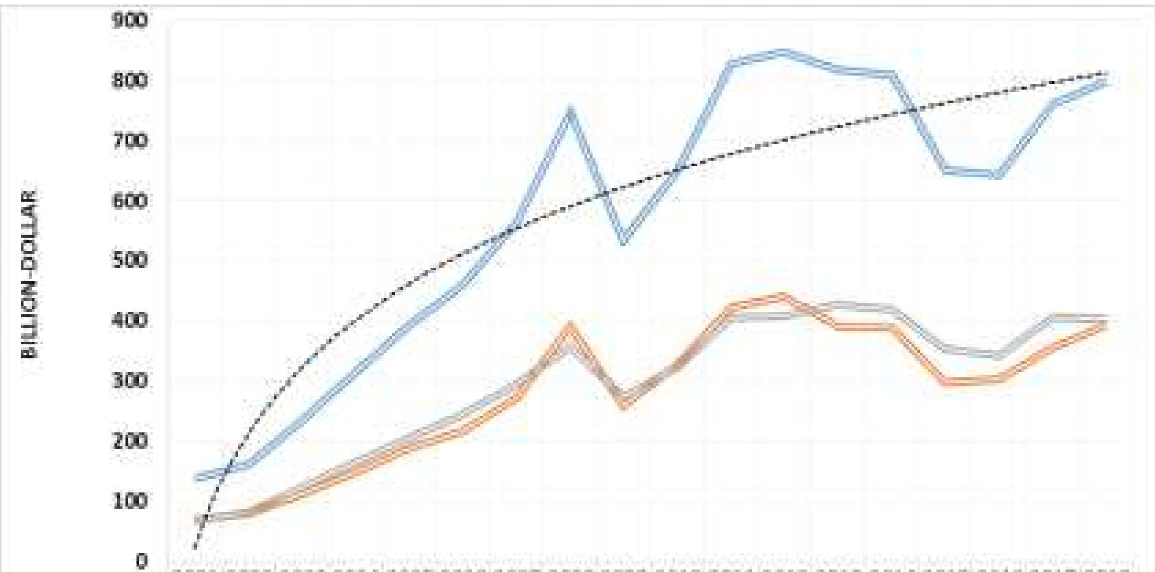
Chapter 2- Analysis of trade structure and tariffs of ECO member countries and evaluation of the existing obstacles to the implementation of the agreement

2-1- Analysis of the trade structure

2-1-1- Examination of the position of the ECO in the world trade

In 2018, the total trade of the ECO members with the world is $ 798 billion, of which $ 394 billion (49.4%) is related to exports and $ 404 billion (51.6%) is related to imports. During the period 2001-2018, the ECO members' trade with the world grew by an average of 11 percent per year, which was more than global trade growth (7%) during the period. Figure 1 shows the commodity trade trend of the ECO with the world from 2001 to 2018.

Figure 1: Total commodity trade of the ECO members

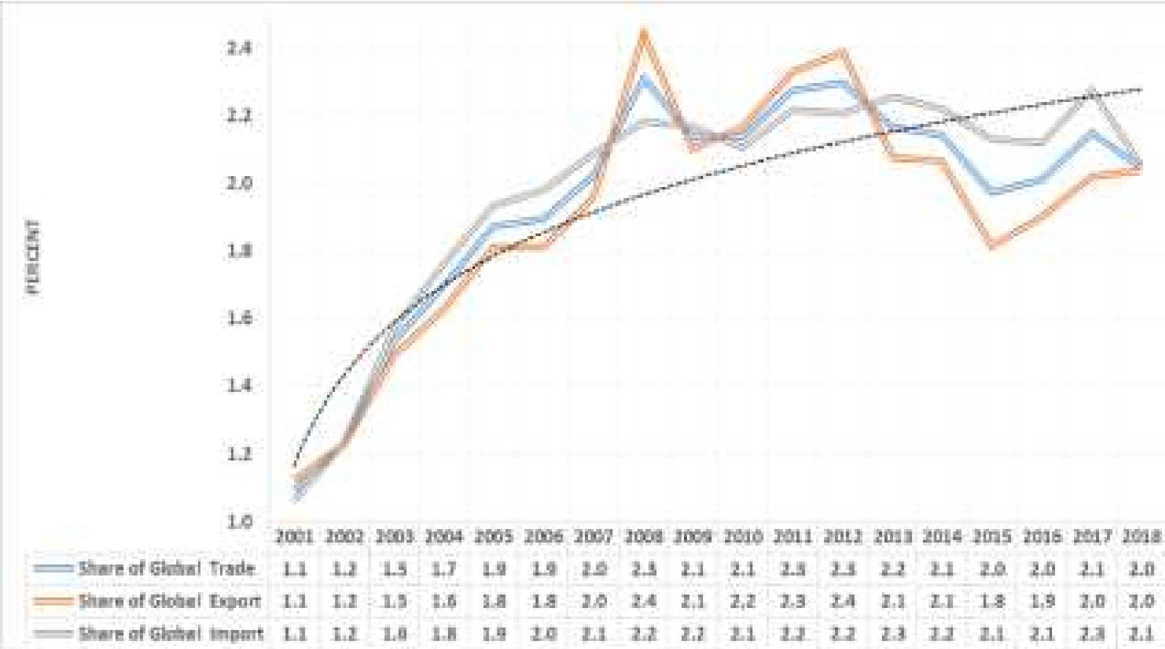


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Trade	136	160	233	314	393	459	565	747	533	649	829	848	818	809	651	644	760	798
Export	69	79	112	148	187	217	270	390	259	327	422	439	392	390	298	303	355	394
Import	67	81	121	165	205	243	294	357	274	322	407	409	426	420	353	341	405	404

Source: https://www.trademap.org.

It should be noted that, currently, only two percent of the value of global trade belongs to the ECO members. However, the share of the ECO members in world trade has increased from 1.1 percent in 2001 to 2 percent in 2018. Figure 2 shows the trend of changes in the ECO share of world trade during the period 2001 to 2018.

Figure 2: The share of the total commodity exchanges of the ECO members in the world trade

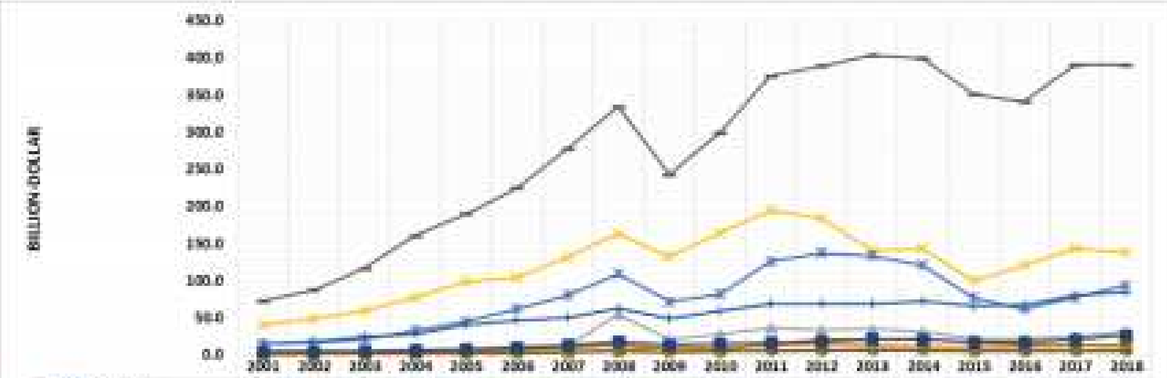


Source: https://www.trademap.org.

More than 83 percent of the ECO members' trade with the world belongs to three countries: Turkey, Iran, and Kazakhstan. During the period 2001-2018, Turkey, Iran, and Kazakhstan have the highest share of the ECO members' trade with the world with 49 percent, 21 percent, and 13 percent, respectively. Among the ECO member countries, the highest rate of trade growth belongs to Afghanistan (21.5%), followed by Azerbaijan (13.2%) and Tajikistan (12.5%). Despite the higher growth of these latter countries, which is due to the lower value of their trade with the world compared to Turkey, Iran, and Kazakhstan over the past two decades, these three countries totally enjoy only six percent of the ECO's trade with the world.

During the period 2001-2018, Turkey with 40.3 percent, Iran with 26.7 percent and Kazakhstan with 17.3 percent had the highest share in the export of the ECO members to the world, respectively. Also, Turkey with about 57.3 percent has the highest share of the import of the ECO members from the world, followed by Iran with 14.3 percent and Pakistan with 12 percent. Figure 3 shows the trends of the ECO members’ trade with the world during the period 2001-2018.

Figure 3: Commodity trade trends of the ECO members with the world during the period 2001-2018



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Afghanistan	0.4	1	2	2	4	6	5	7	9	10	13	15	13	11	11	10	12	12
Azerbaijan	4	4	5	7	9	12	12	55	21	28	36	33	35	31	22	22	24	31
Iran, Islamic Republic of	40	49	59	78	99	104	132	163	132	164	195	184	141	143	100	121	143	138
Kazakhstan	15	16	21	33	45	62	80	109	72	81	126	137	134	121	77	62	78	93
Kyrgyzstan	1	1	1	2	2	3	4	6	4	5	6	7	8	8	8	5	6	7
Pakistan	16	18	25	28	41	47	50	63	49	59	69	68	69	72	66	68	79	84
Tajikistan	1	1	1	1	2	2	3	5	4	4	5	6	6	6	5	4	5	5
Turkey	73	87	117	161	190	225	277	334	243	299	376	389	403	400	351	341	391	391
Turkmenistan	3	4	4	6	7	7	9	14	8	7	14	21	21	22	17	14	12	13
Uzbekistan	4	4	5	6	7	10	13	18	14	15	17	18	21	21	17	17	21	26

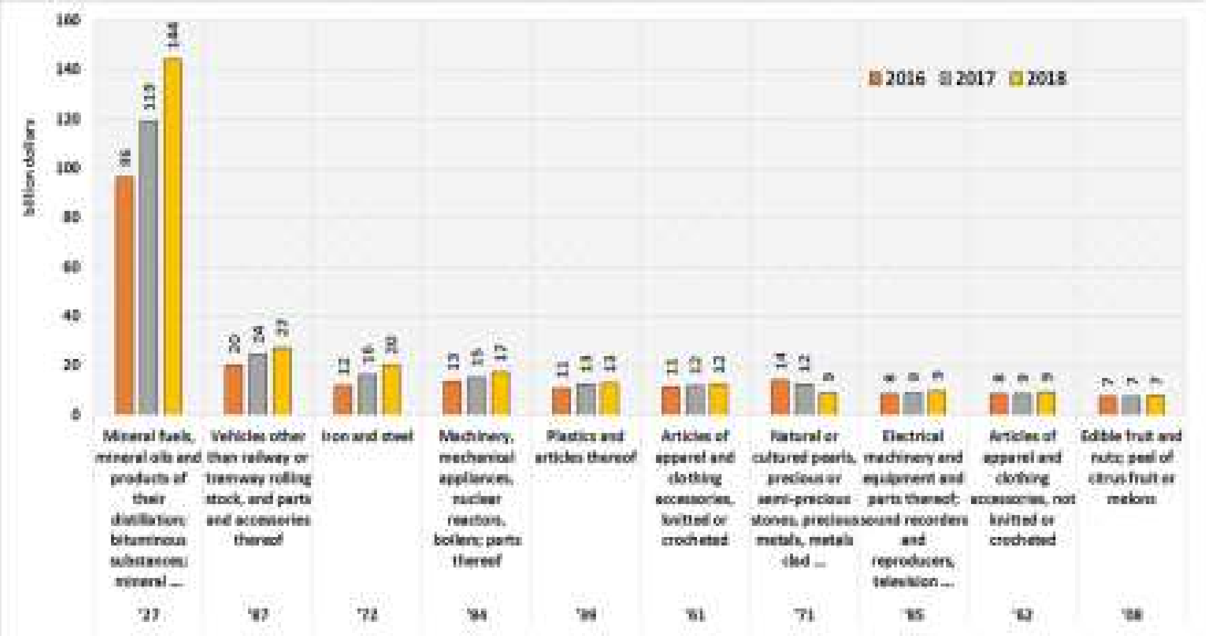
Source: https://www.trademap.org.

2-1-2- Survey of major commercial commodity groups of the ECO region in the last three years (2016-2018)

Oil and oil products (code 27) account for about 36.6 percent of the ECO members' exports; and Vehicles other than railway or tram vehicles and their parts and accessories (code 87) with 6.9 percent and iron and steel (code 72) with 5.1 percent are in the next ranks.

Among the major commodity groups, iron and steel exports had the highest growth with 31.6 percent, and precious or semi-precious stones and precious metals had a growth of 20.7 percent. Figure 4 shows the value of major commodity group's exports of the ECO members during the three years 2016-2018.

Figure 4: Value of major export groups of the ECO countries during the period 2016-2018

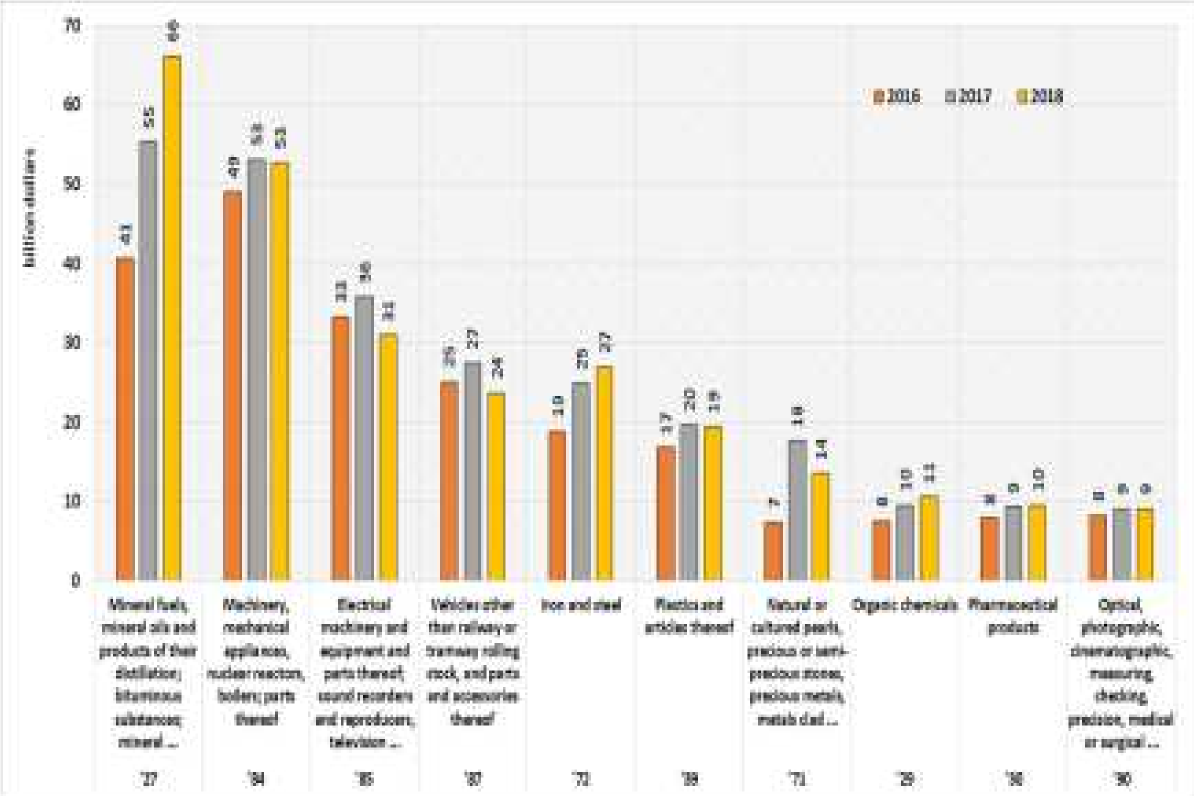


Source: https://www.trademap.org.

An examination of the major imports of the ECO members also shows that oil and petroleum products (code 27) with 16.4 percent of the total imports of the ECO from the world, is the largest group of imported goods of this economic bloc from the world. Machinery and mechanical devices (code 84) with 13.1 percent and electrical machinery and equipment and their parts (code 85) with 7.7 percent are coming next.

In imports, among the major commodity groups, precious or semi-precious stones, precious metals (code 71) with 35.7 percent and then oil and petroleum products (code 27) with 27.5 percent had the highest growth rates. In contrast, machinery and electrical equipment and parts (code 85) with 3.6 percent and vehicles other than rail or tram vehicles and parts and accessories (code 87) with 2.8 percent faced a decline in import demand. Figure 5 shows these changes.

Figure 5: Value of major groups of imported goods of the ECO members during the period 2016-2018



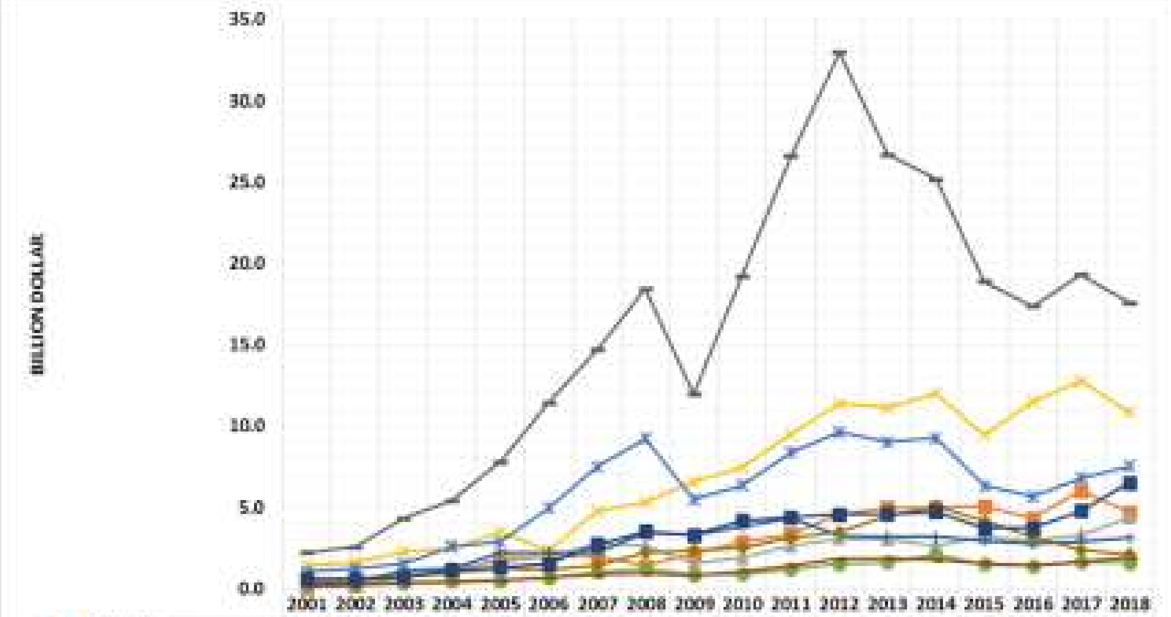
Source: https://www.trademap.org.

2-1-3- Intra-group trade

The total intra-group trade of the ECO members in 2018 was equivalent to 60.2 billion dollars. During the period 2001-2018, the value of the intra-group trade of the ECO members increased from $ 7.2 billion in 2001 with an average annual growth rate of 13.3 percent to $ 60.2 billion in 2018.

The highest value of intra-group trade among the ECO members belongs to Turkey, Iran, and Kazakhstan, with 35 percent, 16 percent, and 13 percent, respectively. Figure 6 shows the intra-group trade value of the ECO members during the period 2001-2018.

Figure 6: Value of intra-group trade of the ECO members during the period 2001-2018

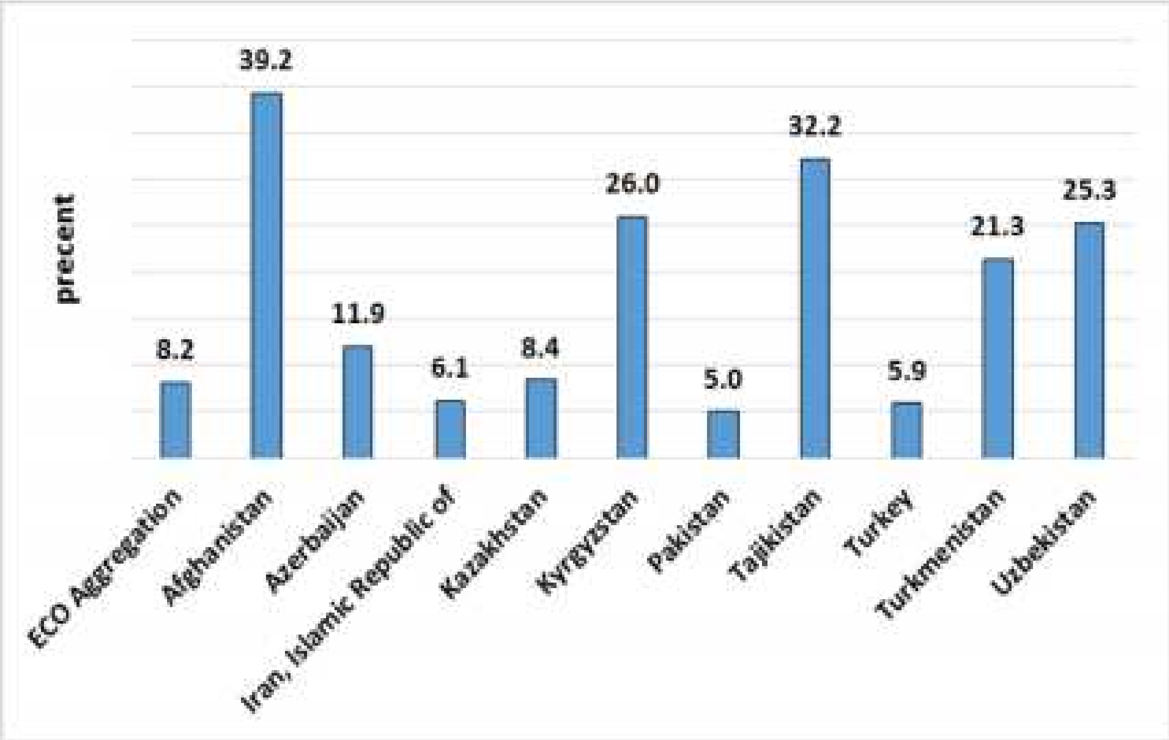


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Afghanistan	0.1	0.2	0.8	0.9	1.9	1.9	2.0	1.4	2.1	2.8	3.3	4.6	5.0	5.0	5.1	4.3	6.0	4.7
Azerbaijan	0.6	0.7	0.8	1.2	1.7	2.0	2.8	2.6	1.5	1.9	2.6	3.1	3.0	2.6	3.2	3.0	3.3	4.3
Iran, Islamic Republic of	1.4	1.6	2.2	2.5	3.5	2.4	4.7	5.3	6.6	7.5	9.5	11.4	11.1	12.0	9.5	11.5	12.8	10.9
Kazakhstan	1.0	1.2	1.5	2.6	2.9	4.9	7.5	9.2	5.5	6.4	8.4	9.6	9.0	9.2	6.3	5.7	6.8	7.5
Kyrgyzstan	0.3	0.3	0.4	0.5	0.5	0.7	1.0	1.2	0.9	0.9	1.2	1.5	1.6	2.1	1.5	1.4	1.6	1.6
Pakistan	0.3	0.4	1.1	1.2	2.2	2.2	2.2	3.4	3.3	3.8	4.3	3.3	3.2	3.2	2.9	2.7	2.9	3.1
Tajikistan	0.2	0.2	0.3	0.4	0.5	0.7	0.8	1.0	0.8	1.1	1.4	1.8	1.8	1.8	1.6	1.4	1.6	1.9
Turkey	2.2	2.6	4.3	5.4	7.8	11.4	14.7	18.4	12.0	19.2	26.6	33.0	26.7	25.2	18.9	17.4	19.3	17.6
Turkmenistan	0.5	0.5	0.7	1.0	1.2	1.2	1.4	2.2	2.4	2.5	3.1	3.5	4.4	5.1	4.2	3.2	2.4	2.1
Uzbekistan	0.6	0.6	0.7	1.1	1.3	1.5	2.7	3.5	3.3	4.2	4.4	4.5	4.6	4.7	3.7	3.7	4.8	6.5

Source: https://www.trademap.org.

Statistical studies show that in the last two decades, only 8.2 percent of the total trade of the ECO members has been related to intra-group trade. Among the ECO member countries, the highest share of intra-group trade in total trade belongs to countries that do not have a high share of this trade in terms of value. According to statistics, Afghanistan, Tajikistan, and Kyrgyzstan have the highest share of intra-group trade, while Pakistan, Iran, and Kazakhstan have the lowest share of intra-group trade, ranking first to third in terms of intra-group trade value (Figure 7).

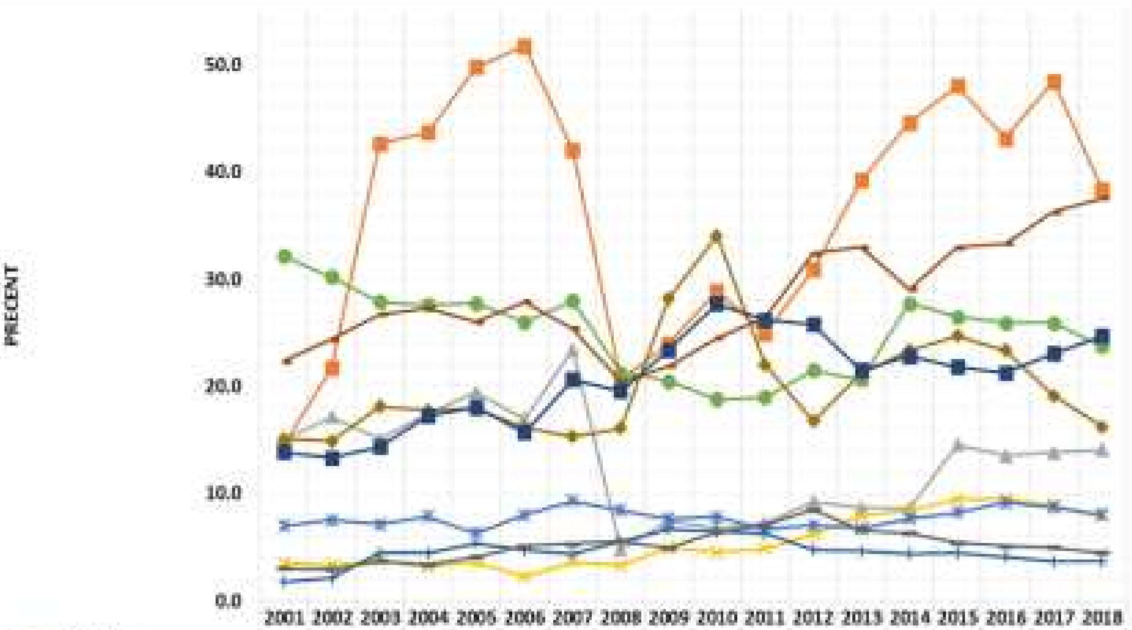
Figure 7: The share of intra-group trade of the ECO members in their total trade with the world in 2018



Source: https://www.trademap.org.

The share of intra-group trade has increased from 5.5 percent in 2001 to 7.5 percent in 2018, indicating an average annual growth of 2.1 percent over the last two decades. Among the ECO member countries, the higher growth rates of intra-group trade concerned Afghanistan (5.9%) and Iran (4.8%), and the lower growth rates of intra-group trade related Kyrgyzstan and Azerbaijan, which had a declining trend. Figure 8 shows these developments during the period 2001-2018.

Figure 8: The trend of changes in the share of intra-group trade of the ECO members during the period 2001-2018

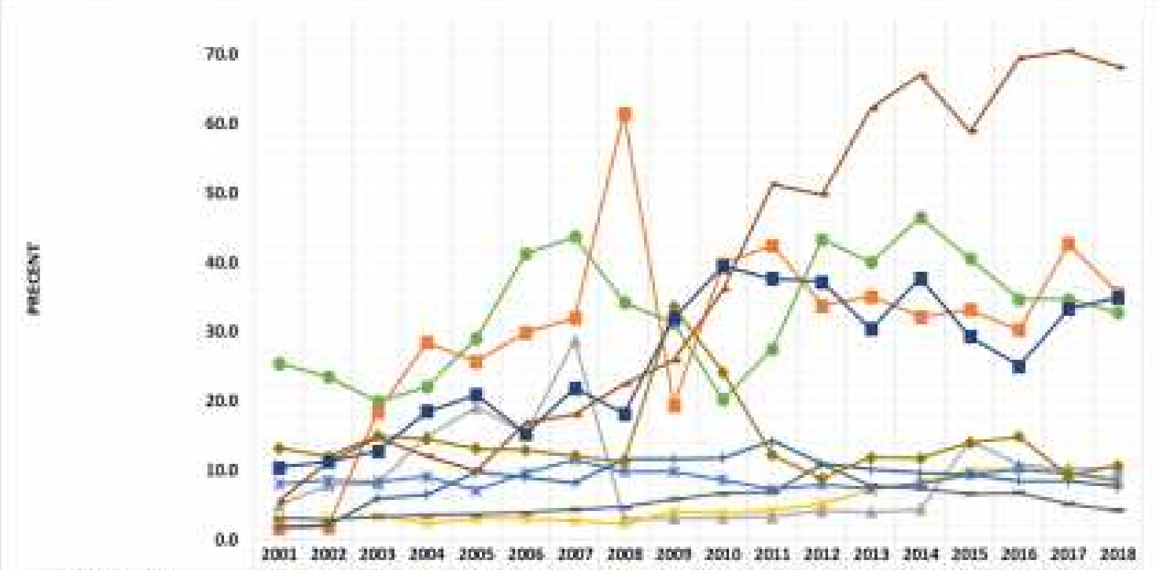


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Afghanistan	14.5	21.7	42.7	43.7	49.7	51.7	42.0	20.6	24.0	28.9	24.9	30.9	39.2	44.6	48.0	43.2	48.5	38.3
Azerbaijan	15.0	17.1	15.1	17.5	19.4	17.0	23.4	4.8	7.4	6.8	7.2	9.2	8.7	8.6	14.5	13.5	13.8	14.0
Iran, Islamic Republic of	3.6	3.3	3.8	3.2	3.5	2.3	3.6	3.3	4.9	4.5	4.9	6.2	7.9	8.4	9.5	9.5	8.9	7.9
Kazakhstan	7.0	7.5	7.1	7.9	6.3	8.0	9.3	8.4	7.7	7.8	6.6	7.0	6.7	7.6	8.3	9.2	8.7	8.0
Kyrgyzstan	32.1	30.2	27.9	27.6	27.7	26.0	28.0	21.3	20.5	18.8	19.0	21.5	20.6	27.7	26.5	25.9	25.9	23.7
Pakistan	1.8	2.1	4.4	4.4	5.3	4.7	4.3	5.5	6.7	6.4	6.2	4.8	4.6	4.4	4.4	4.1	3.6	3.7
Tajikistan	22.3	24.3	26.7	27.3	26.0	27.9	25.4	20.4	21.9	24.5	26.4	32.4	33.0	29.1	33.0	33.3	36.3	37.6
Turkey	3.0	2.9	3.7	3.4	4.1	5.1	5.3	5.5	4.9	6.4	7.1	8.5	6.6	6.3	5.4	5.1	4.9	4.5
Turkmenistan	15.1	14.9	18.1	17.8	17.9	16.1	15.3	16.1	28.2	34.0	22.0	16.7	21.2	23.4	24.7	23.3	19.1	16.2
Uzbekistan	13.8	13.3	14.3	17.2	18.1	15.7	20.6	19.6	23.4	27.7	26.2	25.8	21.5	22.8	21.8	21.3	23.0	24.7

Source: https://www.trademap.org.

Figure 9 shows the trend of intra-group export changes during the period 2001-2018. Afghanistan (20%) and Tajikistan (16%) experienced the higher intra-group export growth rates. While the share of intra-group exports of all ECO members has been increasing, the share of Turkmenistan has been declining.

Figure 9: The changes in the share of exports within the ECO members during the period 2001-2018

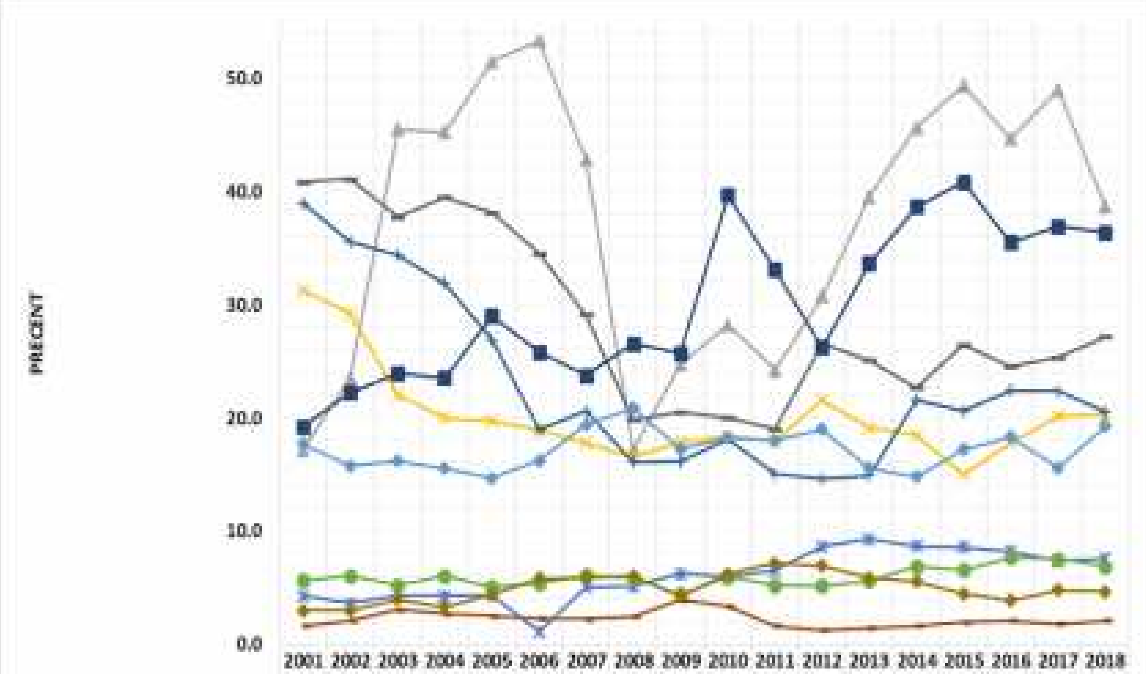


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Afghanistan	1.6	1.8	18.4	28.4	25.7	29.9	31.9	61.5	19.4	39.8	42.5	33.7	35.0	32.1	33.2	30.2	42.6	35.6
Azerbaijan	4.9	7.8	8.1	15.0	19.1	15.3	28.7	3.0	3.1	3.2	3.2	4.2	4.0	4.4	14.2	10.8	10.2	10.4
Iran, Islamic Republic of	3.1	3.1	3.4	2.3	3.0	3.0	2.7	2.3	4.0	3.8	4.2	5.2	7.2	8.2	10.0	10.2	9.8	8.0
Kazakhstan	8.0	8.5	8.4	9.0	7.1	9.6	11.5	9.8	9.8	8.6	7.2	7.9	7.4	8.0	9.4	10.2	9.5	8.7
Kyrgyzstan	25.4	23.5	19.9	22.0	29.1	41.3	43.7	34.2	31.3	20.2	27.6	43.4	40.0	46.5	40.6	34.7	34.6	32.8
Pakistan	1.8	2.1	5.9	6.5	9.7	9.0	8.1	11.7	11.7	11.8	14.2	10.9	10.1	9.6	9.3	8.5	8.4	7.6
Tajikistan	5.5	11.2	14.7	12.0	9.9	16.9	18.0	22.4	25.8	36.0	51.2	49.8	62.2	67.0	58.9	69.4	70.5	68.2
Turkey	3.1	2.8	3.3	3.5	3.6	3.9	4.4	4.7	5.8	6.7	6.9	10.9	7.8	7.4	6.7	6.7	5.2	4.3
Turkmenistan	13.2	12.0	14.9	14.5	13.1	12.9	12.0	11.2	33.5	24.1	12.2	8.8	11.8	11.7	13.9	14.8	9.3	10.7
Uzbekistan	10.4	11.3	12.8	18.5	20.9	15.3	21.9	18.2	32.0	39.4	37.7	37.2	30.4	37.7	29.3	25.1	33.3	34.9

Source: https://www.trademap.org.

Figure 10 also shows the changes in the share of intra-group imports of the ECO members in their total imports with the world during the period 2001-2018. Among the ECO members, the share of intra-group imports of Afghanistan (4.9%), Turkmenistan (3.8%), and Iran (3.4%) was increasing, while the share of intra-group imports of Kyrgyzstan, Azerbaijan, and Tajikistan was decreasing.

Figure 10: The changes in the share of intra-group imports of the ECO members during the period 2001-2018



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Afghanistan	17.2	23.6	45.5	45.2	51.5	53.3	42.8	17.2	24.8	28.2	24.3	30.8	39.5	45.6	49.4	44.7	49.0	38.7
Azerbaijan	31.3	29.3	22.0	20.0	19.7	18.9	17.8	16.6	17.9	18.4	18.0	21.6	19.1	18.5	15.0	17.8	20.1	20.3
Iran, Islamic Republic of	4.3	3.6	4.3	4.3	4.3	1.1	5.1	5.1	6.2	6.0	6.5	8.7	9.3	8.7	8.6	8.2	7.3	7.6
Kazakhstan	5.6	6.1	5.2	6.0	5.1	5.4	6.1	5.9	4.4	5.9	5.2	5.2	5.6	6.9	6.5	7.7	7.5	6.9
Kyrgyzstan	39.0	35.6	34.4	31.9	26.9	19.0	20.6	16.1	16.2	18.2	15.0	14.6	14.9	21.6	20.6	22.4	22.4	20.5
Pakistan	1.7	2.1	3.1	2.7	2.5	2.3	2.2	2.5	3.9	3.4	1.6	1.3	1.5	1.7	2.0	2.1	1.8	2.1
Tajikistan	40.8	41.1	37.8	39.5	38.2	34.5	29.1	19.8	20.5	20.0	19.1	26.6	25.1	22.7	26.5	24.6	25.3	27.1
Turkey	3.0	3.0	3.9	3.3	4.4	5.8	5.9	6.0	4.3	6.3	7.2	6.9	5.9	5.6	4.5	3.9	4.8	4.7
Turkmenistan	19.2	22.2	23.9	23.5	29.0	25.8	23.8	26.5	25.7	39.7	33.1	26.2	33.6	38.6	40.8	35.5	36.9	36.4
Uzbekistan	17.7	15.8	16.2	15.6	14.7	16.2	19.4	20.9	17.3	18.2	18.0	19.0	15.5	14.8	17.2	18.3	15.6	19.3

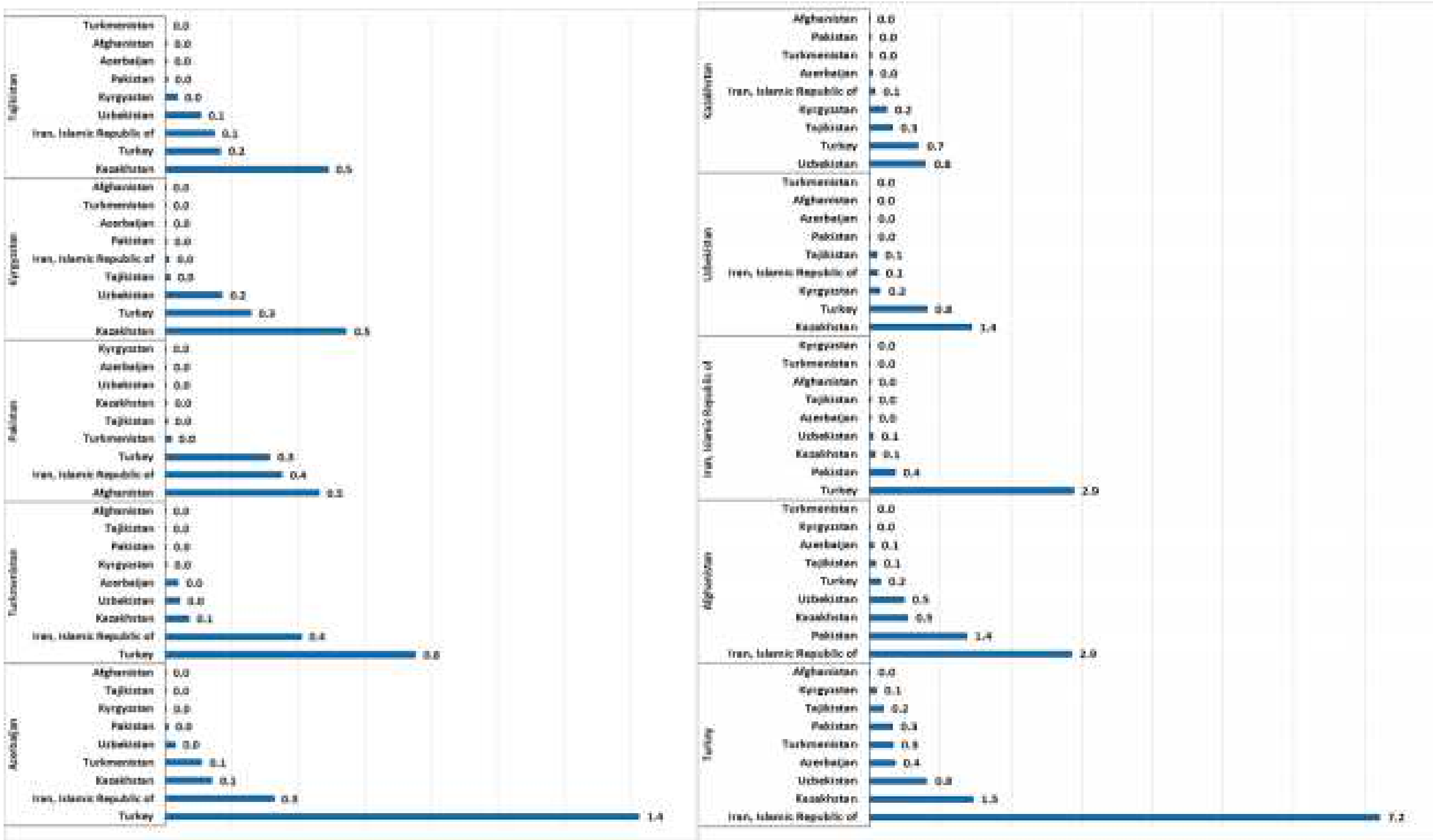
Source: https://www.trademap.org.

2-1-4 -Examination of the bilateral trade among the ECO members

An examination of the bilateral trade of the ECO members shows that the highest level of trade relations is between Iran and Turkey. Turkey has the highest level of trade relations with Iran, Kazakhstan, and Azerbaijan. Iran has the highest level of trade relations with Turkey, Afghanistan, and Pakistan, respectively. Among the ECO members, Turkey is the first trading partner for Iran, Azerbaijan, and Turkmenistan. Iran is also the most important trading partner for Turkey and Afghanistan. Kazakhstan and Uzbekistan are also the first trading partners of each other among the ECO members. Figure 11 shows the ECO members' bilateral trade with each other in 2017-2018.

Figure 11: Bilateral intra-group trade of the ECO members

(Average of 2017-2018)



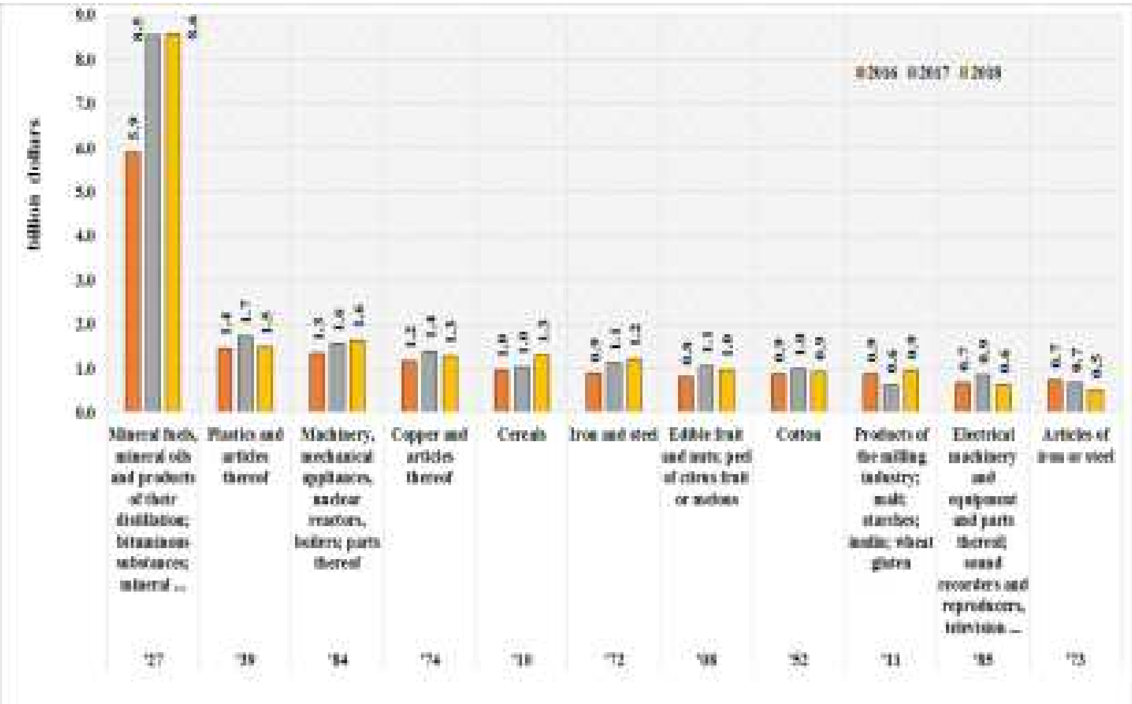
2-1-5- Major commodity groups in the intra-group trade of the ECO members (2016-2018)

The study of major imported goods shows that oil and petroleum products (code 27) with 26.7 percent of intra-group imports of the ECO members are the main group of imported goods. Plastic materials (code 39) with 5.4 percent and machinery and mechanical devices (code 84) with 5.3 percent are in the next ranks.

Among the major imported commodity groups, the intra-group imports of edible fruits (code 08), electrical machinery and equipment and their parts (code 85), and ferrous or steel products (code 73) decreased during the three-year period and the rest of the commodity groups grew. The highest growth of intra-group imports was related to the import of oil and petroleum products (code 27) with an annual rate of 27.5 percent.

Figure 12 shows the value of the most important commodity groups in intra-group trade of the ECO members in the last three years.

Figure 12: Major imported goods in intra-group trade of the ECO members during the period 2016-2018



Source: https://www.trademap.org.

2-2- Examination of the tariff structures of the ECO members

In order to study and analyze the tariff structures of ECO member countries, we divide these countries into two categories. The first group includes the member countries of the ECO Preferential Trade Agreement (ECOTA) which have ratified the text of the agreement through their legal authorities. These countries include Afghanistan, Iran, Pakistan, Tajikistan, and Turkey. The second group includes other ECO member countries that have not yet acceded to the ECOTA, including Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan, and Tajikistan. Of the five countries mentioned, Turkmenistan has no tariff information in any sources. Therefore, it was not possible to review the tariff structure of this country and it is not presented in the report.

In general, the analysis of the tariff structures of countries can be done at two levels: national tariff codes and six-digit tariff codes. At the level of national tariff codes, the situation varies between countries in terms of the number of rows and it is not possible to compare them logically with each other. For example, the national tariff codes in Iran and Pakistan are eight-digit codes, while they are twelve-digit codes in Kazakhstan and Kyrgyzstan. Obviously, in comparative analyses, the same tariff structure must be used in terms of the level of tariff details, which is the same as the six-digit tariff codes based on international standards. For example, when we want to compare the export potential of trading partners (based on the revealed comparative advantage (RCA) or volume of exports) with the tariff structure of a country, or when we intend to assess the trade effects of tariff reduction by a country, national tariff structure of countries cannot be used, because the volume of partners' exports to the world or the export RCA of the partners does not necessarily correspond to the national tariff structure of the trading country. Therefore, in comparative analyses, the same standard structure of six-digit tariff codes that we have used in this report should be used.

2-2-1- Analysis of the tariff structures of the ECOTA members

In order to analyze the tariff structure of the ECOTA member countries at the level of six-digit codes, the tariff data applied by the countries at the level of six-digit codes for Afghanistan in 2018; Iran, Pakistan, and Turkey in 2019; and Tajikistan in 2017 have been collected. All this information is downloaded from the International Trade Center-Market Access Map (MacMap) website.

2-2-1-1- Statistical description of the applied tariffs

Central statistics (including Minimum, Average, and Maximum) of applied tariff rates of the ECOTA member countries for the economy as a whole, broken down by agricultural and non-agricultural sectors, are presented in Table 1. As shown in the table, based on all tradable goods in the tariff schedules of countries, except Iran, other members of the ECOTA have tariff codes with zero rates. The minimum tariff rate in Iran is 4 percent in 2019 and the country does not have tariff code with a zero rate. The results of calculating the average tariff rates are as follows:

(1) Iran has the highest average tariff rate among the ECOTA members, equal to 20.1 percent.

(2) Pakistan and Turkey are in the second and third ranks, respectively, and their average tariff rates are higher than 10 percent.

(3) Afghanistan and Tajikistan have the lowest average tariff rates among ECOTA member countries. The maximum tariff rates are imposed by Turkey and Tajikistan at 225 and 216 percent, respectively.

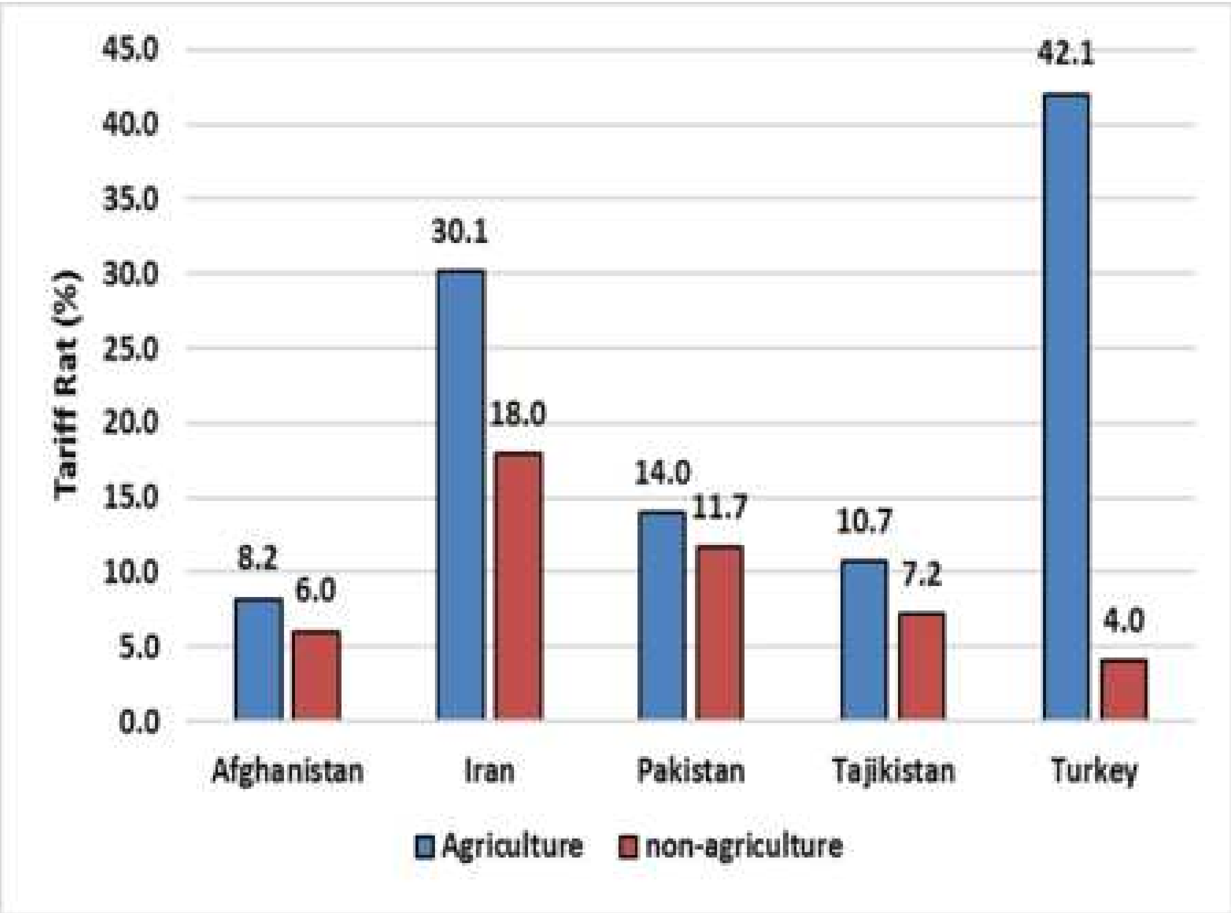
Comparison of applied tariff rates in the non-agricultural sector shows that Iran and Pakistan have applied the highest average tariff rates with 18 and 11.7 percent, respectively. The average tariff rate in other countries is less than 10 percent and the lowest rate is applied in Turkey, which is equal to 4 percent. In the agricultural sector, only Afghanistan and Turkey have zero tariff lines. As shown in Figure 13, the average applied tariff rates by the ECO countries in the agricultural sector are much higher than the non-agricultural sector, indicating that these countries are more protective in this sector. Turkey and Iran have the highest average tariff rates in the agricultural sector among the ECO member countries.

Table 1: Statistical description of MFN tariff rates of the ECOTA members by economic sectors

ECOTA Members	Agriculture			Non-agriculture (Industrial)			Total		
	Min	Ave	Max	Min	Ave	Max	Min	Ave	Max
Afghanistan	0.0	8.2	40.0	0.0	6.0	50.0	0.0	6.4	50.0
Iran.R.I	5.0	30.1	55.0	4.0	18.0	66.0	4.0	20.1	66.0
Pakistan	1.0	14.0	90.0	0.00001	11.7	100.0	0.00001	12.1	100.0
Tajikistan	0.5	10.7	216.7	0.0	7.2	30.0	0.0	7.7	216.7
Turkey	0.0	42.1	225.0	0.0	4.0	31.5	0.0	10.7	225.0

Source: ITC raw data and research findings.

Figure 13: Average tariff rates of agricultural and non-agricultural sectors in the ECOTA members



Source: ITC Raw Data and Research Findings

2-2-1-2- Examination of the statistical distribution of the applied tariff rates

In order to review and analyze the applied tariff rates of the countries, first the tariff rates are classified into seven categories: zero tariff rate ($T = 0$), tariff rates higher than zero to five percent ($0 < T \leq 5$), tariff rates higher than 5 percent to 10 percent ($5 < T \leq 10$), tariff rates higher than 10 percent to 15 percent ($10 < T \leq 15$), tariff rates higher than 15 percent to 25 percent ($15 < T \leq 25$) ،tariff rates higher than 25 percent to 50 percent ($25 < T \leq 50$), and tariff rates higher than 50 percent ($T > 50$).

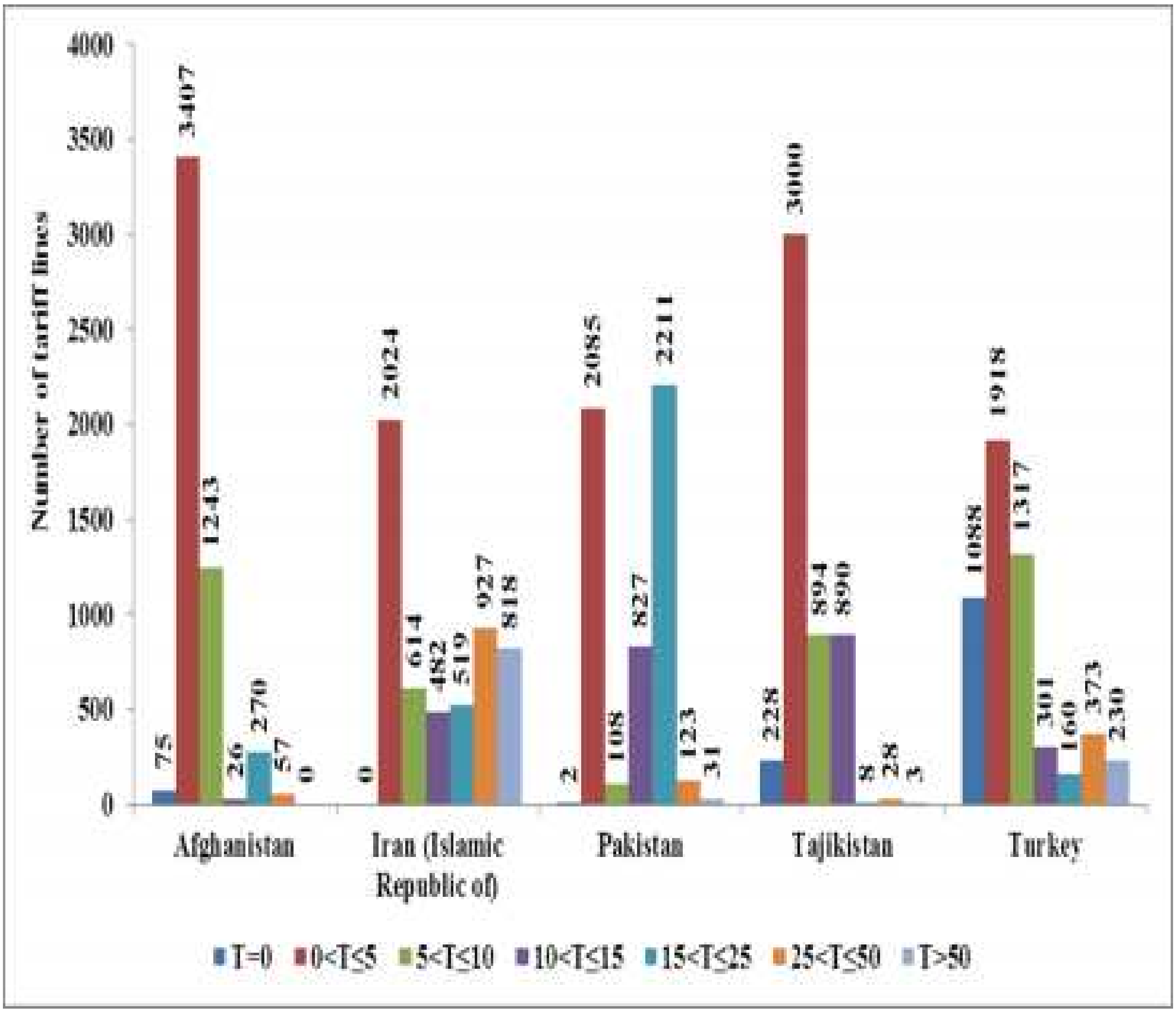
Tables 2 and 5 show the share of the six-digit HS codes in each tariff band of the total six-digit HS codes of each country. Figures 14 and 17 also show the number of six-digit HS codes of the ECO member countries in each tariff band. 31, 12.9, 13.4, 20.2, 7.7, 4.5 and 1.5 percent of the total tariff lines of Azerbaijan, Kazakhstan, Kyrgyzstan, Turkey, Uzbekistan, Tajikistan and Afghanistan are zero respectively, while Pakistan and Iran have no zero tariff rates. 67.1, 45, 42.5 and 59.4 percent of the total tariff lines of Afghanistan, Kazakhstan, Kyrgyzstan and Tajikistan are in the second tariff band ($0 < T \leq 5$) respectively, while only 0.3 percent of Uzbekistan's total tariff lines fall into this band. The third tariff band ($5 < T \leq 10$) covers 28.6, 28.3, 26.6, 24.5 and 24.4 percent of the total tariff lines in Kazakhstan, Kyrgyzstan, Uzbekistan, Afghanistan and Turkey respectively, while only 2 and 3.6 percent of the total tariff lines of Pakistan and Azerbaijan are in this band. Also, 44.7, 17.6 and 15.4 percent of the total tariff lines of Azerbaijan, Tajikistan and Pakistan are in the fourth band ($10 < T \leq 15$), while only 0.5 and 0.2 percent of the total tariff lines of Afghanistan and Uzbekistan are in this band. 41 and 31 percent of the total tariff lines of Pakistan and Uzbekistan are in the fifth band ($15 < T \leq 25$) respectively, while only 0.3 and 0.2 percent of the total tariff lines of Azerbaijan and Tajikistan belong to this band. Finally, the distribution of the tariff rates applied by the ECO members in the sixth ($25 < T \leq 50$) and seventh ($T > 50$) bands shows that Uzbekistan and Iran, with a share of 34 and 32.4 percent respectively, have the highest frequency of tariff lines in these two bands, while less than 1 percent of the tariff lines in Azerbaijan, Kazakhstan and Tajikistan fall into these bands.

Table 2: Distribution of the ECOTA members' MFN applied tariff rates in different tariff bands

Countries/Tariff Bands	T=0	0<T≤5	5<T≤10	10<T≤15	15<T≤25	25<T≤50	T>50
Afghanistan	1.5	67.1	24.5	0.5	5.3	1.1	0.0
I.R. Iran	0.0	37.6	11.4	9.0	9.6	17.2	15.2
Pakistan	0.0	38.7	2.0	15.4	41.0	2.3	0.6
Tajikistan	4.5	59.4	17.7	17.6	0.2	0.6	0.1
Turkey	20.2	35.6	24.4	5.6	3.0	6.9	4.3

Source: ITC raw data and research findings.

Figure 14: Frequency of tariff lines of the ECOTA members in each tariff bands



Source: ITC Raw Data and Research Findings.

2-2-1-3- Examination of the different consequences of fulfilling the ECOTA tariff commitments according to the tariff structure of each country

According to Article 4 of the ECOTA, all state parties to the Agreement shall reduce their national tariff lines as follows:

1. Positive list: 80 percent of national tariff lines should be included in the positive list of goods. The tariff rate for all lines on this list must be reduced to 15 percent within eight years. Afghanistan can complete the liberalization process within 15 years.

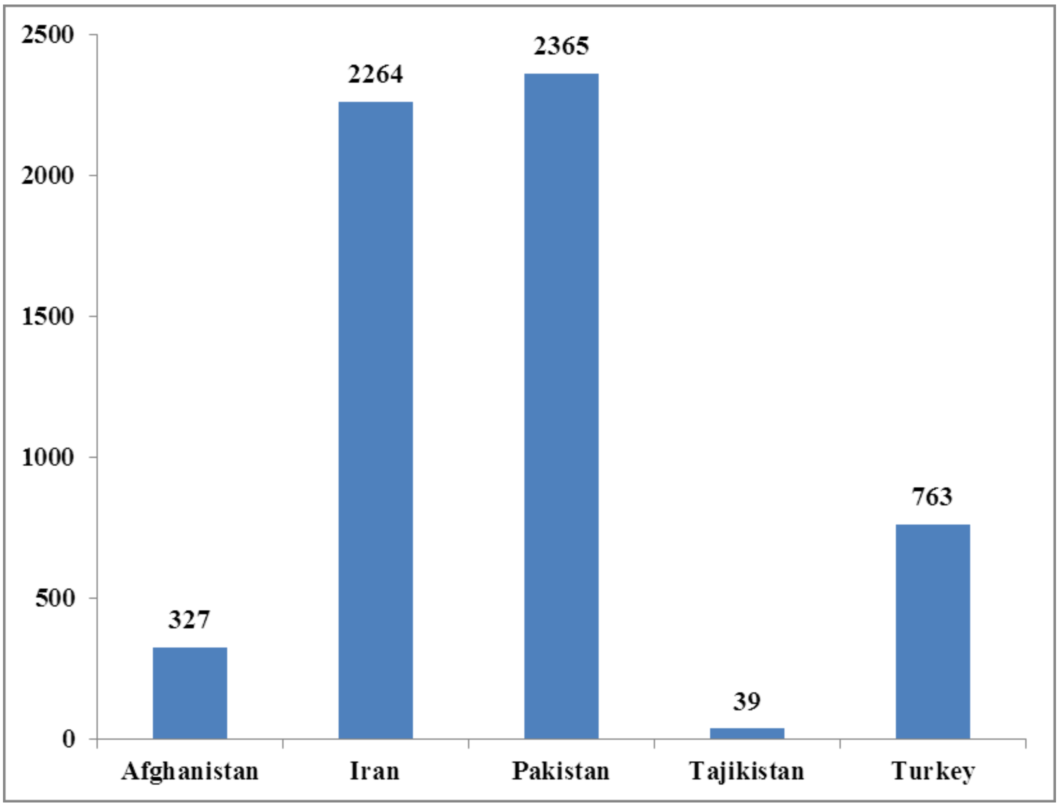
2. Negative list: 19 percent of national tariff lines can be included in the negative list. Tariff rates for these lines will not be subject to tariff exemption, but countries will not have the right to increase their tariff rates. However, negative list items are subject to other provisions of the ECOTA.

3. Sensitive list: 1 percent of six-digit tariff lines in each country can enter the sensitive list. The tariff lines in this list will generally be exempted from all provisions of the ECOTA, including tariff reductions.

In this study, in order to examine the consequences of tariff reductions based on the provisions of the ECOTA, in addition to the current tariff structure of each ECO member country, their export potential is also revealed by calculating the comparative advantage and their actual trade is considered and analyzed. It should be noted that in the final step, the consequences of tariff reductions in the ECOTA member countries will be compared with each other, taking into account the export potential of each country's partners and its tariff structure. The effects of implementing the agreement will be examined under different scenarios. Considering the different structure of tariff classification of each country, it was not possible to check the positive, negative, and sensitive lists of countries based on their national tariff lines and this was inevitably done at the level of standard six-digit HS codes. The positive, negative, and sensitive lists of the countries have been studied and analyzed based on the ECOTA rules, i.e. the 80 percent, 19 percent, and 1 percent rules, using the six-digit HS codes of each country, the results of which are presented in the following pages.

Figure 15 shows the number of six-digit HS codes for each member of the ECOTA with a tariff rate higher than 15 percent. As we see, the tariff rates of 44 percent (equivalent to 2365 six-digit HS codes) and 42 percent (equivalent to 2265 six-digit HS codes) of the total six-digit tariff lines of Pakistan and Iran are more than 15 percent, respectively. In contrast, for Tajikistan, Afghanistan and Turkey, only the tariff rates of 1 percent (equivalent to 39 six-digit HS codes), 6 percent (equivalent to 327 six-digit HS codes), and 14 percent (equivalent to 763 six-digit HS codes), respectively, are more than 15 percent. Based on this preliminary picture and as an early result, it can be concluded that with the implementation of the current provisions of the ECOTA on tariff reduction, the intensity of tariff liberalization by Pakistan and Iran and their market access commitments are far more than the other three members.

Figure 15: Frequency of tariff lines of the ECOTA members with rates higher than 15 percent



Source: ITC raw data and research findings.

In this study, the number of six-digit HS lines that should be included in the positive, negative, and sensitive lists of countries has been calculated according to the rule of ECOTA 1-19-80 lists. It should be noted that these calculations are based on the latest versions of the common tariff schedules of countries and with different versions of the HS, which are based on the 2007 and 2012 versions for Tajikistan and Afghanistan, respectively, and the 2017 version for Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan and Turkey. Therefore, due to the multiplicity of HS versions, the number of six-digit tariff lines of countries is also different, and, as a result, the quotas of their positive, negative and sensitive lists are also different.

Table 3 shows the quotas of the positive, negative, and sensitive lists of the ECOTA member countries based on their versions of the Harmonized Tariff System. The positive list quotas of Iran, Pakistan, and Turkey are 4307, 4310 and 4310 tariff lines, respectively, and these countries must reduce the tariff line rates on their positive list to a maximum of 15 percent or less within eight years. Afghanistan and Pakistan should add 4062 and 4041six-digit HS codes to their positive lists, respectively.

Regarding the negative list, from the total tariff lines, Iran, Turkey and Pakistan can enter 1023, 1024 and 1024 six-digit HS codes, respectively, and Afghanistan and Tajikistan 965 and 960 six-digit HS codes, respectively, to the negative list, which are exempted from tariff reduction obligations. Of course, upon the implementation of the agreement, the tariffs of the negative list must be stabilized at the current level, though not subject to a reduction of tariff rate.

Regarding the list of sensitive goods, Afghanistan, Iran, Pakistan, Tajikistan and Turkey are allowed to enter 51, 54, 54, 51, and 54 six-digit HS codes, respectively, to the list of sensitive goods, which are subject to none of the provisions and commitments (i.e. tariff and non-tariff commitments) of the ECOTA.

Table 3: Frequency of tariff lines to be included in the positive, negative and sensitive lists of the ECOTA members

Countries/ lists	Positive list	Negative list	Sensitive list
Afghanistan	4062	965	51
I.R. Iran	4307	1023	54
Pakistan	4310	1024	54
Tajikistan	4041	960	51
Turkey	4310	1024	54

Source: ITC raw data and research findings.

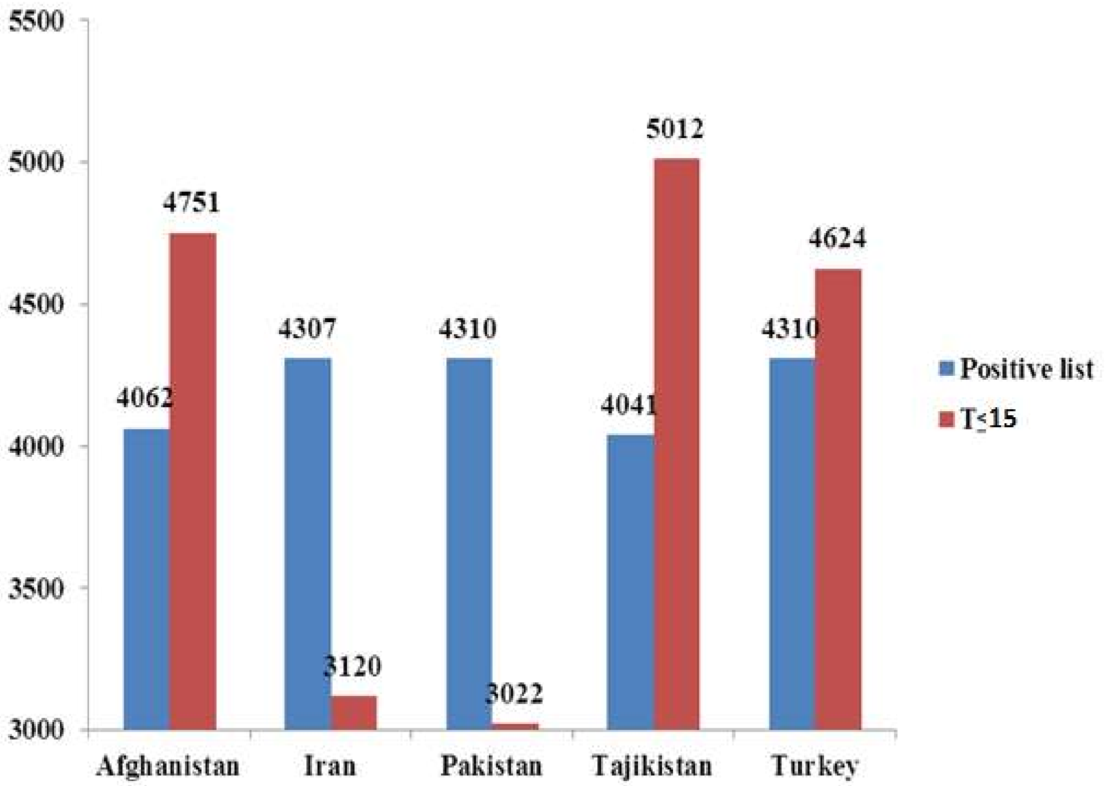
In order to assess the level of tariff liberalization and market access obligations of each member of the ECOTA to other partners of the Agreement, while taking into account the above three categories regarding the range of positive, negative, and sensitive lists of each member, it is necessary that the number of six-digit HS codes that each country has to enter in its positive list according to the ECOTA rule, is compared with the number of six-digit HS codes with a tariff rate of more than 15 percent in the tariff structure of each country to determine the real rate of tariff liberalization of each country by the ECOTA rule. Based on the MFN applied tariff rates of Afghanistan in 2018, since the current tariff rate of 4751 six-digit HS code in this country is less than 15 percent, this country can complete a new positive list of 4062 rows without any tariff reduction. Accordingly, in fact, Afghanistan has more than 15 percent of its positive list quotas with tariff rates below 15 percent and will not be required to implement any new tariff reduction commitments. The same is true for Tajikistan and Turkey. Tajikistan, for example, has to add 4041 six-digit HS codes to its positive list, while the tariff rates of 5012 tariff lines are currently less than 15 percent, so it can easily complete its positive list with the same items, without any further obligation of tariff reduction. The same is true for Turkey, which has to add 4310 six-digit HS codes to its positive list, while the tariffs for 4624 tariff lines in 2019 were less than 15 percent, and therefore the tariff obligations of the ECOTA have been fulfilled, so there is no binding commitments to reduce tariffs. Accordingly, out of the five members of the ECOTA, three countries, i.e. Afghanistan, Tajikistan and Turkey, can unilaterally and voluntarily submit their positive list without any tariff reduction. On the other hand, Iran and Pakistan have heavy commitments in comparison with other members, and a significant number of their tariff lines must be subject to tariff reductions to provide wider market access for other partners. For example, according to the ECOTA rule, Iran should add 4307 six-digit HS codes to its positive list, while tariff rates of only 3120 six-digit HS codes of this country are less than 15 percent, and, as a result, Iran has to add 1187 six-digit HS codes with tariff rates higher than 15 percent to its positive list to reduce their tariff rates to 15 percent.

Similarly, Pakistan should add 4310 six-digit HS codes to its positive list, while tariff rates of only 3022 six-digit HS codes in this country are less than 15 percent. So Pakistan has to add 1288 six-digit HS codes with tariff rates higher than 15 percent to its positive list to reduce their tariff rates to 15 percent.

For a better explanation, Figure 16 was designed to show the ceiling of the number of positive list tariffs in each country, along with the number of rows that currently have rates below or equal to15 percent. As Figure 16 shows, the number of tariff lines with rates less than or equal to 15 percent in Afghanistan, Tajikistan and Turkey is far more than the number of their positive list items, indicating that they do not have to reduce tariffs. While this is the opposite for Iran and Pakistan, the two countries will face significant commitments for tariff reductions.

Also, the examination of tariff structure of Iran shows that the tariff codes for which Iran is forced to reduce its tariff rates, are generally in the range of 15 to 50 percent, while the intensity of the reduction obligations is less for Pakistan, and the tariff rates of the tariff codes that the country will have to reduce their tariff rates are lower and fluctuate between 15 and 25 percent. This shows that the heaviest obligations to reduce tariff rates fall on Iran, followed by Pakistan, while the other three countries can virtually enjoy free riding.

Figure 16: Comparison of the positive list of each ECOTA member with the number of its tariff lines with rates less than or equal to 15 percent



Source: ITC raw data and research findings.

2-2-2- Analysis of the tariff structures of other ECO member countries

This section tries to examine the tariff structure of other ECO member countries that have not yet acceded to the ECOTA. These countries are Azerbaijan, Kazakhstan, Kyrgyzstan, Uzbekistan, and Turkmenistan. Turkmenistan has not been included in the tariff analysis of this report, because its data on the applied tariffs has not been provided by international organizations. Table 4 shows the tariff structure of other ECO member countries that are not members of the ECOTA, including the simple average of tariff rates and the minimum and maximum rates by major economic sectors, namely agriculture, industry, and the economy as a whole. The results of the calculations of this table for agricultural products show that with the average tariff rate of 32.4 percent, Uzbekistan has the highest tariff rates among the four countries, while Kazakhstan, with 9.3 percent, has the lowest average tariff rate of the agricultural sector, after Afghanistan, and the lowest average tariff rate in the agricultural sector among ten ECO member countries. A review of the maximum tariff rates shows that the highest tariff rate on agricultural products was imposed by Uzbekistan at 276.6 percent. The highest tariff rate in Kazakhstan and Kazakhstan is 248 percent and the highest tariff rate in Azerbaijan is 125.5 percent.

A study of the tariff structure in the non-agricultural sector (industry) shows that Uzbekistan, with an average of 29.2 percent, has the highest average tariff rate among the four countries, as well as among all ECO member countries. The average tariff rate of the other three countries in the industrial sector is less than 10 percent, and Kazakhstan is at the lowest level with 5.8 percent. The minimum tariff rate imposed by all four countries in the industrial sector is zero. In total, Uzbekistan and Azerbaijan, with tariff rates of 415.9 and 326.1 percent, respectively, have the higher maximum tariff rates in the industrial sector among the ECO member countries.

The results of calculating the average tariff rates at the level of total products (industry and agriculture) in Table 4 show that Uzbekistan, with an average tariff rate of 29.8 percent, has the highest tariff rate among the ECO member countries. The average tariff rates of Kazakhstan, Kyrgyzstan and Azerbaijan are at the lower levels of 6.4, 7.2 and 8.7 percent, respectively.

Table 4: Statistical description of MFN tariff rates of other ECO members by economic sectors

Countries	Agriculture			Non Agriculture			Total		
	min	average	max	min	average	max	min	average	max
Azerbaijan	0.0	12.8	125.5	0.0	7.8	326.1	0.0	8.7	326.1
Kazakhstan	0.0	9.3	248.0	0.0	5.8	22.4	0.0	6.4	248.0
Kyrgyzstan	0.0	10.5	248.0	0.0	6.5	80.9	0.0	7.2	248.0
Uzbekistan	0.0	32.4	276.6	0.0	29.2	415.9	0.0	29.8	415.9

Source: ITC raw data and research findings.

The distribution of the applied tariff rates of countries other than the ECOTA members in different tariff bands is shown in Table 5.

Table 5: Distribution of other ECO members' MFN applied tariff rates in different tariff bands

Countries	T=0	0<T≤5	5<T≤10	10<T≤15	15<T≤25	25<T≤50	T>50
Azerbaijan	31.0	19.4	3.6	44.7	0.3	0.4	0.6
Kazakhstan	12.9	45.0	28.6	12.3	0.6	0.2	0.4
Kyrgyzstan	13.4	42.5	28.3	12.4	1.8	0.8	0.8
Uzbekistan	7.7	0.3	26.6	0.2	31.0	0.7	33.3

Source: ITC raw data and research findings.

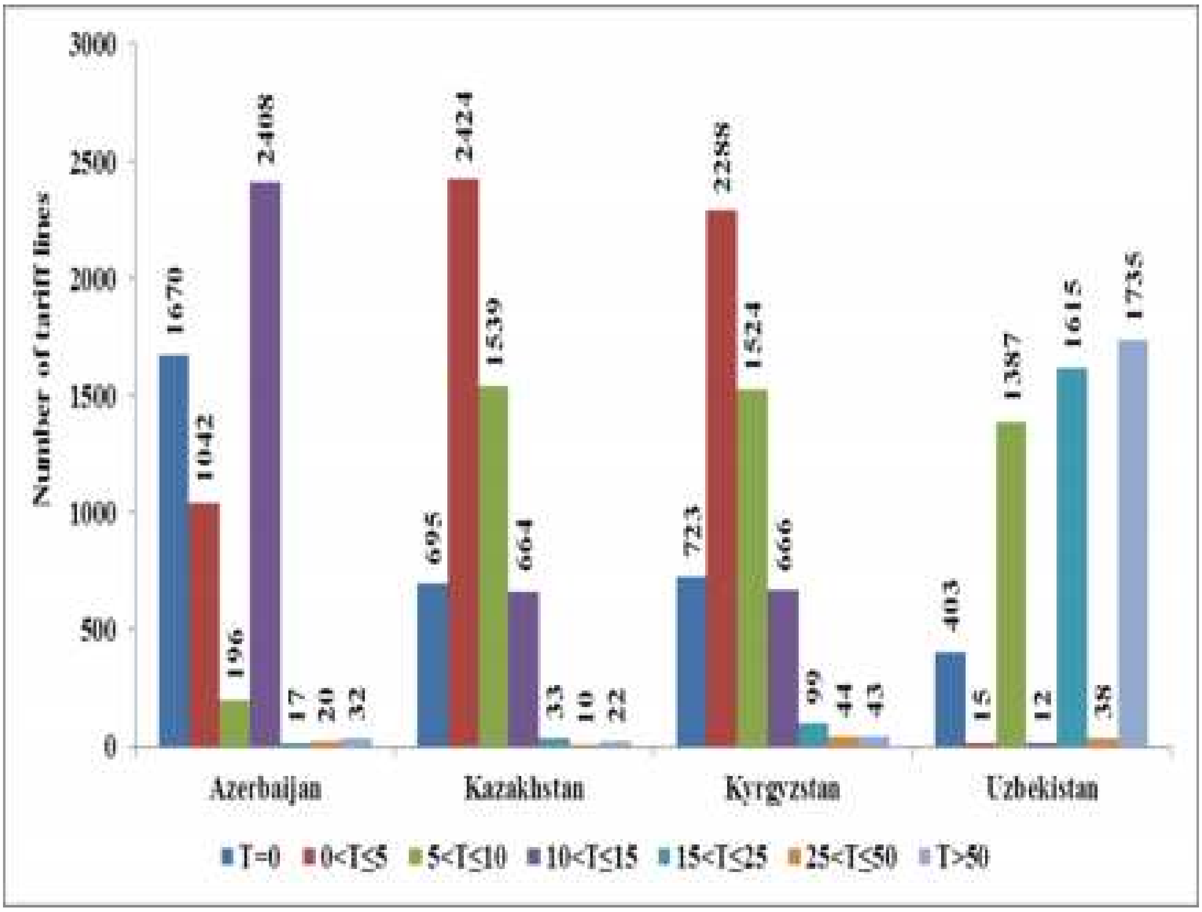
As shown by the table, the distribution of applied tariff rates in Azerbaijan shows that the highest frequency of applied tariff rates by this country belongs to the fourth (10<T<=15) and the first (T = 0) bands, respectively, so that 44.7 and 31 percent of the total tariff rates imposed by Azerbaijan belong to these two categories. The third rank belongs to the second band of tariffs (0<T≤5), which includes 19.4 percent of the tariff rates imposed by Azerbaijan.

The distribution of the applied tariff rates by Kazakhstan and Kyrgyzstan in the tariff bands is almost identical, due to the two countries' membership in the Eurasia Economic Union. The highest frequency of applied tariff rates by these two countries is related to the second (0<T≤5), third (5<T≤10) and first (T = 0) bands and 45 percent (42% for Kyrgyzstan), 28.6 percent (28.3% for Kyrgyzstan) and about 13 percent of the tariffs imposed by the two countries belong to the said three categories, respectively. It should be noted that only less than one percent of the applied tariff rates of Kazakhstan and 1.6 percent of Kyrgyzstan’s tariffs belong to the sixth (25<T≤50) and seventh (T>50) tariff categories.

The distribution of tariff rates imposed by Uzbekistan shows that the highest frequency of tariff rates is in the seventh (T>50), fifth (15<T≤25) and third (5<T≤10) categories and 33.3, 31 and 26.6 percent of the tariff rates imposed by Uzbekistan belong to these three categories, respectively, and about 1 percent of the applied tariff rates of the country belong to the fourth (10<T≤15), second (0 <T≤5) and sixth (25 <T≤50) categories. In other words, the frequency distribution structure of Uzbekistan's tariff rates is almost inverted, with most frequencies located in the upper tariff categories.

Figure 17 shows the details of the distribution of tariff lines of the four non-ECOTA countries among tariff bands.

Figure 17: Frequency of the tariff lines of other ECO members in tariff bands



Source: ITC raw data and research findings.

In order to be able to compare the cumulative distribution structure of tariff lines in each of the tariff categories for all ECO members, including the member countries of the ECOTA and the countries that have not yet acceded to it, Table 6 was designed, in which the share of total tariff lines up to each band (total of the previous bands and the present band) in the total tariff lines of the countries is calculated and shown. Details on the cumulative distribution of the frequency of the ECO member tariffs in each band based on the share of the total (percentage) are presented in the table below.

Table 6: Distribution of the cumulative share of the ECO Members tariff lines in each tariff bands

Countries	T=0	T≤5	T≤10	T≤15	T≤25	T≤50	T≤+50[15]
Afghanistan	1.5	68.6	93.0	93.6	98.9	100.0	100
Azerbaijan	31.0	50.4	54.0	98.7	99.0	99.4	100
I.R. Iran	0.0	37.6	49.0	57.9	67.6	84.8	100
Kazakhstan	12.9	57.9	86.5	98.8	99.4	99.6	100
Kyrgyzstan	13.4	55.9	84.2	96.5	98.4	99.2	100
Pakistan	0.0	38.7	40.7	56.1	97.1	99.4	100
Tajikistan	4.5	63.9	81.6	99.2	99.4	99.9	100
Turkey	20.2	55.8	80.2	85.8	88.8	95.7	100
Uzbekistan	7.7	8.0	34.7	34.9	65.9	66.7	100

Source: ITC raw data and research findings.

As shown in Table 6, 98.8, 99.2 and 98.7 percent of the tariff lines in Kazakhstan, Tajikistan and Azerbaijan respectively have tariff rates of less than or equal to 15 percent,. Kyrgyzstan and Afghanistan are next in line, with 96.5 and 93.6 percent of the tariff lines with tariff rates less than or equal to 15 percent, respectively. This share is 85.8, 57.9, 56 and 34.9 percent for Turkey, Iran, Pakistan and Uzbekistan, which have the next ranks, respectively. According to the current criteria of the ECOTA, if we base the level of market access obligations of each country to reduce tariff rates beyond 15 percent, the highest level of liberalization obligations through tariff reduction is related to Uzbekistan, Pakistan and Iran, respectively. Given the possibility of exempting 20 percent of the total tariff lines of each country from tariff reduction obligations, Tajikistan, Kazakhstan, Azerbaijan, Kyrgyzstan, Afghanistan and Turkey have the greatest possibility and flexibility to avoid any reduction in their current tariff rates, respectively. In fact, the tariffs of these five countries are such that they can easily ride for free in the current framework of the ECOTA, while the heaviest obligations will fall on Uzbekistan, Pakistan and Iran, respectively. Another noteworthy point is that 33 percent of Uzbekistan and 15 percent of Iranian tariff lines have tariff rates higher than 50 percent; however, only 4 percent of Turkish tariff lines, no tariff lines of Afghanistan, and less than one percent of other countries' tariff lines belong to the last band.

[15] . For all tariff rates bigger than 50 percent.

As in the previous section on how to complete the positive, negative, and sensitive lists for the ECOTA member countries, if other member countries of the ECO intend to join the agreement, we must consider what possibilities and options they will face in compiling their lists and what is the level of real obligations of their trade liberalization through reduction of tariff rates, according to the existing structure of their tariffs, and how they are compared to each other. For this purpose, based on the tariff nomenclature version of the harmonized system of each country, the number of tariff lines that can be entered in each of the positive, negative, and sensitive lists of each of the mentioned countries was calculated, the results of which are presented in Table 7. In fact, this table shows the number of six-digit HS lines of each country that should be included in their positive, negative, and sensitive lists. It should be noted that, since the tariff structure of Kazakhstan and Kyrgyzstan is almost similar due to membership in the Eurasia Economic Union, the quotas of the mentioned commodity lists are similar for both countries. Here, as in the previous section, in the final step, to determine the actual tariff liberalization of each country according to the current rules of ECOTA, we have to compare the number of six-digit HS codes that each country has to enter in its positive list according to the ECOTA rule with the number of six-digit HS codes with tariff rates less than or equal to 15 percent.

Table 7: Frequency of tariff lines to be included in the positive, negative, and sensitive lists of other ECO members

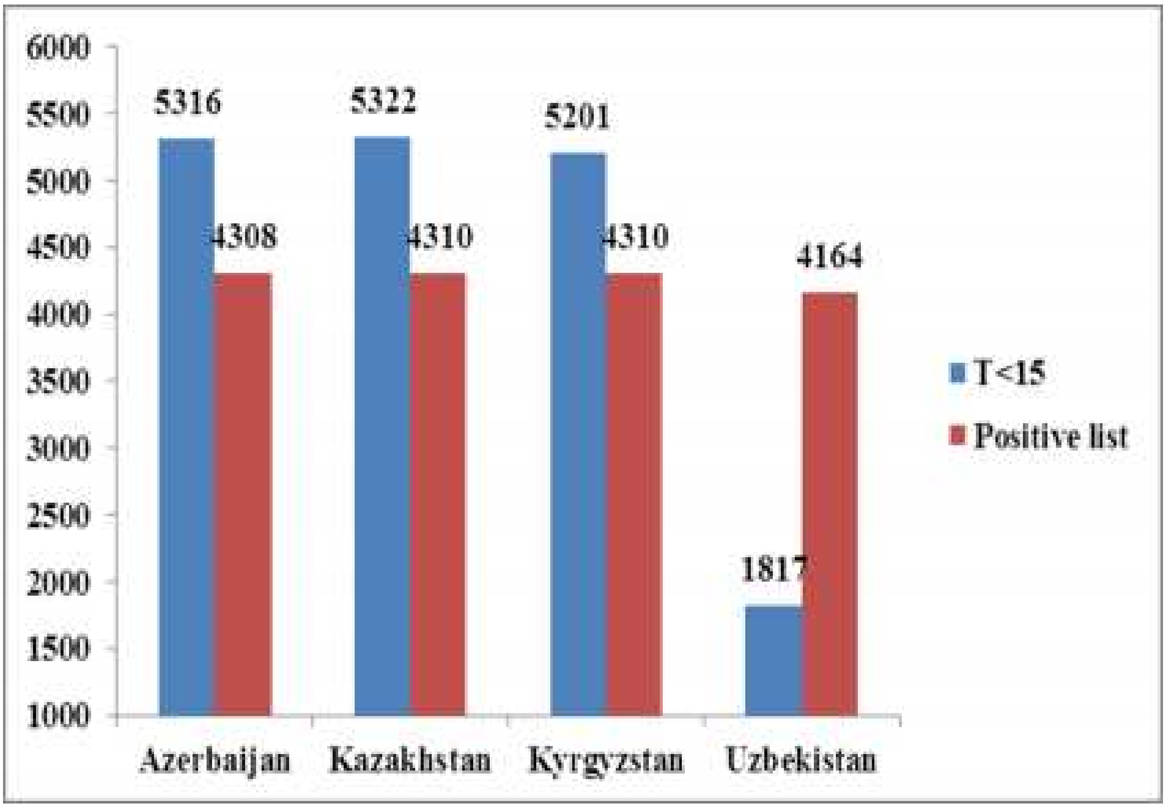
Countries	Total lines of HS 6 digit	Positive list	Negative list	Sensitive list
Azerbaijan	5385	4308	1023	54
Kazakhstan	5387	4310	1024	54
Kyrgyzstan	5387	4310	1024	54
Uzbekistan	5205	4164	989	52

Source: ITC raw data and research findings.

As shown in the table above and Figure 18 below, Kazakhstan and Kyrgyzstan should add 4310 six-digit HS codes to their positive list and reduce their tariff rates to 15 percent. But now, based on the MFN tariff rates imposed by the two countries in 2019, they have 5322 and 5201 six-digit HS tariff rates lower than 15 percent, respectively. Therefore, the two countries have more than six quotas on their positive list, have six-digit HS lines with a tariff rate of less than 15 percent, and as a result are not subject to any tariff liberalization beyond the status quo, and if they join the ECOTA, they can enjoy free riding like Turkey, Afghanistan, Azerbaijan and Tajikistan.

Uzbekistan should also add 4,164 six-digit HS codes to its positive list, but since tariff rates of 1817 six-digit HS codes are currently less than 15 percent, the country has to include 2347 six-digit HS codes with tariff rates higher than 15 percent in the positive list and commit to reducing their tariff rates to 15 percent. An examination of Uzbekistan's tariff structure also shows that the tariff rates of the tariff codes that the country is forced to reduce are provided by all fourth, fifth, and sixth bands, which have much higher tariff rates. As a result, this country will bear heavier obligations.

Figure 18: Comparison of the positive lists of other ECO members with the number of tariff lines with rates less than or equal to 15 percent



Source: ITC raw data and research findings

2-3- Review and analysis of the tariff structures and export advantages of the ECO members

Although, based on the tariff structure of each of the ECO member countries, it is possible to estimate an overall approximation of the level of market access obligations of each member due to the application of tariff reductions, for further investigation and approximation to the reality, it is necessary to consider other complementary factors and components. The revealed comparative advantage (RCA) index is one of the important components that show the export potential of each country in the real world for each commodity. Therefore, in this section, the tariff protection structure of each ECO member country (based on the tariff bands examined in Section II) is compared with the export potential of other ECO trading partners, in order to estimate possible outcomes resulting from market access opportunities which is created by each member for other ECO members, more accurately as measured by the export potential of each member as measured by the RCA index. Therefore, in order to measure the export potential of each country, two variables of the RCA of each country's export to the world and the dollar value of each country's export to the world (at the level of six-digit codes) are used. The RCA index is calculated based on the Balassa formula, which is as follows ("i" means goods and "c" means each country):

Revealed Comparative Advantage Index (RCA) formula:

$$RCA_{ki} = \frac{x_{ci} / \sum_{i=1}^{k} x_{ci}}{\sum_{c=1}^{N} x_i / \sum_i \sum_c x_{ci}} \qquad (1)$$

x_{ci} is the value of the export of the first commodity by the "c" country to the world. $\sum_{i=1}^{k} x_{ci}$ is the total export of the country to the world. $\sum_{c=1}^{N} x_i$ is the total world exports of goods"i" and $\sum_i \sum_c x_{ci}$is the total world exports. If the numerical value of the RCA index is greater than one, it indicates that this country exports the product to the world with a comparative advantage and has a (realized) RCA in the said product. If the numerical value of the index is less than one, it indicates that the country has no comparative advantage in the export of the mentioned goods. In some cases, the dollar value of a country's exports of a good may be low, but the share of goods in that country's exports is greater than the share of global exports of this good in world exports, and the numerical value of the comparative advantage is greater than one. Another case is that the value of a country's exports is significant, but the share of goods in that country's exports is less than the share of exports of this product in world exports, and the numerical value of the comparative advantage is less than one. Accordingly, in a few cases, the comparative advantage may not accurately reflect a country's export potential. To solve this problem, in this study, the export potential of each country has been considered from two points of view, one is the RCA (RCA>1) and the other is the actual value of that country's exports in each product. In other words, the market access which is created by each member for the different products of other members, can lead to an increase in their exports to that market, when those countries have sufficient export potential in those products, which is measured by the RCA index. On the other hand, for the country that reduces its tariffs, this measure will be risky in terms of the level of protection for similar domestic products, when other countries have sufficient export potential in those products. Therefore, by combining the structure of tariffs and export power of countries, a more accurate criterion can be achieved to measure the different consequences of implementing tariff reductions on the level of market access of each member.

In this study, instead of focusing on one product, we consider all products and a wide range of six-digit codes in each tariff band of member countries. In other words, in evaluating the privileges and obligations of each member of the ECO, the competitiveness of other members in different tariff bands will also play a decisive role.

For a detailed analysis of this issue, a special table was designed which is presented in the form of four different panels for each ECO member country (Tables 8 to 16). The results of calculations concerning the number of goods with comparative advantage in other ECO members (according to six-digit HS codes) are presented separately for each tariff band for agricultural products in panel A, for industrial products in panel B, and for all tradable products in panel C, with the exports value of each ECO member country (in 2018) presented separately in tariff bands in panel D.

The following are the calculated results for each ECO member separately presented in Tables 8 to 16, and at the end of each section, a comparative analysis of the ECO member partners in each market is introduced.

2-3-1- Afghanistan

In order to analyze and assess the access of the ECO member partners to the Afghan market accurately, we used the tariff structure of this country based on the frequency of tariff lines in each of the tariff bands and calculated the revealed export advantage index and the actual export from each ECO member to the world in each band. The results are presented in Table 8.

Table 8: Export potential of the ECO member countries based on the RCA index in each of Afghanistan's tariff bands (applied tariffs 2019)

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Afghanistan by each tariff band												
Agriculture	***Total***	899	8.2	36	111	55	87	148	36	172	8	81
	T=0	40	0.0	1	0	0	1	0	0	0	0	3
	0<T≤5	541	3.8	17	42	49	31	94	15	79	6	29
	5<T≤10	140	9.9	0	19	3	12	18	1	38	0	9
	10<T≤15	17	12.1	0	4	0	9	3	0	3	0	0
	15<T≤25	123	20.1	9	34	2	24	27	14	34	1	25
	25<T≤50	38	33.9	9	12	1	10	6	6	18	1	15
	Share of tariff lines over 15%	18		50	41	5	39	22	56	30	25	49
Panel B: Number of tariff lines with comparative export advantage in case of export to Afghanistan by each tariff band												
Non- Agriculture	***Total***	4179	6.0	58	314	132	221	505	105	1287	66	207
	T=0	35	0.0	0	6	5	6	7	1	8	5	3
	0<T≤5	2866	3.9	48	208	110	128	276	79	831	49	138
	5<T≤10	1103	9.8	9	68	15	76	201	21	379	8	60
	10<T≤15	9	12.0	0	1	0	1	0	0	0	1	0
	15<T≤25	147	18.2	0	24	0	9	15	3	57	3	5
	25<T≤50	19	33.5	1	7	2	1	6	1	12	0	1
	Share of tariff lines over 15%	4		2	10	2	5	4	4	5	5	3

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan
Panel C: Number of tariff lines with comparative export advantage in case of export to Afghanistan by each tariff band												
All Sectors	***Total***	5078	6.4	94	425	187	308	653	141	1459	74	288
	T=0	75	0	1	6	5	7	7	1	8	5	6
	0<T≤5	3407	7.6	65	250	159	159	370	94	910	55	167
	5<T≤10	1243	19.7	9	87	18	88	219	22	417	8	69
	10<T≤15	26	24.2	0	5	0	10	3	0	3	1	0
	15<T≤25	270	38.3	9	58	2	33	42	17	91	4	30
	25<T≤50	57	67.5	10	19	3	11	12	7	30	1	16
	Share of tariff lines over 15%	6		20	18	3	14	8	17	8	7	16
Panel D: Number of tariff lines with comparative export advantage in case of export to Afghanistan by each tariff band												
Value of export (Million $US)	***Total***	5078	6.4	19472	89471	58992	1749	23355	1071	157893	10084	7626
	T=0	75	0.0	15	42	34	5	25	0	342	7	50
	0<T≤5	3407	3.8	2526	26360	18818	1289	10593	922	77322	9013	5997
	5<T≤10	1243	9.8	16342	56112	39815	349	11135	120	53637	859	765
	10<T≤15	26	12.1	4	1929	56	41	103	0	2191	184	18
	15<T≤25	270	19.1	453	3560	202	49	1276	19	11817	16	290
	25<T≤50	57	33.8	132	1468	66	16	223	11	12582	4	505
	Share of tariff lines over 15%	**6**		**3**	**6**	**0**	**4**	**6**	**3**	**15**	**0**	**10**

Source: ITC raw data and research findings.

In order to facilitate the interpretation of the results presented in the tables of each country, the results in Table 8, which is related to Afghanistan, are described as an example below:

Panel A of Table 8 shows that, for example, Azerbaijan has a clear comparative export advantage in its 36 agricultural products that face tariff barriers from Afghanistan (2018). The distribution of Azerbaijan products with the export advantage in each of the tariff bands of the Afghan market shows that, of these, 1, 17, 0, 0, 9 and 9 HS codes will fall in the first (T = 0), second ($0<T\leq5$), third ($5<T\leq10$), fourth ($10<T\leq15$), fifth ($15<T\leq25$) and sixth ($25<T\leq50$) tariff bands, respectively.

Similarly, the results of Panel B also show that Azerbaijan, in its 58 industrial (non-agricultural) products that have been declared to have an export advantage, will face different tariff barriers for possible export to the Afghan market, of which, 0, 48, 9, 0, 0 and 1 HS codes will fall in the first (T = 0), second ($0<T\leq5$), third ($5<T\leq10$), fourth ($10<T\leq15$), fifth ($15<T\leq25$) and sixth ($25<T\leq25$) tariff bands, respectively.

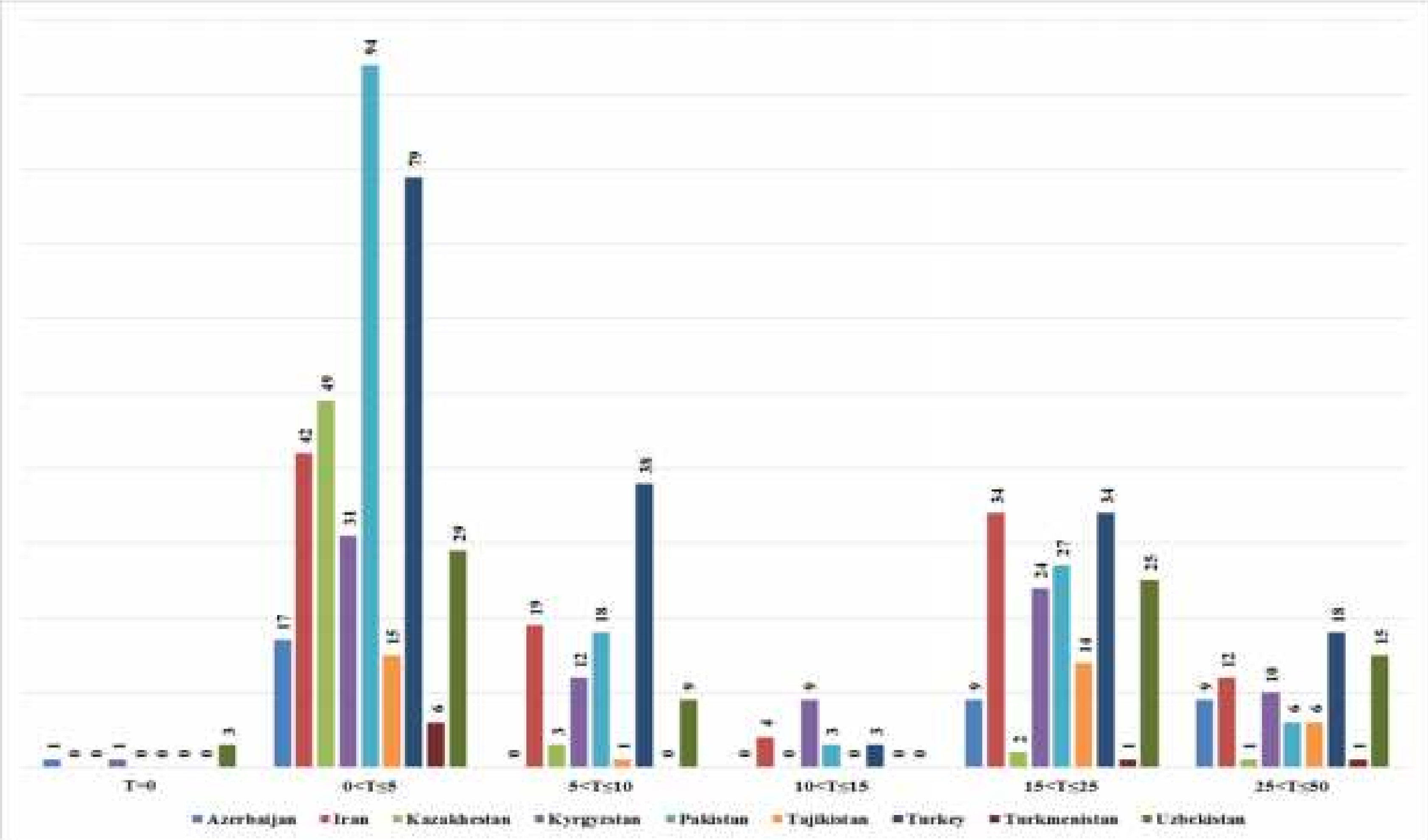
The results of Panel C also show that Azerbaijan will face various tariff barriers for possible exports to the Afghan market in a total of 94 products (both agricultural and industrial) that have been declared to have export advantages, and 1, 65, 9, 0, 9 and 10 HS codes will fall in the first (T = 0), second ($0<T\leq5$), third ($5<T\leq10$), fourth ($10<T\leq15$), fifth $15<T\leq25$) and sixth ($25<T\leq25$) tariff bands, respectively.

According to the data provided in Panel D, 15, 2526, 16342, 4, 435 and 132 million dollars of Azerbaijan's exports to the world, if exported to Afghanistan, will be placed in the first (T = 0), second ($T<0$) categories.), third ($5<T\leq10$), fourth ($10<T\leq15$), fifth ($15<T\leq25$) and sixth ($25<T\leq25$) tariff bands, respectively. Inferred from Panel D of the table, it can be seen that about $585 million of Azerbaijan's exports to the world, if exported to Afghanistan, will face tariff rates higher than 15 percent, which is approximately equal to 3 percent of the total value of Azerbaijan's exports to the world.

Explanation of other columns of Table 8 (which is related to other ECO member countries) in each of panels A, B, C and D can be done in a similar way to the description provided for Azerbaijan. Also, such explanations can be conducted in a similar way for other tables provided in this section for other ECO member countries (Table 9 to Table 16), in accordance with the statistical data of each table. Due to space restrictions, we have skipped over similar explanations and have only analyzed and evaluated final results of each table. The market access status of each ECO's partners in each market has been compared accordingly. Obviously, readers can refer to the above tables, analyze each of the tables in a similar way, and reach a proper evaluation.

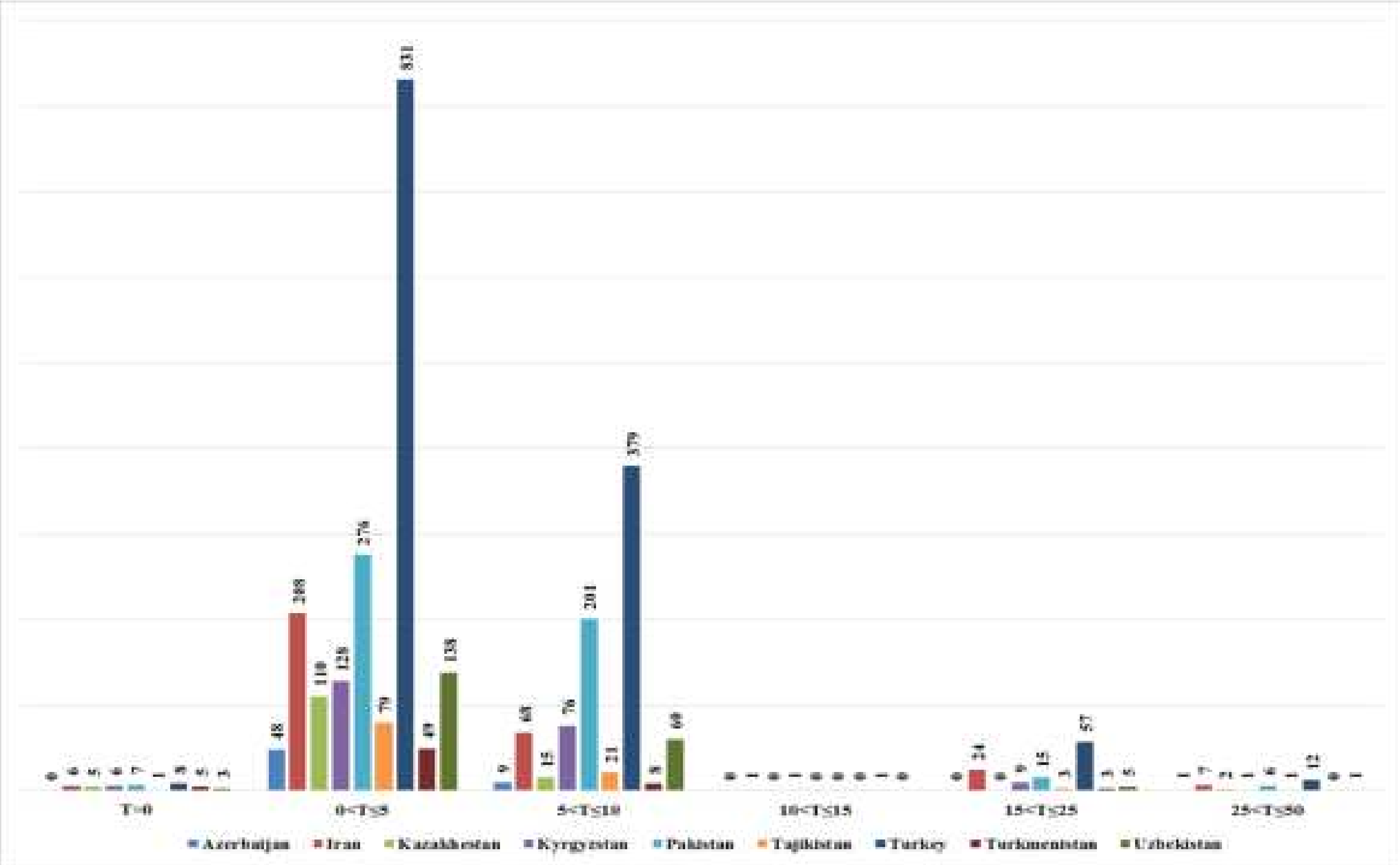
Also, based on the calculations in Table 8, the comparative status of each of the ECO member partners in the Afghan market in terms of the distribution of their export RCA in each tariff bands by agricultural, non-agricultural (industry) and the whole economy (agriculture and industry) is shown in Figures 19 to 21 below.

Figure 19: Number of tariff lines with export RCA of the ECO members' agricultural products by Afghanistan tariff bands



Source: ITC raw data and research findings.

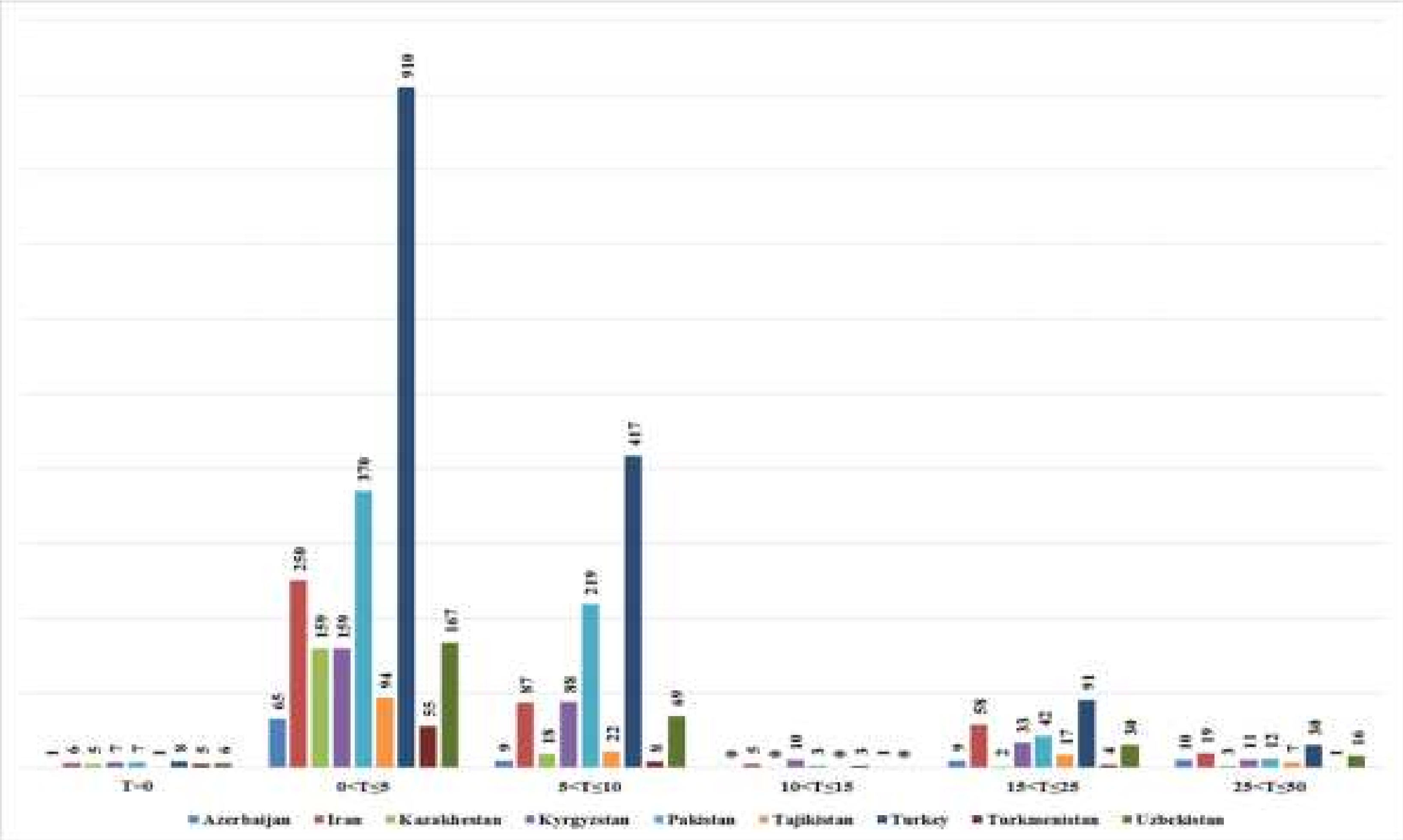
Figure 20: Number of tariff lines with export RCA of the ECO members' non-agricultural goods by Afghanistan tariff bands



Source: ITC raw data and research findings.

Figure 21: Number of tariff lines with export RCA of the ECO members' total products

by Afghanistan tariff bands



Source: ITC raw data and research findings.

The Islamic Republic of Afghanistan has informed that their concerned authorities need some time to closely evaluate in order to provide comprehensive views in this regard and has proposed the inclusion/change of some items/products in country's relevant lists to be shared in due course of time received vide Embassy's Note Verbale No. 687-5 dated 15.6.2021.

2- 3-1-1- Analysis and evaluation of the results concerning Afghanistan

Considering the status of Afghanistan's tariff structure as well as the number of goods with a comparative export advantage of other ECO members in each of the country's tariff bands and the relevant calculations shown in Table 8 and Figures 19 to 21, the following analytical results can be inferred:

1) Among the ECO member countries, Turkey, Pakistan and Iran have the highest frequency of goods with a comparative export advantage in the agricultural sector, and they have an obvious export RCA in 172, 148 and 111 six-digit HS codes, respectively, for which Afghanistan has imposed tariffs in 2018. Of these, 52 advantageous agricultural products of Turkey, 46 advantageous agricultural products of Iran, and 33 advantageous agricultural products of Pakistan have faced tariffs higher than 15 percent in Afghanistan. Other advantageous agricultural products of these three countries face tariff rates of less than or equal to 15 percent in Afghanistan (Figure 19). In addition to those countries, 40, 34, 20 and 18 agricultural products with comparative export advantage of Uzbekistan, Kyrgyzstan, Tajikistan and Azerbaijan, respectively, face tariffs higher than 15 percent in Afghanistan. These products could potentially be Afghanistan's risk areas in the event of liberalization based on the fulfillment of the ECOTA tariff obligations. However, under the current criteria for tariff exemptions under the ECOTA Agreement, Afghanistan can reduce these potential risks to zero by putting these products on its negative and sensitive lists, and make itself secure against potential exports of other members in tariff bands above 15 percent.

2) The results presented in Figure 20 show that most of the industrial (non-agricultural) products exported by the ECO countries to Afghanistan face tariffs of less than 15 percent. Accordingly, 69, 31 and 21 advantageous export products of Turkey, Iran and Pakistan, respectively, face tariff rates more than 15 percent in Afghanistan. In contrast, only 1, 2, 1 and 1 advantageous industrial products of Azerbaijan, Kazakhstan, Kyrgyzstan and Tajikistan face tariffs higher than 25 percent in Afghanistan. These results show that most of the advantageous industrial products exported by the ECO countries in Afghanistan face tariffs of less than 10 percent.

3) The results of the survey for all products in Figure 21 show that, first, a small number of the revealed comparative export advantages of the ECO member countries face zero tariffs in Afghanistan. Secondly, most of the advantageous export products of these countries face tariffs higher than zero and less than ten percent in Afghanistan. Third, a higher percentage of products from Turkey,

Pakistan, Iran and Uzbekistan face tariffs of between 10 and 15 percent in Afghanistan.

4) The results presented in Panel D of Table 8, as to the dollar value of the ECO exports in each of the tariff bands imposed by Afghanistan, show that, with the exception of Turkey, approximately more than 90 percent of the dollar value of exports of other ECO countries to the world will face tariffs of less than 15 percent if exported to Afghanistan. This ratio is about 85 percent for Turkey.

5) As a general conclusion, it can be inferred that Afghanistan will face the lowest cost in terms of increased imports and potential damage to domestic production, and can meet all risky products by putting all risky products on the positive list according to the terms of the current market access obligations in the ECOTA. If the liberalization procedure in the ECOTA is changed and the tariff rates are reduced to less than 15 percent, the highest risks in Afghanistan will be related to the codes whose tariff rates are in the 0-5 band, because not only this band is the most frequent in Afghanistan, but also the largest export potential of other ECO members lies in this band. In the next rank, there are products with tariff rates between 0 and 10 percent.

2-3-2- Azerbaijan

In order to accurately analyze and assess the access of the ECO member partners to the Azerbaijani market, we used the tariff structure of this country based on the frequency of tariff lines in each of the tariff bands and calculated the revealed export advantage index and the actual export from each ECO member to the world in each band, the results of which are shown in Table 9. Also, the comparative status of each of the ECO member partners in the Iranian market in terms of the distribution of their export RCA in each tariff band by agricultural, non-agricultural (industry) and the whole economy (agriculture and industry) is shown in Figures 22 to 24, respectively.

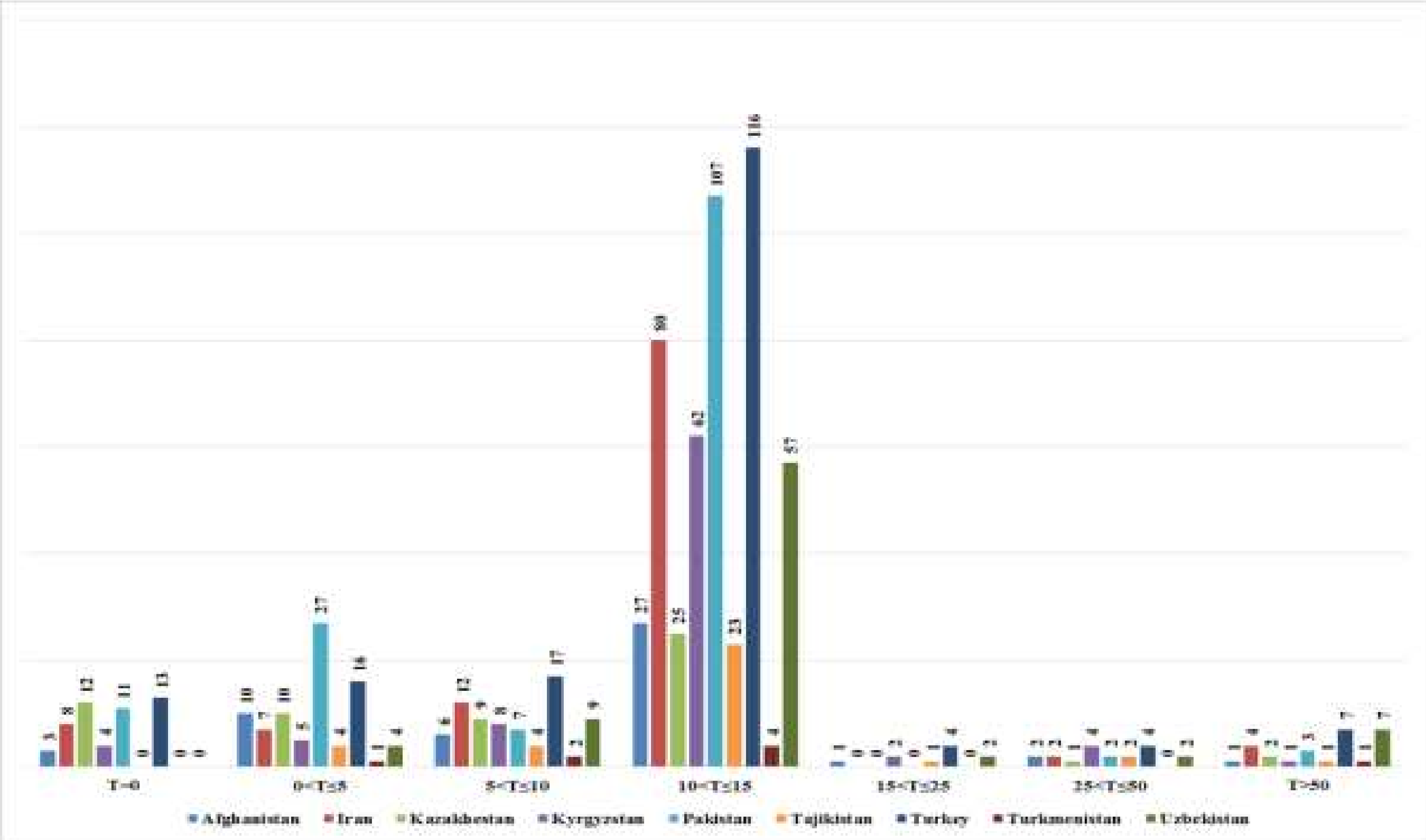
Table 9: Export potential of the ECO member countries based on the RCA index in each of Azerbaijan's tariff bands (applied tariffs 2019)

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Azerbaijan by each tariff band												
Agriculture	***Total***	941	12.8	50	113	59	86	157	35	177	8	300
	T=0	100	0.0	3	8	12	4	11	0	13	0	81
	0<T≤5	163	4.8	10	7	10	5	27	4	16	1	0
	5<T≤10	79	8.2	6	12	9	8	7	4	17	2	4
	10<T≤15	551	14.9	27	80	25	62	107	23	116	4	9
	15<T≤25	9	19.2	1	0	0	2	0	1	4	0	57
	25<T≤50	19	34.5	2	2	1	4	2	2	4	0	2
	T>50	20	81.6	1	4	2	1	3	1	7	1	2
	Share of tariff lines over 15%	5		8	5	5	8	3	11	8	13	20
Panel B: Number of tariff lines with comparative export advantage in case of export to Azerbaijan by each tariff band												
Non- Agriculture	***Total***	4444	7.8	18	334	152	224	516	101	1341	68	437
	T=0	1570	0.0	4	99	82	54	72	42	261	18	219
	0<T≤5	879	4.7	3	66	37	37	93	32	284	8	50
	5<T≤10	117	8.2	0	15	4	7	6	1	44	2	33
	10<T≤15	1857	15.0	10	139	27	124	341	24	740	39	5
	15<T≤25	8	22.8	1	7	0	1	1	0	6	0	127
	25<T≤50	1	35.6	0	0	0	0	0	0	0	0	3
	T>50	12	142.8	0	8	2	1	3	2	6	1	0
	Share of tariff lines over 15%	0		6	4	1	1	1	2	1	1	30

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan
Panel C: Number of tariff lines with comparative export advantage in case of export to Azerbaijan by each tariff band												
	Grand Total	5385		68	447	211	310	673	136	1518	76	592
All Sectors	T=0	1670		7	107	94	58	83	42	274	18	300
	0<T≤5	1042		13	73	47	42	120	36	300	9	50
	5<T≤10	196		6	27	13	15	13	5	61	4	37
	10<T≤15	2408		37	219	52	186	448	47	856	43	14
	15<T≤25	17		2	7	0	3	1	1	10	0	184
	25<T≤50	20		2	2	1	4	2	2	4	0	5
	T>50	32		1	12	4	2	6	3	13	2	2
	Share of tariff lines over 15%	1		7	5	2	3	1	4	2	3	32
Panel D: Total Export Value of each ECO Members to the world for the products subject to each tariff band (2018)												
	Total	5385	9	580	90178	60946	1757	23778	1073	165359	10085	7682
Value of export (Million $US)	T=0	1670	0	12	62771	53233	379	2311	729	23239	8643	4094
	0<T≤5	1042	5	140	5030	2538	84	2578	64	46603	184	1342
	5<T≤10	196	8	17	3542	605	83	186	1	9092	195	223
	10<T≤15	2408	15	297	17100	4361	1166	17889	206	82345	1034	1752
	15<T≤25	17	21	64	527	5	12	2	3	1712	2	138
	25<T≤50	20	35	2	255	47	6	10	1	481	0	45
	T>50	32	105	47	953	157	27	802	70	1886	26	88
	Share of tariff lines over 15%	1		19	2	0	3	3	7	2	0	4

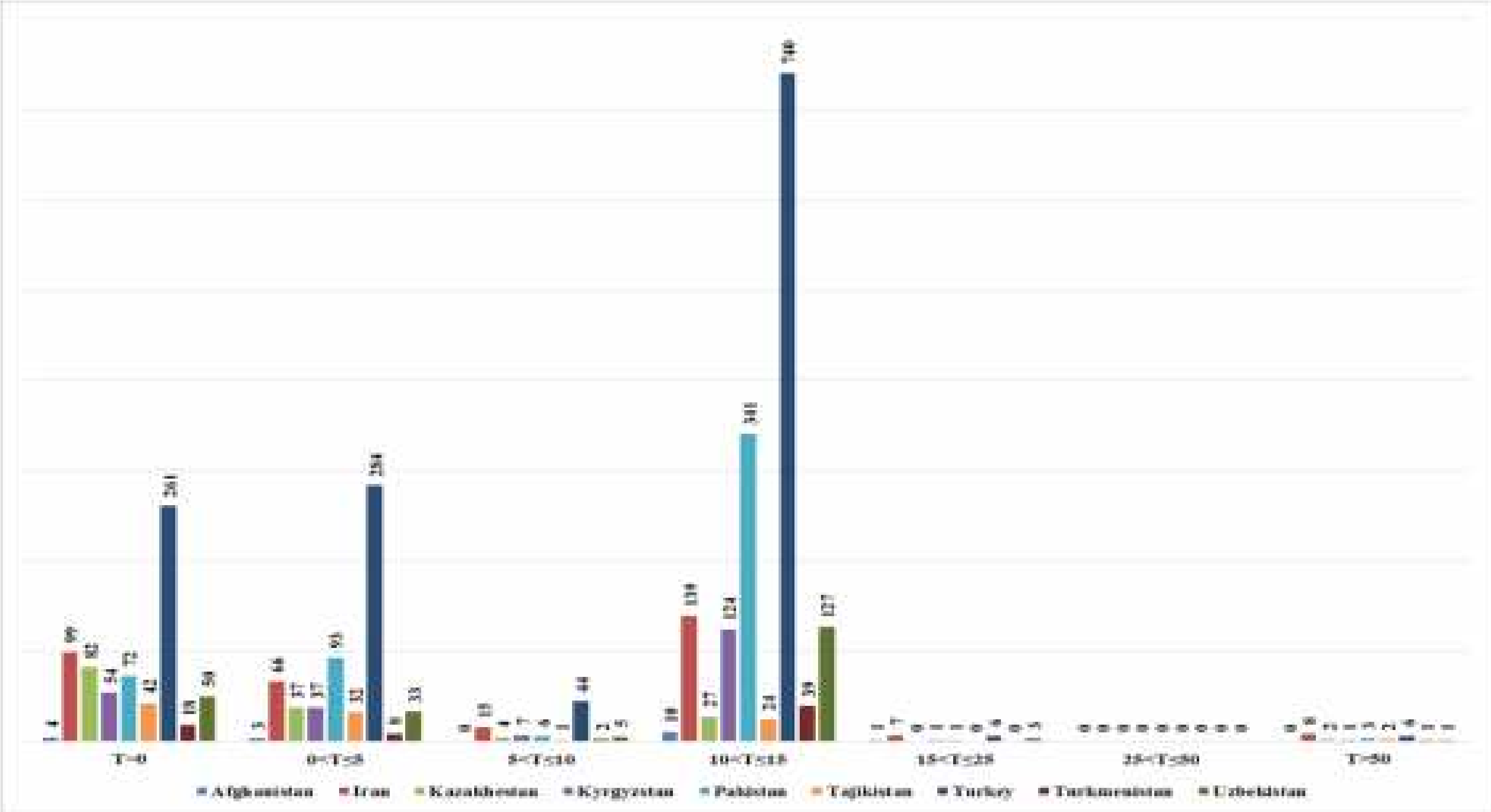
Source: ITC raw data and research findings.

Figure 22: Number of tariff lines with export RCA of the ECO members' agricultural products by Azerbaijan's tariff bands



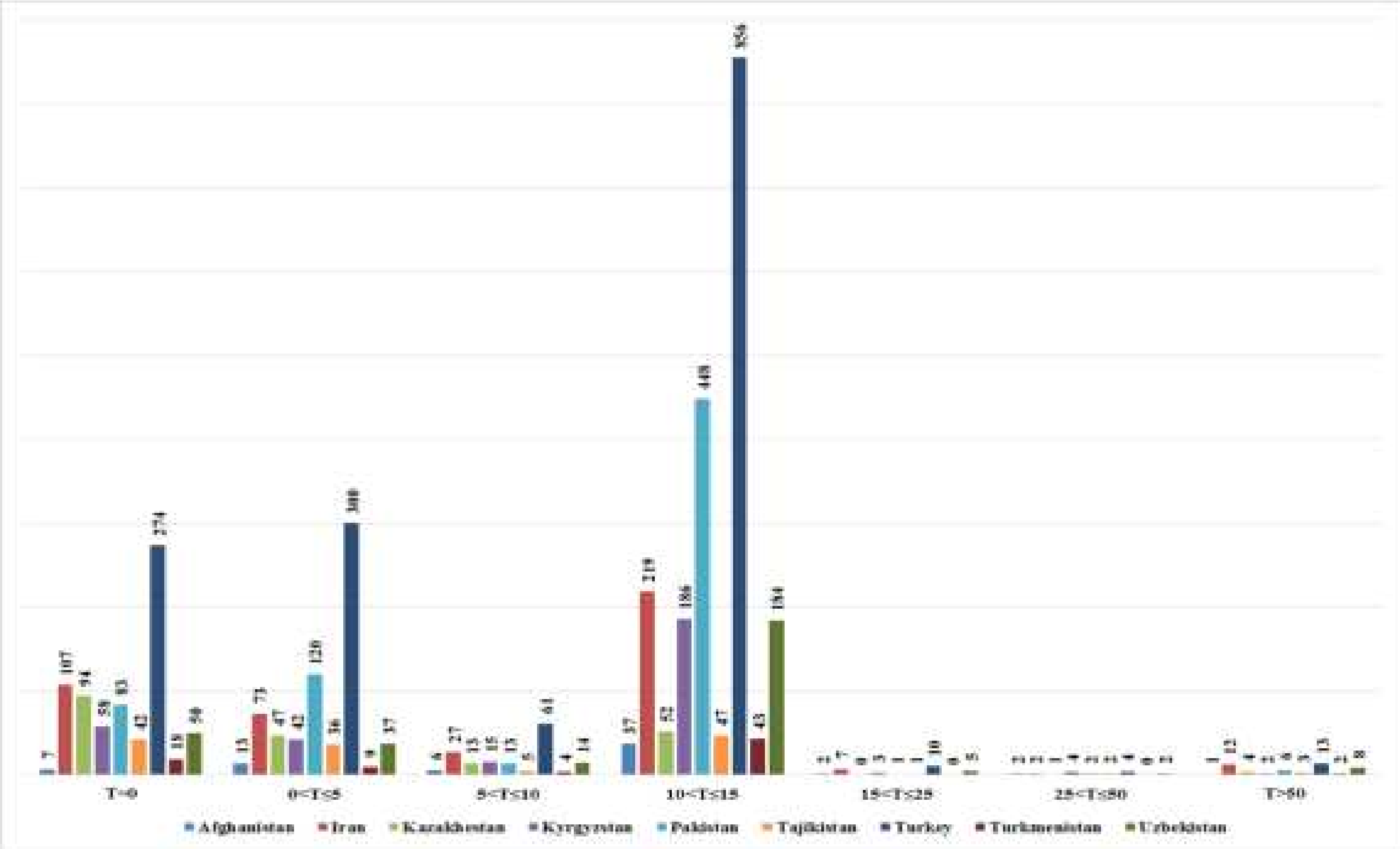
Source: ITC raw data and research findings.

Figure 23: Number of tariff lines with export RCA of the ECO members' non-agricultural goods by Azerbaijan's tariff bands



Source: ITC raw data and research findings.

Figure 24: Number of tariff lines with export RCA of the ECO members' total products by Azerbaijan's tariff bands



Source: ITC raw data and research findings.

2-3-2-1- Analysis and evaluation of the results concerning Azerbaijan

Considering the status of Azerbaijan's tariff structure as well as the number of goods with a comparative export advantage of other ECO members in each of the country's tariff bands and the relevant calculations shown in Table 9 and Figures 22 to 24, the following analytical results can be inferred:

1) In 2019, Azerbaijan has set tariff rates higher than 15 percent for about 1 percent of tariff lines of its agricultural products (six-digit HS codes). According to the information in Panel A of Table 9, on average, less than 13 percent of agricultural products with a comparative export advantage of the ECO members (except Uzbekistan) to the world face tariffs more than 15 percent in Azerbaijan. According to the last line of Panel A, the lowest share with 3 percent belongs to Pakistan and the highest share with 20 percent belongs to Uzbekistan. Tariffs more than 50 percent have the highest prevalence in the tariff bands above 15 percent (Table 9) and the highest numbers of agricultural products with comparative advantage of the ECO members in this band belong to Turkey, Iran and Pakistan with 7, 4 and 3 tariff lines, respectively.

2) Of 4444 tariff lines of industrial products (six-digit HS codes) for which Azerbaijan has imposed tariffs in 2019, about 0.5 percent of the tariff lines of industrial products (21 codes) have tariff rates more than 15 percent. According to Panel B of Table 9, most goods with a comparative export advantage of the ECO members will face tariff rates of 10-15 percent to enter the Azerbaijani market (Figure 23).

3) The results of the survey for all products also show that the majority of products with a comparative export advantage of the ECO members face tariff rates of 10-15, 0 and 0-5 percent to enter the Azerbaijani market. Out of 4031 advantageous codes of the ECO members, Turkey with 1518 codes (38%), Pakistan with 673 codes (17%) and Uzbekistan with 592 codes (15%) have the highest variety of goods with a comparative export advantage. Also, the most share of the products with a comparative export advantage that enters the Azerbaijani market with tariff rates higher than 15 percent belong to Uzbekistan, Afghanistan and Iran (Figure 24).

4) The results of the study of the dollar value of exported goods with comparative advantage of the ECO member countries in each tariff band of Azerbaijan show that about 19, 7 and 4 percent of the total value of exports of Afghanistan, Tajikistan and Uzbekistan in this group of products respectively faces tariff rates more than 15 percent if they enter the Azerbaijani market.

2-3-3- Iran

In order to accurately analyze and assess the access of the ECO member partners to the Iranian market, we used the tariff structure of this country based on the frequency of tariff lines in each of the tariff bands and calculated the revealed export advantage index and the actual export from each ECO member to the world in each band, the results of which are shown in Table 10. Also, the comparative status of each of the ECO member partners in the Iranian market in terms of the distribution of their export RCA in each tariff band by agricultural, non-agricultural (industry) and the whole economy (agriculture and industry) is shown in Figures 25 to 27, respectively.

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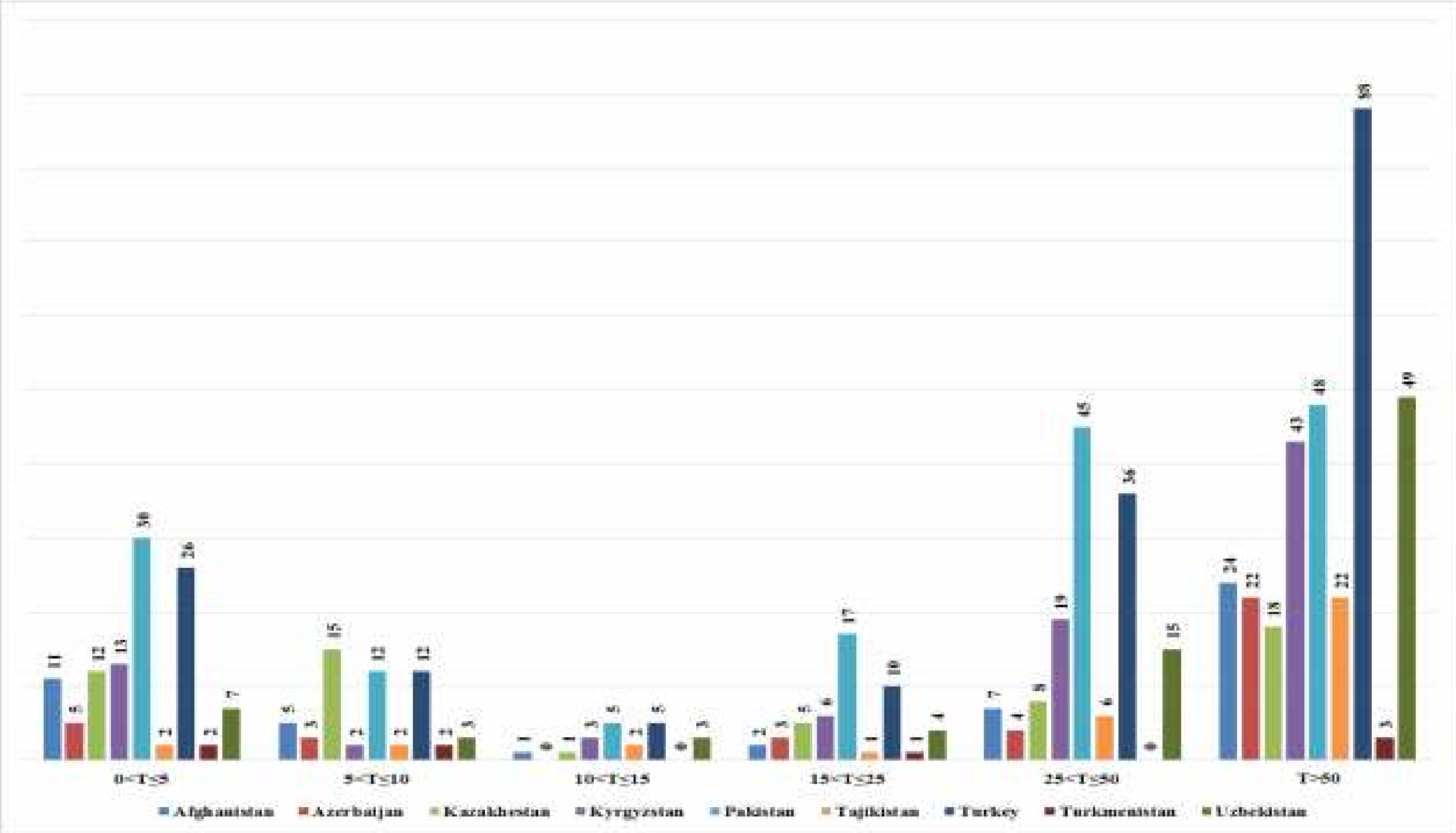
Table 10: Export potential of the ECO member countries based on the RCA index in each of Iran's tariff bands (applied tariffs 2019)

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Iran by each tariff band												
Agriculture	***Total***	941	30.1	50	37	59	86	157	35	177	8	81
	T=0	0	-	0	0	0	0	0	0	0	0	0
	0<T≤5	214	5.0	11	5	12	13	30	2	26	2	7
	5<T≤10	70	9.8	5	3	15	2	12	2	12	2	3
	10<T≤15	55	14.4	1	0	1	3	5	2	5	0	3
	15<T≤25	71	19.9	2	3	5	6	17	1	10	1	4
	25<T≤50	235	34.5	7	4	8	19	45	6	36	0	15
	T>50	296	55.0	24	22	18	43	48	22	88	3	49
	Share of tariff lines over 15%	64		66	78	53	79	70	83	76	50	84
Panel B: Number of tariff lines with comparative export advantage in case of export to Iran by each tariff band												
Non- Agriculture	***Total***	4445	18.0	18	58	152	224	516	101	1341	68	219
	T=0	0	-	0	0	0	0	0	0	0	0	0
	0<T≤5	1810	5.0	8	26	91	71	74	43	234	29	56
	5<T≤10	544	9.4	2	8	18	13	26	12	162	6	19
	10<T≤15	427	14.2	1	9	15	20	59	13	176	4	18
	15<T≤25	448	19.6	3	7	15	22	35	11	145	6	18
	25<T≤50	692	32.0	2	6	10	35	142	15	345	16	59
	T>50	522	55.1	2	2	3	63	180	7	279	7	49
	Share of tariff lines over 15%	37		39	26	18	54	69	33	57	43	58

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan
Panel C: Number of tariff lines with comparative export advantage in case of export to Iran by each tariff band												
	Total	5386	20.1	68	95	211	310	673	136	1518	76	300
All Sectors	T=0	0	-	0	0	0	0	0	0	0	0	0
	0<T≤5	2024	5.0	19	31	103	84	104	45	260	31	63
	5<T≤10	614	9.4	7	11	33	15	38	14	174	8	22
	10<T≤15	482	14.2	2	9	16	23	64	15	181	4	21
	15<T≤25	519	19.7	5	10	20	28	52	12	155	7	22
	25<T≤50	927	32.6	9	10	18	54	187	21	381	16	74
	T>50	818	55.0	26	24	21	106	228	29	367	10	98
	Share of tariff lines over 15%	42		59	46	28	61	69	46	59	43	65
Panel D: Total value of each ECO member's exports to the world for the products subject to each tariff band (2018)												
	Total	5386	20.1	580	19477	60946	1757	23778	1073	165359	10085	7682
Current export value (Million US $)	T=0	0	-	0	0	0	0	0	0	0	0	0
	0<T≤5	2024	5.0	28	16362	49390	1157	1730	963	21378	903	1609
	5<T≤10	614	9.4	129	1728	4490	17	1221	7	15432	8159	3030
	10<T≤15	482	14.2	1	612	2583	114	1055	24	21658	720	585
	15<T≤25	519	19.7	3	104	2701	139	1939	24	19216	182	394
	25<T≤50	927	32.6	28	63	806	74	6213	12	43563	44	821
	T>50	818	55.0	391	608	976	256	11621	44	44106	78	1243
	Share of tariff lines over 15%	42		73	4	7	27	83	7	65	3	32

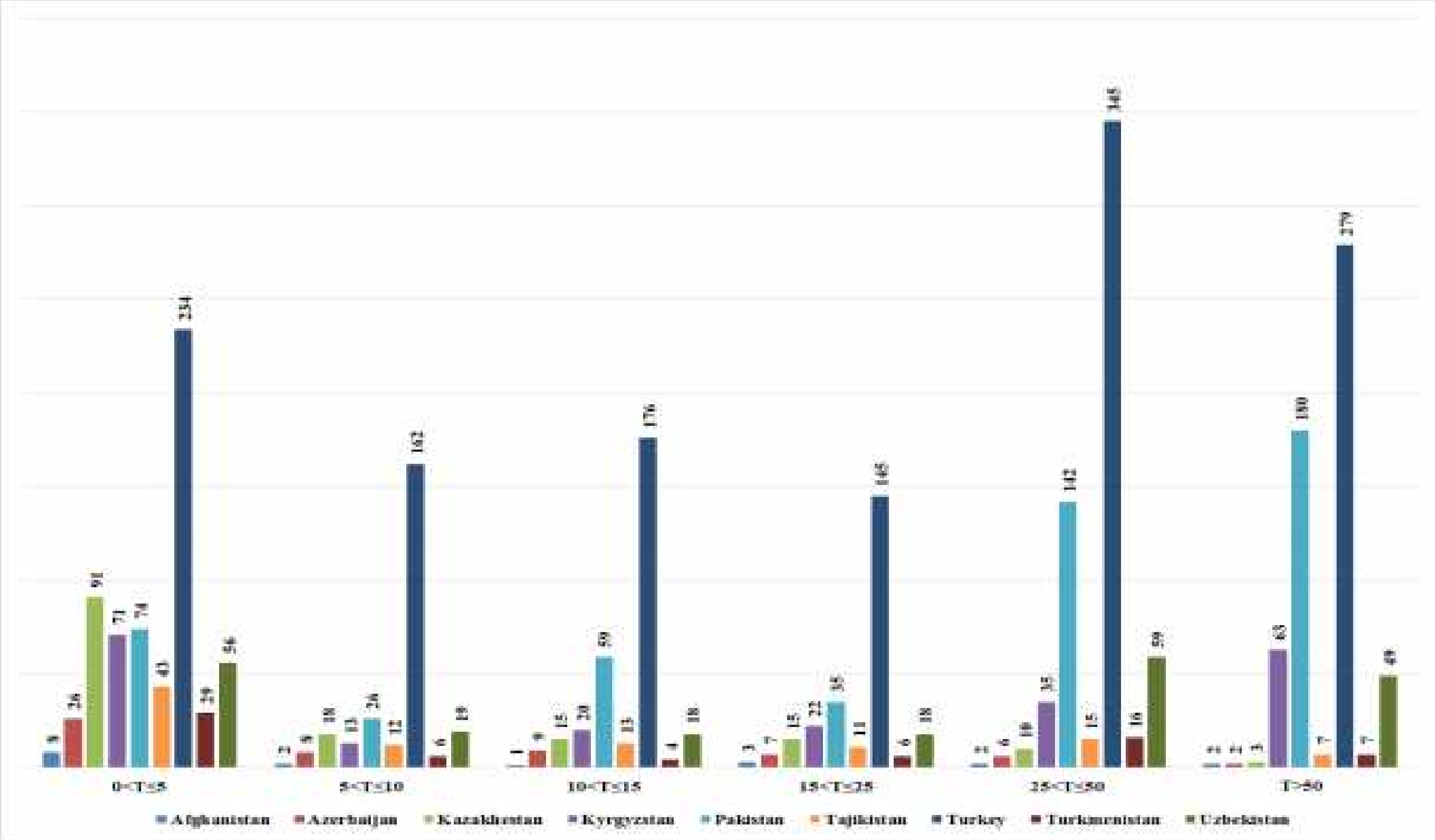
Source: ITC raw data and research findings.

Figure 25: Number of tariff lines with export RCA of the ECO members' agricultural products by Iran's tariff bands



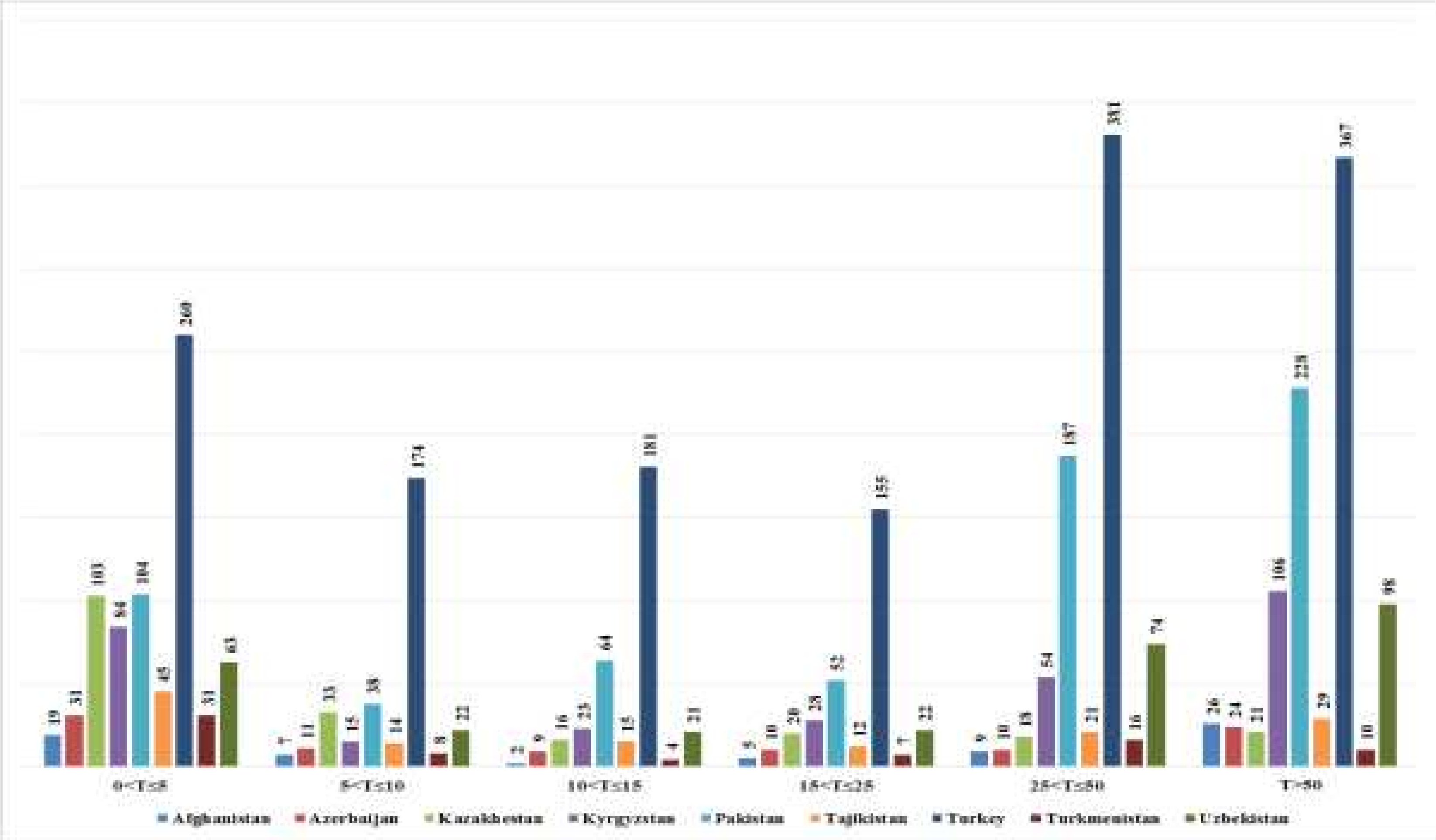
Source: ITC raw data and research findings.

Figure 26: Number of tariff lines with export RCA of the ECO members' non-agricultural goods by Iran's tariff bands



Source: ITC raw data and research findings.

Figure 27: Number of tariff lines with export RCA of the ECO members' total products by Iran's tariff bands



Source: ITC raw data and research findings.

2-3-3-1-Analysis and evaluation of the results concerning Iran

Considering the status of Iran's tariff structure as well as the number of goods with a comparative export advantage of other ECO members in each of the country's tariff bands and the relevant calculations shown in Table 10 and Figures 25 to 27, the following analytical results can be inferred:

1) Iran has imposed tariff rates higher than 15 percent in 2019 for 64 percent of agricultural products. As shown in Panel A of Table 10, 50 to 84 percent of the ECO member countries' agricultural products with a comparative export advantage face rates higher than 15 percent in Iran. 134 products (equivalent to 76%), 110 products (equivalent to 70%), 68 products (equivalent to 79%) and 68 products (equivalent to 84%) of agricultural products with comparative export advantage of Turkey, Pakistan, Kyrgyzstan and Uzbekistan respectively encounter with tariff rates higher than 15 percent in Iran (Figure 25). In addition to those countries, 29, 31, 29 and 68 agricultural products of Azerbaijan, Kazakhstan, Tajikistan and Uzbekistan, which have comparative advantage, face tariffs of more than 15. As can be seen, a significant percentage of products with a comparative export advantage of the ECO member countries are among the risky products of the agricultural sector of the Iranian economy, and given that Iran has to supply and provide a significant part of its positive commodity list from tariffs above 15 percent according to the current ECOTA criteria, the implementation of Article 4 of the ECOTA will pose significant risk to the Iranian economy, without compensation in the market of other ECO members.

2) Of 4445 industrial products (six-digit HS codes) for which Iran has imposed tariffs in 2018, the tariff rates of 37 percent of industrial products are higher than 15 percent (Figure 26). 769 products (equivalent to 57%), 357 products (equivalent to 69%), 120 products (equivalent to 54%) and 126 products (equivalent to 57%) of products with a comparative export advantage of Turkey, Pakistan, Kyrgyzstan and Uzbekistan respectively face tariff rates higher than 15 percent in Iran. These ratios for Afghanistan, Azerbaijan, Kazakhstan, Tajikistan and Turkmenistan are about 39, 26, 18, 33 and 43 percent for their industrial products with comparative export advantage, respectively. The results of this study show that, on average, more than 55 percent of industrial products with a comparative export advantage of all the ECO member countries face tariff rates more than 15 percent in Iran.

3) The results of the survey for all products (Figure 27) show that 42 percent of imported products face tariff rates higher than 15 percent in Iran. The results show that, firstly, none of the products with a comparative export advantage of the ECO member countries face zero tariff in Iran. Second, with the exception of

Tajikistan, Kazakhstan, Azerbaijan and Turkmenistan, about more than 50 percent of the ECO member countries' products with comparative export advantage face tariff rates more than 15 percent. The ratios for Pakistan, Uzbekistan, Kyrgyzstan and Turkey are 69, 65, 61 and 59 percent, respectively. Third, in terms of the number of products with comparative advantage, 903, 467, 188 and 194 products with comparative export advantage of Turkey, Pakistan, Kyrgyzstan and Uzbekistan respectively face tariffs higher than 15 percent in Iran.

4) The results on the dollar value of the ECO exports by the tariff bands applied by Iran show that: (a) 93, 93, 96 and 97 percent of the exports of Tajikistan, Kazakhstan, Azerbaijan and Turkmenistan respectively face tariff rates less than or equal to 15 percent in Iran, followed by Kyrgyzstan that only 27 percent of its exports to the world face with tariff rates higher than 15 percent in Iran; (b) 83 percent of Pakistan's exports to the world, if exported to Iran, will face tariffs more than 15 percent in Iran and 75 percent of the dollar value of its exports to the world will face tariff rates more than 25 percent in Iran. About 35 percent of Turkish exports to the world face tariff rates less than or equal to 15 percent in Iran, while about 12, 26 and 27 percent of the country's exports to the world face tariff rates between 15 to 25, 25 to 50, or higher than 50 percent in Iran, respectively. Also, 73 percent of Afghanistan's exports to the world face tariff rates higher than 15 percent in Iran.

5) As a general conclusion, in addition to including a significant percentage of its national tariff lines in the positive list compared to other ECO members, Iran should also make significant tariff exemptions highly compatible with the export potential and comparative advantage of important ECO member countries such as Turkey and Pakistan. As a result, Iranian market opening will be very effective for its partners, and due to the wide range of tariff lines above 15 percent and the export potential of member partners in these products, protection of similar domestic products for Iran will be very serious and it will face much more risk compared to other members.

2-3-4- Kazakhstan

In order to accurately analyze and assess the access of the ECO member partners to the Kazakh market, we used the tariff structure of this country based on the frequency of tariff lines in each of the tariff bands and calculated the revealed export advantage index and the actual export from each ECO member to the world in each band, the results of which are shown in Table 11. Also, the comparative status of each of the ECO member partners in the Kazakh market in terms of the distribution of their export RCA in each tariff band by agricultural, non-agricultural (industry) and the whole economy (agriculture and industry) is shown in Figures 28 to 30, respectively.

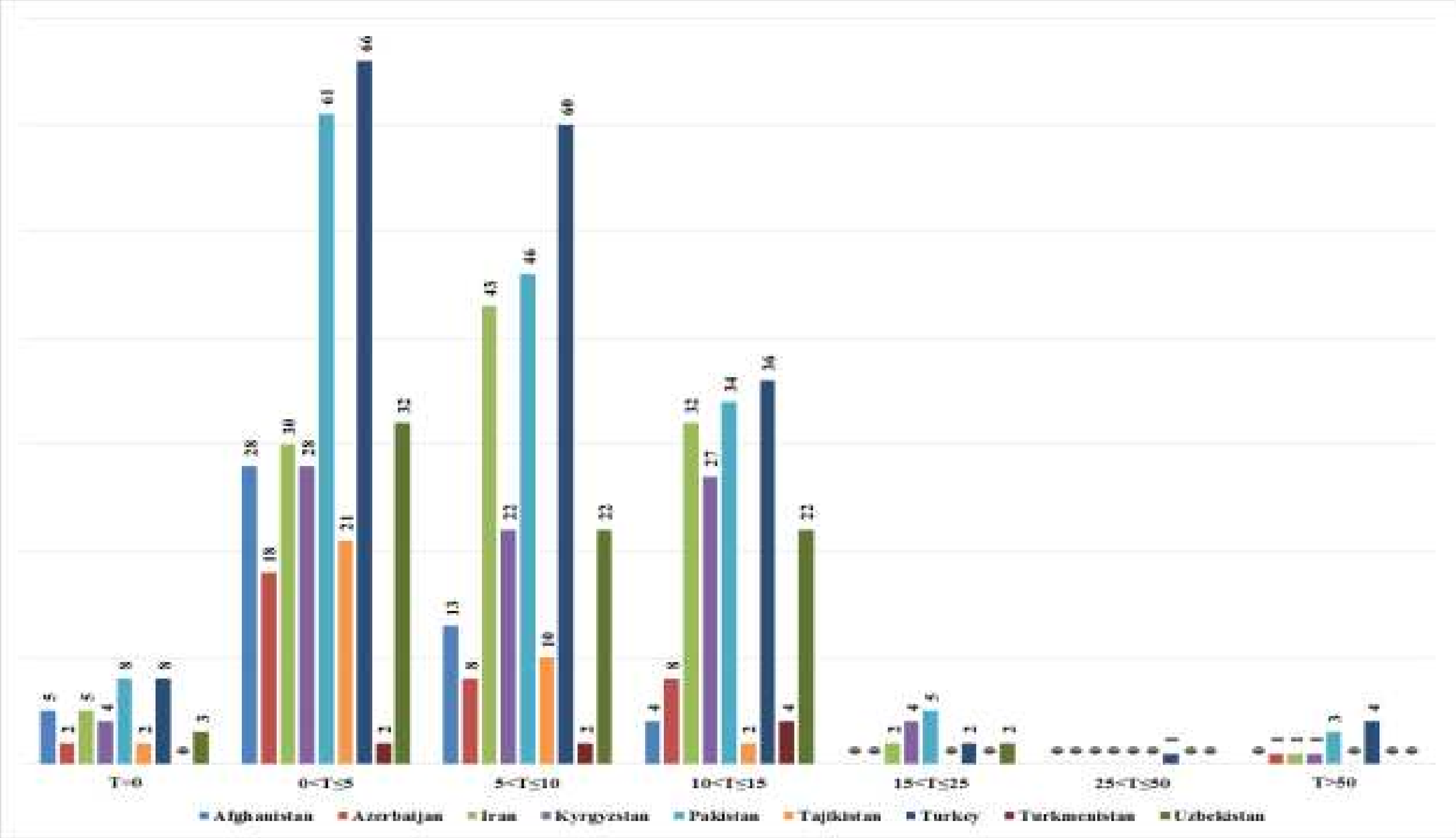
Table 11: Export potential of the ECO member countries based on the RCA index in each of Kazakhstan's tariff bands (applied tariffs 2019)

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Kazakhstan by each tariff band												
Agriculture	***Total***	941	9.3	50	37	113	86	157	35	177	8	81
	T=0	52	0.0	5	2	5	4	8	2	8	0	3
	0<T≤5	346	4.4	28	18	30	28	61	21	66	2	32
	5<T≤10	307	7.9	13	8	43	22	46	10	60	2	22
	10<T≤15	176	13.3	4	8	32	27	34	2	36	4	22
	15<T≤25	28	20.7	0	0	2	4	5	0	2	0	2
	25<T≤50	10	29.2	0	0	0	0	0	0	1	0	0
	T>50	22	72.3	0	1	1	1	3	0	4	0	0
	Share of tariff lines over 15%	6		0	3	3	6	5	0	4	0	2
Panel B: Number of tariff lines with comparative export advantage in case of export to Kazakhstan by each tariff band												
Non- Agriculture	***Total***	4446	5.8	18	58	334	224	516	101	1341	68	219
	T=0	643	0.0	1	13	15	27	26	22	141	8	12
	0<T≤5	2078	4.3	10	32	184	93	180	46	541	33	100
	5<T≤10	1232	8.3	4	11	86	69	216	22	501	22	82
	10<T≤15	488	13.3	3	2	49	35	91	10	155	5	25
	15<T≤25	5	17.5	0	0	0	0	3	1	3	0	0
	25<T≤50	0	-	0	0	0	0	0	0	0	0	0
	T>50	0	-	0	0	0	0	0	0	0	0	0
	Share of tariff lines over 15%	0		0	0	0	0	1	1	0	0	6

Panel C: Number of tariff lines with comparative export advantage in case of export to Kazakhstan by each tariff band												
All Sectors	***Total***	5387		68	95	447	310	673	136	1518	76	200
	T=0	695		6	15	20	31	34	24	149	8	15
	0<T≤5	2424		38	50	214	121	241	67	607	35	132
	5<T≤10	1539		17	19	129	91	262	32	561	24	104
	10<T≤15	664		7	10	81	62	125	12	191	9	47
	15<T≤25	33		0	0	2	4	8	1	5	0	2
	25<T≤50	10		0	0	0	0	0	0	1	0	0
	T>50	22		0	1	1	1	3	0	4	0	0
	Share of tariff lines over 15%	1		0	1	1	2	2	1	1	0	1
Panel D: Total value of each ECO member's exports to the world for the products subject to each tariff band (2018)												
Current export value (Million US $)	**Total**	5387	6.4	580	19477	90178	1757	23778	1073	165359	10085	7682
	T=0	695	0.0	57	1869	2533	340	757	623	12480	8176	3012
	0<T≤5	2424	4.3	445	16931	77054	322	6363	370	64534	1589	3326
	5<T≤10	1539	8.2	27	385	7063	952	9275	47	55672	276	1000
	10<T≤15	664	13.3	50	259	3301	125	6286	23	30591	44	336
	15<T≤25	33	20.2	0	8	120	7	250	11	1443	0	8
	25<T≤50	10	29.2	0	0	0	0	0	0	46	0	0
	T>50	22	72.3	0	26	106	11	847	0	593	0	0
	Share of tariff lines over 15%	1		0	0	0	1	5	1	1	0	0

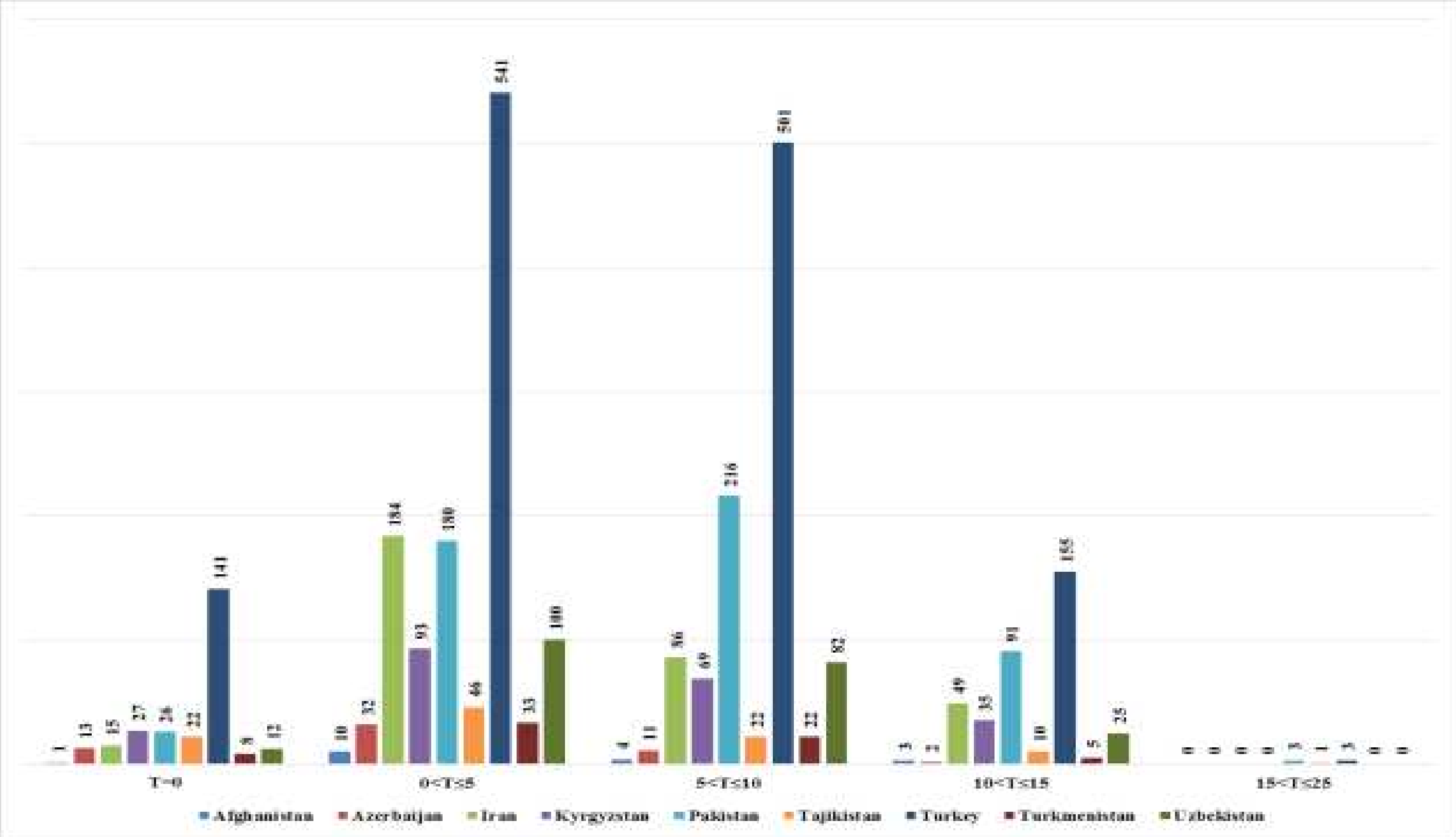
Source: ITC raw data and research findings.

Figure 28: Number of tariff lines with export RCA of the ECO members' agricultural products by Kazakhstan's tariff bands



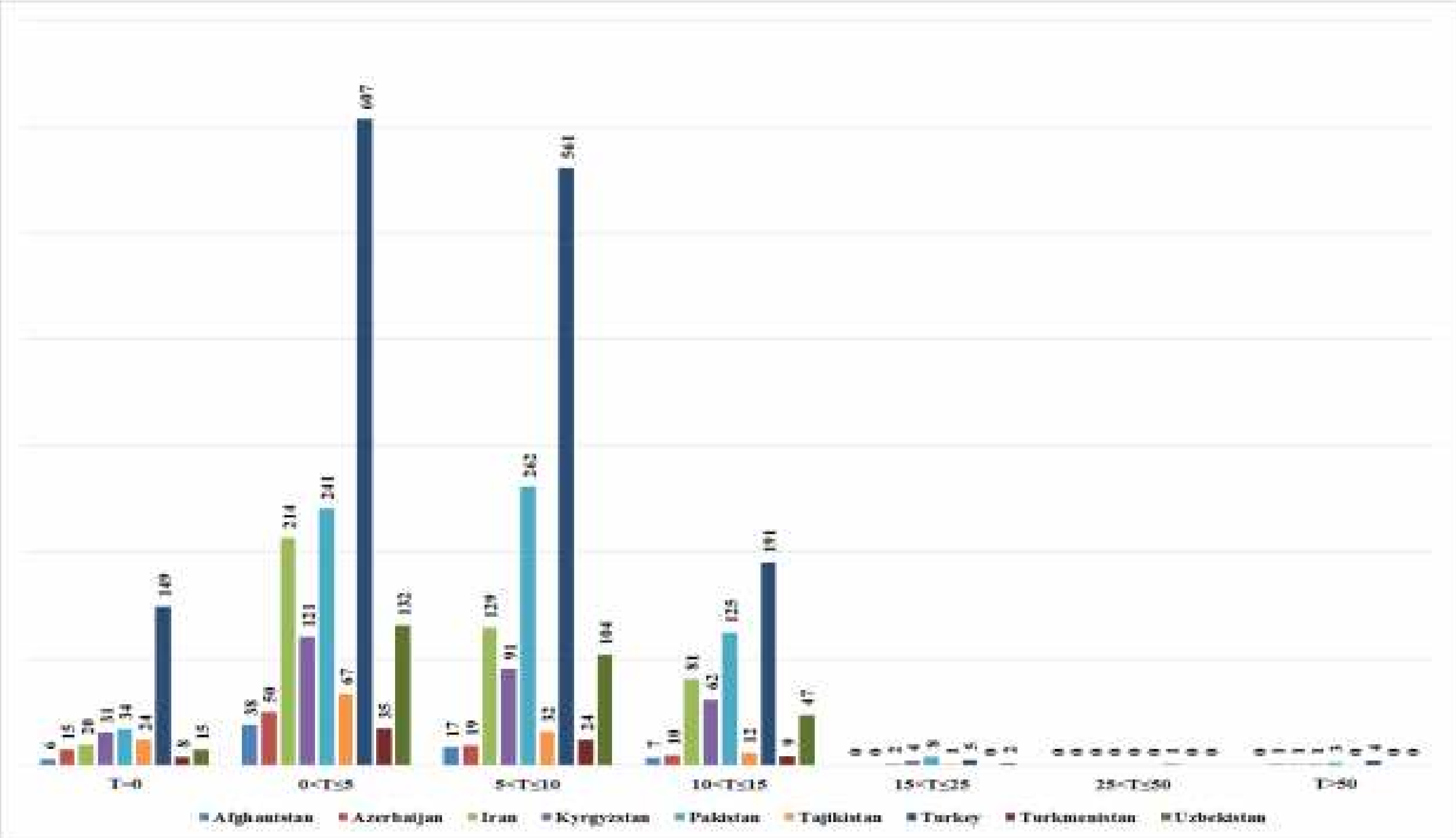
Source: ITC raw data and research findings.

Figure 29: Number of tariff lines with export RCA of the ECO members' non-agricultural goods by Kazakhstan's tariff bands



Source: ITC raw data and research findings.

Figure 30: Number of tariff lines with export RCA of the ECO members' total products by Kazakhstan's tariff bands



Source: ITC raw data and research findings.

2-3-4-1- Analysis and evaluation of the results concerning Kazakhstan

Considering the status of Kazakhstan's tariff structure as well as the number of goods with a comparative export advantage of other ECO members in each of the country's tariff bands and the relevant calculations shown in Table 11 and Figures 28 to 30, the following analytical results can be inferred:

1) Kazakhstan has set tariff rates of more than 15 percent in 2019 for more than 6 percent of the tariff lines of its agricultural products (equivalent to 60 six-digit HS codes), of which 28 codes with tariff rates between 15 and 25 Percent, 10 codes with tariff rates between 25 to 50 percent, and 22 codes with tariff rates more than 50 percent. According to Panel A in Table 11, a small number of goods with a comparative export advantage of the ECO members face tariff rates higher than 15 percent in Kazakhstan. Only 2 percent of Uzbekistan's products with a comparative export advantage face tariffs above 15 percent, and for other countries, the coverage percentage is up to 6 percent at most. According to Figure 28, a significant percentage of products with a comparative export advantage of the ECO member countries in the agricultural sector face relatively low tariffs at rates between 0 and 15 percent in Kazakhstan. Therefore, given the current structure of tariffs imposed by Kazakhstan, the country can put all of its risky agricultural products (most of which are among Turkey, Pakistan, Iran, Kyrgyzstan and Uzbekistan products with a comparative advantage) on its negative and sensitive lists and minimize the potential risk of increased imports due to tariff liberalization under the current ECOTA rule.

2) Out of 4446 tariff lines of industrial products (according to the six-digit HS codes) of Kazakhstan in 2019, only about 0.1 percent of the tariff lines (5 codes) of this country have tariff rates above 15 percent. Also, a very limited number of industrial products with comparative advantage of the ECO member countries face tariff rates more than 15 percent in the market of this country. There is no tariff rate in the non-agricultural sector of Kazakhstan above 25 percent; so there is no sixth (tariffs between 25 and 50 percent) and seventh (tariffs above 50 percent) band in the country's industrial tariffs (Figure 29).

3) The results of the study of the dollar value of goods with a comparative export advantage of the ECO member countries show that about 95 to 100 percent of the value of products with a comparative export advantage of Afghanistan, Azerbaijan, Uzbekistan, Iran, Kyrgyzstan, Turkmenistan, Tajikistan, Pakistan and Turkey to the world face tariff rates up to 15 percent in Kazakhstan.

4) As a general result, Kazakhstan has a moderate protective tariff regime in the agricultural sector and a relatively free tariff regime in the non-agricultural sector. At the same time, based on the export value of products with a comparative export

advantage of the ECO member countries to the world, it can be said that the pattern of export competitiveness of the ECO member countries is such that the highest export tendency to the Kazakh market is concentrated on products with tariff rates up to 15 percent. Thus, Kazakhstan can easily include all of its tariff rates over 15 percent in its negative list. The same is true of agricultural products. Therefore, according to the current provisions of Article 4 of the ECOTA, Kazakhstan can put all its risky tariff lines on its positive list and will not have much concern about the implementation of this agreement.

2-3-5- Kyrgyzstan

In order to accurately analyze and assess the access of the ECO member partners to the Kazakh market, we used the tariff structure of this country based on the frequency of tariff lines in each of the tariff bands and calculated the revealed export advantage index and the actual export from each ECO member to the world in each band, the results of which are shown in Table 12. Also, the comparative status of each of the ECO member partners in the Iranian market in terms of the distribution of their export RCA in each tariff band by agricultural, non-agricultural (industry) and the whole economy (agriculture and industry) is shown in Figures 31 to 33, respectively.

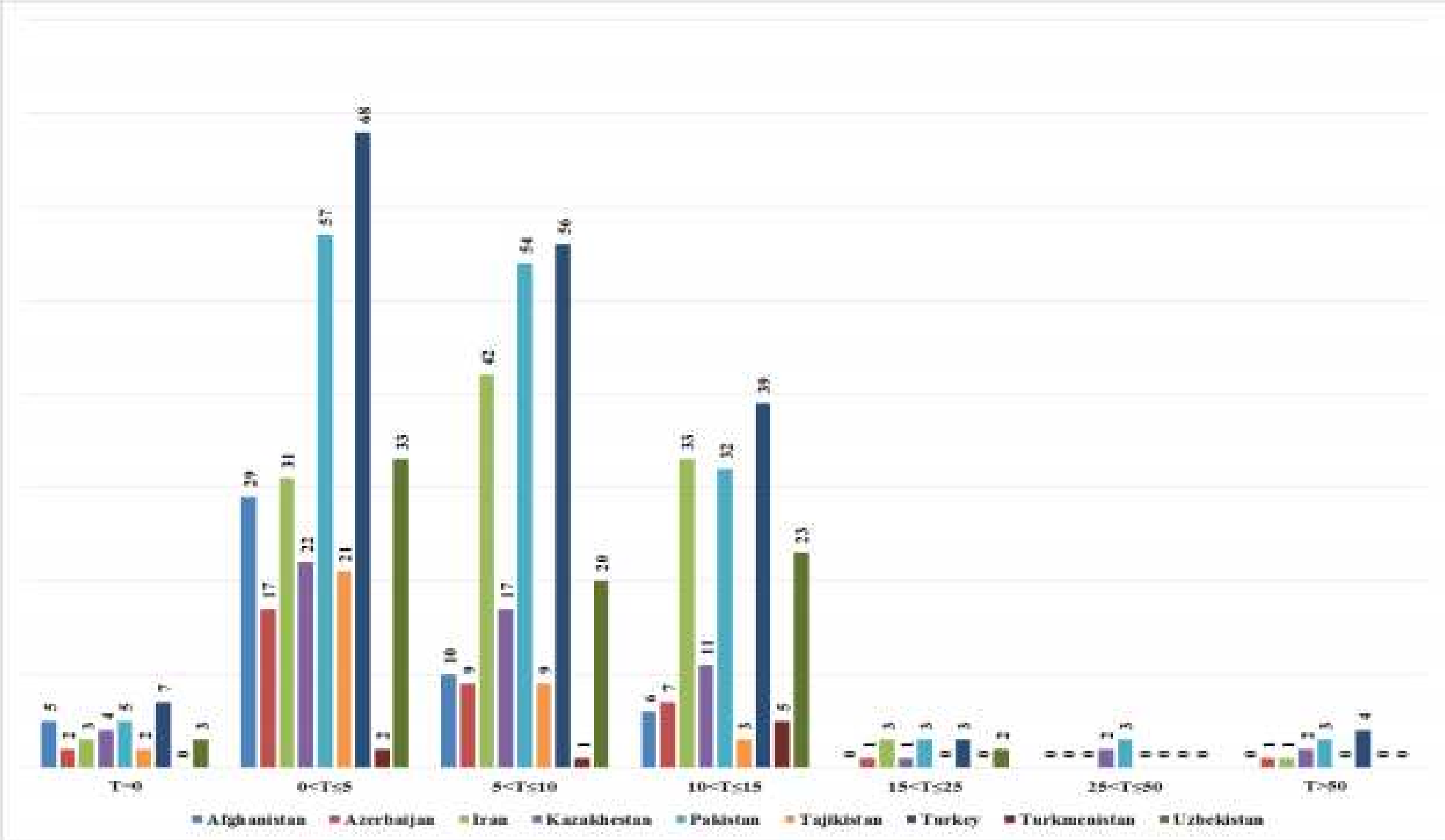
Table 12: Export potential of the ECO member countries based on the RCA index in each of Kyrgyzstan's tariff bands (applied tariffs 2019)

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Kyrgyzstan by each tariff band												
Agriculture	***Total***	941	10.5	50	37	113	59	157	35	177	8	81
	T=0	42	0.0	5	2	3	4	5	2	7	0	3
	0<T≤5	330	4.5	29	17	31	22	57	21	68	2	33
	5<T≤10	314	7.9	10	9	42	17	54	9	56	1	20
	10<T≤15	190	13.3	6	7	33	11	32	3	39	5	23
	15<T≤25	26	19.4	0	1	3	1	3	0	3	0	2
	25<T≤50	9	27.4	0	0	0	2	3	0	0	0	0
	T>50	30	85.9	0	1	1	2	3	0	4	0	0
	Share of tariff lines over 15%	7		0	5	4	8	6	0	4	0	2
Panel B: Number of tariff lines with comparative export advantage in case of export to Kyrgyzstan by each tariff band												
Non- Agriculture	***Total***	4446	6.5	18	58	334	152	516	101	1341	68	219
	T=0	681	0.0	1	13	15	19	26	24	156	9	13
	0<T≤5	1958	4.4	10	30	181	88	169	43	500	32	99
	5<T≤10	1210	8.5	4	13	87	33	184	24	465	21	67
	10<T≤15	476	13.4	3	2	49	10	67	8	133	4	15
	15<T≤25	73	18.9	0	0	2	2	38	2	49	2	14
	25<T≤50	35	36.7	0	0	0	0	23	0	28	0	9
	T>50	13	61.6	0	0	0	0	9	0	10	0	11
	Share of tariff lines over 15%	3		0	0	1	1	14	2	6	3	9

Panel C: Number of tariff lines with comparative export advantage in case of export to Kyrgyzstan by each tariff band												
All Sectors	***Total***	5387	7.2	68	95	447	211	673	136	1518	76	300
	T=0	723	0	6	15	18	23	31	26	163	9	16
	0<T≤5	2288	4.5	39	47	212	110	226	64	568	34	132
	5<T≤10	1524	8.3	14	22	129	50	238	33	521	22	87
	10<T≤15	666	13.4	9	9	82	21	99	11	172	9	38
	15<T≤25	99	19	0	1	5	3	41	2	52	2	16
	25<T≤50	44	34.8	0	0	0	2	26	0	28	0	9
	T>50	43	78.6	0	1	1	2	12	0	14	0	2
	Share of tariff lines over 15%	3		0	2	1	3	12	1	6	3	9
Panel D: Total value of each ECO member's export to the world for the products subject to each tariff band (2018)												
Current export value (Million US $)	***Total***	5387	7.2	580	19477	90178	60946	23778	1073	165359	10085	7682
	T=0	723	0.0	57	1869	2511	5920	765	624	13951	8176	3018
	0<T≤5	2288	4.5	447	16888	76925	52050	5763	367	53422	1590	3296
	5<T≤10	1524	8.3	9	424	7025	2310	7052	49	63591	271	801
	10<T≤15	666	13.4	66	263	3548	562	4023	25	24287	41	302
	15<T≤25	99	19.0	0	6	54	42	4696	8	6876	8	210
	25<T≤50	44	34.8	0	0	6	17	459	0	2482	0	47
	T>50	43	78.6	0	26	109	44	1021	0	749	0	9
	Share of tariff lines over 15%	3		0	0	0	0	26	1	6	0	3

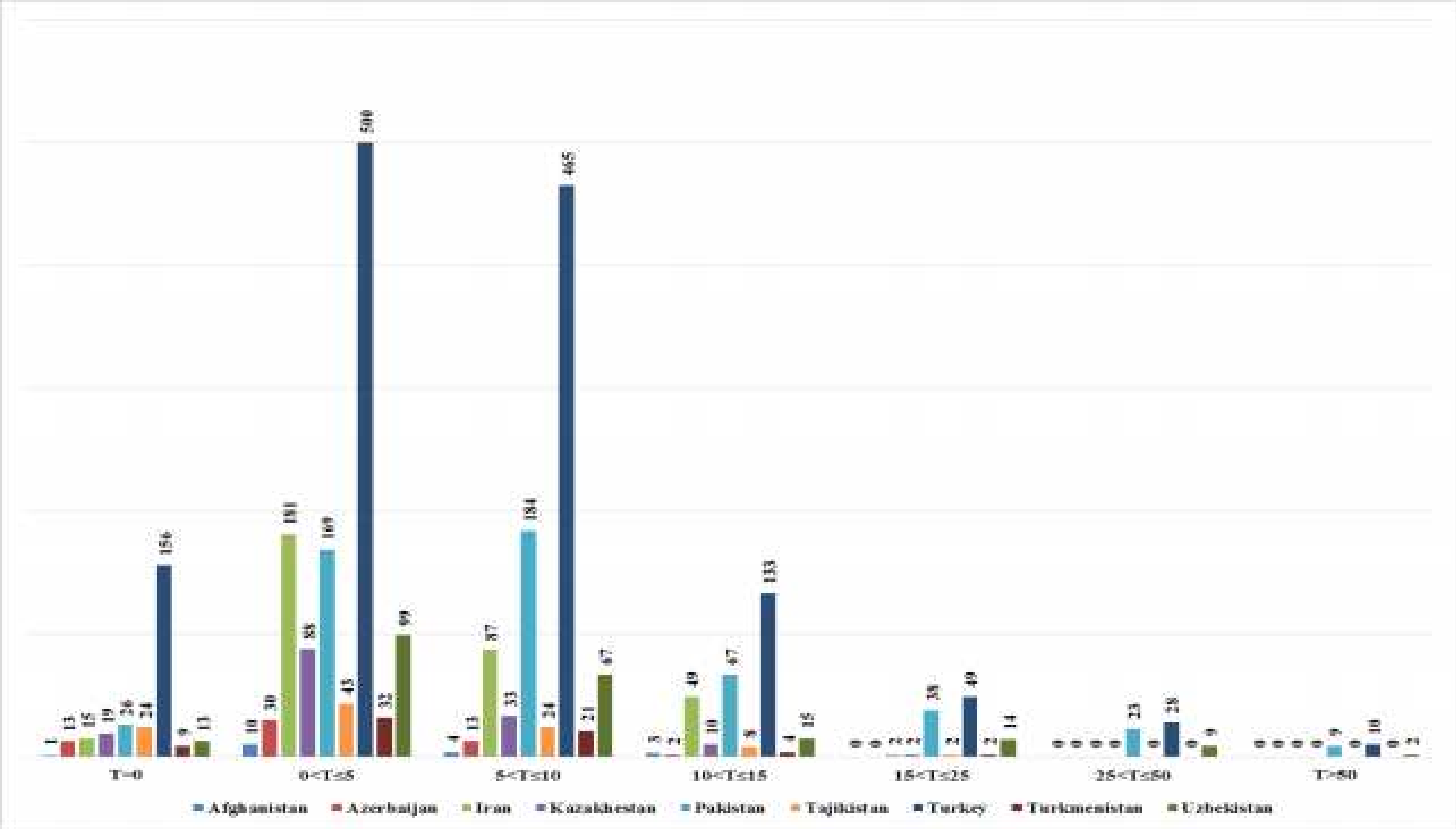
Source: ITC raw data and research findings.

Figure 31: Number of tariff lines with export RCA of the ECO members' agricultural products by Kyrgyzstan's tariff bands



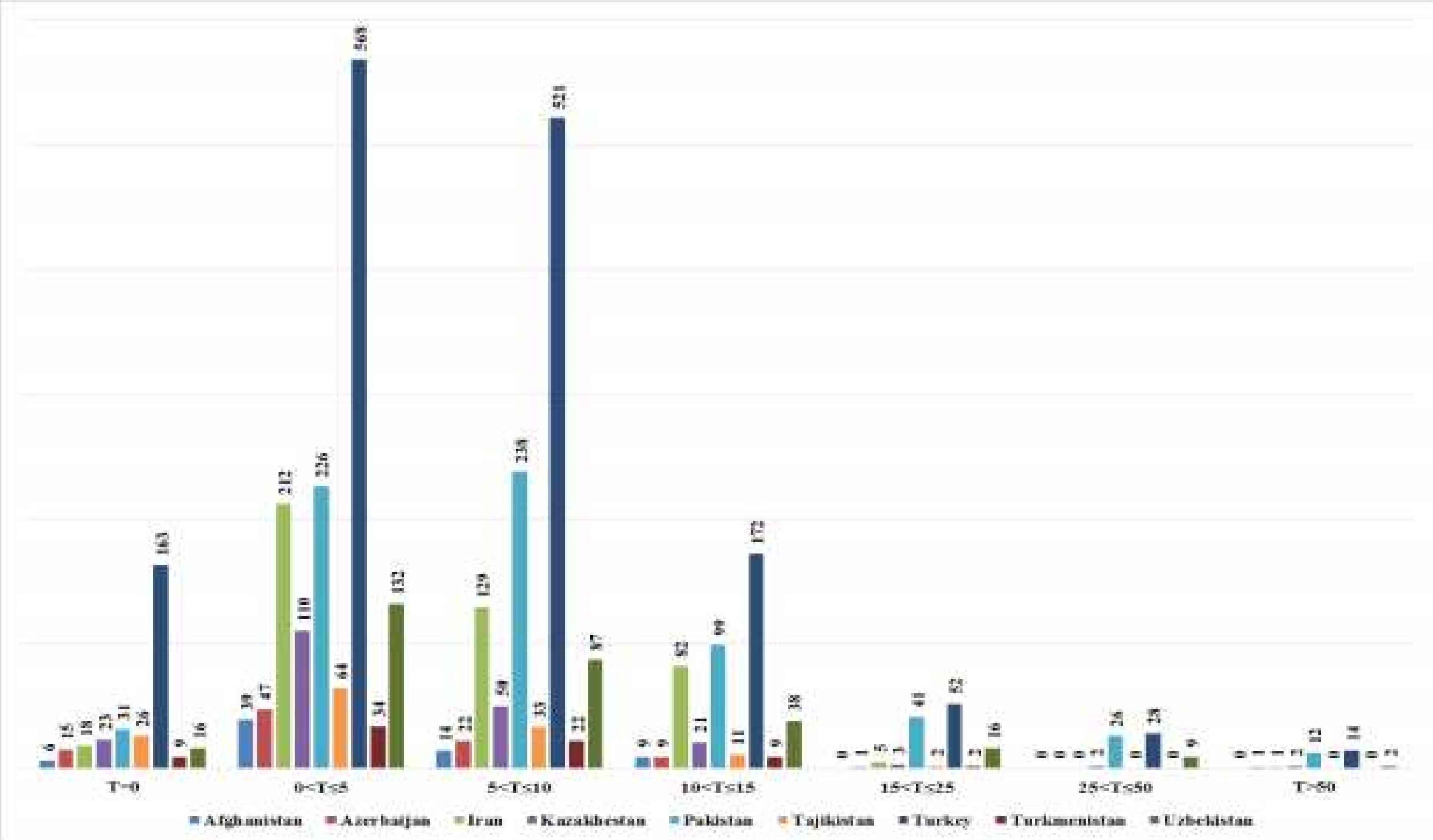
Source: ITC raw data and research findings.

Figure 32: Number of tariff lines with export RCA of the ECO members' non-agricultural goods by Kyrgyzstan's tariff bands



Source: ITC raw data and research findings.

Figure 33: Number of tariff lines with export RCA of the ECO members' total products by Kyrgyzstan's tariff bands



Source: ITC raw data and research findings.

2-3-5-1- Analysis and evaluation of the results concerning Kyrgyzstan

Given the status of Kyrgyzstan's tariff structure as well as the number of goods with a comparative export advantage of other ECO members in each of the country's tariff bands and the relevant calculations shown in Table 12 and Figures 31 to 33, the following analytical results can be inferred:

1) In 2019, Kyrgyzstan set tariff rates higher than 15 percent for 7 percent of agricultural products (according to the six-digit HS codes). According to Panel A in Table 12, less than 5 percent of tariff lines with a comparative export advantage in the agricultural sector of the ECO members face tariff barriers of more than 15 percent in Kyrgyzstan. According to the last row of Panel A, that ratio is 8 percent for Kazakhstan and zero for Turkmenistan, Afghanistan and Tajikistan (Figure 31). According to the results of this study, given the current structure of tariffs imposed by Kyrgyzstan, the country can put its few products with tariff rates over 15 percent on its negative and sensitive lists and thus minimize the potential risk of increased imports due to tariff liberalization under current ECOTA rule.

2) Of 4,446 non-agricultural products (according six-digit HS codes) that Kyrgyzstan has set tariffs on their imports (2019), about 3 percent (121 codes) have tariffs more than 15 percent. According to Panel B of Table 12, most non-agricultural goods with a comparative advantage of the ECO members face tariffs between 0 and 5 percent, followed by 5 to 10 percent band (Figure 32).

3) Survey results for all products also show that a limited number of products with a comparative export advantage of the ECO members face tariffs more than 15 percent in Kyrgyzstan (about 12 percent in case of Pakistan at the most). Turkey with 94 codes (about 6 percent) and Pakistan with 79 codes (about 12 percent) have most variety of goods with a comparative advantage, subject to tariffs above 15 percent in Kyrgyzstan (Figure 33).

4) The results of a study of the dollar value of the ECO member countries' exports in the various tariff bands of Kyrgyzstan show that 20, 6 and 3 percent of the global export value of Pakistan, Turkey and Uzbekistan is subject to tariffs above 15 percent in Kyrgyzstan.

5) As a general conclusion, given that a small portion of Kyrgyzstan tariff lines above 15 percent is imposed on goods with a comparative advantage and export potential of the ECO members, trade liberalization and inclusion of a wide range of goods in the positive list will not pose a risk to the country and it will easily be able to put its few items with tariff rates over 15 percent on its negative list too.

2-3-6- Pakistan

In order to accurately analyze and assess the access of the ECO member partners to the Pakistani market, we used the tariff structure of this country based on the frequency of tariff lines in each of the tariff bands and calculated the revealed export advantage index and the actual export from each ECO member to the world in each band, the results of which are shown in Table 13. Also, the comparative status of each of the ECO member partners in the Pakistani market in terms of the distribution of their export RCA in each tariff band by agricultural, non-agricultural (industry) and the whole economy (agriculture and industry) is shown in Figures 34 to 36, respectively.

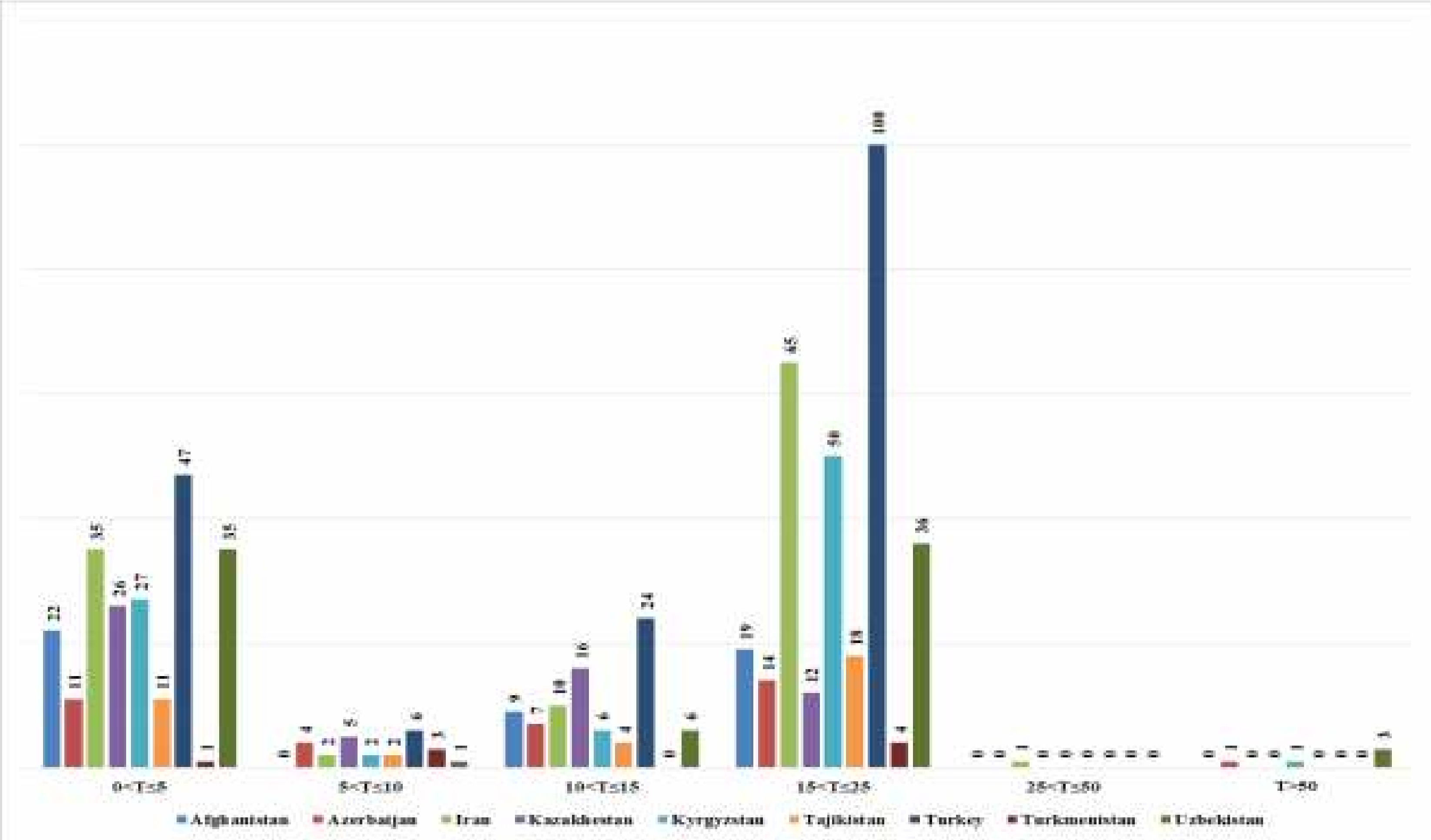
Table 13: Export potential of the ECO member countries based on the RCA index in each of Pakistan's tariff bands (applied tariffs 2019)

	Tariff classifications	Tariff Lines Frequency	Average Tariff Rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Tajikistan	Turkey	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Pakistan by each tariff band												
Agriculture	***Total***	941	14.0	50	37	113	59	86	35	177	8	81
	T=0	0	-	0	0	0	0	0	0	0	0	0
	0<T≤5	270	3.0	22	11	35	26	27	11	47	1	35
	5<T≤10	23	7.2	0	4	2	5	2	2	6	3	1
	10<T≤15	184	11.0	9	7	10	16	6	4	24	0	6
	15<T≤25	445	19.3	19	14	65	12	50	18	100	4	36
	25<T≤50	2	41.8	0	0	1	0	0	0	0	0	0
	T>50	17	90.0	0	1	0	0	1	0	0	0	3
	Share of tariff lines over 15%	49		38	41	58	20	59	51	56	50	48
Panel B: Number of tariff lines with comparative export advantage in case of export to Pakistan by each tariff band												
Non- Agriculture	***Total***	4446	11.7	18	58	334	152	224	101	1341	68	219
	T=0	2	0.0	0	0	0	0	0	0	0	0	0
	0<T≤5	1815	3.0	4	27	111	90	74	52	253	27	61
	5<T≤10	85	7.9	0	2	3	2	4	1	24	2	4
	10<T≤15	643	11.2	0	17	42	13	13	12	184	11	37
	15<T≤25	1766	19.0	13	11	176	46	128	30	828	27	117
	25<T≤50	121	33.1	1	1	2	1	5	6	45	1	0
	T>50	14	74.7	0	0	0	0	0	0	7	0	0
	Share of tariff lines over 15%	43		78	21	53	31	59	36	66	41	53

	Tariff classifications	Tariff Lines Frequency	Average Tariff Rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Tajikistan	Turkey	Turkmenistan	Uzbekistan
Panel C: Number of tariff lines with comparative export advantage in case of export to Pakistan by each tariff band												
All Sectors	***Total***	5387	12.1	68	95	447	211	310	136	1518	76	300
	T=0	2	0.0	0	0	0	0	0	0	0	0	0
	0<T≤5	2085	3.0	26	38	146	116	101	63	300	28	96
	5<T≤10	108	7.7	0	6	5	7	6	3	30	5	5
	10<T≤15	827	11.2	9	24	52	29	19	16	208	11	43
	15<T≤25	2211	19.1	32	25	241	58	178	48	928	31	153
	25<T≤50	123	33.2	1	1	3	1	5	6	45	1	0
	T>50	31	83.1	0	1	0	0	1	0	7	0	3
	Share of tariff lines over 15%	44		49	28	55	28	59	40	65	42	52
Panel D: Number of tariff lines with comparative export advantage in case of export to Pakistan by each tariff band												
Current export value (Million US $)	***Total***	5387	12.1	580	19477	90178	60946	1757	1073	165359	10085	7682
	T=0	2	0.0	0	0	0	0	0	0	0	0	0
	0<T≤5	2085	3.0	123	18067	68357	54251	1158	900	24121	8750	4372
	5<T≤10	108	7.7	0	65	2294	755	36	1	7193	201	132
	10<T≤15	827	11.2	22	845	8202	3005	93	41	19169	946	1435
	15<T≤25	2211	19.1	434	474	11060	2774	429	122	85544	180	1678
	25<T≤50	123	33.2	1	9	247	136	33	3	11632	8	26
	T>50	31	83.1	0	17	17	25	7	6	17700	0	39
	Share of tariff lines over 15%	44		75	3	13	5	27	12	69	2	23

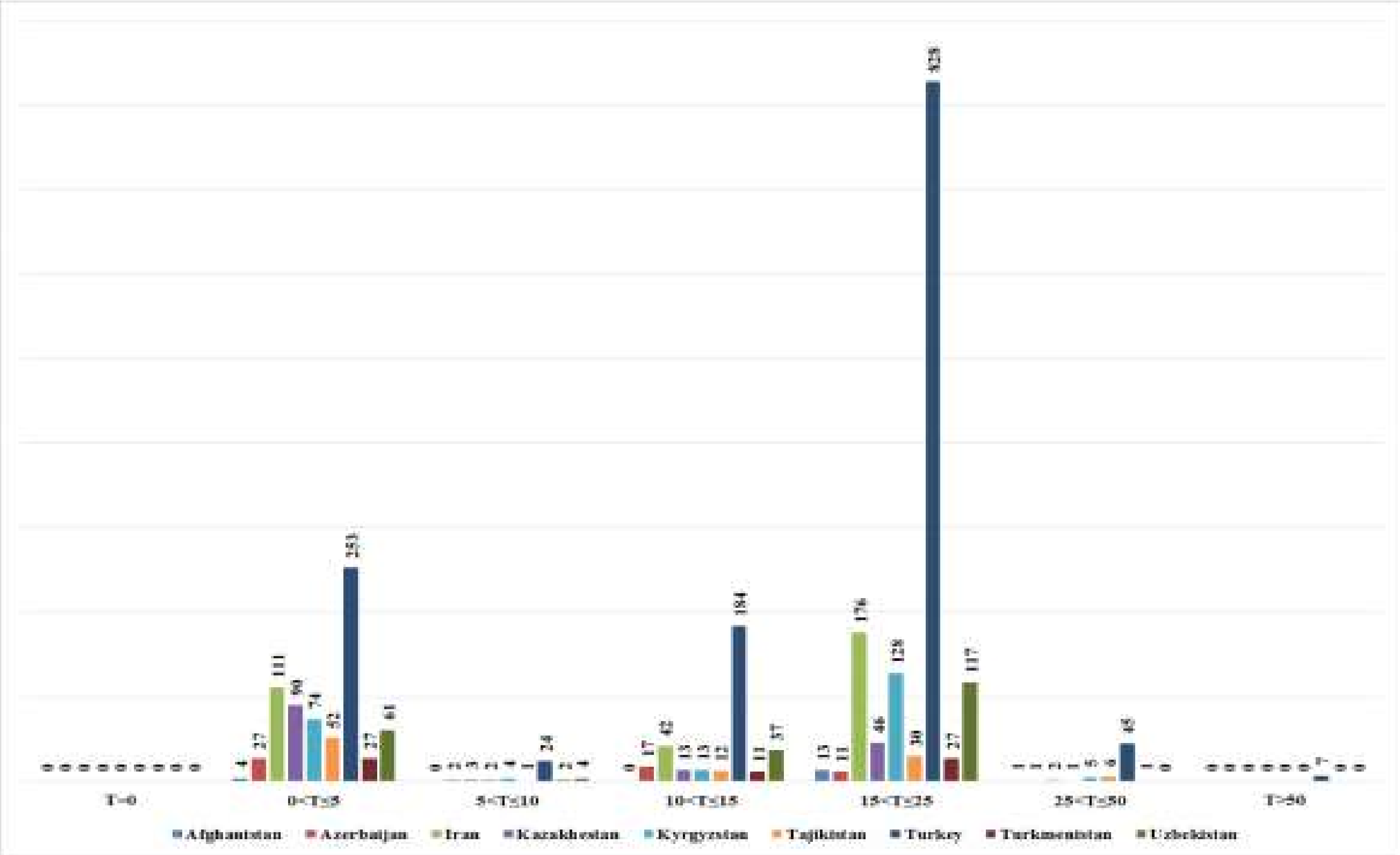
Source: ITC raw data and research findings.

Figure 34: Number of tariff lines with export RCA of the ECO members' agricultural products by Pakistan's tariff bands



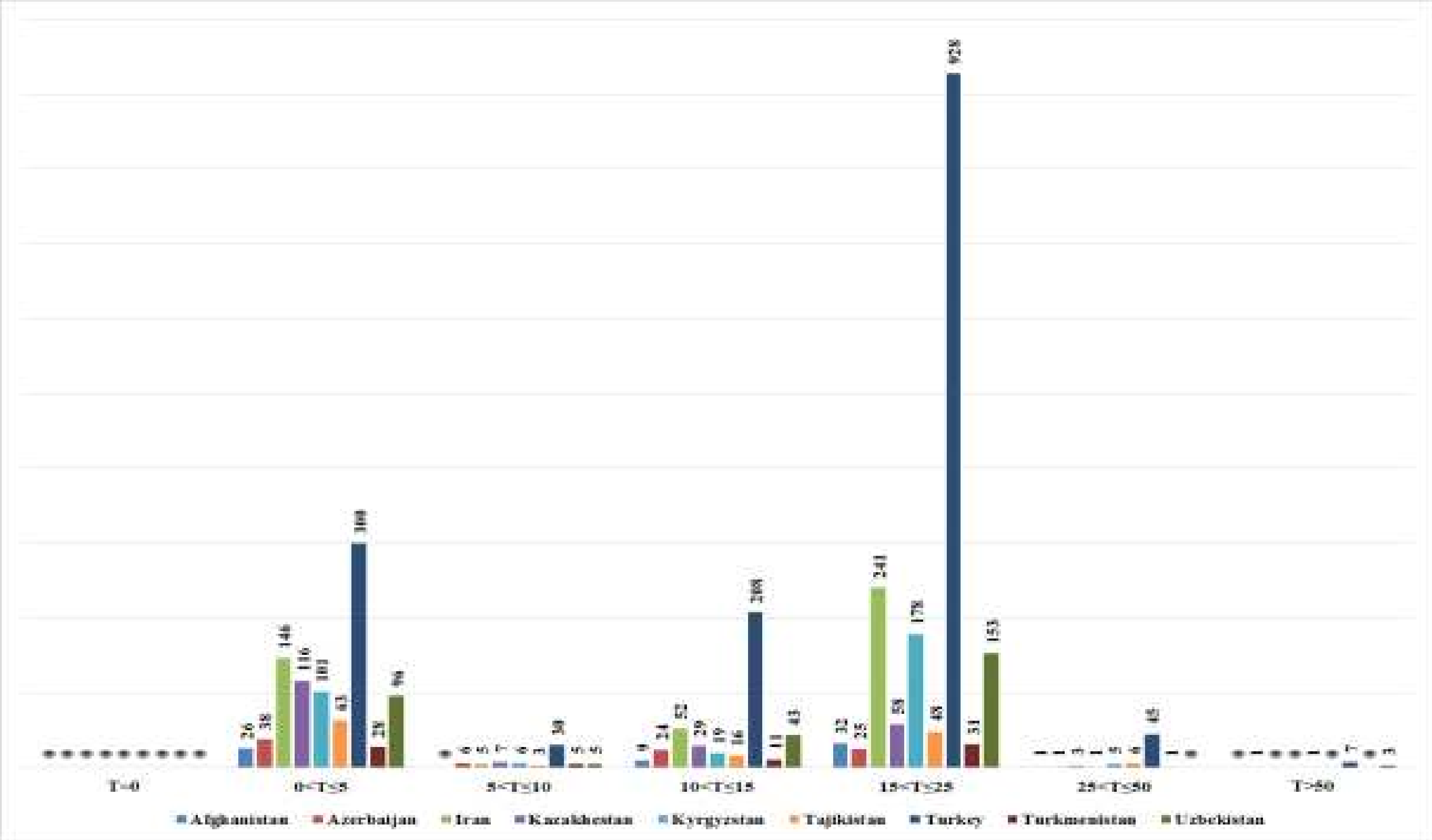
Source: ITC raw data and research findings.

Figure 35: Number of tariff lines with export RCA of the ECO members' non-agricultural goods by Pakistan's tariff bands



Source: ITC raw data and research findings.

Figure 36: Number of tariff lines with export RCA of the ECO members' total products by Pakistan's tariff bands



Source: ITC raw data and research findings.

2-3-6-1- Analysis and evaluation of the results concerning Pakistan

Considering the status of Pakistan's tariff structure as well as the number of goods with a comparative export advantage of other ECO members in each of the country's tariff bands and the relevant calculations shown in Table 13 and Figures 34 to 36, the following analytical results can be inferred:

1) Pakistan has applied tariff rates more than 15 percent in 2019 for 49 percent of agricultural products (equivalent to 464 HS six-digit codes), of which 445 codes with tariff rates between 15 to 25 percent and 19 codes with tariff rates more than 25 percent. As shown in Panel A of Table 13, more than 50 percent of agricultural products with a comparative export advantage of Kyrgyzstan, Iran, Turkey, Tajikistan and Turkmenistan face tariff rates of 15 percent or more in Pakistan. In terms of the number tariff lines with a comparative export advantage, 100, 66, 51 and 39 agricultural products of Turkey, Iran, Kyrgyzstan and Uzbekistan face tariff rates higher than 15 percent in Pakistan (Figure 34). As can be seen, a significant percentage of the ECO member countries' products with comparative export advantage face tariff rates of 15 to 25 percent in Pakistan, and products belonging to this tariff band are among the most risky products in the agricultural sector of the Pakistani economy. Given that Pakistan has to cover part of its positive list from tariff lines at a rate of more than 15 percent in accordance with ECOTA criteria, the implementation of Article 4 of the ECOTA for Pakistan, as for Iran, will pose far greater risks to the country's economy compared to many ECO members.

2) Of 4446 non-agricultural products (six-digit HS codes) on which Pakistan has imposed tariffs in 2019, tariff rates for 43 percent of non-agricultural products are more than 15 percent. In terms of market access conditions for the ECO members in the country's market, Turkey's 880 products (equivalent to 66%), Iran's 178 products (equivalent to 53%), Kyrgyzstan's 133 products (equivalent to 59%), and Uzbekistan's 117 products (equivalent to 53%) with a comparative export advantage face tariff rates higher than 15 percent in Pakistan. As for Afghanistan, Azerbaijan, Kazakhstan, Tajikistan and Turkmenistan, the proportions are 78, 21, 31, 36 and 41 percent of products with a comparative export advantage. The results of this study show that a significant percentage of industrial products with a comparative export advantage of the ECO member countries face tariff rates of more than 15 percent, followed by tariff rates between 0 to 5 and 10 to 15 percent, in Pakistan (Figure 35).

3) Survey results on total products show that 44 percent of imported products face tariff rates higher than 15 percent in Pakistan (Figure 36). The results show that 980, 244, 184, and 156 products with a comparative export advantage of Turkey, Iran, Kyrgyzstan, and Uzbekistan, respectively, face tariff rates of more than 15

percent in Pakistan. For other ECO member countries, the number is less than 60 products. Most of the products with a comparative export advantage of the ECO member countries face tariff rates between 15 and 25 percent, followed by tariffs between 0 and 5 and between 10 and 15 percent.

4) The results on the dollar value of exports of products with comparative advantage of the ECO member countries and the market access conditions in tariff bands of Pakistan show that (a) 31 percent of Turkish exports to the world is facing with tariff rates equal or less than 15 percent in Pakistan. 51 percent of the global value of Turkish exports is faced with tariff rates between 15 and 25 percent, 7 percent with tariff rates between 25 and 50 percent, and 11 percent with tariff rates of more than 50 percent. In addition, 25 percent of Afghanistan's global exports face tariff rates equal or less than 15 percent and most of the rest (75 percent) face tariff rates between 15 and 25 percent in Pakistan. (B) 73 percent and 77 percent of Kyrgyzstan and Uzbekistan's global exports, respectively, are facing tariff rates less than 15 percent, and most of the rest of the two countries' exports face tariff rates between 15 percent and 25 percent in Pakistan. (C) 87, 88, 95, 97 and 98 percent of the dollar value of exports of Iran, Tajikistan, Kazakhstan, Azerbaijan and Turkmenistan, respectively, face tariff rates equal or less than 15 percent and the majority of the remaining exports of these countries face tariff rates between 15 and 25 percent in Pakistan.

5) As a general result, Pakistan is forced to include a number of its national tariff lines in its positive list, and most of its tariff exemptions cover products in tariff range of 15 to 25 percent. The most important challenge for Pakistan in terms of the ECO member countries' export potential to penetrate its market as a result of fulfilling the commitments under the positive list, will be Turkey, followed by Iran, Kyrgyzstan and Uzbekistan.

2-3-7- Tajikistan

In order to accurately analyze and assess the access of the ECO member partners to the Tajik market, we used the tariff structure of this country based on the frequency of tariff lines in each of the tariff bands and calculated the revealed export advantage index and the actual export from each ECO member to the world in each band, the results of which are shown in Table 14. Also, the comparative status of each of the ECO member partners in the Tajik market in terms of the distribution of their export RCA in each tariff band by agricultural, non-agricultural (industry) and the whole economy (agriculture and industry) is shown in Figures 37 to 39, respectively.

Table 14: Export potential of the ECO member countries based on the RCA index in each of Tajikistan's tariff bands (applied tariffs 2019)

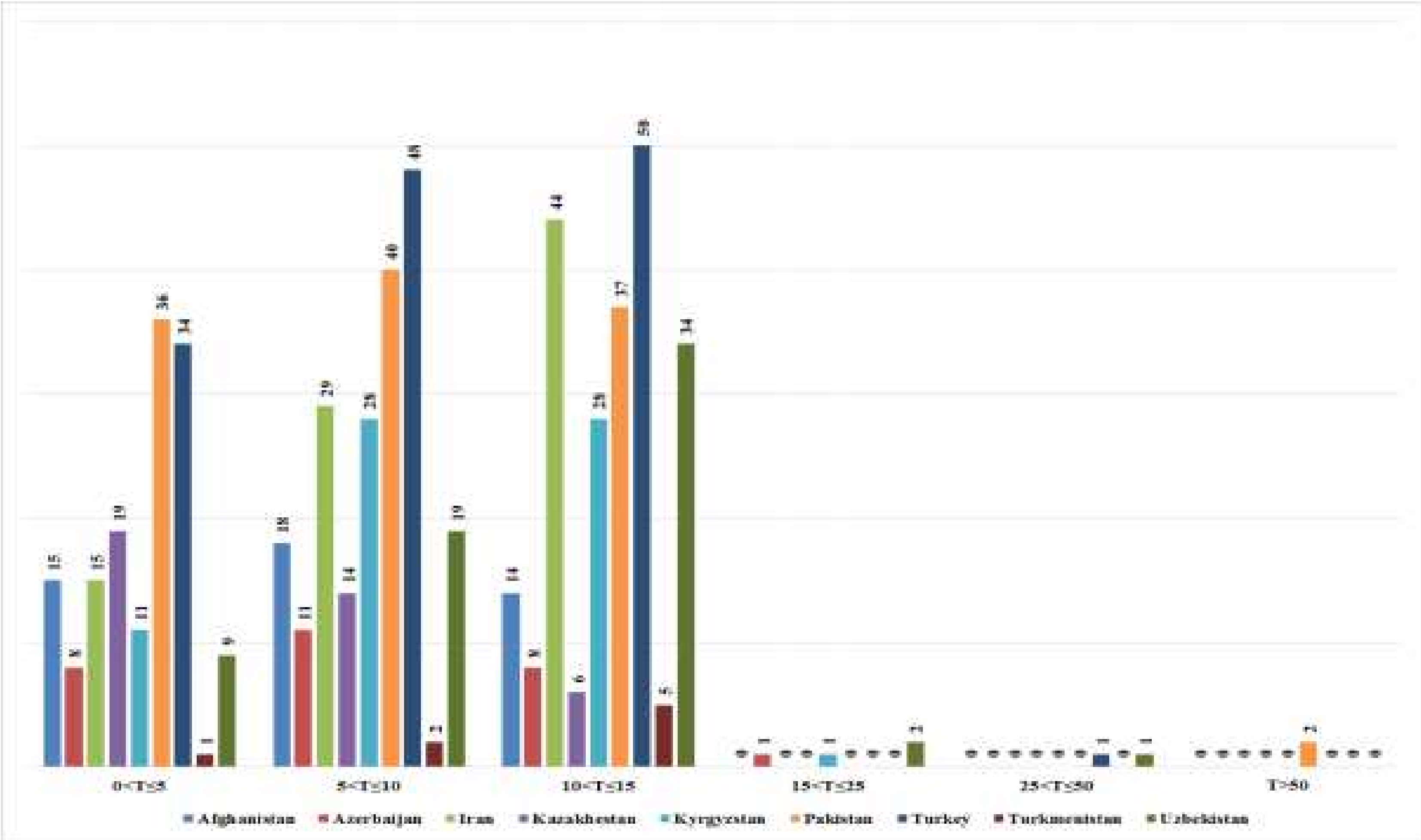
	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Turkey	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Tajikistan by each tariff band												
Agriculture	***Total***	722	10.7	47	28	88	39	68	115	133	8	65
	T=0	0	-	0	0	0	0	0	0	0	0	0
	0<T≤5	225	4.9	15	8	15	19	11	36	34	1	9
	5<T≤10	276	9.9	18	11	29	14	28	40	48	2	19
	10<T≤15	203	15.0	14	8	44	6	28	37	50	5	34
	15<T≤25	8	20.1	0	1	0	0	1	0	0	0	2
	25<T≤50	7	32.9	0	0	0	0	0	0	1	0	1
	T>50	3	159.0	0	0	0	0	0	2	0	0	0
	Share of tariff lines over 15%	**2**		**0**	**4**	**0**	**0**	**1**	**2**	**1**	**0**	**5**
Panel B: Number of tariff lines with comparative export advantage in case of export to Tajikistan by each tariff band												
Non- Agriculture	***Total***	4329	7.2	18	58	326	148	222	510	1299	67	214
	T=0	228	0.0	0	4	17	7	11	11	86	5	9
	0<T≤5	2775	5.0	11	33	196	115	109	172	633	31	91
	5<T≤10	618	10.0	0	6	51	5	63	146	278	5	54
	10<T≤15	687	15.0	6	15	52	21	39	179	287	25	58
	15<T≤25	0	-	0	0	0	0	0	0	0	0	0
	25<T≤50	21	30.0	1	0	10	0	0	2	15	1	2
	T>50	0	-	0	0	0	0	0	0	0	0	1
	Share of tariff lines over 15%	**0**		**6**	**0**	**3**	**0**	**0**	**0**	**1**	**1**	**14**

Panel C: Number of tariff lines with comparative export advantage in case of export to Tajikistan by each tariff band												
All Sectors	***Total***	5051	7.7	65	86	414	187	290	625	1432	75	279
	T=0	228	0.0	0	4	17	7	11	11	86	5	9
	0<T≤5	3000	5.0	26	41	211	134	120	208	667	32	100
	5<T≤10	894	10.0	18	17	80	19	91	186	326	7	73
	10<T≤15	890	15.0	20	23	96	27	67	216	337	30	92
	15<T≤25	8	20.1	0	1	0	0	1	0	0	0	2
	25<T≤50	28	30.7	1	0	10	0	0	2	16	1	3
	T>50	3	159.0	0	0	0	0	0	2	0	0	0
	Share of tariff lines over 15%	**1**		**2**	**1**	**2**	**0**	**0**	**1**	**1**	**1**	**2**
Panel D: Total value of each ECO member's exports to the world for the products subject to each tariff band (2018)												
Current export value (Million US $)	***Total***	5051	7.7	579	19292	87080	59442	1719	22850	153678	9901	7368
	T=0	228	0.0	0	1597	5461	3121	23	42	3115	8043	2639
	0<T≤5	3000	5.0	247	16702	69867	53966	533	6592	90805	1450	1929
	5<T≤10	894	10.0	238	358	7183	523	278	6859	30790	42	1265
	10<T≤15	890	15.0	71	626	3892	1827	881	8829	26557	365	1495
	15<T≤25	8	20.1	0	8	1	1	3	0	43	0	6
	25<T≤50	28	30.7	22	1	669	3	0	72	2327	1	35
	T>50	3	159.0	0	1	7	2	1	455	40	0	0
	Share of tariff lines over 15%	**1**		**4**	**0**	**1**	**0**	**0**	**2**	**2**	**0**	**1**

Source: ITC raw data and research findings.

Figure 37: Number of tariff lines with export RCA of the ECO members' agricultural products

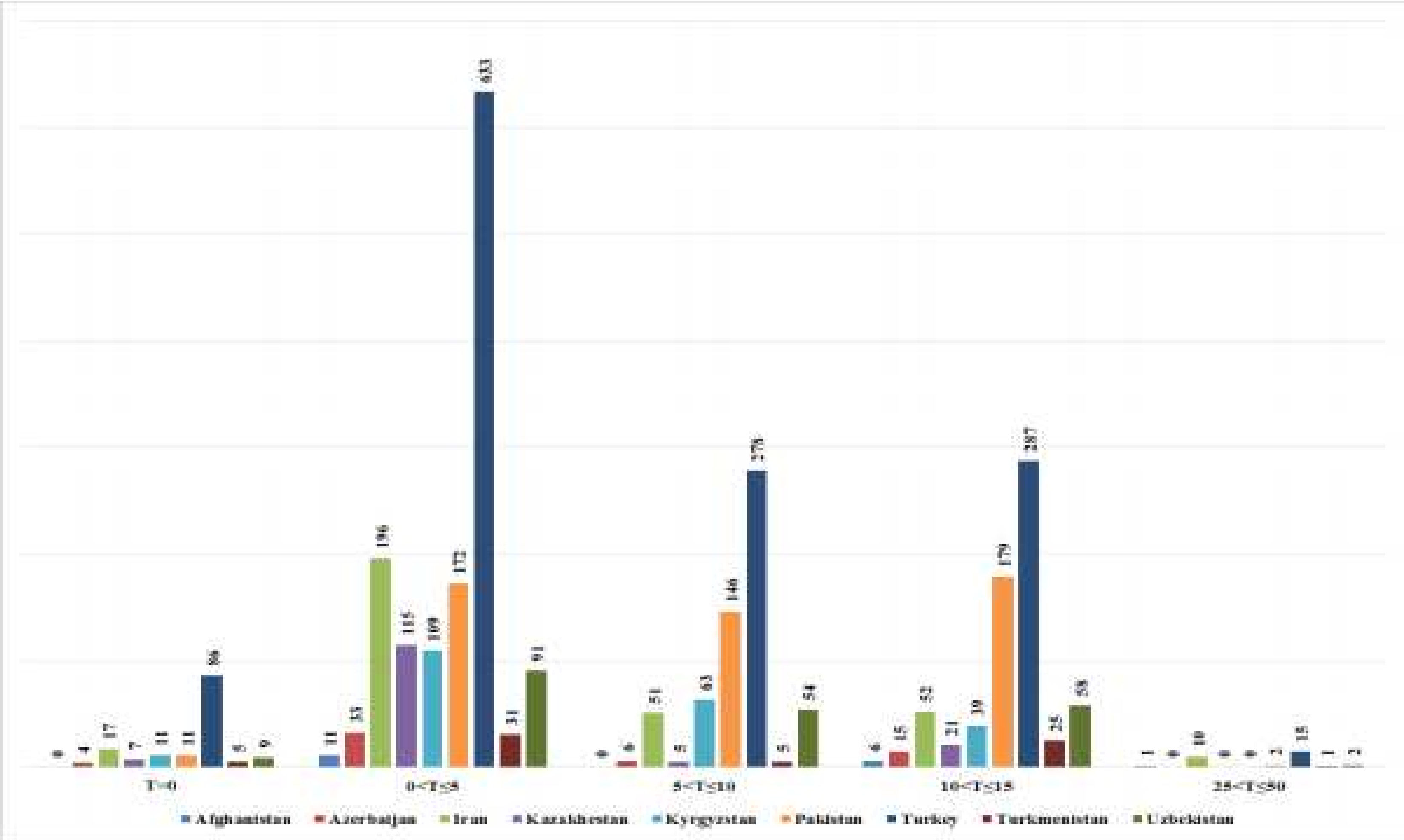
by Tajikistan tariff bands



Source: ITC raw data and research findings.

Figure 38: Number of tariff lines with export RCA of the ECO members' non-agricultural goods

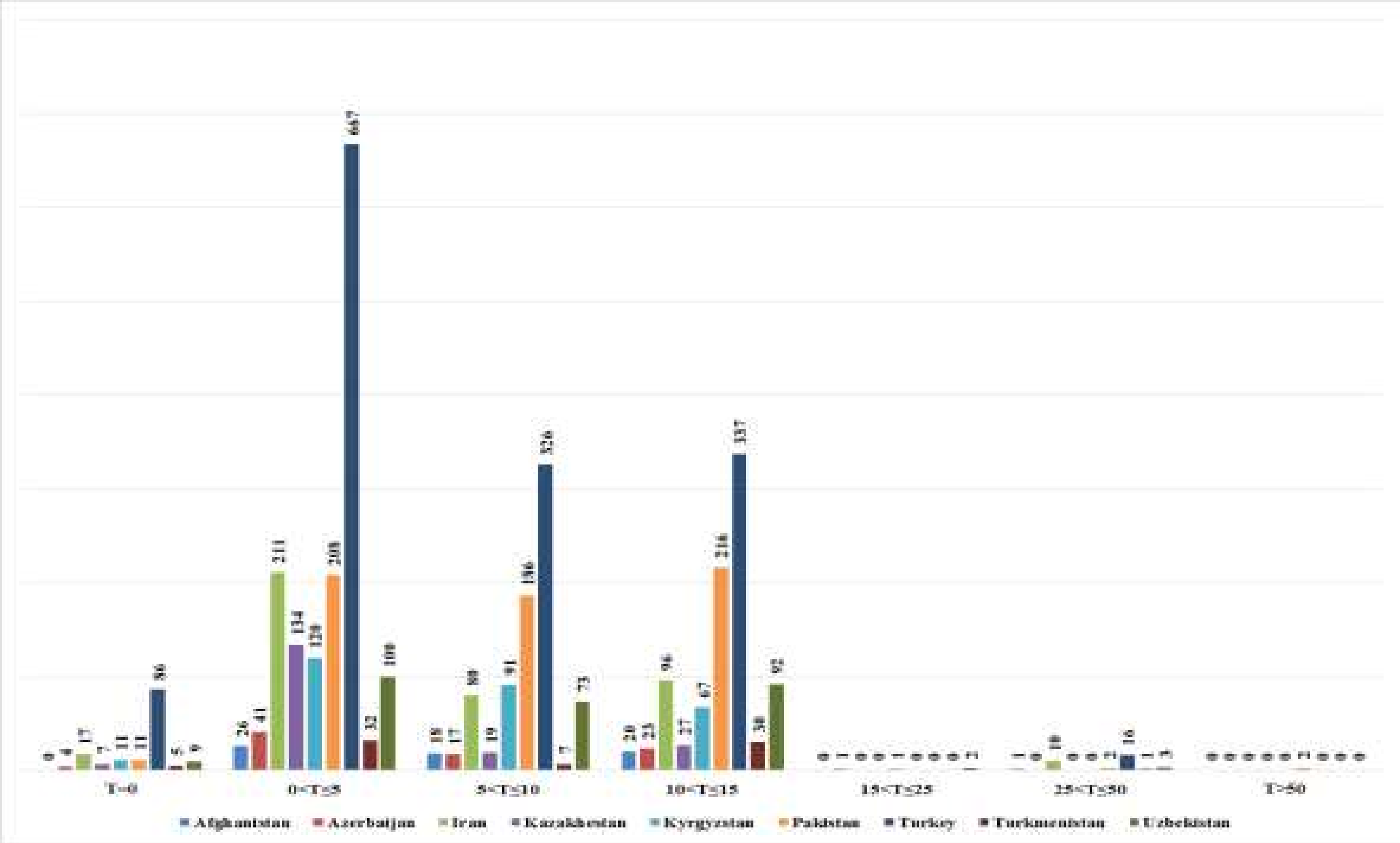
by Tajikistan tariff bands



Source: ITC raw data and research findings.

Figure 39: Number of tariff lines with export RCA of the ECO members' total products

by Tajikistan tariff bands



Source: ITC raw data and research findings.

2-3-7-1- Analysis and evaluation of the results concerning Tajikistan

Considering the status of Tajikistan's tariff structure as well as the number of goods with a comparative export advantage of other ECO members in each of the country's tariff bands and the relevant calculations shown in Table 14 and Figures 37 to 39, the following analytical results can be inferred:

1) Tajikistan has set tariff rates of more than 15 percent in 2019 for 2 percent of its agricultural products (equivalent to 18 six-digit HS codes), of which 8 codes with tariff rates 15 to 25 percent, 7 codes with tariff rates between 25 to 50 percent, and 3 codes with tariff rates more than 50 percent. As indicated by the data in Panel A of Table 14, 5, 4 and 2 percent of the agricultural products with a comparative export advantage of Uzbekistan, Azerbaijan and Pakistan, respectively, face tariff rates in excess of 15 percent in Tajikistan. In terms of the number of tariff lines with a comparative export advantage, Uzbekistan’s 3 agricultural products with a comparative export advantage face tariff rates higher than 15 percent in the Tajik market (Figure 37). As can be seen in Figure 37, a significant percentage of products with a comparative export advantage exported to Tajikistan by the ECO member countries face tariff rates between 0 and 15 percent. In contrast, a very small percentage of agricultural products with a comparative export advantage face tariffs more than 25 percent in Tajikistan. According to the results of this study, given the current structure of tariffs imposed by Tajikistan, the country can put all products that are among the riskiest products of the country in the agricultural sector on its negative and sensitive lists to minimize the potential risk of increased imports resulting from tariff liberalization under the current ECOTA rule and does not give any chance to its partners to access Tajikistan’s agricultural market.

2) Of 4,329 industrial products (six-digit HS codes) for which Tajikistan imposed tariffs in 2017, tariff rates of about 16 percent of industrial products are above 15 percent. Also, in the Tajik market, 6 and 3 percent of the industrial products with a comparative advantage of Afghanistan and Iran, respectively, face tariff rates more than 15 percent (Figure 38). In terms of the number of industrial products, 60 and 15 tariff lines of non-agricultural products with a comparative advantage of Turkey and Iran, respectively, face tariff rates more than 15 percent in Tajikistan. In addition, in Tajik market, a significant share (about 49 percent) of industrial products with a comparative export advantage of the ECO countries face tariff rates of 0 to 5 percent.

3) The results of the survey for all products (Figure 39) show that in Tajikistan, about 1 percent of tariff lines (equivalent to 39 six-digit HS codes) have tariff rates more than 15 percent. These results show that in Tajikistan, 5, 16 and 10 products with a comparative export advantage of Uzbekistan, Turkey and Iran,

respectively, face tariff rates in excess of 15 percent. As a whole, about 99 percent of the products with a comparative export advantage of the ECO member countries in Tajik market face tariff rates of 0 to 15 percent.

4) The results of the study of the dollar value of exports of the ECO member countries in Tajikistan's tariff bands show that more than 99 percent of the ECO members' exports are facing tariff rates equal or less than 15 percent in Tajikistan.

5) As a general conclusion, given the wide range of tariff rates of less than 15 percent in Tajikistan, according to Article 4 of the ECOTA, the country can maintain its limited number of tariff lines above 15 percent, especially in the agricultural sector by including them in its negative list and hence protect them from any trade liberalization. Also, a large part of the export portfolio of products with a comparative advantage of the ECO member countries face tariffs less than 15 percent. Accordingly, given Tajikistan's current tariff structure, which is set at low tariff levels, the country will not have to worry too much about trade liberalization under the current terms of the ECOTA, since it can put all tariffs above 15 percent on its negative list.

2-3-8- Turkey

In order to accurately analyze and evaluate the access of the ECO member partners to the Turkish market, we used the tariff structure of this country based on the frequency of tariff lines in each of the tariff bands and calculated the revealed export advantage index and the actual export from each ECO member to the world in each band, the results of which are shown in Table 15. Also, the comparative status of each of the ECO member partners in the Turkish market in terms of the distribution of their export RCA in each tariff band by agricultural, non-agricultural (industry) and the whole economy (agriculture and industry) is shown in Figures 40 to 42, respectively.

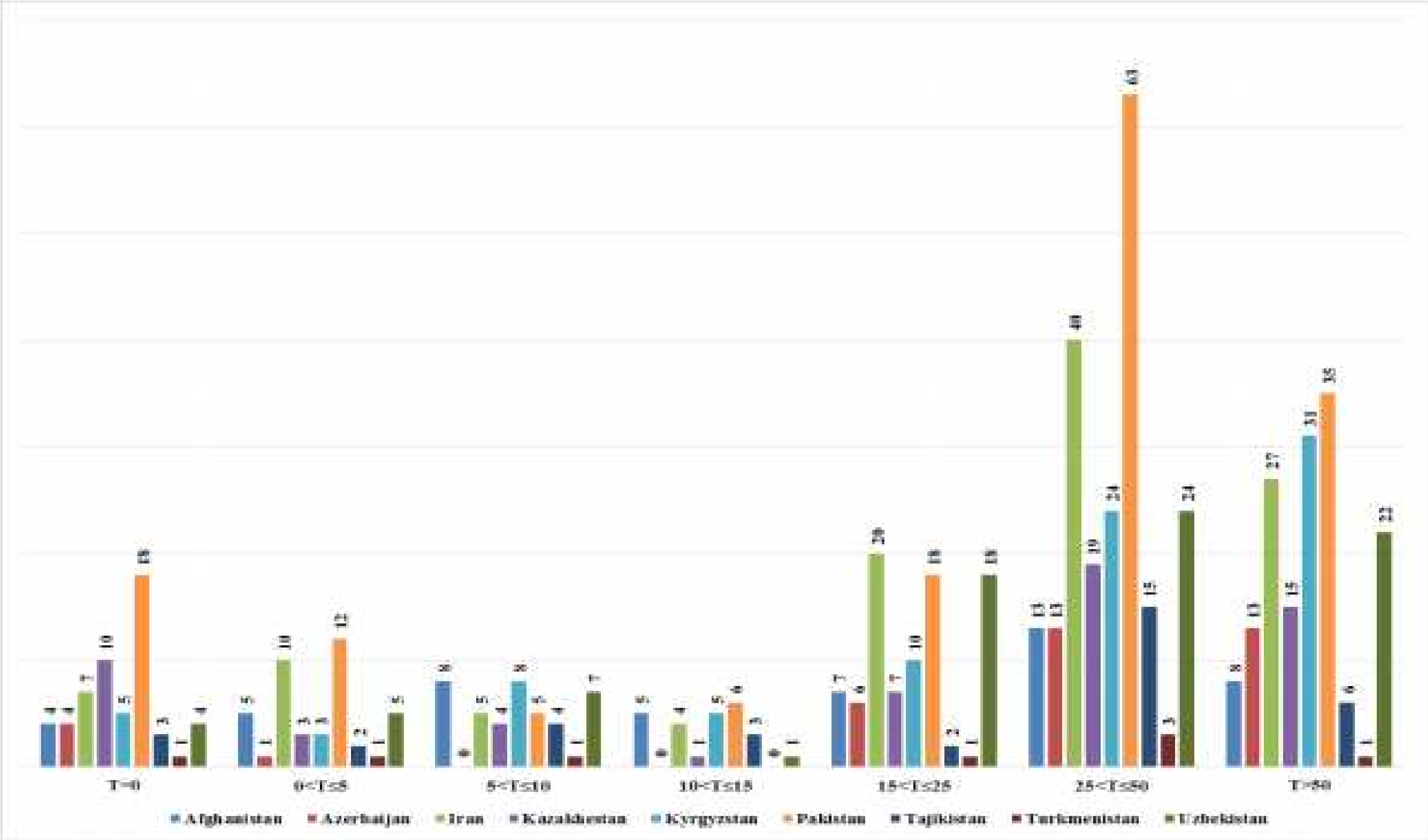
Table 15: Export potential of the ECO member countries based on the RCA index in each of Turkey's tariff bands (applied tariffs 2019)

Tariff structure\ECO partners		Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Turkey by each tariff band												
Agriculture	***Total***	***941***	***42.1***	***50***	***37***	***113***	***59***	***86***	***157***	***35***	***8***	***81***
	T=0	91	0.0	4	4	7	10	5	18	3	1	4
	0<T≤5	41	3.3	5	1	10	3	3	12	2	1	5
	5<T≤10	51	8.6	8	0	5	4	8	5	4	1	7
	10<T≤15	30	13.6	5	0	4	1	5	6	3	0	1
	15<T≤25	132	20.1	7	6	20	7	10	18	2	1	18
	25<T≤50	366	34.6	13	13	40	19	24	63	15	3	24
	T>50	230	101.3	8	13	27	15	31	35	6	1	22
	share of above 15%	**77**		**56**	**86**	**77**	**69**	**76**	**74**	**66**	**63**	**79**
Panel B: Number of tariff lines with comparative export advantage in case of export to Turkey by each tariff band												
Non- Agriculture	***Total***	***4446***	***4.0***	***18***	***58***	***334***	***152***	***224***	***516***	***101***	***68***	***219***
	T=0	997	0.0	6	18	87	57	58	67	41	28	37
	0<T≤5	1877	2.9	7	26	118	45	71	148	37	21	81
	5<T≤10	1266	6.8	4	12	99	44	46	168	14	16	61
	10<T≤15	271	12.0	1	1	21	5	43	132	6	3	33
	15<T≤25	28	16.9	0	0	6	1	4	1	1	0	5
	25<T≤50	7	30.6	0	1	3	0	2	0	2	0	0
	T>50	0		0	0	0	0	0	0	0	0	0
	share of above 15%	**1**		**0**	**2**	**3**	**1**	**3**	**0**	**3**	**0**	**2**

Tariff structure\ECO partners		Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkmenistan	Uzbekistan
Panel C: Number of tariff lines with comparative export advantage in case of export to Turkey by each tariff band												
All sectors	***Total***	***5387***	***10.7***	***68***	***95***	***447***	***211***	***310***	***673***	***136***	***76***	***300***
	T=0	1088	0.0	10	22	94	67	63	85	44	29	41
	0<T≤5	1918	2.9	12	27	128	48	74	160	39	22	86
	5<T≤10	1317	6.9	12	12	104	48	54	173	18	17	68
	10<T≤15	301	12.2	6	1	25	6	48	138	9	3	34
	15<T≤25	160	19.5	7	6	26	8	14	19	3	1	23
	25<T≤50	373	34.5	13	14	43	19	26	63	17	3	26
	T>50	230	101.3	8	13	27	15	31	35	6	1	22
	share of above 15%	**14**		**41**	**35**	**21**	**20**	**23**	**17**	**19**	**7**	**24**
Panel D: Number of tariff lines with comparative export advantage in case of export to Turkey by each tariff band												
Current export value (Million US $)	***Total***	***5387***	***10.7***	***580***	***19477***	***90178***	***60946***	***1757***	***23778***	***1073***	***10085***	***7682***
	T=0	1088	0.0	19	17715	60142	48304	1052	1829	664	8576	3621
	0<T≤5	1918	2.9	136	812	12985	7132	304	3425	324	1259	1859
	5<T≤10	1317	6.9	48	236	9594	2692	119	4712	44	196	843
	10<T≤15	301	12.2	39	20	1159	288	159	8884	20	27	355
	15<T≤25	160	19.5	6	58	1951	318	25	310	2	10	194
	25<T≤50	373	34.5	166	447	2345	1574	38	3695	14	14	239
	T>50	230	101.3	166	189	2002	639	61	924	5	4	573
	share of above 15%	**14**		**58**	**4**	**7**	**4**	**7**	**21**	**2**	**0**	**13**

Source: ITC raw data and research findings.

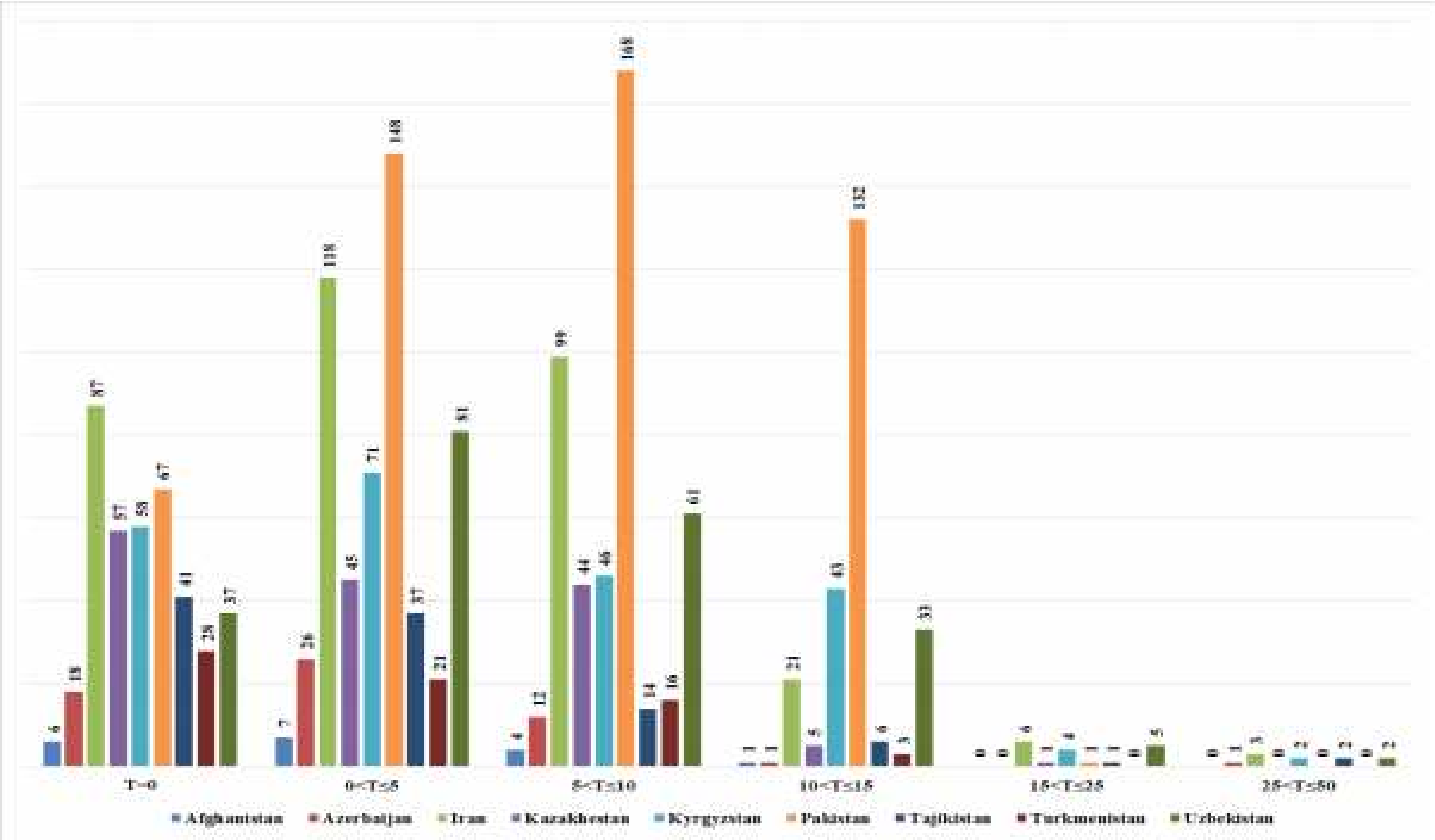
Figure 40: Number of tariff lines with export RCA of the ECO members' agricultural products by Turkey's tariff bands



Source: ITC raw data and research findings.

Figure 41: Number of tariff lines with export RCA of the ECO members' non-agricultural goods

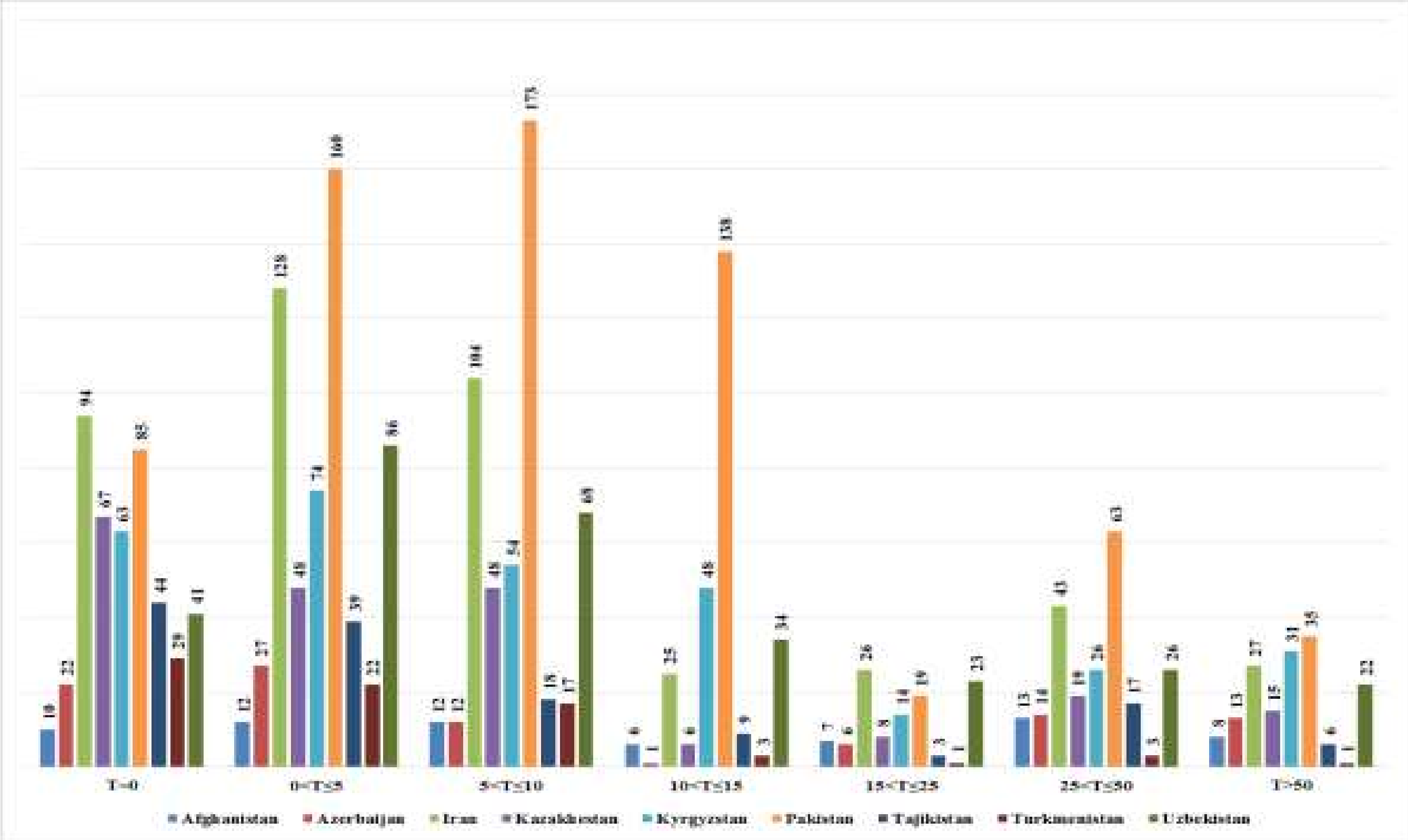
by Turkey's tariff bands



Source: ITC raw data and research findings.

Figure 42: Number of tariff lines with export RCA of the ECO members' total products

by Turkey's tariff bands



Source: ITC raw data and research findings.

2-3-8-1-Analysis and evaluation of the results concerning Turkey

According to the status of Turkey’s tariff structure and also the number of goods with a comparative export advantage of other ECO members in each of the country's tariff bands and the relevant calculations shown in Table 15 and Figures 40 to 42, the following analytical results can be inferred:

1) Turkey has set tariff rates of more than 15 percent in 2019 for 77 percent of agricultural products (equivalent to 728 six-digit HS codes), of which 132 codes with tariff rates between 15 and 25 percent, 366 codes with tariffs between 25 and 50 percent, and 230 codes with tariffs more than 50 percent. More than 60 percent of agricultural products with a comparative export advantage of the ECO member countries (except Afghanistan) face tariff rates more than 15 percent in Turkey. In terms of the number of tariff lines with comparative export advantage, Pakistan’s 116 products, Iran’s 87 products, Kyrgyzstan’s 65 products, and Uzbekistan’s 64 products with a comparative export advantage will face tariff rates higher than 15 percent in the Turkish market (Figure 40). As shown in Figure 40, a significant percentage of products with a comparative export advantage of the ECO member countries face with tariff rates between 25 to 50 percent in Turkey, followed by tariff rates higher than 50 percent and between 15 to 25 percent. Products belonging to these tariff bands are considered risky products of Turkish agricultural sector. According to the results of this study, considering the current structure of Turkey's applied tariffs, this country can easily include all products that have tariff rates higher than 15 percent and are considered high-risk products of this country in its negative and sensitive lists, eliminate the potential risk of increased imports resulting from tariff exemptions under current ECOTA provisions, and completely block the ECO members’ access to such products market.

2) Of 4446 industrial products (six-digit HS codes) for which Turkey has imposed tariffs in 2019, tariff rates of only one percent of industrial products are more than 15 percent. More than 98 percent of industrial products with a comparative advantage of the ECO member countries (except Uzbekistan) face tariff rates less than 15 percent in Turkey. Only about 3 percent of industrial products with a comparative advantage of Iran, Tajikistan and Kyrgyzstan, 2 percent of industrial products with a comparative advantage of Uzbekistan and Azerbaijan, 1 percent of industrial products with a comparative advantage of Kazakhstan, and less than 1 percent of industrial products with a comparative advantage of Pakistan face tariff rates more than 15 percent in Turkish market. About 33 percent of products with a comparative export advantage of the ECO countries face tariff rates of 0 to 5 percent in Turkish market (Figure 41).

3) The results of the survey for all products show that 14 percent of products (equivalent to 763 six-digit HS codes) have tariff rates higher than 15 percent (Figure 42). The results show that 117, 96, 71 and 71 products with a comparative export advantage of Pakistan, Iran, Kyrgyzstan and Uzbekistan (which is less than one third of the total products with a comparative export advantage of these countries) are facing with tariff rates higher than 15 percent in Turkey. For other ECO countries, the number is less than 50 products. Most of the products with a comparative export advantage of the ECO member countries face tariff rates between 0 and 5 percent, followed by 5 to 10 percent and 10 to 15 percent.

4) Comparing the dollar value of the ECO member countries' exports to the world in each applied tariff band of Turkey shows that (a) 58 and 21 percent of global exports of Afghanistan and Pakistan will face tariff rates equal or more than 15 percent in Turkey. About 1 percent of Afghanistan's global exports face tariff rates between 15 and 25 percent, 29 percent with tariff rates between 25 and 50 percent, and 29 percent with tariff rates more than 50 percent. 79 percent of Pakistan's global exports face tariff rates equal or less than 15 percent, 1 percent with tariff rates between 15 and 25, 16 percent with tariff rates between 25 and 50 percent, and about 4 percent with tariff rates more than 50 percent in Turkey. (B) About 87 percent of Uzbekistan's global exports are facing tariff rates equal or less than 15 percent, 3 percent with tariff rates of 15 to 25 percent, 3 percent with tariff rates of 25 to 50 percent, and 7 percent with tariff rates more than 50 percent in Turkey. (C) Also, 93, 93, 96, 96, 98 and 100 percent of the dollar value of exports of Iran, Kyrgyzstan, Kazakhstan, Azerbaijan, Tajikistan and Turkmenistan to the world will face tariff rates equal or less than 15 percent in Turkish market, respectively. And the rest of these countries' exports are distributed among the three tariff bands ($15<T\leq25$), ($25<T\leq50$) and ($T>50$).

5) As a general conclusion, based on the current structure of Turkish tariffs, although the tariff barriers to access to the agricultural market of this country are very high, but in the non-agricultural sector, these barriers are relatively low. Under Article 4 of the ECOTA Agreement, the country can put all of its risky tariff lines, especially in the agricultural sector, into its negative list and provide its partners with no access to a new market compared to the status quo. Therefore, the implementation of the ECOTA tariff obligations under the current Article 4 criteria is easily possible for Turkey, and if the country fully incorporates its tariff lines higher than 15 percent into its negative and sensitive lists, the implementation of the agreement could lack any new value for the ECO partners in terms of access to Turkish market.

2-3-9- Uzbekistan

In order to accurately analyze and assess the access of the ECO member partners to the Uzbek market, we used the tariff structure of this country based on the frequency of tariff lines in each of the tariff bands and calculated the revealed export advantage index and the actual export from each ECO member to the world in each band, the results of which are shown in Table 16. Also, the comparative status of each of the ECO member partners in the Iranian market in terms of the distribution of their export RCA in each tariff band by agricultural, non-agricultural (industry) and the whole economy (agriculture and industry) is shown in Figures 43 to 45, respectively.

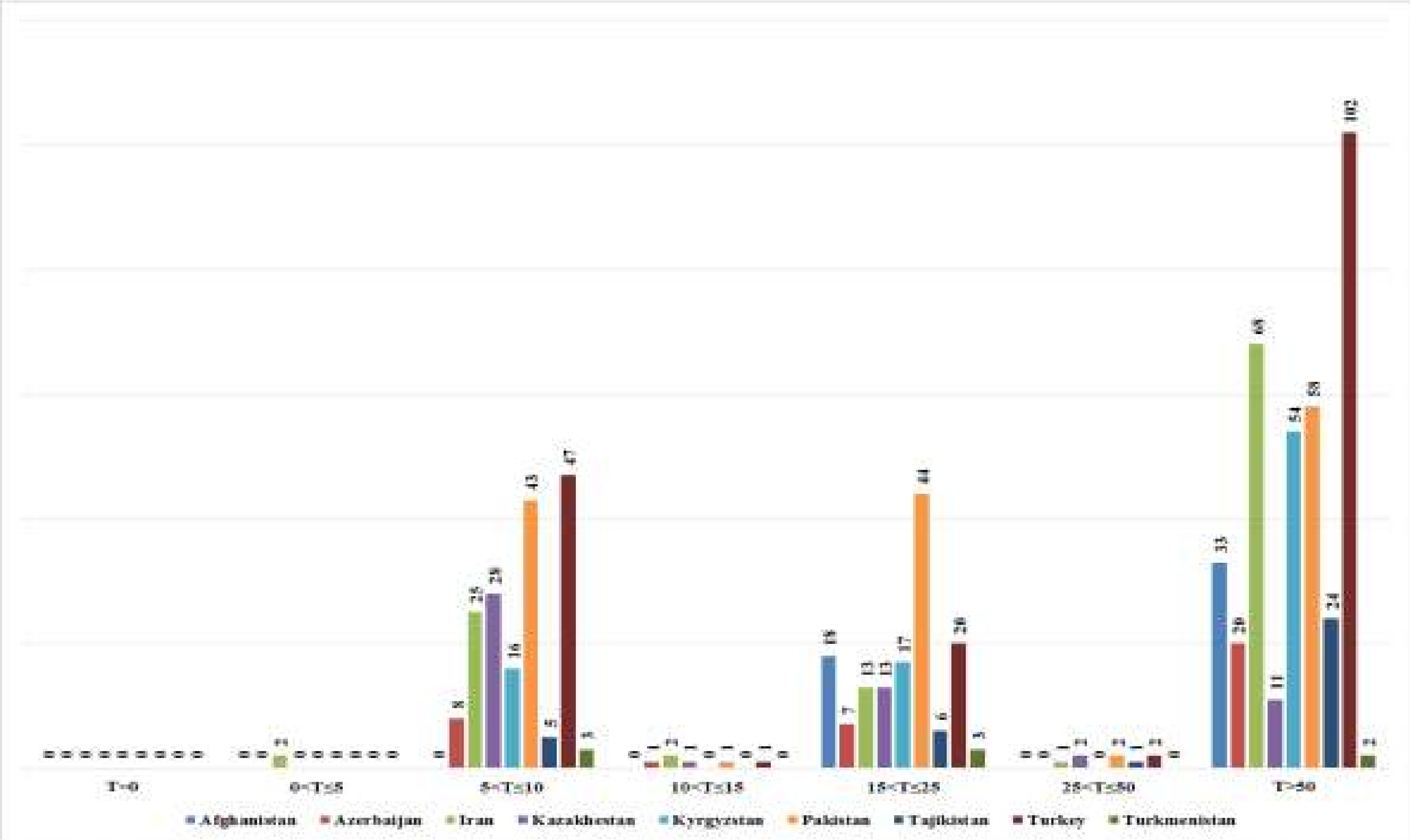
Table 16: Export potential of the ECO member countries based on the RCA index in each of Uzbekistan's tariff bands (applied tariffs 2019)

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Uzbekistan by each tariff band												
Agriculture	***Total***	***899***	***32.4***	***51***	***36***	***111***	***55***	***87***	***148***	***36***	***172***	***8***
	T=0	1	0.0	0	0	0	0	0	0	0	0	0
	0<T≤5	2	5.0	0	0	2	0	0	0	0	0	0
	5<T≤10	371	10.0	0	8	25	28	16	43	5	47	3
	10<T≤15	4	13.1	0	1	2	1	0	1	0	1	0
	15<T≤25	174	20.0	18	7	13	13	17	44	6	20	3
	25<T≤50	9	38.4	0	0	1	2	0	2	1	2	0
	T>50	338	63.7	33	20	68	11	54	58	24	102	2
	Share of tariff lines over 15%	**58**		**100**	**75**	**74**	**47**	**82**	**70**	**86**	**72**	**63**
Panel B: Number of tariff lines with comparative export advantage in case of export to Uzbekistan by each tariff band												
Non- Agriculture	***Total***	***4306***	***29.2***	***18***	***58***	***328***	***148***	***223***	***511***	***107***	***1308***	***68***
	T=0	402	0.0	0	2	6	7	19	16	24	129	1
	0<T≤5	13	2.2	0	0	2	0	0	1	1	0	0
	5<T≤10	1016	10.0	4	15	77	54	30	34	24	136	11
	10<T≤15	8	14.1	0	0	0	0	0	0	0	3	0
	15<T≤25	1441	20.0	5	29	113	64	67	128	38	402	31
	25<T≤50	29	38.9	0	0	1	1	1	2	1	13	0
	T>50	1397	61.3	9	12	129	22	106	330	19	625	25
	Share of tariff lines over 15%	**67**		**78**	**71**	**74**	**59**	**78**	**90**	**54**	**80**	**82**

Panel C: Number of tariff lines with comparative export advantage in case of export to Uzbekistan by each tariff band												
	Total	***5205***	***29.78***	***69***	***94***	***439***	***203***	***310***	***659***	***143***	***1480***	***76***
All Sectors	T=0	403	0	0	2	6	7	19	16	24	129	1
	0<T≤5	15	2.6	0	0	4	0	0	1	1	0	0
	5<T≤10	1387	9.997	4	23	102	82	46	77	29	183	14
	10<T≤15	12	13.77	0	1	2	1	0	1	0	4	0
	15<T≤25	1615	20	23	36	126	77	84	172	44	422	34
	25<T≤50	38	38.81	0	0	2	3	1	4	2	15	0
	T>50	1735	61.75	42	32	197	33	160	388	43	727	27
	Share of tariff lines over 15%	**65**		**94**	**72**	**74**	**56**	**79**	**86**	**62**	**79**	**80**
Panel D: Total value of each ECO member's exports to the world for the products subject to each tariff band (2018)												
Current export value (Million US $)	***Total***	***5205***	***29.78***	***580***	***19473***	***89615***	***60874***	***1750***	***23381***	***1074***	***158863***	***10085***
	T=0	403	0	0	61	432	302	22	174	9	7095	13
	0<T≤5	15	2.6	0	0	40	0	0	2	0	6	0
	5<T≤10	1387	9.997	2	190	7760	6857	189	4032	422	16915	72
	10<T≤15	12	13.77	0	3	27	21	0	7	0	1090	0
	15<T≤25	1615	20	167	17784	65913	47998	353	3737	525	44330	9004
	25<T≤50	38	38.81	0	2	249	531	2	155	1	3696	1
	T>50	1735	61.75	411	1433	15196	5165	1183	15275	118	85730	994
	Share of tariff lines over 15%	**65**		**100**	**99**	**91**	**88**	**88**	**82**	**60**	**84**	**99**

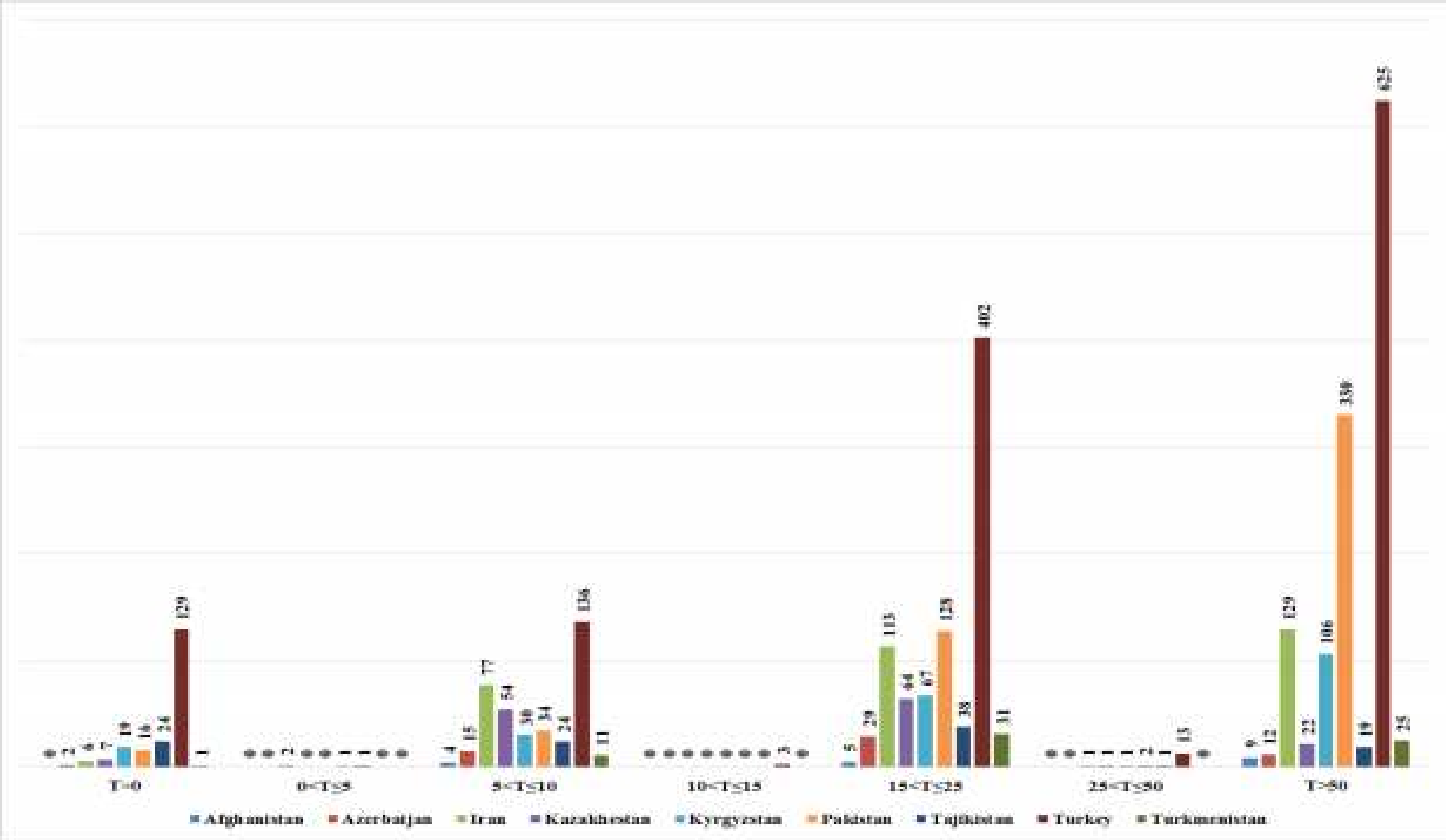
Source: ITC raw data and research findings.

Figure 43: Number of tariff lines with export RCA of the ECO members' agricultural products by Uzbekistan's tariff bands



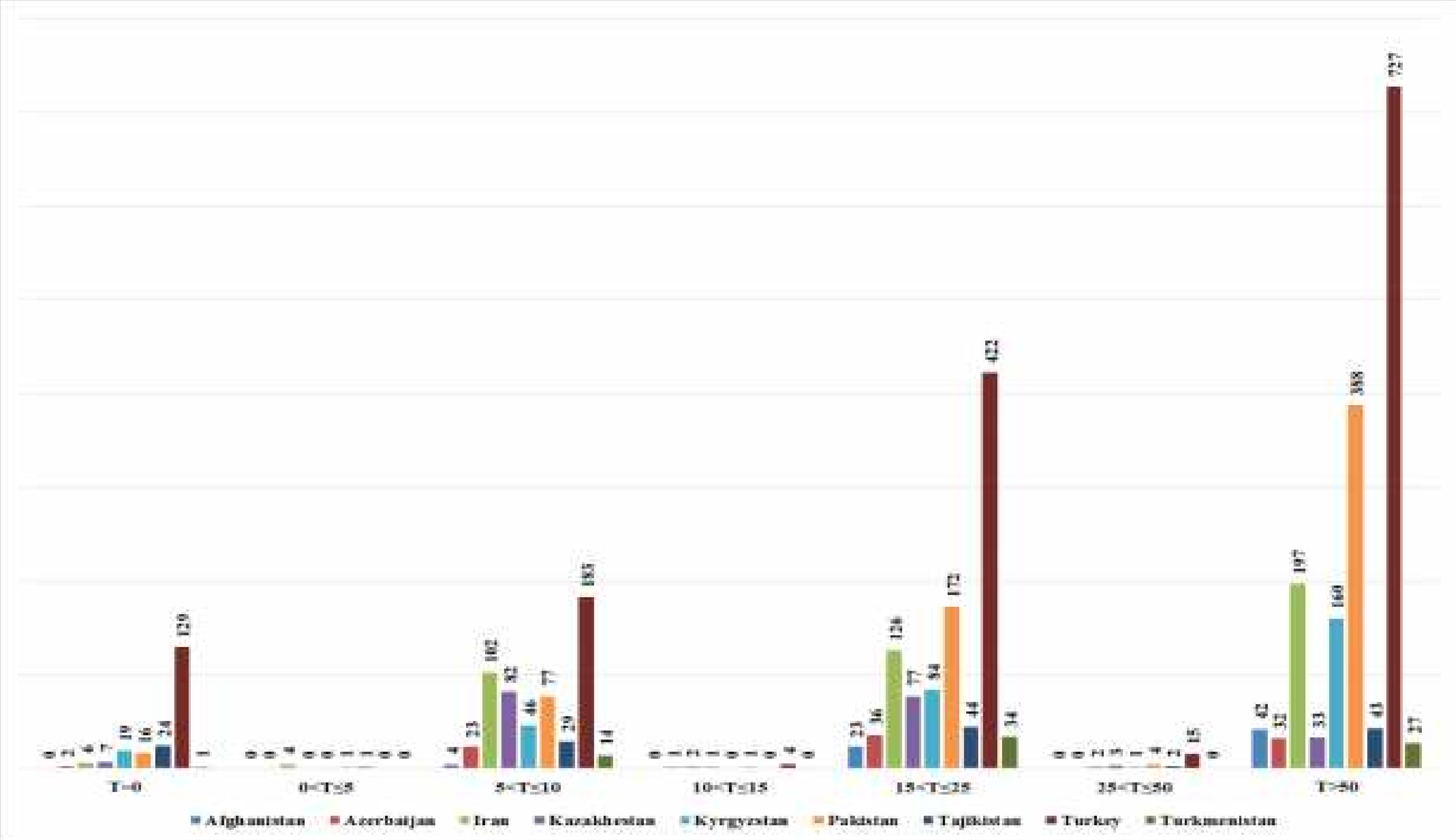
Source: ITC raw data and research findings.

Figure 44: Number of tariff lines with export RCA of the ECO members' non-agricultural goods by Uzbekistan's tariff bands



Source: ITC raw data and research findings.

Figure 45: Number of tariff lines with export RCA of the ECO members' total products by Uzbekistan's tariff bands



Source: ITC raw data and research findings.

2-3-9-1- Analysis and evaluation of the results concerning Uzbekistan

Given the status of Uzbekistan's tariff structure as well as the number of goods with a comparative export advantage of other ECO members in each of the country's tariff bands and the relevant calculations shown in Table 16 and Figures 43 to 45, the following analytical results can be inferred:

1) In 2019, Uzbekistan set tariff rates higher than 15 percent for about 58 percent of its agricultural product tariff lines (according to the six-digit HS codes). According to the information in Panel A of Table 16, on average, more than 70 percent of the tariff lines with a comparative export advantage of the ECO members (except Kazakhstan and Turkmenistan) in agricultural sector face tariff barriers of more than 15 percent in the Uzbek market. The lowest share with 47 percent belongs to Kazakhstan and the highest share with 100 percent belongs to Afghanistan. Tariffs higher than 50 percent and then tariffs between 15 and 25 percent have the highest frequency in tariff bands above 15 percent (Figure 43). The highest abundance of agricultural products with comparative advantage of the ECO members in the tariff band higher than 50 percent is related to Turkey, Iran, Pakistan, and Kyrgyzstan with 102, 68, 58 and 54 tariff lines, respectively. Also, a significant number of agricultural products with comparative advantage of the ECO members fall into tariff range of 15 to 25 percent in Uzbekistan. This means that Uzbekistan faces serious risks of reducing tariffs to less than 15 percent for these agricultural products, while the export potential of the ECO partners to enter the market of this country is focused on these products. In other words, a significant percentage of products with a comparative export advantage of the ECO member countries are among Uzbekistan's high-risk products in terms of concerns about the excessive increase in imports due to trade liberalization. Of course, Uzbekistan can put a significant portion of these tariff lines above 15 percent in its agricultural sector on the negative list and avoid widespread trade liberalization in this sector.

2) Out of the 4366 non-agricultural product tariff lines (according to six-digit HS codes) that Uzbekistan has imposed tariffs on their imports (2015), about 67 percent (2867 codes) have tariff rates more than 15 percent. According to Panel B in Table 16, most goods with a comparative export advantage of the ECO members entering the Uzbek market face tariffs over 50 percent (Figure 44).

3) Survey results for all products also show that a significant proportion of products with a comparative export advantage of the ECO members (more than 47 percent) face tariffs higher than 50 percent in Uzbekistan. Turkey with 727 codes (49%), Pakistan with 388 codes (59%) and Iran with 197 codes (45%) have the highest variety of goods with a comparative export advantage, at the same

time with very restrictive tariffs of more than 50 percent for entry into Uzbekistan (Figure 45).

4) The results of the study of the dollar value of goods with an export advantage of the ECO member countries in different tariff bands of Uzbekistan show that more than 80 percent of the global export value of products with a comparative advantage of all the ECO members (except Tajikistan) will face tariffs higher than 15 percent to enter the Uzbek market. This share is almost 100 percent for Afghanistan, Turkmenistan, and Azerbaijan, 91 percent for Iran, 88 percent for Kazakhstan and Kyrgyzstan, 84 percent for Turkey, 82 percent for Pakistan, and 60 percent for Tajikistan.

5) As a general conclusion, it can be said that, given that the Uzbek market in both agricultural and non-agricultural sectors is protected by very high tariff barriers, and given the considerable export potential of the ECO member countries in products belonging to higher tariff bands of Uzbekistan, the implementation of the provisions of Article 4 of the ECOTA by this country will guarantee the liberalization and significant reduction of the rates of most of the country's tariff lines, leading to significant potential risks for this country. At the same time, the country can cover some of these risks in its negative list and protect itself from negative consequences.

2-4- Review and analysis of the balance of concessions and commitments of the members in market access under the current rules of the ECOTA

According to the statistics and information provided in the previous sections of this study, in this section we have tried to examine the balance of concessions and obligations of members, assuming the implementation of the provisions of Article 4 of the ECOTA, and possible results from the implementation of the agreement in tariffs in terms of creating market access for each member. The results are depicted in a technical and professional way. For this purpose, a set of country charts is used for each member, in which the status of the existing tariff structure of each country is combined with the export potential of other ECO members based on the revealed comparative advantage index, and assuming the implementation of the agreement, the level of the obligations of each member towards other members of the ECO are shown. Also, to facilitate the comparison of the status and level of obligations of the members with each other, the diagrams of all ECO members are depicted on one board and next to the other. The results of this work are presented in the form of Figures 46, 47 and 48 separately for the agriculture, non-agricultural sector, and the whole economy. In explaining and analyzing these Figures and in interpreting the results, the following points should be considered:

1. In the diagrams drawn for each country, the horizontal axis columns show the total frequency of tariff lines (according to the six-digit HS codes) of products with an export RCA of other ECO members to world markets (products with RCA>1). This frequency is at the total level of each section and in calculating it, the data distributed in the total tariff classes of Tables 8 to 16 in the previous section have been used.

2. The green and red colors of the columns, respectively, are related to the frequency of the above-mentioned products in terms of tariff lines with rates less than and more than 15 percent (basic criterion of the ECOTA for inclusion or non-inclusion of tariff reduction obligations in the positive list of each member) in the market of host country.

3. The taller columns indicate more abundance of goods with comparative advantage of each ECO member trading partner to enter the market of the host country, which can be considered as an approximation of the export potential of each member in the market of the host country.

4. The pink area in the background of the charts indicates the share (percentage) of tariffs higher than 15 percent of the host country in the total tariff lines of goods with a comparative export advantage of each ECO member, the size of which in percentage is shown by the scale on the right of the vertical axis of the diagram.

5. The height of the pink area from the horizontal axis indicates the level of existing tariff protection for similar domestic products of the host country against the import of products with a comparative export advantage of each ECO member, measured by International Tariff Peaks and tariffs above 15 percent, on the one hand; and the level of tariff exemption obligations of the host country within the framework of Article 4 of the ECOTA over products with an export competitive advantage of each ECO member, on the other hand.

6. The height of the pink area shows the relative market access for products with a comparative export advantage of each ECO member after the fulfillment of the obligations under Article 4 of the ECOTA in comparison with the conditions prior to the implementation of the Agreement. Obviously, the higher this ratio is, the more market of the host country would have attractiveness and potential for the export products of the opposite country.

7. In interpreting the possible consequences of trade liberalization resulting from the implementation of the obligations of Article 4 of the ECOTA by the host country for each of the ECO member countries, the level of tariff protection available to the host country and the absolute frequency of the number of goods shall be taken into account and at the same time the comparative export advantage of each ECO member is considered.

8. To identify the most likely beneficiaries of the implementation of the obligations under Article 4 of the ECOTA in the host country, the combined criteria of the highest height of the pink curve and the highest frequency of the red column can be used to take into account both the openings resulting from the application of reduced tariff rates in the market of the host country and the export potential of the other country.

9. In contrast, in order to identify the least potential beneficiaries arising from the implementation of the obligations of Article 4 of the ECOTA in the host country, the minimum variables referred to in paragraph 8 above shall be the basis.

10. In order to identify the maximum volume of obligations of each host member against other ECO members, the same combination criterion mentioned in paragraph 8 above applies.

It should be noted that the interpretation of these results would be valid within the framework of partial and static equilibrium models and does not take into account the dynamic results and the possible impacts after trade liberalization.

With these explanations, the results are now calculated for the ECO member countries by agriculture (Figure 46), non-agricultural sector (Figure 47), and the whole economy (Figure 48) for nine ECO member countries (since Turkmenistan tariff information was not available, this country is not included in the calculations).

2-4-1- Balance of concessions and commitments of members in agricultural sector

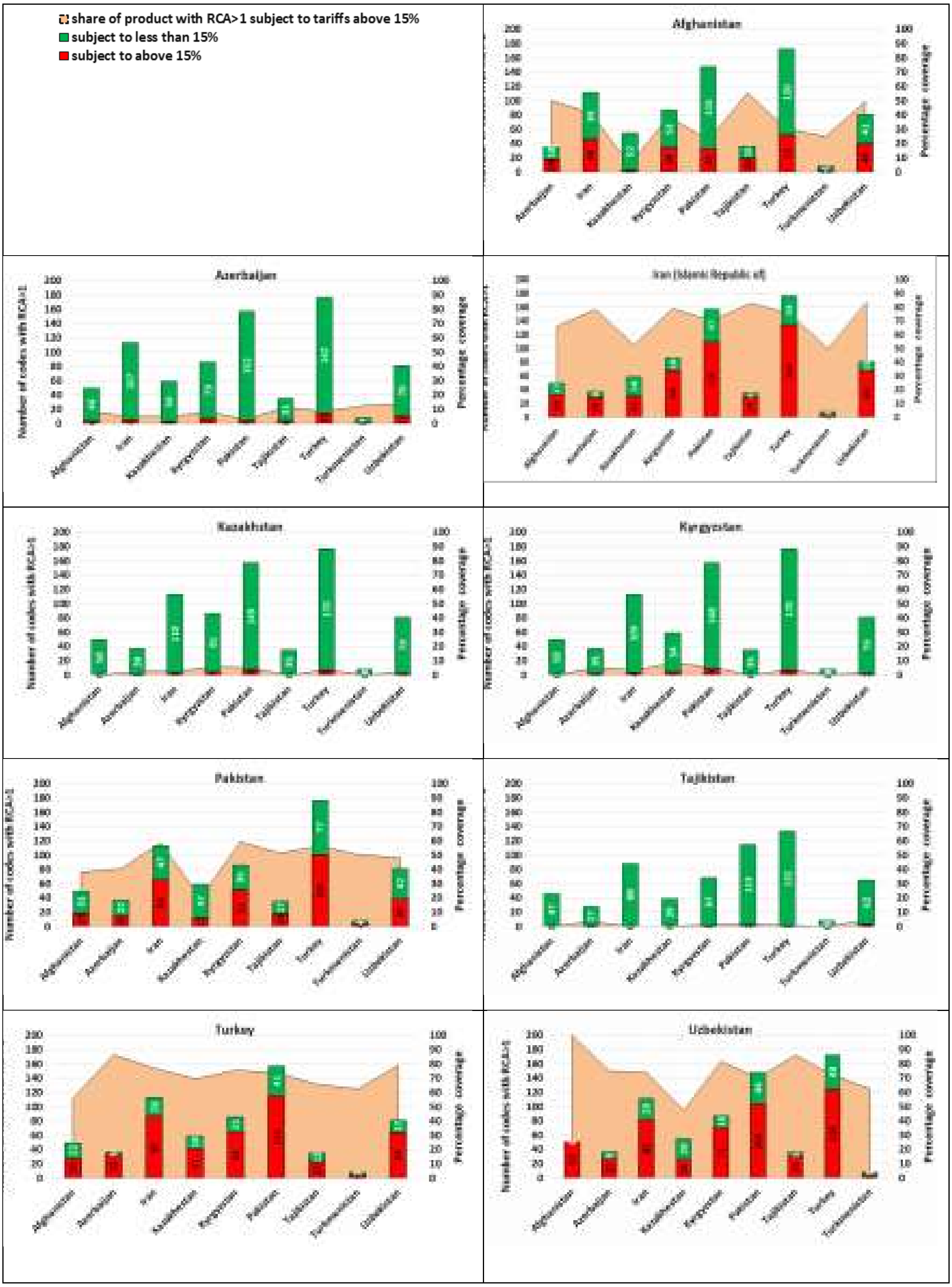
As can be seen in Figure 46, according to the tariff structure of the countries, the highest level of tariff reduction obligations among the ECO member countries belongs to Iran, Uzbekistan, Pakistan, Azerbaijan, and Turkey. Of course, this is true if the mentioned countries do not exempt their high tariffs in the agricultural sector from tariff reductions by including them in negative and sensitive lists.

At present, the relatively large 20 percent share of total negative (19%) and sensitive (1%) commodities under the terms of the Agreement allows members to cover all of their agricultural products in negative and sensitive lists. For countries with generally low tariffs of less than 15 percent in the non-agricultural sector (such as Turkey, Afghanistan, Tajikistan, Kazakhstan and Kyrgyzstan[16]), this provides a very wide leeway to fully protect their agricultural sector, without any concern about the distribution of this protection between agricultural and non-agricultural sectors.

The opposite is true for countries where tariff rates are high in both agricultural and non-agricultural sectors, and tariff rates above 15 percent are more than 20 percent of their total tariff lines (such as Uzbekistan, Pakistan and Iran), and inevitably it will be a difficult task to distribute their protection between agricultural and industrial sectors, and of course, up to the negative and sensitive lists' 20 percent ceiling. For tariff lines with rates above 15 percent that fall outside the negative and sensitive lists, these countries will be required to meet their obligations and reduce the tariff rates to 15 percent.

[16]. See Tables 1 and 4 for more details.

Figure 46: Level of obligations and privileges of each ECO member in the agricultural sector after the implementation of Article 4 of the ECOTA



Source: ITC raw data and research findings.

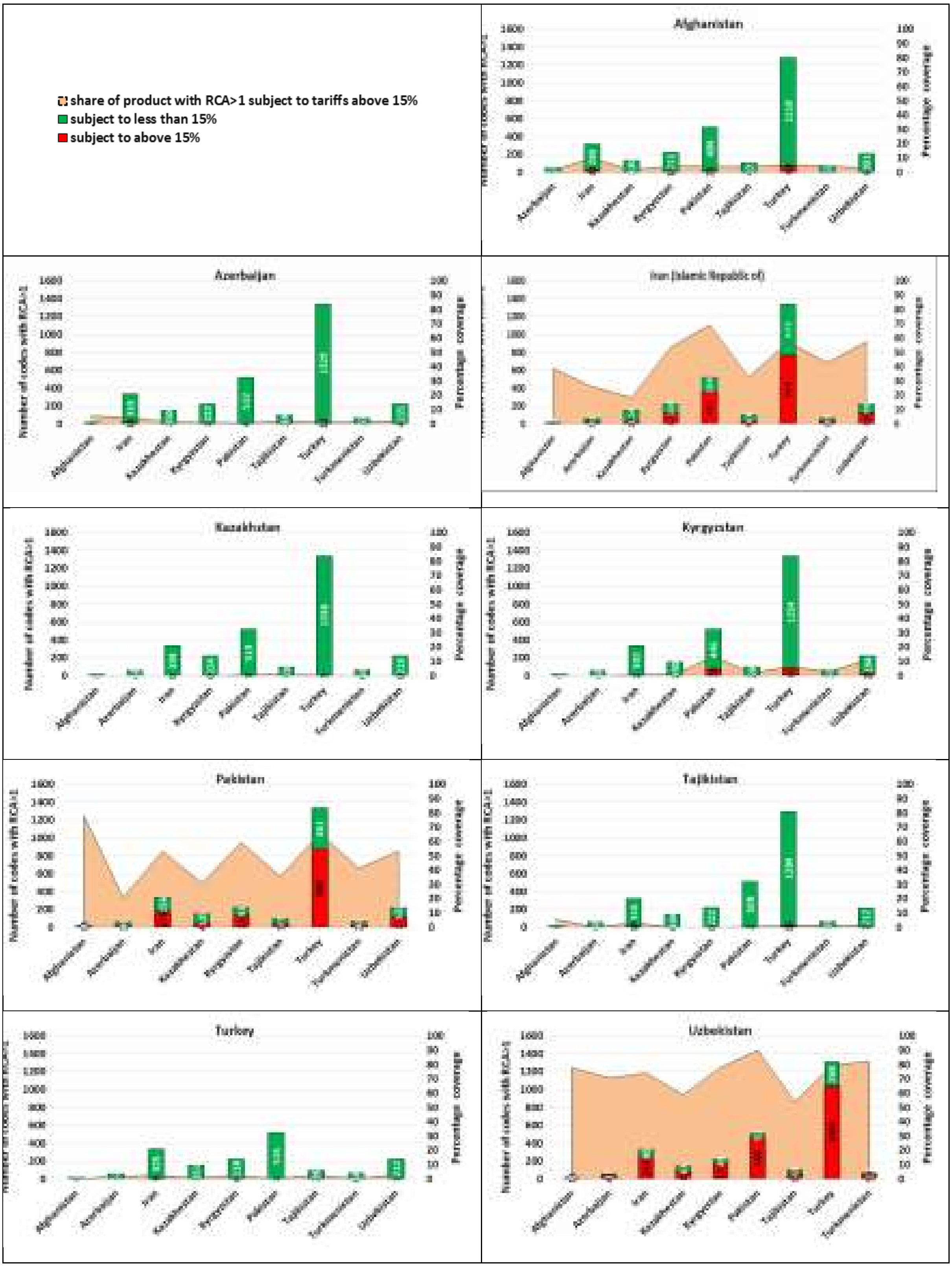
2-4-2- Balance of concessions and commitments of members in non-agricultural sector

The situation of tariff barriers and goods with a comparative advantage in the non-agricultural sector of the ECO member countries (Figure 47) is different from that of the agricultural sector. According to Figure 47, relatively higher tariff barriers above 15 percent in the non-agricultural sector compared to products with an export advantage within the ECO group are lower than in the agricultural sector. Among the ECO members, Uzbekistan, Iran and Pakistan have relatively higher tariff barriers to export goods with comparative advantage of other members, and in these countries, the share of tariffs more than 15 percent against these products is much higher than other members.

According to Figure 47, it is clear that countries such as Turkey, Kazakhstan, Afghanistan, Azerbaijan, Tajikistan and Kyrgyzstan will have the lowest level of market access obligations to other ECO members, while Uzbekistan, Iran and Pakistan will have much higher market access obligations.

Given the abundance of export products with comparative advantage and the structure of the current deterrent tariffs of Uzbekistan, Iran and Pakistan, the outcome of the implementation of the ECOTA in terms of creating access to a new market for non-agricultural products is at its maximum for Turkey, while Turkey's benefit for other ECO member countries is zero. Given the structure of tariffs and the pattern of comparative export advantages of the ECO member countries, implementation of the Agreement in Kazakhstan, Afghanistan, and Kyrgyzstan will also have the least market access for other members in terms of non-agricultural products.

Figure 47: Level of obligations and privileges of each ECO member in Non-agricultural sector after the implementation of Article 4 of the ECOTA



Source: ITC raw data and research findings.

2-4-3- Balance of concessions and commitments of members in all sectors

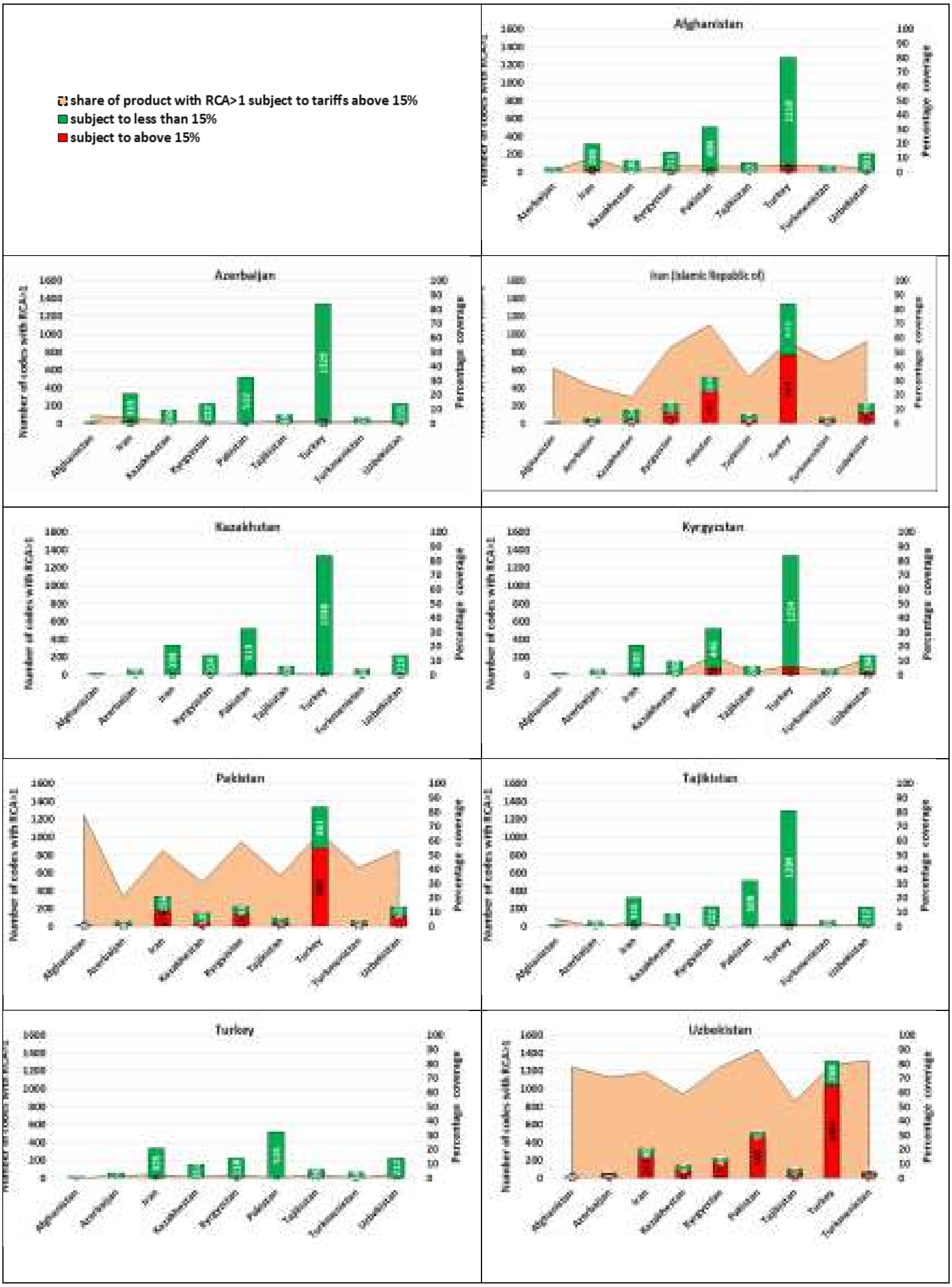
The comparative status of obligations and privileges of each ECO member after the implementation of Article 4 of the ECOTA and the reduction of tariff rates beyond 15 percent to 15 percent, in the whole economy (agriculture and industry) is shown in Figure 48.

Based on Figure 48, the comparative status of the deterrent tariff barriers exceeding 15 percent and the total export goods having comparative advantage of the ECO member countries indicate that Iran, Pakistan and Uzbekistan are among the ECO members that, in case of implementation of the provisions of the Agreement and reduction of tariffs above 15 percent, will be required to liberalize through tariff reductions on a much broader scale than other members and will face many challenges.

In view of the abundance of products with a comparative export advantage of the ECO members facing deterrent tariffs of more than 15 percent in different markets, it seems that Turkey, Pakistan and Iran, respectively, have the most opportunity to take advantage of the liberalized markets.

Countries such as Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan and Turkey are also largely immune from concessions and market access vis-a-vis other members and will face far fewer challenges.

Figure 48: Level of obligations and privileges of each ECO member in all sectors after the implementation of Article 4 of the ECOTA



Source: ITC raw data and research findings.

2-4-4- Grading the level of concessions and commitments of members

Comparing the export portfolio of the ECO member countries with the tariff structure of their partners clarifies the depth of the gap between the two groups of countries described in the previous paragraphs. To clarify this issue, and as a practical exercise, a special matrix table was designed in which the total concessions received by each ECO member from other members based on tariff lines as well as the concessions awarded by each member to other members were calculated. A separate index called the "Score Ratio Index" was introduced, which is calculated from the ratio of concessions received to concessions awarded to each member, according to which, if the current provisions of the ECOTA on tariff reductions are implemented, the relative position of each country in terms of the level of scores can be measured and a sorted list of countries based on this index from the highest to the lowest value can be obtained. This index for net values greater than 1 means net recipient of concessions and for values less than 1 means net donor of concessions.

The results of the calculations for ranking the countries in terms of the level of scores resulting from the possible implementation of the ECOTA are presented in Table 17. At the top of the table, the matrix of concessions granted by each country to its ECO trading partners and the concessions received from them are calculated and presented. In this matrix, the countries in each row are countries granting concessions to other ECO members, and the countries in each column are countries receiving concessions from other members. Determination of concessions based on the number of products with a comparative export advantage of each member is calculated according to tariff lines over 15 percent in the opposite country (which is the basis for determining the reduction obligations of tariff rates of each member in the ECOTA). Accordingly, any advantageous export products of country A that face a tariff rate above 15 percent in the market of country B is considered a concession for country A. For example, as shown in Table 17, the total score received by Turkey (in the ninth column) from Uzbekistan (tenth row) is 1164. This rating means that 1164 products (six-digit HS codes) for which Turkey has an RCA face a tariff rate of more than 15 percent in the Uzbek market, which will be reduced to 15 percent if the Agreement is implemented. Also, in the eleventh column of the table, the total concessions awarded by each ECO member country to their trading partners are given, which is obtained from the sum of the concessions of each row of the matrix. For example, Uzbekistan's concessions to Turkey, Pakistan, Iran, Kyrgyzstan, Kazakhstan, Tajikistan, Afghanistan and Azerbaijan are 1164, 564, 325, 245, 113, 89, 65 and 68, respectively. In other words, the equivalent of 1164, 564, 325,245, 113, 89, 65 and 68, respectively, of the advantageous export products of those partners face a tariff rate of more than 15 percent in the Uzbek market, which will be reduced by the implementation of the Agreement. Uzbekistan, Iran and Pakistan will grant most concessions to their ECO partners, respectively, as shown in the column for the total awarded concessions index. In contrast, Tajikistan and Azerbaijan will give least concessions to their ECO partners. The calculation of the total concessions received by each country from its ECO partners shows that Turkey, Pakistan and Iran will receive most concessions in the ECO. Azerbaijan, Afghanistan and Tajikistan will receive least concessions from the ECO.

The calculation of the ratio of received concessions to awarded concessions (net concessions index) in the last column of Table 17 shows that Turkey, Kyrgyzstan, Kazakhstan, Tajikistan and Azerbaijan (with an index higher than 1) are the net recipients of concessions, respectively. In contrast, Uzbekistan, Iran, Pakistan and Afghanistan (with an index of lower than 1) will be the net donors to the ECO, respectively.

Table 17: Comparison of concessions awarded and received by the ECO member countries

ECO Members		Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Uzbekistan	Total awarded concessions
		Exporting countries (concession recipients*)									
Importing countries (concession donors)	Afghanistan	0	19	77	5	44	54	24	121	46	**390**
	Azerbaijan	5	0	21	5	9	9	6	27	15	**97**
	Iran	40	44	0	59	188	467	62	903	194	**1957**
	Kazakhstan	0	1	3	0	5	11	1	10	2	**33**
	Kyrgyzstan	0	2	6	7	0	79	2	94	27	**217**
	Pakistan	33	27	244	59	184	0	54	980	156	**1737**
	Tajikistan	1	1	10	0	1	4	0	16	5	**38**
	Turkey	28	33	96	42	71	117	26	0	71	**484**
	Uzbekistan	65	68	325	113	245	564	89	1164	0	**2633**
Total received concessions		**196**	**206**	**997**	**293**	**776**	**1733**	**265**	**3463**	**772**	
Score ratio index		**0.5**	**2.1**	**0.5**	**8.9**	**3.6**	**1.0**	**7.0**	**7.2**	**0.3**	
Ranking in received concessions		**7**	**5**	**8**	**1**	**4**	**6**	**3**	**2**	**9**	

* Here, each concession is equal to the reduction of tariffs (to the level of 15%) by each member against the number of goods with a comparative export advantage of other members.

Source: ITC raw data and research findings.

2-5- Conclusion: Evaluation of the findings of Chapter 2

Based on the results of the previous sections, examining the structure of trade and tariffs, comparing the structure of the export basket with comparative advantage of the ECO member countries, and considering the market access commitments under the ECOTA, the following results can be inferred:

1) According to Article 4 of the ECOTA, each member of the Agreement must include 80% of its national tariff lines in the positive commodity list and

undertake to reduce their tariff rates to 15 percent within eight years. 19 percent of national tariff lines can be included in the negative list, so that countries are not required to reduce their tariff rates but required not to impose non-tariff barriers on them. 1 percent of national tariff lines can also be included in the sensitive list of each country, which will be exempt from all obligations of the ECOTA.

2) The differences between tariff structures of the ECO member countries leads to the creation of two groups of countries according to the rules of the ECOTA. The first category includes countries where the share of HS codes with a tariff rate of less than 15 percent in their tariff structure is high. These countries are easily able to put all HS codes with a tariff rate higher than 15 percent on their negative and sensitive lists according to the 80 percent -19 percent -1 percent rule and avoid providing any new market access for other countries and protect themselves completely from the potential risks of trade liberalization. In other words, the implementation of the Agreement by this group of countries will not bring any new benefits to other members, while some of them will themselves receive a significant part of the benefits of trade liberalization of other members.

3) The second category includes countries whose share of HS codes with a tariff rate higher than 15 percent in their tariff structure is much higher than the first category of countries. Countries in this group are required to add a percentage of HS codes with a tariff rate higher than 15 percent to their positive list. In other words, the countries of this group are the main players of the ECOTA in terms of providing new access to their markets for other ECO members.

4) According to Article 4 of the ECOTA, the first category of countries, which, according to the rule 80 percent -19 percent -1 percent, are allowed to put all HS codes with tariff rates higher than 15 percent on their negative and positive lists, can maintain their high tariff barriers against export potential of their ECO partners to a great extent. In other words, these countries have the opportunity to block access to the market for their partners' goods of export potential, by maintaining high tariff barriers (tariff rates higher than 15 percent) and with the help of the 80 percent -19 percent -1 percent rule in ECOTA.

5) In contrast, the second group are forced to include tariff lines with rates higher than 15 percent in their positive lists, exactly in line with the export potential of their ECO partners. In summary, the implementation of the ECOTA in its current form can divide ECO member countries into two groups: southern countries (net concession donors) and northern countries (net concession receivers).

Based on this analysis, and through examination of the obstacles to the operationalization of the ECOTA Agreement, it can be said that the differences between the tariff structures of the countries and the basic rule contained in the Agreement to reduce rates beyond 15 percent and the possibility of maintaining 20 percent of tariff lines for negative and sensitive lists for all members, regardless of the current state of their tariff structures, has led to the creation of a division among ECO member countries in terms of the level of benefits received and granted based on the positive list, which is a serious obstacle to the implementation of the ECOTA. This obstacle, which can be described as a fundamental imbalance between the interests and obligations of the members, has in practice imposed a heavy burden on the Agreement and has so far prevented the members from enforcing the Agreement, because countries that have little interest in implementing the Agreement, do not have enough motivation to advance the implementation and operational stages. This can clearly be understood from the positions of some members in recent years.

As can be deduced from the research findings and information presented in the previous section, the wide gap and significant differences between tariff structures of the ECO member countries and their different export patterns based on RCA on the one hand, and the implementation of trade liberalization obligations and reducing tariff rates according to the rules of the ECOTA on the other hand, can lead to completely different outcomes for each member.

The fact that the preparation of commodity lists by each member, whether positive, negative and sensitive, will be done and adjusted in a completely unilateral manner without consulting or negotiating with other members, can make such a gap very significant. In fact, in the absence of the usual bilateral mechanisms such as the offer-request approach in setting up these lists, and with the flexibility provided for members under the ECOTA, each Member State may, without regard to the considerations and interests of other countries, maximize the benefits of implementing the Agreement for itself. Accordingly, in an extreme case, a group of countries can avoid any attempts to provide other members with more access to their own markets, while enjoying themselves the greatest benefits from trade liberalization and substantial reductions in the tariff rates of other members which are bound by the terms of the Agreement. Such an approach has led, in practice, one group of members to be among the main beneficiaries of the Agreement by being in a free-riding position, and another group to be the main donors obliged to substantially reduce their tariff rates without having proportionate benefits of accessing other countries' markets. In fact, according to the existing rules, only this group of countries will bear the main burden of implementing the market access provisions of the Agreement, and the others will just watch. Therefore, it can be construed that the implementation of the terms of the ECOTA on tariff reduction can divide members into winners and losers. Of course, in each category, the position of countries can be somewhat different depending on their tariff and trade structures.

Obviously, a serious solution to overcome the current stalemate should mainly focus on removing the existing imbalance by amending the criteria set out in the Agreement.

Chapter 3- Review of Non-Tariff Measures (NTMs) in ECO Foreign Trade (Output 1.1.1): Review the NTBs and trade effecting measures employed by the ECO countries in general and after Covid-19 in particular

In this chapter of the report, we will examine the status of non-tariff measures (NTMs) in the foreign trade of ECO member countries. For this purpose, first, after summarizing the importance of the issue in the introduction of this section, we will review the definitions of non-tariff measures and their nature. Then, to identify and become more familiar with this issue, we will briefly present the classification of types of non-tariff measures made by UNCTAD, and then we will examine the importance of non-tariff measures in international trade. It will also examine how regional trade agreements deal with non-tariff measures and how they are managed within the framework of these agreements, and then using the latest statistics and data available and published by relevant international institutions and organizations, application of non-tariff measures in the foreign trade of ECO member countries will be examined, and finally, due to the widespread use of such non-tariff measures since the pandemic of Covid-19 virus until now, we will introduce and review restrictive or trade facilitation adopted by ECO members measures to combat the disease.

3-1- Introduction

Adoption of supportive policies in the field of trade and commerce has a long history in the world and many countries, both developed and developing, for various reasons, including support for domestic and emerging industries, support for employment and labor, increasing the competitiveness of products against imported goods, maintaining the value of the national currency and the balance of payments, improving the exchange relationship, increasing exports and increasing competitiveness in foreign markets, maintaining independence and reducing dependence on foreign and many other reasons to formulate protectionist policies. . In general, the imposition of trade restrictions and the adoption of policies to support the government's willingness to change the size and business model of the country determined by free competition.

The policies and tools used to support domestic production and provide the necessary supportive coverage are very diverse and cover a wide range of different measures. In a general classification, protectionist policies can be divided into two types of price instruments and non-price instruments. Price instruments are instruments that exert their limiting effect through price adjustment mechanisms (creating desirable price deviations), while non-price instruments exert their limiting effect by adopting other methods and generally directly limit the volume of import.

The most important and well-known tool in the set of price instruments is the tariff policies that are generally adopted by most countries in the world, both developed and developing, in order to achieve supportive goals. Foreign exchange policies and exchange rate regulation are another price tool. Subsidies and subsidy policies for production or consumption are also other price instruments that create their effects through the price mechanism.

Unlike price instruments, which exert their effect in foreign trade through arbitrary price correction, non-price instruments refer to all measures that exert their limiting effect through methods other than the price mechanism, such as administrative and ceremonial measures. The most important examples of non-price instruments are non-tariff policies (including technical barriers to trade and non-technical barriers to trade) such as the use of entry permit systems, quotas in imports or exports, the establishment of a foreign exchange allocation system for imports or foreign exchange contracting for exports, prohibitions, seasonal quotas, mandatory technical standards and regulations, vegetable and plant quarantines, etc., that each of these tools, depending on the severity and scope of their use, can have a deterrent and limited effects, create different deterrent in the business. It should be noted that non-price instruments have significant effects and disturbances on the price of goods subject to this type of protection, but the amount of this protection is not very transparent and cannot be measured accurately.

In a general classification, non-tariff protection policies can be classified into two groups: technical barriers and non-technical barriers. Technical barriers necessarily have different origins from non-technical barriers that require different approaches and behaviors, although they can be widely abused to impose trade constraints as a barrier. All technical regulations and standards and standards related to ensuring the eligibility of imported goods are imposed to protect the health and safety of society and their observance is mandatory for the import of goods are among the technical barriers to trade .

Despite all efforts made to prevent unnecessary barriers to trade through the application of mandatory technical regulations and standards by countries, it must also be acknowledged that the current application of such technical regulations plays an important role in the combinations of the pattern of foreign trade of countries, and these measures are more or less used in many countries. Also, in the agricultural sector in order to provide the necessary support for this sector, the application of strict technical regulations is one of the most common and widely used measures, especially in developing countries. The main real purpose of the standards is to protect human, animal, and plant health, and conserving the environment. These measures emphasize improving the quality of human life. Proper application of standards reduces transaction costs, increases consumer confidence, and leads to more competition and thus efficiency. It should be noted that the correct and appropriate use of global standards and coordination is one of the basic elements and basis of trade facilitation policy, which has been seriously considered by the multilateral trading system in recent years.

Another category of trade barriers relates to non-tariff barriers. In general, any barrier to foreign trade other than tariffs and technical barriers is considered as a non-technical barrier and in this regard covers a wide range of measures and barriers. To date, a precise and comprehensive definition of non-tariff barriers has not been made and it is not possible. The breadth of the scope of these measures, on the one hand, and the fluidity of the definitions and related concepts, on the other hand, have always attracted a lot of attraction for trade policymakers to adopt such measures with specific business objectives. Permits, quotas, prohibitions, restrictions, complex customs formalities, strict and excessive bureaucracy in the foreign trade system, and dozens of other measures, each of which can somehow obstruct or limit the course of foreign trade, are among the most important exceptions are considered non-technical.

It should be noted that non-technical non-tariff barriers generally have more effects of trade disruption compared to tariff barriers and while they are not transparent in showing the level of protection of the domestic product, they also have more deterrent power. In other words, tariffs never have the full and absolute deterrent power in restricting or prohibiting imports, and every individual and enterprise is allowed to import the goods subject to the determining customs duties, but non-technical non-tariff barriers are mainly aimed at restricting or prohibiting import. Therefore, in countries where such non-tariff instruments are used, depending on the extent, scope, and intensity of the use of the above instruments, the restrictive effects of foreign trade can be much stronger than the effects of their tariff policies.

Restrictive trade measures and barriers, although due to their immediate strength and effectiveness in achieving business goals, may be of great interest to policymakers and implementers of trade policy, also have many negative consequences and effects for the economy and the business environment. Therefore, organizing such measures has always been one of the important goals of the rules and regulations of the multilateral trading system since the time of GATT. The WTO Trade Facilitation Agreement, which entered into force in

February 2017, can be considered the latest major achievement of the multilateral trading system in this area.

During the last 20 years' international trade has been subject to an in- creasing number of policy measures aimed to regulate market access and/ or to ensure that imported products conform to public policy objectives such as consumers' safety. These policy measures are generally referred to as non-tariff measures (NTMs) and comprise a vast and diverse array of measures, all of which have in common that they are government policies that – intentionally or unintentionally – alter the volume, direction or product composition of international trade. Of importance is that these measures include not only border measures (e.g., quotas), but also domestic policies (e.g., subsidies) and measures whose distortionary impact on trade is felt along the marketing chain (e.g., standards, distribution restrictions). Some NTMs are also targeted towards exports, in some cases to stimulate, in others to restrict exports. The fact that NTMs have become a key factor influencing international trade has implications for economic development, particularly for countries pursuing a development strategy built around integration into world markets. Many forms of NTMs often become formidable obstacles to trade as they may raise costs for foreign suppliers, especially those in developing countries. More generally, NTMs also have important implications for reaching many of the Sustainable Development Goals (SDGs). Road maps on how best to achieve the SDGs are currently being designed in developed and developing countries.

It is worth mentioning that the ability to gain and to benefit from market access depends increasingly on compliance with trade regulatory measures such as sanitary requirements and goods standards. It is required substantial improvements to keep up with the increasing complexity of and need for NTM issues.

3-2- Non-tariff measures definition and its Nature

The concept of NTMs is neutral and does not imply a direction of impact. They are defined as "policy measures, other than customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both". These consist of mandatory requirements, rules, or regulations that are legally set by the government of the exporting, importing, or transit country. Non-tariff barriers (NTBs) are a subset of NTMs, implying a negative impact on trade.[17]

This definition covers a broad range of policy instruments including traditional trade policy instruments, such as quotas or price controls, as well as regulatory and technical measures that stem from important non-trade objectives related to health and environmental protection (Sanitary and Phytosanitary(SPS) measures and Technical Barriers to Trade (TBT).[18]

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[17] - UNITED NA TIONS CONFERENCE ON TRADE AND DEVELOPMENT, GUIDELINES TO COLLECT DATA ON OFFICIAL NON-TARIFF MEASURES, 2019 VERSION, p 1

[18] - UNCTAD TRAINS: The Global Database on Non-Tariff Measures User Guide (2017, Version 2), p 3.

dwin Newman, the newscaster and defender of the English language, objected to the term “non-dairy creamer” because it tells you what it isn’t but not what it is. He may have had the same view of “non-tariff measures”, an elusive class of measures that inhabit the twilight zone between trade policy and national regulation. From import licensing to technical regulations, from procurement preferences to subsidies, a large number of policies and regulations are classified as non-tariff measures (NTMs). They are pervasive across countries and over time. And their variety makes them much harder to measure than tariffs.[19]

The concept of NTMs is neutral and does not necessarily imply a negative impact on trade. Some NTMs might even have a positive impact of trade, though many NTMs are thought to have important restrictive and/or distortionary effects on international trade regardless of whether they are applied with protectionist intent or to address legitimate objectives, such as protecting health or safety, or the environment. This is why the word Measure is purposely used instead of Barrier. Non-tariff barriers (NTBs) are defined as a subset of NTMs that have a protectionist or discriminatory intent, or where the trade restrictiveness exceeds what is needed for the measure’s non-trade objectives, implying a negative impact on trade.

Due to their impact on trade such technical regulations are considered as non-tariff measures (NTMs). Traditional non-tariff barriers with protectionist objectives, like quotas, price controls or trade defense measures, also still persist in some sectors, but were strongly reduced through regional and multilateral trade agreements. NTMs can affect trade, even when this is not their main objective. In practice, NTMs can increase price, thus impeding trade. This results in, often unintended, discrimination against foreign producers. Such NTMs, can hurt domestic producers, too, by making the import of intermediate inputs expensive, increasing business costs and reducing productivity, thus making a country uncompetitive in export markets.[20]

As it is mentioned there are some NTMs which are directly trade-related (e.g., import quotas, import surcharges, anti-dumping measures), others have a link to trade in as far as their implementation is monitored at the border (e.g., labelling, packaging, sanitary standards), while a third group arises from general public policy (e.g., government procurement, investment restrictions, extent of intellectual property right protection).[21]

3-3- International Classification of Non- Tariff Measures[22]

Non-tariff measures are generally defined as “policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in

[19] . https://unctad.org/webflyer/unseen-impact-non-tariff-measures-insights-new-database

[20] - Addressing Regulations and Non-Tariff Measures to Strengthen Regional Integration and Sustainable Growth, A technical note by the UNCTAD secretariat, p 1.

[21] - TRADE AND DEVELOPMENT BOARD, Commission on Trade in Goods and Services, and Commodities, Expert Meeting on Methodologies, Classifications, Quantification and Development Impacts of Non-Tariff Barriers Geneva, 5-7 September 2005 Item 3 of the provisional agenda Methodologies, Classifications, Quantification and Development Impacts of Non-Tariff Barriers, p 3.

[22] . INTERNATIONAL CLASSIFICATION OF NON-TARIFF MEASURES, 2019 VERSION, UNCTAD/DITC/TAB/2019/5.

goods, changing quantities traded, or prices or both." Since this definition is broad, a detailed classification is necessary to better identify and distinguish among the various forms of non-tariff measures.[23]

Given the varying nature and complexity of NTMs, it is necessary to have a global NTM classification system which can catalogue different types of trade regulations.

The International Classification of Non-Tariff Measures was developed by numerous staff members of several international organizations forming the Multi-Agency Support Team, commonly known as the MAST group. The MAST group is composed of the following organizations:

- Food and Agriculture Organization of the United Nations
- International Trade Centre
- Organization for Economic Cooperation and Development
- United Nations Conference on Trade and Development
- United Nations Industrial Development Organization
- World Bank
- World Trade Organization

The classification of non-tariff measures is a taxonomy of all those measures considered relevant in international trade today. It builds on a previous classification developed by the United Nations Conference on Trade and Development (UNCTAD) known as the Coding System of Trade Control Measures and was developed by several international organizations forming the Multi-Agency Support Team, commonly known as the MAST group. This group was set up to support the Group of Eminent Persons on Non-tariff Barriers established by the Secretary-General of UNCTAD in 2006. The final proposal of the MAST group was revised by UNCTAD and all relevant divisions of the World Trade Organization (WTO) Secretariat and tested for data collection in the field by the International Trade Centre and UNCTAD. The work resulted in the 2012 version of the publication. The classification is considered to be an evolving one, adaptable to the reality of international trade and data collection needs.

The groups interacted regularly, and progress was presented annually to a wider audience at the UNCTAD Non-Tariff Measures Week and MAST meeting, as well as at other trade and regulator meetings. The revised version was adopted by all working groups in 2018/2019. In March 2019, the United Nations Statistical Commission endorsed the classification for data collection across countries and for reporting on internationally comparable data on non-tariff measures.

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[23] . INTERNATIONAL CLASSIFICATION OF NON-TARIFF MEASURES, 2019 VERSION, UNCTAD/DITC/TAB/2019/5, p v

Classification structure

This classification comprises technical measures, such as sanitary or environmental protection measures, as well as others traditionally used as commercial policy instruments. These include, for example, quotas, price control, export restrictions and contingent trade protective measures, as well as other behind-the-border measures, such as competition- and trade-related investment measures and government procurement or distribution restrictions.

This classification does not judge on the legitimacy, adequacy, necessity or discrimination of any form of policy intervention used in international trade. It acknowledges the existence of policy intervention and is designed to set information out in a database format. Transparent, reliable and comparable information can contribute to an understanding of the phenomenon and help exporters worldwide to access information, as is the case with tariffs. Transparent information is also needed for any negotiations that could lead to harmonization and mutual recognition and thus enhance trade.

The classification develops a tree/branch structure whereby measures are divided into chapters, depending on their scope and/or design. Each chapter is further differentiated into several subgroups to allow a finer classification of the regulations affecting trade. The International Classification of Non-tariff Measures consists of 16 chapters (A to P), and each chapter is divided into groupings with a depth of up to three levels (one, two and three digits, following the same logic of the Harmonized System (HS) Nomenclature for product classification). In addition, measures are listed by number in each subgroup; the digit 9 is reserved for all cases not listed within that subgroup. Although a few chapters reach the three-digit level of disaggregation, most of them stop at two digits. The chapters, listed in the following table, reflect the requirements of the importing country concerning its imports, with the exception of measures imposed on exports by the exporting country (chapter P).

The NTM classification differentiates measures according to 16 chapters (denoted by alphabetical letters), each comprising sub-chapters (denoted by two letters) and the individual measures (denoted by two letters and a number).

The measures are first categorized according to which country applies the measure: exporting country or the importing country. All measures applied by the country importing goods are categorized under Chapter A – O, jointly referred to as import-related measures. Regulations applied by country on its own exports are under Chapter P and is referred to as ‘export-related measures’.

Under each of the two above categories one cans distinguish between technical measures and non-technical measures.

Technical measures (Chapters A and B) refer to product-specific properties such as characteristics, technical specifications and production process of a product. It also includes conformity assessment methods, which affirm the compliance of a product to a given requirement. These technical regulations are generally aimed at ensuring quality and food safety, environmental protection and national security, and at protecting animal and plant health.

Non-technical measures (Chapters C to O) do not refer to product-specific properties but to trade requirements, such as shipping requirements, custom formalities, trade rules, taxation policies, etc.[24]

The main structure of the classification is showed as follow:

Classification of non-tariff measures by chapter

Imports	Technical measures	A	Sanitary and phytosanitary measures
		B	Technical barriers to trade
		C	Pre-shipment inspection and other formalities
	Non-technical measures	D	Contingent trade-protective measures
		E	Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade
		F	Price-control measures, including additional taxes and charges
		G	Finance measures
		H I	Measures affecting competition
		J K	Trade-related investment measures
		L	Distribution restrictions
		M	Restrictions on post-sales services
		N	Subsidies and other forms of support
		O	Government procurement restrictions
			Intellectual property
			Rules of origin
	Exports	P	Export-related measures

Source: INTERNATIONAL CLASSIFICATION OF NON-TARIFF MEASURES, 2019 VERSION, UNCTAD/DITC/TAB/2019/5

The detail of description of each category explained as follow:

[24] . https://ntmsurvey.intracen.org/support-materials/ntm-classification/

Chapter A deals with sanitary and phytosanitary measures. The chapter outlines measures such as those restricting substances, ensuring food safety and preventing the dissemination of diseases or pests. Chapter A also includes all conformity-assessment measures related to food safety, such as certification, testing and inspection, and quarantine.

Chapter B provides a collection of technical measures, also called technical barriers to trade. The chapter describes measures relating to product characteristics such as technical specifications and quality requirements; related processes and production methods; and measures such as labelling and packaging in relation to environmental protection, consumer safety and national security. As in the case of sanitary and phytosanitary measures, chapter B includes all conformity-assessment measures related to technical requirements, such as certification, testing and inspection.

Chapter C, the last chapter in the technical measures section, classifies the measures related to pre- shipment inspections and other customs formalities.

Chapter D groups contingent measures, that is, those measures implemented to counteract the adverse effects of imports in the market of the importing country, including measures aimed at tackling unfair foreign trade practices. These include anti-dumping, countervailing and safeguard measures.

Chapters E and F feature the "hard" measures that are traditionally used in trade policy. Chapter E includes licensing, quotas and other quantity-control measures, including tariff-rate quotas. Chapter F lists the price-control measures that are implemented to control or affect the prices of imported goods. Among the examples are those measures designed to support the domestic prices of certain products when the import prices of these goods are lower, to establish the domestic prices of certain products because of price fluctuation in domestic markets or price instability in a foreign market and to increase or preserve tax revenue. This category also includes measures other than tariffs measures that increase the cost of imports in a similar manner (para-tariff measures).

Chapter G lists the finance measures. The chapter outlines measures restricting the payments of imports, for example when the access and cost of foreign exchange is regulated. It also includes measures imposing restrictions on terms of payment.

Chapter H includes those measures affecting competition – those that grant exclusive or special preferences or privileges to one or more limited group of economic operators. They are mainly monopolistic measures, such as State trading, sole importing agencies or compulsory national insurance or transport.

Chapter I deals with trade-related investment measures and groups the measures that restrict investment by requiring local content or requesting that investment be related to export in order to balance imports.

Chapters J and K relate to the way products – or services connected to the products – are marketed after being imported. They are considered non-tariff measures because they could affect the decision to import such products or services. Chapter J, on distribution restrictions, describes restrictive measures related to the internal distribution of imported products. Chapter K deals with restrictions on post-sales services, for example restrictions on the provision of accessory services.

Chapter L contains measures that relate to the subsidies that affect trade.

Chapter M, on government procurement restrictions, describes the restrictions bidders may find when trying to sell their products to a foreign government.

Chapter N contains restrictions related to intellectual property measures and rights.

Chapter O, on rules of origin, groups the measures that restrict the origin of products or its inputs.

Chapter P, the last chapter, is on export measures. The chapter groups the measures applied by a country to its exports, inter alia, export taxes, export quotas and export prohibitions.

The International Classification of NTMs covers all NTMs and distinguishes at the most detailed level 177 types of measures. This classification is a common language of NTMs and designed to facilitate the collection, analysis and dissemination of data on NTMs, with the final objective to increase transparency and understanding about the subject.[25]

3-4- The importance of non-tariff measures in international trade

Over several decades, trade liberalization has emerged as a key development tool based on evidence that benefits accrue to countries actively engaged in world trade. Developing, least developed and emerging economies have begun to realize gains through actively participating in the multilateral trading system. Concessions through a series of multilateral, regional and bilateral trade instruments, North-South and South-South, as well as nonreciprocal concessions, have led to extraordinary reductions in the use of average global tariffs for protectionist interests. With favorable market access conditions, international trade has soared to previously unseen levels, raising overall welfare and standards of living.

However, the positive effects of lower tariffs have been overshadowed by a shift towards misuse of NTMs. The sound use of NTMs to ensure consumer health, protect the environment and safeguard national security is legitimate. However, evidence suggests that countries are resorting to NTMs as alternative mechanisms to protect domestic industries. NTMs have been negotiated within the General Agreement on Tariffs and Trade and at the World Trade Organization (WTO) since the Tokyo Round (1973–1979) and are increasingly dealt with in regional and bilateral trade agreements.

[25] - UNCTAD TRAINS: The Global Database on Non-Tariff Measures User Guide (2017, Version 2), p 1.

NTMs have gained importance, with many practitioners considering they have surpassed tariffs in their trade-impeding effect.

Being 'defined by what they are not', NTMs comprise a myriad of policies other than tariff duties. NTMs are complex legal texts specific to the product and applying country. They are more difficult to quantify or compare than tariffs. Depending on how they are applied, these measures may or may not amount to trade barriers.

NTMs particularly impact exporters and importers in developing and least developed countries (LDCs) who struggle with complex requirements. Firms in these countries often have inadequate domestic trade-related infrastructure and face administrative obstacles. NTMs that would not normally be considered very restrictive can represent major burdens in LDCs. In addition, the lack of export support services and insufficient access to information on NTMs impede the international competitiveness of firms. As a result, both NTMs applied by partner countries as well as domestic burdens have an impact on market access and keep firms from seizing the opportunities created by globalization.[26]

Trade costs slow down trade Based on the premise that trade is a driver of economic growth and development, non-tariff measures may be viewed as trade costs, or non-tariff barriers. Nevertheless, even legitimate non-tariff measures with non-trade objectives can have significantly restrictive and distorting effects on international trade. UNCTAD research shows that the contribution of non-tariff measures to restricting market access is more than twice that of tariffs. The impact is particularly striking in sectors of high relevance for developing countries. The development potential of trade can be significantly impaired by trade costs stemming from non-tariff measures. However, the elimination of such measures is rarely an option, as the direct linkages to sustainable development will show.[27]

There are two principal means of bringing down trade costs related to non-tariff measures without even touching policy levels: by increasing transparency and reducing procedural obstacles. Every non-tariff measure comes with an implementation procedure. As a rule, associated procedures become more burdensome as the underlying non-tariff measure becomes more complex or discretionary. This incurs additional costs and, in many cases, long delays. The World Trade Organization’s Agreement on Trade Facilitation has the potential to drastically reduce procedural obstacles and delays at the border.[28]

[26] - https://ntmsurvey.intracen.org/support-materials/understanding-ntms/

[27] -UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT, NON-TARIFF MEASURES AND SUSTAINABLE DEVELOPMENT GOALS: DIRECT AND INDIRECT LINKAGES, p 2.

[28] - UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT, NON-TARIFF MEASURES AND SUSTAINABLE DEVELOPMENT GOALS: DIRECT AND INDIRECT LINKAGES, p 2.

3-5- NTMs in Regional Trade Agreements

Trade liberalization is no longer merely about the reduction and elimination of tariffs but rather about regulatory convergence, harmonization efforts, and mutual recognition. In Regional Trade Agreements (RTAs) regulations on human, animal or plant health, protection of the environment, animal welfare etc. are progressively gaining more weight. The number of RTAs has increased in the past 20 years as has the share of RTAs that include provisions on NTMs. It appears that a main motivation of forming an RTA in many cases was to achieve trade liberalization in the area of NTMs that could not be achieved at the multilateral level.[29]

Since the establishment of the WTO, the number of regional trade agreements has increased significantly. One of the important factors contributing to this development appears to be the rising number, diversity and accordingly the role of regulatory measures and NTMs in general. As the number and range of trade and trade related areas rise and gain more importance, the complexity of achieving a multilateral agreement rises respectively. These developments have contributed to an increase in the number of regional trade agreements. As of June 2020, there were 305 RTAs notified under either the General Agreement on Tariffs and Trade (GATT) Article XXIV, the General Agreement on Trade and services and 492 notifications (if counting separately all the notifications on goods, services, and accessions). Accordingly, NTMs issues have been raised in regional trade agreements.[30]

NTMs vary considerably across countries, both in regard to rules and regulations and in regard to assessment of their conformity and actual enforcement. With the proliferation of regional and bilateral trade agreements, the issue of streamlining and harmonizing NTMs across trading partners has become central to many trade agreements, especially in regard to SPS measures and TBTs. However, because countries typically have large numbers of regulations on the books, streamlining them is a long and complex process.[31]

Tariffs on regional trade are generally low as they have been progressively liberalized first under the auspices of the General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO) and, subsequently, in the context of regional and bilateral preferential trade agreements. For example, ASEAN member countries have made significant progress in the lowering of intra-regional tariffs. The fact that tariff liberalization alone has generally been proven insufficient in providing genuine regional economic integration for many developing countries has drawn further attention to non-tariff measures (NTMs), of which the WTO disciplines are comparatively weak. The

[29] - UNCTAD, HOW TO ENCODE NON-TARIFF MEASURES IN REGIONAL TRADE AGREEMENTS? The case of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Geneva, 2020, p 3

[30] - http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx

[31] - NON-TARIFF MEASURES TO TRADE: Economic and Policy Issues for Developing Countries, DEVELOPING COUNTRIES IN INTERNATIONAL TRADE STUDIES, United Nations 2013, p 57

use of NTMs, especially complex technical, sanitary and phytosanitary measures, has increased significantly.[32]

Studies show that Regional Trade Agreements (RTAs) in Asia and the Pacific address three types of Non-Tariff Measures (NTMs): Technical Barriers to Trade (TBT), Sanitary and Phytosanitary (SPS) and Government Procurement (GP).

Going forward, there is a scope for further strengthening of the NTM rules through RTAs, including through more systematic linkages to the provisions on capacity building and technical assistance for developing members.[33] A key finding is that the number of NTM provisions in RTAs has increased significantly in RTAs signed over the past five years, compared to those signed earlier in the decade. However, the coverage of RTAs appears to vary widely depending on the type of NTMs examined. All agreements signed over the past 5 years include significant provisions on SPS and TBT - if not fully dedicated chapters. In contrast, many RTAs still lack provisions on Government Procurement, although the number of RTAs that contain the latter provisions has risen sharply between 2009-2013 and 20014-2018. All agreements signed on or after 2014 refer to multilateral rules on SPS and TBT. However, even in RTAs that deal with government procurement, reference to the Government Procurement Agreement under the auspices of the WTO are not systematic. In fact, 2014-2018 RTAs refers to the plurilateral agreement on Government Procurement under the auspices of the WTO, is less often referred to than in older 2009-2013 RTAs. Provisions on cooperation are almost always included in the TBT and SPS chapters of recent RTAs, often together with the establishment of dedicated committees to deal with TBT and SPS issues under the agreements. Similar provisions on Government Procurement remain uncommon. Agreements involving high-income economies appear to have more NTM provisions, with the CPTPP[34] standing out as one of the most comprehensive across all three types of NTMs examined here. RTAs between high-income economies have more NTM provisions than RTAs between upper middle income or lower economies. Interestingly, RTAs between upper middle income and high-income economies are found to put more emphasis on SPS provisions than other RTAs. In contrast, RTAs among high-income economies contain at least 50% more provisions on Government Procurement than other RTAs. As such, countries at different stages of development are prioritizing different NTMs based on their perceived impact on trade among the parties. The analysis revealed that provisions

[32] - Non-Tariff Measures in ASEAN edited by Lili Yan Ing Santiago Fernandez de Cordoba Olivier Cadot, Economic Research Institute for ASEAN and East Asia and United Nations Conference on Trade and Development, 2016, p 1.

33 - Jhanvi Trivedi, Yann Duval, Danijel Bajt and Jeong Ho Yoo (2019), Non-Tariff Measures in Regional Trade agreements in Asia and the Pacific: SPS, TBT and Government Procurement, Trade, Investment and Innovation Working Paper No. 03/2019, ESCAP Trade, Investment and Innovation Division, September 2019. P. 1 Bangkok. Available at http://www.unescap.org/publications

[34] - The Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP)

aimed at increasing the transparency of NTMs, regardless of their types, have become significantly more prevalent in recent RTAs.[35]

Indeed, providing full clarity on what the measures are – and what they entail – is an important starting point. More importantly, it can be noted that the trend, at least for SPS and TBT, is to establish mechanisms under each RTA to further pursue collaboration in this area, such as dedicated committees and/or negotiating mutual recognition agreement of conformance procedures to TBT. While operating these mechanisms certainly involve some resources, they can help ensure that transparency and other provisions are actually implemented, accelerate resolution of issues between parties, and develop innovative solutions to ensure that NTMs do not become protectionist trade barriers – which may be brought to the multilateral level, in particular in the case of SPS and TBT since RTAs almost always make a very clear link to the related agreements and institutions at the WTO on these two issues.[36]

NTMs often play an increasingly significant role in modern RTAs. Despite the political will to lower trade barriers, "deeper" economic integration remains a challenge. While tariff levels are relatively easy to identify and reduce, assessing and lowering the trade costs of NTMs is more difficult. Regulatory measures are implemented by various ministries, can pursue different non-trade-related objectives and can take many different shapes.[37]

3-6- Examining the application of non-tariff measures in foreign trade of the ECO member countries

In this section, the current situation and the application of non-tariff measures which is prevalent in the foreign trade of the ECO member countries is reviewed. For this purpose, we have used the latest statistical data available from relevant international organizations such as the International Trade Center (ITC) and smart business tools. This information was downloaded from Mac Map website separately for each of the ECO member countries in Excel tables and the data were processed and statistically analyzed. According to the classification of non-tariff measures by the UNCTAD, the latest version of 2018 has been the basis for calculations and the distribution of non-tariff measures of each country was extracted from the mentioned tables. Considering the non-membership of Azerbaijan, Iran, Turkmenistan and Uzbekistan in the World Trade Organization and their non-obligation to officially inform the WTO Secretariat of the said measures, information on the non-tariff measures of these countries was not available and the tables downloaded from the Mac Map website lacked the necessary statistical data. Therefore, in this report, only the information related to the six countries of Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Pakistan and Turkey has been examined and analyzed.

[35] - Jhanvi Trivedi, Yann Duval, Danijel Bajt and Jeong Ho Yoo (2019), Non-Tariff Measures in Regional Trade agreements in Asia and the Pacific: SPS, TBT and Government Procurement, Trade, Investment and Innovation Working Paper No. 03/2019, ESCAP Trade, Investment and Innovation Division, September 2019. P. -21 par 1. Bangkok. Available at http://www.unescap.org/publications

[36] -ibid, p.21, par 2.

[37] . Addressing Regulations and Non-Tariff Measures to Strengthen Regional Integration and Sustainable Growth, A technical note by the UNCTAD secretariat, p.3.

As in the non-tariff measures classification of the 2018 version of the UNCTAD, which has classified these measures into 16 major groups in alphabetical order from A to P, in this report, except for the last category (P), which is related to non-tariff measures in the field of exports, the frequency of non-tariff measures of the ECO members in each of the 15 categories of imports has been extracted and analyzed. Also, the distribution of each measure of each category has been extracted and the results have been presented in the relevant tables and graphs.

It should be noted that this information is provided at the level of national tariff lines: HS 8-digit codes for Afghanistan and Pakistan, HS 10-digit codes for Kazakhstan, Kyrgyzstan and Tajikistan, and HS 12-digit codes for Turkey.

In the following paragraphs, the results of the calculations and the status of application and frequency of non-tariff measures of each ECO member country separately for each class as well as the share of each category in the total non-tariff measures of each country and the distribution within each category are shown.

3-6-1- Review of Afghanistan's non-tariff measures

Table 18 shows the distribution and dispersion of non-tariff measures in Afghanistan's foreign trade. The table is based on the latest available data (2012), which shows the distribution and frequency of Afghanistan's non-tariff measures by each main class (according to the 2018 version of the UNCTAD classification). Some of these measures are general and apply to all imported products and some only apply to certain products. Also, some of them apply globally to all countries and trading partners, and others apply to specific partners. To show the relative weight of each non-tariff measure in Afghanistan's foreign trade, the distribution and relative share of each of the fifteen main groups of non-tariff measures in imports have been calculated, the results of which are shown in Table 18 and Figure 49. Also, the distribution of non-tariff measures within each group and their frequency within each subgroup have been calculated, the detailed information of which is presented in Table 19.

Considering Tables 18 and 19 and Figure 49, the status of Afghanistan's non-tariff measures can be explained as follows:

1. Out of 15 categories of non-tariff measures in imports, Afghanistan applies non-tariff measures only in 5 categories of A (sanitary and phytosanitary measures), B (technical barriers to trade), C (pre-shipment inspection and other custom formalities), E (non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade), F (price-control measures including additional taxes and charges) and J (distribution restrictions). The total non-tariff measures of this country in all mentioned classes in imports amount to 4514 measures (goods according to national tariff lines).

2. Group B with 1800 measures, group A with 1756 measures and group E with 662 measures, with about 40, 39 and 14.7 percent respectively, are the most non-tariff measures in this country.

3. Group F with 19 measures, group J with 44 measures and group C with 233 measures, with shares of about 0.5, 1 and 5.2 percent respectively, are among the lowest groups of non-tariff measures in the country.

4. In group B, subgroups B140 (Authorization requirements for importing certain products), B310 (labelling requirements) and B150 (Authorization requirements for importers) with 493, 314 and 269 measures, respectively, are among the most numerous non-tariff measures applied.

5. In group A, subgroups A110 (prohibitions for sanitary and phytosanitary reasons), A810 (product registration and approval requirement), A820 (testing requirements) and A830 (certification requirements) with 702, 316, 305 and 305 measures, respectively, are considered the most numerous non-tariff measures applied.

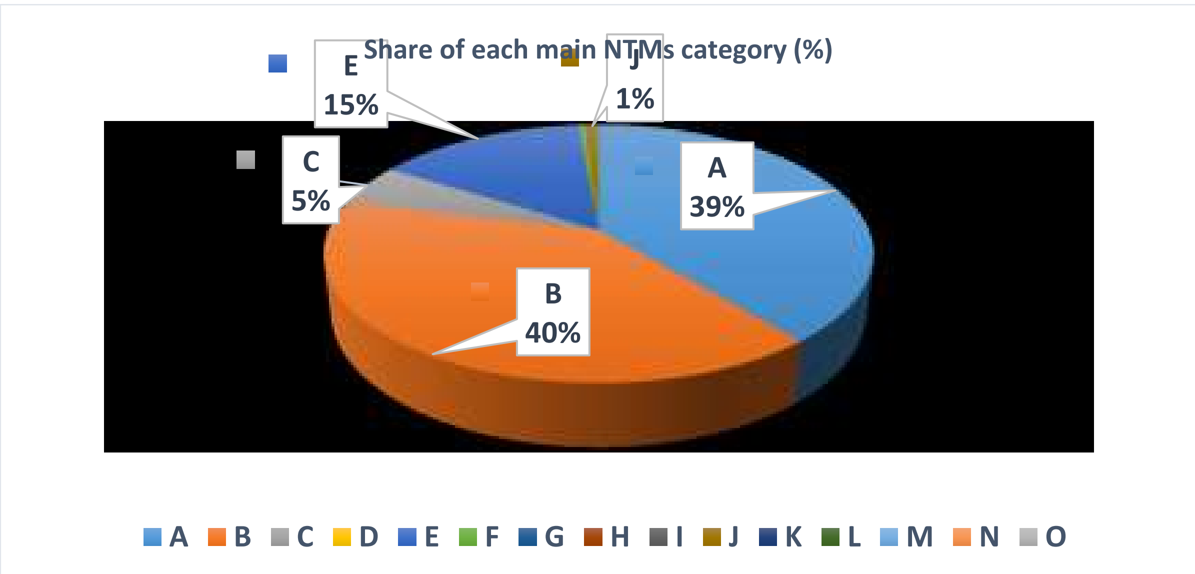
6. In group E, subgroup E111 (licensing procedure with no specific ex ante criteria) with 233 measures has the highest frequency. The next rank in this group with 189 measures belongs to subgroup E211 (global allocation).

Table 18: Distribution of NTMs in Afghanistan by each main category

Distribution of NTMs in Afghanistan by each main category			
NTMs category	**Kind of NTMs**	**Frequency**	**Share (%)**
A	Sanitary and phytosanitary measures	1,756	38.9
B	Technical barriers to trade	1,800	39.9
C	Pre-shipment inspection and other formalities	233	5.2
D	Contingent trade-protective measures	-	0.0
E	Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade	662	14.7
F	Price-control measures, including additional taxes and charges	19	0.4
G	Finance measures	-	0.0
H	Measures affecting competition	-	0.0
I	Trade-related investment measures	-	0.0
J	Distribution restrictions	44	1.0
K	Restrictions on post-sales services	-	0.0
L	Subsidies and other forms of support	-	0.0
M	Government procurement restrictions	-	0.0
N	Intellectual property	-	0.0
O	Rules of origin	-	0.0
Total		4,514	100.0

Source: Mac Map and research calculations (based on the 2018 version of the UNCTAD classification).

Figure 49: Distribution of NTMs in Afghanistan by each main category share



Source: Mac Map and research calculations.

Table 19: Current distribution of NTMs by each category and sub-category in Afghanistan										
NTMs category	**Frequency of national tariff lines subject to each NTMs sub-category**									**Total in category**
A	SUB[38]	A110	A140	A150	A190	A310	A810	A820	A830	**1756**
	NTL[39]	702	12	11	22	83	316	305	305	
B	SUB	B140	B150	B190	B310	B420	B810	B820	B830	**1800**
	NTL	493	269	33	314	136	211	207	137	
C	SUB	C300								**233**
	NTL	233								
E	SUB	E111	E112	E121	E211	E311	E321			**662**
	NTL	233	7	69	189	1	163			
F	SUB	F800								**19**
	NTL	19								
J	SUB	J200								**44**
	NTL	44								
Total										**4514**

Source: Based on MacMap_data and research calculations.

38 . SUB stands for sub-category of each NTMs category.
39 .NTL stands for national tariff lines.

3-6-2- Review of non-tariff measures in Kazakhstan

Table 20 shows the distribution and dispersion of non-tariff measures in Kazakhstan's foreign trade. The table is based on the latest available data (2017), which shows the distribution and frequency of Kazakhstan's non-tariff measures by each main class (according to the 2018 version of the UNCTAD classification). Some of these measures are general and apply to all imported products and some only apply to certain products. Also, some of them apply globally to all countries and trading partners, and others apply to specific partners. To show the relative weight of each non-tariff measure in Kazakhstan's foreign trade, the distribution and relative share of each of the fifteen main groups of non-tariff measures in imports have been calculated, the results of which are shown in Table 20 and Figure 50. Also, the distribution of non-tariff measures within each group and their frequency within each subgroup have been calculated, the detailed information of which is presented in Table 21.

Considering Tables 20 and 21 and Figure 50, the status of Kazakhstan's non-tariff measures can be explained as follows:

1. Out of 15 categories of non-tariff measures in imports, Kazakhstan applies non-tariff measures only in 7 categories of A (sanitary and phytosanitary measures), B (technical barriers to trade), C (pre-shipment inspection and other customs formalities), E (non- automatic import licensing, quotas, prohibition, quantity-control measures and other restrictions not including Sanitary and phytosanitary measures or relating to technical barriers to trade), F (price-control measures including additional taxation and charges), G (financial measures) and H (measures affecting competition). The total non-tariff measures of this country in all the mentioned classes in imports amount to 219890 measures (goods according to national tariff lines).

2. Group B with 121299 measures, group A with 744410 measures and group F with 12936 measures, with approx. 55, 34 and 6 percent respectively, are the most non-tariff measures in this country.

3. Group G with 136 measures, group C with 1652 measures and group H with 2306 measures, with shares of about 0.1, 0.8, and 1 percent respectively, are among the lowest group of non-tariff measures in this country.

4. In group B, subgroups B310 (labelling requirements), B820 (testing requirements) and B700 (product quality, safety and performance requirements) with 51593, 15786 and 15217 measures, respectively, are among the most numerous non-tariff measures applied.

5. In group A, subgroups A220 (restricted use of certain substances in foods and feeds and their contact materials), A310 (labelling requirements) and A640 (storage and transport conditions) with 9036, 7017 and 6881 measures, respectively, are among the most numerous non-tariff measures applied.

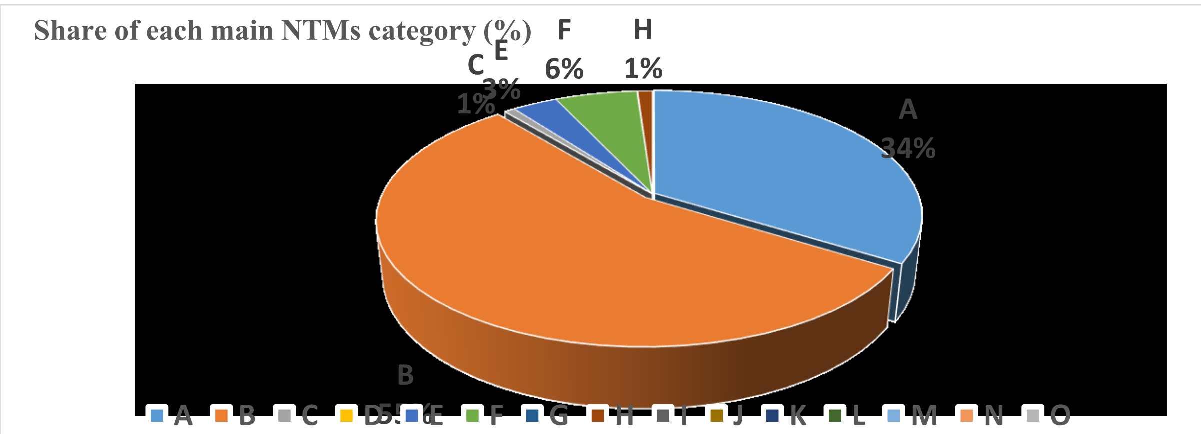
6. In group F, subgroup F710 (consumption taxes) with 11664 measures has the highest frequency. The next rank in this group with 622 measures belongs to subgroup F730 (taxes and charges for sensitive product categories).

Table 20: Distribution of NTMs in Kazakhstan by each main category

NTMs category	Kind of NTMs	Frequency	Share (%)
A	Sanitary and phytosanitary measures	74,410	33.8
B	Technical barriers to trade	121,299	55.2
C	Pre-shipment inspection and other formalities	1,652	0.8
D	Contingent trade-protective measures	-	0.0
E	Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade	7,151	3.3
F	Price-control measures, including additional taxes and charges	12,936	5.9
G	Finance measures	136	0.1
H	Measures affecting competition	2,306	1.0
I	Trade-related investment measures	-	0.0
J	Distribution restrictions	-	0.0
K	Restrictions on post-sales services	-	0.0
L	Subsidies and other forms of support	-	0.0
M	Government procurement restrictions	-	0.0
N	Intellectual property	-	0.0
O	Rules of origin	-	0.0
Total		219,890	100.0

Source: Mac Map and research calculations (based on the 2018 version of the UNCTAD classification).

Figure 50: Distribution of NTMs in Kazakhstan by each main category share



Source: Mac Map and research calculations

Table 21: Current distribution of NTMs by each category and sub-category in Kazakhstan

NTMs Category	Frequency of national tariff lines subject to each NTMs sub-category														Total in Category
A	SUB	A130	A140	A150	A190	A210	A220	A310	A320	A330	A410	A420	A490	A510	**74410**
	NTL	2714	217	1764	5	6509	9036	7017	3115	3631	4218	1235	914	105	
	SUB	A590	A620	A630	A640	A690	A810	A820	A830	A840	A850	A860	A890		
	NTL	405	1359	3426	6881	384	5287	5622	3309	863	2788	86	3520		
B	SUB	B210	B220	B310	B320	B330	B400	B410	B420	B490	B600	B700	B810	B820	**121299**
	NTL	720	2922	51593	301	1929	447	3310	4588	1633	46	15217	4392	15786	
	SUB	B830	B840	B852	B859	B890	B900								
	NTL	9494	2717	6	33	5693	472								
C	SUB	C300	C400												**1652**
	NTL	1640	12												
E	SUB	E100	E320	E321											**7151**
	NTL	5546	1525	80											
F	SUB	F690	F710	F720	F730										**12936**
	NTL	140	11664	510	622										
G	SUB	G140													**136**
	NTL	136													
H	SUB	H110	H900												**2306**
	NTL	2089	217												
Total															**219890**

Source: Based on MacMap data and research calculations.

3-6-3- Review of Kyrgyzstan's non-tariff measures

Table 22 shows the distribution and dispersion of non-tariff measures in Kyrgyzstan's foreign trade. The table is based on the latest available data (2017), which shows the distribution and frequency of Kyrgyzstan's non-tariff measures by each main class (according to the 2018 version of the UNCTAD classification). Some of these measures are general and apply to all imported products and some only apply to certain products. Also, some of them apply globally to all countries and trading partners, and others apply to specific partners. To show the relative weight of each non-tariff measure in Kyrgyzstan's foreign trade, the distribution and relative share of each of the fifteen main groups of non-tariff measures in imports have been calculated, the results of which are shown in Table 22 and Figure 51. Also, the distribution of non-tariff measures within each group and their frequency within each subgroup have been calculated, the detailed information of which is presented in Table 23.

Considering Tables 22 and 23 and Figure 51, the situation of Kyrgyzstan's non-tariff measures can be explained as follows:

1. Out of 15 categories of non-tariff measures in imports, Kyrgyzstan applies non-tariff measures only in 6 categories of A (sanitary and phytosanitary measures), B (technical barriers to trade), C (pre-shipment inspection and other customs formalities), E (non- automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade), F (price-control measures including additional taxes and charges) and H (measures affecting competition). The total non-tariff measures of this country in all mentioned classes in imports amount to 229132 measures (goods according to national tariff lines).

2 Group A with 120337 measures, group B with 88167 measures and group F with 10201 measures, with approx. 52.5, 38.5 and 4.5 percent respectively, are the most non-tariff measures in this country.

3. Group H with 343 measures, group C with 2627 measures and group E with 7457 measures, with 0.1, 1.1 and 3.3 percent respectively, are among the lowest groups of non-tariff measures in the country.

4. In group B, subgroups B310 (labelling requirements), B700 (product quality, safety and performance requirements) and B820 (testing requirements) with 31037, 12808 and 11852 measures, respectively, are among the most numerous non-tariff measures applied.

5. In group A, subgroups A640 (storage and transport conditions), subgroup A220 (restricted use of certain substances in foods and feeds and their content materials) and subgroup A310 (labelling requirements) with 10368, 8957 and 7410 measures, respectively, are considered the most numerous non-tariff measures applied.

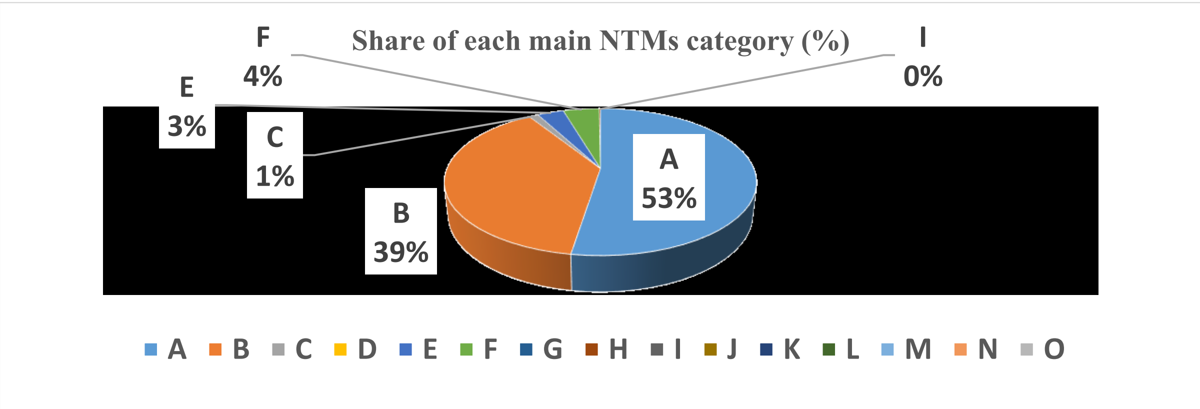
6. In group F, subgroup F710 (consumption taxes) with 9680 measures has the highest frequency. The next rank in this group with 304 measures belongs to subgroup F720 (excise taxes).

Table 22: Distribution of NTMs in Kyrgyzstan by each main category

Distribution of NTMs in Kyrgyzstan by each main category			
NTMs category	**Kind of NTMs**	**Frequency**	**Share (%)**
A	Sanitary and phytosanitary measures	120,337	52.5
B	Technical barriers to trade	88,167	38.5
C	Pre-shipment inspection and other formalities	2,627	1.1
D	Contingent trade-protective measures	-	0.0
E	Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade	7,457	3.3
F	Price-control measures, including additional taxes and charges	10,201	4.5
G	Finance measures	-	0.0
H	Measures affecting competition	343	0.1
I	Trade-related investment measures	-	0.0
J	Distribution restrictions	-	0.0
K	Restrictions on post-sales services	-	0.0
L	Subsidies and other forms of support	-	0.0
M	Government procurement restrictions	-	0.0
N	Intellectual property	-	0.0
O	Rules of origin	-	0.0
Total		229,132	100.0

Source: Based on Mac Map data and research calculations.

Figure 51: Distribution of NTMs in Kyrgyzstan by each main category share



Source: Based on Mac Map data and research calculations.

Table 23: Current distribution of NTMs by each category and sub-category in Kyrgyzstan

Current distribution of NTMs by each category and sub-category in Kyrgyzstan															
NTMs category	**Frequency of national tariff lines subject to each NTMs sub-category**														**Total in category**
A	SUB	A130	A140	A150	A190	A210	A220	A310	A320	A330	A410	A420	A490	A510	**120337**
	NTL	2930	324	1833	5	6848	8957	7410	3191	4059	4493	1239	914	114	
	SUB	A590	A620	A630	A640	A690	A810	A820	A830	A840	A850	A860	A890		
	NTL	405	1359	3572	10368	643	3164	5747	3402	863	2788	86	3306		
B	SUB	B190	B210	B220	B310	B320	B330	B410	B420	B490	B600	B700	B810	B820	**88167**
	NTL	116	950	2845	31037	1457	3067	2116	2383	5	406	12808	3160	11852	
	SUB	B830	B840	B852	B890										
	NTL	7287	2721	6	5951										
C	SUB	C300	C400	C900											**2627**
	NTL	1626	784	217											
E	SUB	E100	E320	E321	E621										**7457**
	NTL	5784	1525	80	68										
F	SUB	F690	F710	F720											**10201**
	NTL	217	9680	304											
H	SUB	H900													**343**
	NTL	343													
Total															**229132**

Source: Based on Mac Map data and research calculations.

3-6-4- Review of Pakistan’s non-tariff measures

Table 24 shows the distribution and dispersion of non-tariff measures in Pakistan's foreign trade. The table is based on the latest available data (2016), which shows the distribution and frequency of Pakistan's non-tariff measures by each main class (according to the 2018 version of the UNCTAD classification). Some of these measures are general and apply to all imported products and some only apply to certain products. Also, some of them apply globally to all countries and trading partners, and others apply to specific partners. To show the relative weight of each non-tariff measure in Pakistan's foreign trade, the distribution and relative share of each of the fifteen main groups of non-tariff measures in imports have been calculated, the results of which are shown in Table 24 and Figure 52. Also, the distribution of non-tariff measures within each group and their frequency within each subgroup have been calculated, the detailed information of which is presented in Table 25.

Considering Tables 24 and 25 and Figure 52, the status of Pakistan's non-tariff measures can be explained as follows:

1. Out of 15 categories of non-tariff measures in imports, Pakistan applies non-tariff measures only in 6 categories of A (sanitary and phytosanitary measures), B (technical barriers to trade), C (pre-shipment inspection and other customs formalities), E (non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade), F (price-control measures, including additional taxes and charges) and G (financial measures). The total non-tariff measures of this country in all mentioned classes in imports amount to 28922 measures (goods according to national tariff lines).

2. Group E with 10809 measures, group F with 7061 measures, group B with 5218 measures and group A with 4779 measures, with about 37.5, 24.5, 18 and 16.5 percent respectively, are the most non-tariff measures in this country.

3. Group G with 5 measures and group C with 1050 measures, with shares of nearly 0 and 3.6 percent respectively, are among the lowest groups of non-tariff measures in this country.

4. In group B, subgroups B700 (product quality, safety and performance requirements), B310 (labelling requirements) and B330 (packaging requirements) with 1564, 895 and 638, are among the most numerous non-tariff measures applied.

5. In group A, subgroups A830 (certification requirements), A140 (authorization requirement for sanitary and phytosanitary reasons for importing certain products) and A310 (labelling requirements) with 1659, 902 and 603 measures, respectively, are among the most numerous non-tariff measures applied.

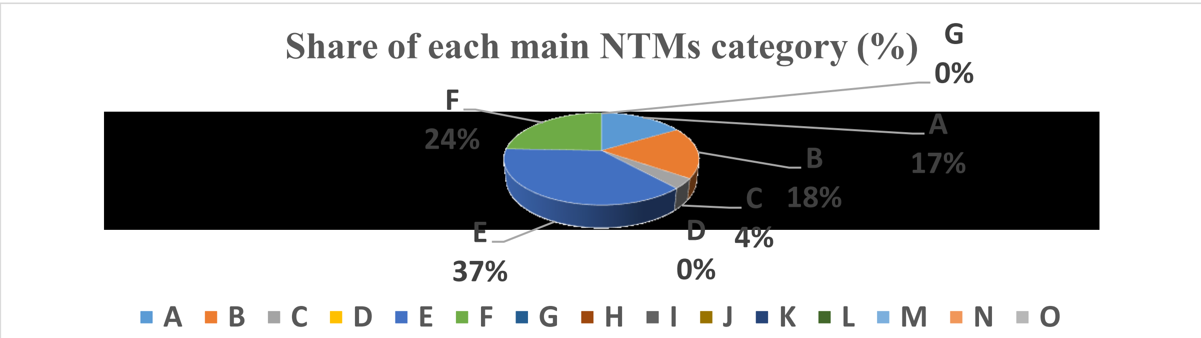
6. In group E, subgroup E322 (prohibition for political reasons (embargo)) with 8547 measures has the highest frequency. The next rank in this group with 1091 measures belongs to subgroup E316 (prohibition of used, repaired or remanufactured goods). In Group F (price-control measures, including additional taxes and charges), which ranks second in terms of the number of non-tariff measures in Pakistan, all non-tariff measures belong to subgroup F610 (custom inspection, processing and servicing fees) with 7061 measures.

Table 24: Distribution of NTMs in Pakistan by each main category

Distribution of NTMs in Pakistan by each main category			
NTMs category	**Kind of NTMs**	**Frequency**	**Share (%)**
A	Sanitary and phytosanitary measures	4,779	16.5
B	Technical barriers to trade	5,218	18.0
C	Pre-shipment inspection and other formalities	1,050	3.6
D	Contingent trade-protective measures	-	0.0
E	Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade	10,809	37.4
F	Price-control measures, including additional taxes and charges	7,061	24.4
G	Finance measures	5	0.0
H	Measures affecting competition	-	0.0
I	Trade-related investment measures	-	0.0
J	Distribution restrictions	-	0.0
K	Restrictions on post-sales services	-	0.0
L	Subsidies and other forms of support	-	0.0
M	Government procurement restrictions	-	0.0
N	Intellectual property	-	0.0
O	Rules of origin	-	0.0
Total		28,922	100.0

Source: Based on Mac Map data and research calculations.

Figure 52: Distribution of NTMs in Pakistan by each main category share



Source: Based on Mac Map data and research calculations.

Table 25: Current distribution of NTMs by each category and sub-category in Pakistan

Current distribution of NTMs by each category and sub-category in Pakistan															
NTMs category	**Frequency of national tariff lines subject to each NTMs sub-category**														**Total in category**
A	SUB	A110	A120	A140	A190	A310	A330	A410	A490	A510	A530	A640	A820	A830	**4779**
	NTL	82	18	902	7	603	1	1	4	9	10	7	380	1659	
	SUB	A840	A851	A853	A860										
	NTL	501	45	45	505										
B	SUB	B140	B150	B210	B310	B320	B330	B420	B700	B810	B830	B840			**5218**
	NTL	128	353	2	895	512	638	531	1564	153	387	55			
C	SUB	C100	C300	C900											**1050**
	NTL	46	441	563											
D	SUB														**0**
	NTL														
E	SUB	E100	E120	E121	E129	E210	E311	E316	E319	E320	E321	E322	E329		**10809**
	NTL	18	8	23	818	23	68	1092	9	35	107	8547	61		
F	SUB	F610													**7061**
	NTL	7061													
G	SUB	G330													**5**
	NTL	5													
Total															**28922**

Source: Based on Mac Map data and research calculations.

3-6-5- Review of Tajikistan's non-tariff measures

Table 26 shows the distribution and dispersion of non-tariff measures in Tajikistan's foreign trade. The table is based on the latest available data (2015), which shows the distribution and frequency of Tajikistan's non-tariff measures by each main class (according to the 2018 version of the UNCTAD classification). Some of these measures are general and apply to all imported products and some only apply to certain products. Also, some of them apply globally to all countries and trading partners, and others apply to specific partners. To show the relative weight of each non-tariff measure in Tajikistan's foreign trade, the distribution and relative share of each of the fifteen main groups of non-tariff measures in imports have been calculated, the results of which are shown in Table 24 and Figure 53. Also, the distribution of non-tariff measures within each group and their frequency within each subgroup have been calculated, the detailed information of which is presented in Table 27.

Considering Tables 26 and 27 and Figure 53, the status of Tajikistan's non-tariff measures can be explained as follows:

1. Out of 15 categories of non-tariff measures in imports, Tajikistan applies non-tariff measures only in 4 categories of A (sanitary and phytosanitary measures), B (technical barriers to trade), E (non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade) and F (price-control measures, including additional taxes and charges). The total non-tariff measures of this country in all mentioned classes in imports amount to 21097 measures (goods according to national tariff lines).

2. Group A with 10726 measures, group E with 6236 measures and group B with 3810 measures, with about 51, 30 and 18 percent respectively, are the most non-tariff measures in this country.

3. Group F with 325 measures and with a share of about 1.5 percent is the last remaining group and one of the lowest groups of non-tariff measures, with the last ranking, in this country.

4. In group B, subgroups B830 (certification requirements), B310 (labelling requirements) and B810 (product registration/approval requirements) with 2651, 767 and 353 measures, respectively, are among the most numerous non-tariff measures applied.

5. In group A, subgroups A830 (certification requirements), A840 (inspection requirements) and A140 (authorization requirement for sanitary and phytosanitary reasons for importing certain products) with 6077, 2889 and 853 measures, respectively, are among the most numerous non-tariff measures applied.

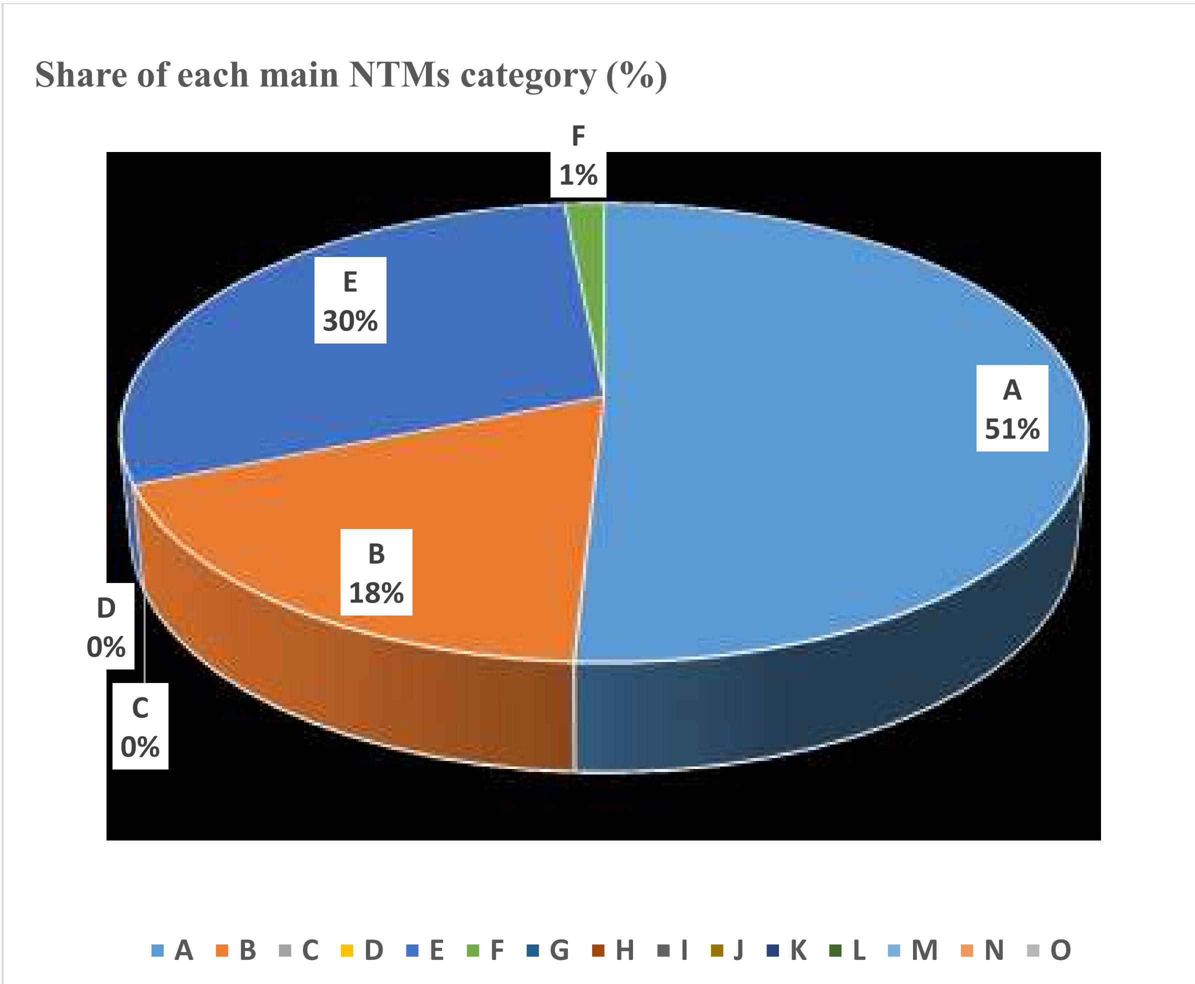
6. In group E, subgroups E100 (non-automatic import-licensing procedures other than authorizations covered under the chapters on sanitary and phytosanitary measures and technical barriers to trade) and E320 (prohibition for non-economic reasons) with 4276 and 1772 measures, respectively, are the most numerous non-tariff measures in this country. In group F, all non-tariff measures belong to subgroup F720 (excise taxes) with 325 measures.

Table 26: Distribution of NTMs in Tajikistan by each main category

Distribution of NTMs in Tajikistan by each main category			
NTMs category	**Kind NTMs**	**Frequency**	**Share (%)**
A	Sanitary and phytosanitary measures	10,726.0	50.8
B	Technical barriers to trade	3,810.0	18.1
C	Pre-shipment inspection and other formalities	-	0.0
D	Contingent trade-protective measures	-	0.0
E	Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade	6,236.0	29.6
F	Price-control measures, including additional taxes and charges	325.0	1.5
G	Finance measures	-	0.0
H	Measures affecting competition	-	0.0
I	Trade-related investment measures	-	0.0
J	Distribution restrictions	-	0.0
K	Restrictions on post-sales services	-	0.0
L	Subsidies and other forms of support	-	0.0
M	Government procurement restrictions	-	0.0
N	Intellectual property	-	0.0
O	Rules of origin	-	0.0
Total		21,097.0	100.0

Source: Based on MacMap data and research calculations.

Figure 53:Distribution of NTMs in Tajikistan by each main category share



Source: Based on Mac Map data and research calculations.

Table 27: Current distribution of NTMs by each category and sub-category in Tajikistan

Current distribution of NTMs by each category and sub-category in Tajikistan															
NTMs category	**Frequency of national tariff lines subject to each NTMs sub-category**														**Total in category**
A	SUB	A140	A220	A310	A330	A830	A840								**10726**
	NTL	853	23	756	128	6077	2889								
B	SUB	B310	B700	B810	B830										**3810**
	NTL	767	39	353	2651										
C	SUB														**0**
	NTL														
D	SUB														**0**
	NTL														
E	SUB	E100	E211	E320	E321										**6236**
	NTL	4276	116	1772	72										
F	SUB	F720													**325**
	NTL	325													
Total															**21097**

Source: Based on Mac Map data and research calculations.

3-6-6- Review of non-tariff measures in Turkey

Table 28 shows the distribution and dispersion of non-tariff measures in Turkish foreign trade. The table is based on the latest available data (2017), which shows the distribution and frequency of Turkish non-tariff measures by each main class (according to the 2018 version of the UNCTAD classification). Some of these measures are general and apply to all imported products and some only apply to certain products. Also, some of them apply globally to all countries and trading partners, and others apply to specific partners. To show the relative weight of each non-tariff measure in Turkish foreign trade, the distribution and relative share of each of the fifteen main groups of non-tariff measures in imports have been calculated, the results of which are shown in Table 28 and Figure 54. Also, the distribution of non-tariff measures within each group and their frequency within each subgroup have been calculated, the detailed information of which is presented in Table 29.

Considering Tables 28 and 29 and Figure 54, the status of Turkish non-tariff measures can be explained as follows:

1. Out of 15 categories of non-tariff measures in imports, Turkey applies non-tariff measures in 9 categories of A (sanitary and phytosanitary measures), B (technical barriers to trade), C (pre-shipment inspection and other formalities), D (contingent trade-protective measures), E (non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade), F (price-control measures, including additional taxes and charges), G (financial measures), H (measures affecting competition) and I (trade-related investment measures). The total non-tariff measures of this country in all mentioned classes in imports amount to 189417 measures (goods according to national tariff lines).

2. Group A with 81905 measures, group B with 75573 measures and group G with 16499 measures, with about 43, 40 and 9 percent respectively, are the most non-tariff measures in this country.

3. Group D with 63 measures and group I with 97 measures, with shares of less than 0.1 and 0.1 percent respectively, are considered to be the lowest groups of non-tariff measures in this country.

4. In group B, subgroups B840 (inspection requirements), B140 (authorization requirements for importing certain products) and B150 (authorization requirements for importers) with 25309, 14236 and 11484 measures, respectively, are among the most numerous non-tariff measures applied.

5. In group A, subgroups A820 (testing requirements), A840 (inspection requirements) and A830 (certification requirements) with 14390, 13510 and 12838 measures, respectively, are among the most numerous non-tariff measures applied.

6. In Group C, which ranks fourth among groups in terms of the number of non-tariff measures, subgroups C300 (requirement to pass through specified port of customs) and C400 (import monitoring, surveillance and automatic licensing measures) with 9966 and 1393 measures, respectively, have the most measures in this group. In group G, which is in the third place after

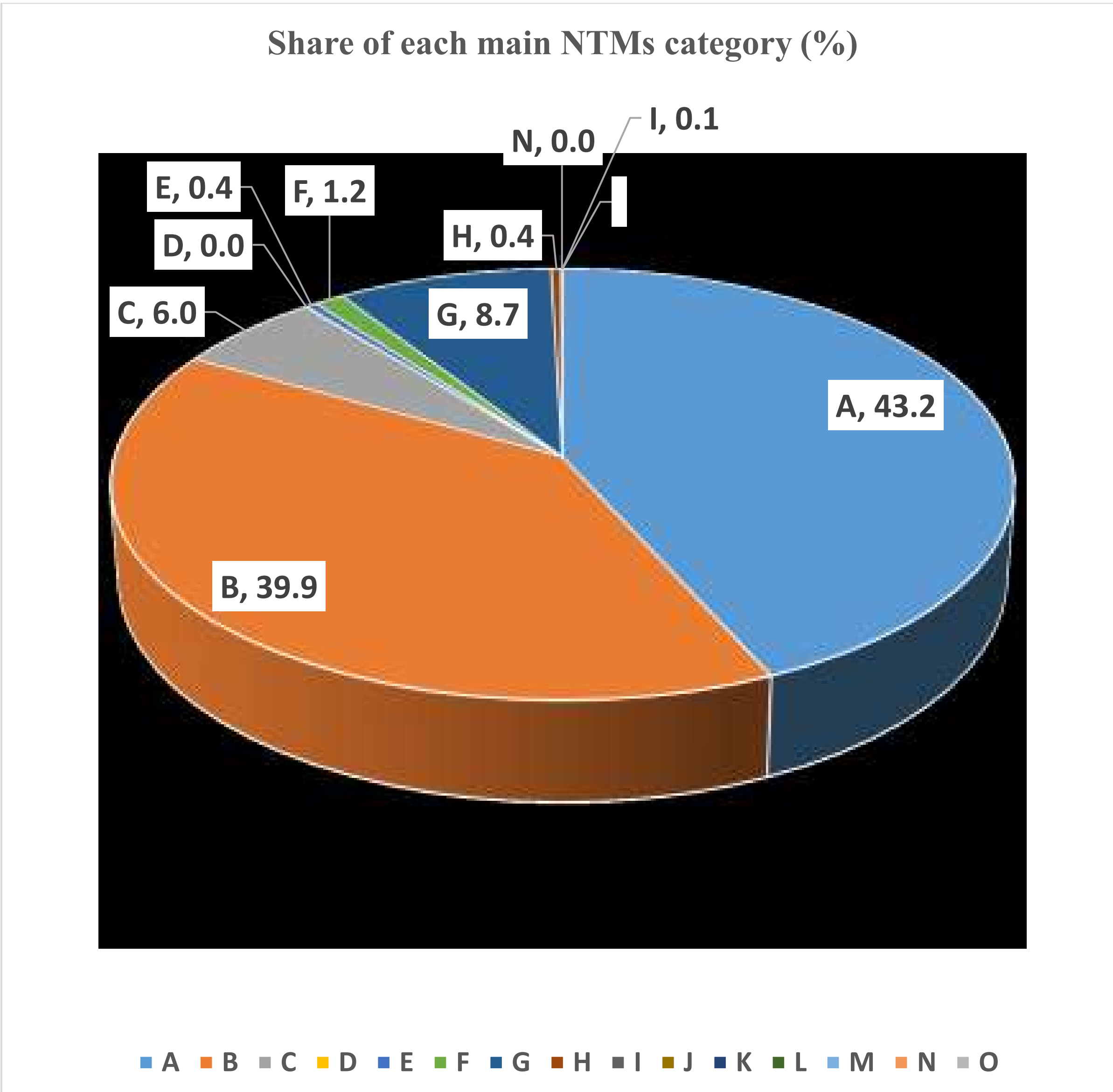
groups A and B in terms of frequency of non-tariff measures, subgroup G400 (regulations concerning terms of payment for imports) with a frequency of 16,496 measures accounts for almost all of the group's measures. In group F, subgroup F710 (consumption taxes) with 1782 measures has the highest frequency. The next rank in this group with 306 measures belongs to subgroup F690 (additional charges not elsewhere specified). In group H, subgroup H190 (other selective import channels not elsewhere specified) with 716 measures, has the most non-tariff measures in this group. In Group I, subgroup I100 (local content measures) with 97 measures covers the total measures of this group. Finally, in Group D, which ranks last among the main groups in terms of the number of non-tariff measures, subgroup D120 (anti-dumping duties) with 63 measures, covers all measures of this group.

Table 28: Distribution of NTMs in Turkey by each main category

Distribution of NTMs in Turkey by each main category			
NTMs category	**Kind of NTMs**	**Frequency**	**Share (%)**
A	Sanitary and phytosanitary measures	81,905	43.2
B	Technical barriers to trade	75,573	39.9
C	Pre-shipment inspection and other formalities	11,393	6.0
D	Contingent trade-protective measures	63	0.0
E	Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade	847	0.4
F	Price-control measures, including additional taxes and charges	2,280	1.2
G	Finance measures	16,499	8.7
H	Measures affecting competition	760	0.4
I	Trade-related investment measures	97	0.1
J	Distribution restrictions	-	0.0
K	Restrictions on post-sales services	-	0.0
L	Subsidies and other forms of support	-	0.0
M	Government procurement restrictions	-	0.0
N	Intellectual property	-	0.0
O	Rules of origin	-	0.0
Total		189,417	100.0

Source: Based on Mac Map data and research calculations.

Figure 54: Distribution of NTMs in Turkey by each main category share



Source: Based on Mac Map data and research calculations.

Table 29: Current distribution of NTMs by each category and sub-category in Turkey

Current distribution of NTMs by each category and sub-category in Turkey															
NTMs category	**Frequency of national tariff lines subject to each NTMs sub-category**														**Total in category**
A	SUB	A110	A140	A150	A210	A220	A310	A330	A410	A640	A690	A810	A820	A830	**81905**
	NTL	4548	9226	6772	1097	2246	3718	3016	5	1465	2778	1600	14390	12838	
	SUB	A840	A851	A853	A860										
	NTL	13510	198	259	4239										
B	SUB	B140	B150	B210	B220	B310	B320	B330	B420	B600	B700	B810	B820	B830	**75573**
	NTL	14236	11484	2316	2316	1271	48	731	2489	13	2679	101	4323	6344	
	SUB	B840	B850	B851	B853	B859									
	NTL	25309	1003	175	4	731									
C	SUB	C200	C300	C400											**11393**
	NTL	34	9966	1393											
D	SUB	D120													**63**
	NTL	63													
E	SUB	E111	E112	E121	E211	E311	E314	E316	E321	E611	E612				**847**
	NTL	575	2	9	111	43	78	19	6	3	1				
F	SUB	F400	F690	F710	F900										**2280**
	NTL	70	306	1782	122										
G	SUB	G130	G400												**16499**
	NTL	3	16496												
H	SUB	H190	H210												**760**
	NTL	716	44												
I	SUB	I100													**97**
	NTL	97													
Total															**189417**

Source: Based on Mac Map data and research calculations.

3-6-7- Comparative analysis of non-tariff measures in the ECO member countries

3-6-7-1- Comparative analysis at general and cumulative levels

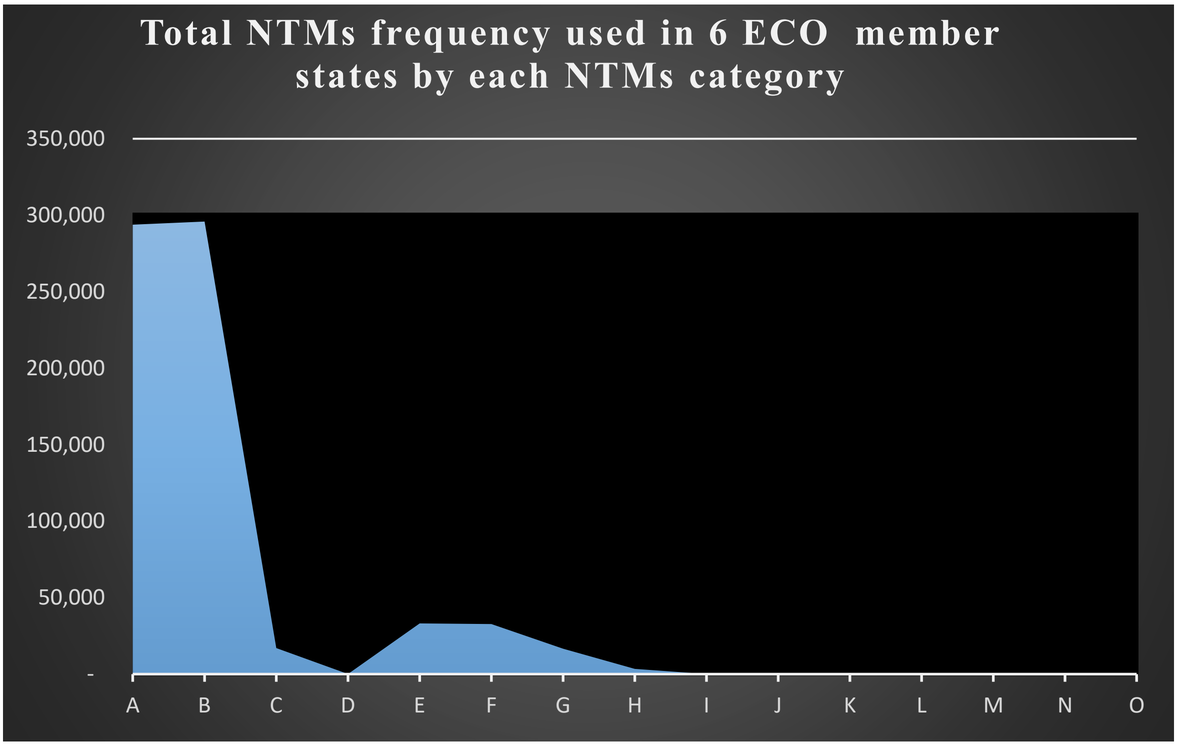
To compare and evaluate the non-tariff measures applied by the ECO member countries (six countries for which data is available) in their foreign trade and the frequency and distribution of these measures in each of the main groups of non-tariff measures, Table 30 has been prepared by using the data and information provided in the previous tables for each country. Table 30 actually provides a matrix representation of information on non-tariff measures of each ECO member country by main groups (chapters) of the said measures, and it makes it possible to compare the situation of countries with each other both in terms of the frequency of measures in each category and the share of each of the main groups in the total non-tariff measures of each country. Also, in order to give an overview of non-tariff measures at the ECO level (six countries whose data was available), the sum of non-tariff measures of the ECO countries in each category and the share of each of the main groups in the total non-tariff measures of the ECO region were calculated, the results of which are shown in Figures 55 and 56.

Table 30: Comparison of NTMs of the ECO member states by each main category

Comparison of NTMs of the ECO member states by each main category														
NTMs category	Afghanistan		Kazakhstan		Kyrgyzstan		Pakistan		Tajikistan		Turkey		Total 6 ECO members	
	Frequency	Share of total NTMs category (%)	Frequency	Share of total NTMs category (%)	Frequency	Share of total NTMs category (%)	Frequency	Share of total NTMs category (%)	Frequency	Share of total NTMs category (%)	Frequency	Share of total NTMs category (%)	Frequency	Share of total NTMs (%)
A	1,756	0.6	74,410	25.3	120,337	40.9	4,779	1.6	10,726	3.6	81,905	27.9	293,913	42.4
B	1,800	0.6	121,299	41.0	88,167	29.8	5,218	1.8	3,810	1.3	75,573	25.5	295,867	42.7
C	233	1.4	1,652	9.7	2,627	15.5	1,050	6.2	-	0.0	11,393	67.2	16,955	2.4
D	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	63	100.0	63	0.0
E	662	2.0	7,151	21.6	7,457	22.5	10,809	32.6	6,236	18.8	847	2.6	33,162	4.8
F	19	0.1	12,936	39.4	10,201	31.1	7,061	21.5	325	1.0	2,280	6.9	32,822	4.7
G	-	0.0	136	0.8	-	0.0	5	0.0	-	0.0	16,499	99.2	16,640	2.4
H	-	0.0	2,306	67.6	343	10.1	-	0.0	-	0.0	760	22.3	3,409	0.5
I	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	97	100.0	97	0.0
J	44	100.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	44	0.0
K	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
L	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
M	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
N	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
O	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Total	4,514	0.7	219,890	31.7	229,132	33.1	28,922	4.2	21,097	3.0	189,417	27.3	692,972	100.0

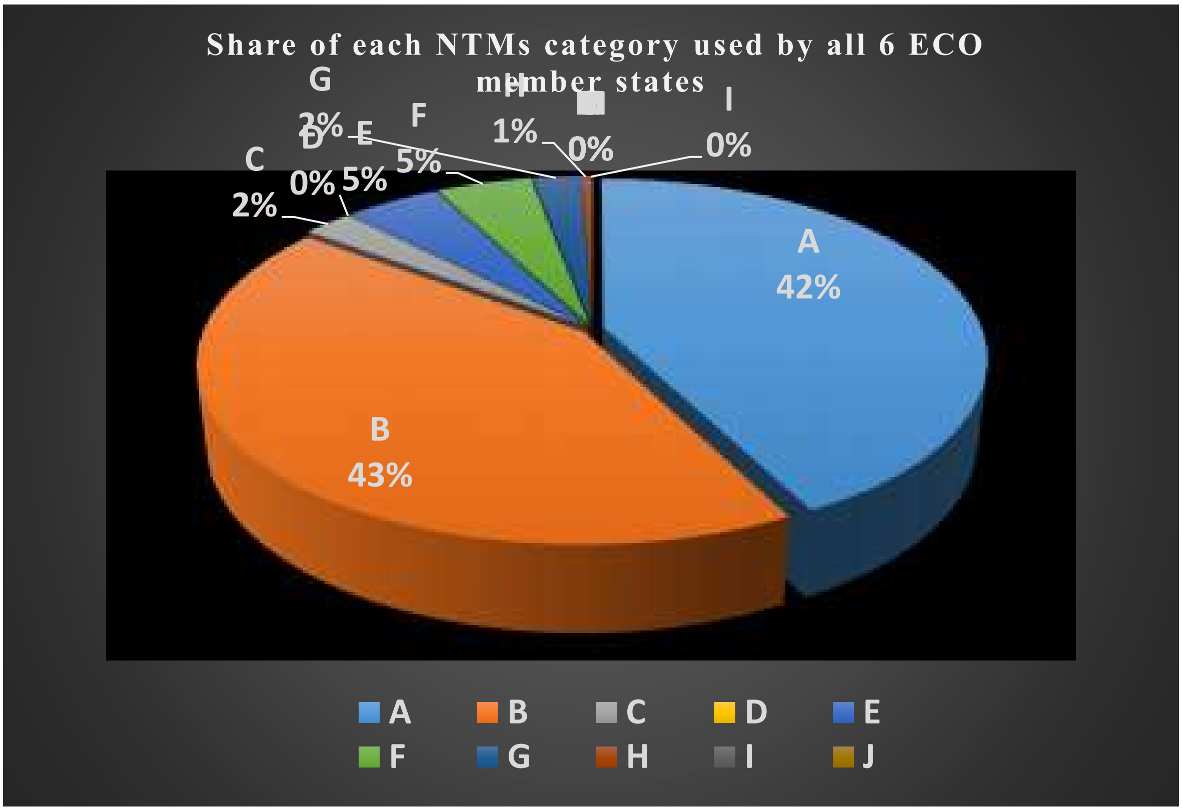
Source: Based on Mac Map data and research calculations.

Figure 55: Total NTMs frequency used in 6 ECO member states by each NTMs category



Source: Based on Mac Map data and research calculations.

Figure 56: Share of each NTMs category used by all 6 ECO member states



Source: Based on Mac Map data and research calculations.

Taking into account the information presented in Table 30 and Figures 55 and 56, the following results can be noted regarding the status of non-tariff measures of the ECO member countries:

1- Among the fifteen main groups (chapters) of non-tariff measures in imports, adoption of measures covered by the first ten groups A to J is more or less common in foreign trade of the ECO member countries, but there is no record of the application of non-tariff measures covered by the last five groups of K to O in the period under review. According to Table 30, there are a total of 692972 non-tariff measures in the ECO region (among the six ECO member countries for which data on non-tariff measures are available).

2- The measures related to technical barriers to trade (TBT) in group B with 295867 cases are the most numerous measures in the ECO region, with a share of 42.7 percent of the total non-tariff measures. Sanitary and phytosanitary measures (SPS) in group A with 293913 cases and a share of 42.4 percent are in second place. Subsequent rankings belong to groups E (non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade) and F (price-control measures, including additional taxes and charges) with 33162 and 32822 measures and shares of 4.8 and 4.7 percent in the total non-tariff measures of the ECO region, respectively. Groups C (pre-shipment inspection and other formalities) and G (finance measures) are in the fifth and sixth ranks with 16955 and 16640 measures, each with a share of about 2.4 percent, respectively. The lowest number of non-tariff measures in the ECO region are found in groups J (distribution restrictions), D (contingent trade-protective measures), I (trade-related investment measures), and H (measures affecting competition) with 44, 63, 97 and 3409 measures, respectively, the total share of which is less than one percent of the total non-tariff measures of the ECO region.

3- Among the six ECO member countries for which data on non-tariff measures are available, Kazakhstan is at the top of the list in terms of frequency and number of non-tariff measures, with about 230,000 measures and a 33.1 percent share, and then stand Kazakhstan with about 220,000 measures and a 31.7 percent share and Turkey with 190,000 measures and a 27.3 percent share, as the second and third ranks, respectively. Afghanistan has the lowest number of non-tariff measures with 4514 cases and a share of 0.7 percent, and the next countries are Tajikistan is next with about 21,000 measures and a share of 3 percent and Pakistan with 29,000 measures and a share of 4.2 percent. Of course, in comparative analysis of these data, one should also pay attention to the differences in the level of classification of HS national tariffs. Turkey has the most detailed level with 12-digit tariff codes and Afghanistan and Pakistan have the lowest level with 8-digit tariff codes. Tariff codes of Kazakhstan, Kyrgyzstan, and Tajikistan are at the level of 10-digit codes.

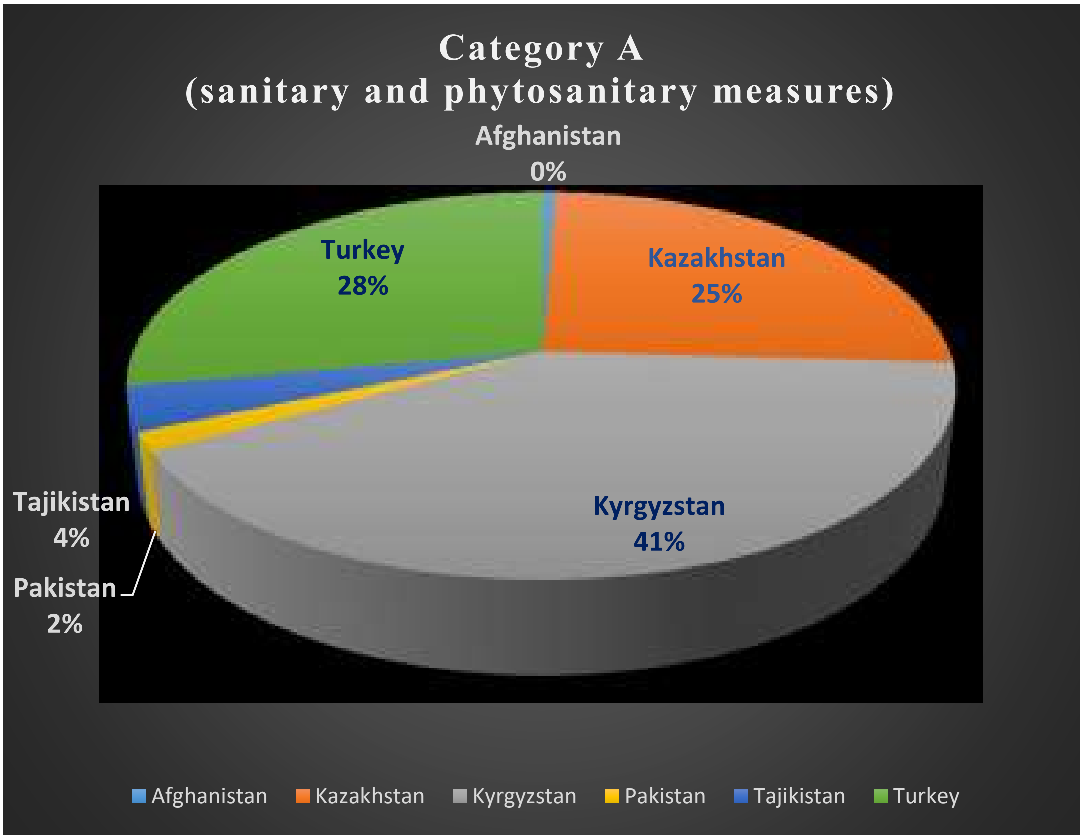
4- Considering that the first two categories of non-tariff measures of countries, including groups A and B, can be attributed to the application of sanitary and phytosanitary requirements and the quality and technical requirements in foreign trade which have sufficient legitimacy and are covered by the rules of multilateral trading system (and at the same time, the most common measures in most countries) on the one hand and are often based on internationally accepted standards or non-discriminatory national standards on the other hand, their trade-deviation effects can be considered relatively less compared to other groups from D to O. Also, group C, which includes pre-shipment inspection and other formalities, can be considered the last group of non-tariff measures that have a technical nature. However, other measures classified under groups D to O are non-technical in nature and result from the application of countries' trade policy measures, which are referred to as gray-area measures. Therefore, non-tariff measures covered by other categories (D to O) can be considered gray-area measures that we should be more sensitive to their use, due to their more deterrent and trade-diversion effects. From this perspective, the analysis of the frequency distribution of non-tariff measures in six ECO member countries shows that gray-area measures account for about 12.5 percent of all non-tariff measures, among which groups E (non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade), F (price-control measures, including additional taxes and charges) and G (finance measures) rank first to third with shares of 4.8, 4.7 and 2.4 percent, respectively.

3-6-7-2- Comparative analysis within each NTMs group

To better understand the structure of the ECO member countries' non-tariff measures, the frequency distribution of each non-tariff measure within each major group (15 chapters A to O) must be considered. To better explain the results, using information in Table 30, the status of the frequency distribution of non-tariff measures of each ECO member country in each main group or category was calculated by the share of each country in the total measures of that category. The results are shown in figures prepared for individual groups (Figures 57 to 65). The results of the analysis are briefly presented below.

1- Comparative analysis of non-tariff measures in group A: Figure 57 shows the comparative status of ECO member countries in the application of sanitary and phytosanitary measures:

Figure 57: Category A

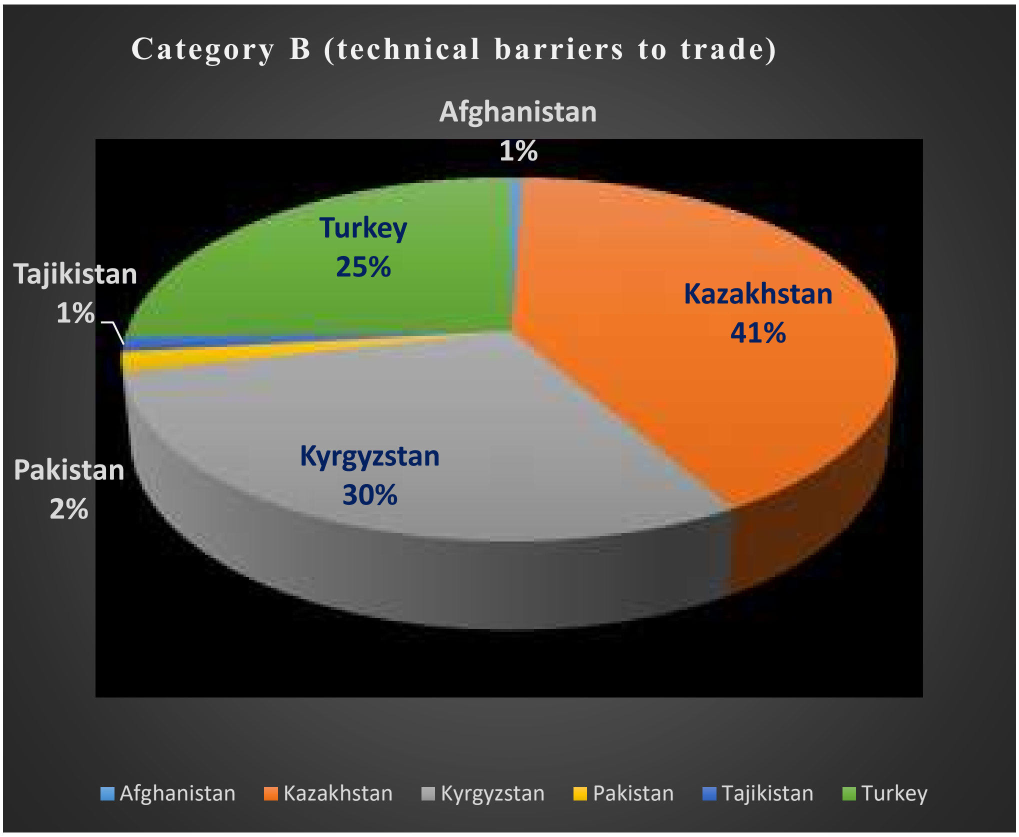


Source: Based on Mac Map data and research calculations.

As shown by Table 30 and Figure 57, Kyrgyzstan is at the top of the list with 120,337 sanitary and phytosanitary measures. It accounts for about 41% of the total sanitary and phytosanitary measures in the ECO region (six countries surveyed) . Turkey and Kazakhstan are in the second and third ranks, with 28 and 25 percent, respectively. The lowest frequency belong to Afghanistan with about 0.6 percent. Next countries are Pakistan and Tajikistan with about 2 and about 4 percent, respectively.

2- Comparative analysis of non-tariff measures in group B: Figure 58 shows the comparative status of ECO member countries in the application of TBT measures:

Figure 58: Category B

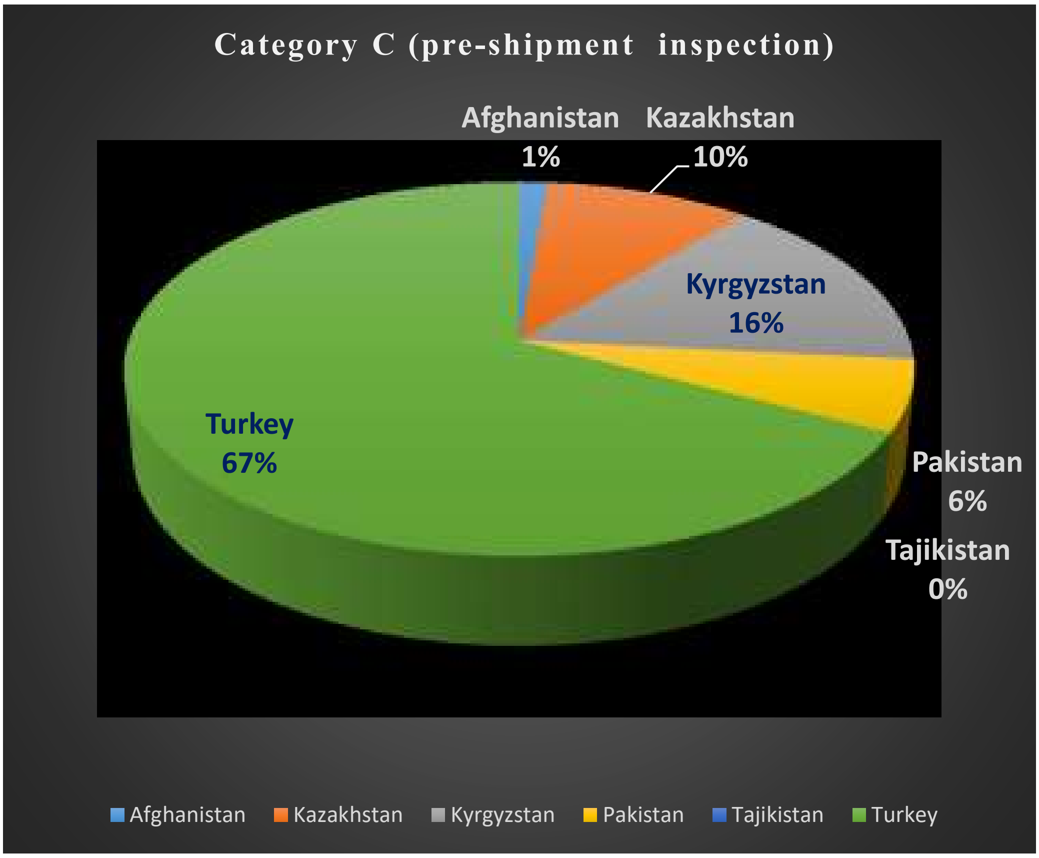


Source: Based on Mac Map data and research calculations.

As shown by Table 30 and Figure 58, in terms of technical barriers to cross-border trade, Kazakhstan ranks first with about 41 percent. Kyrgyzstan and Turkey rank second and third with about 30 and 25 percent, respectively. With a share of less than one percent, Afghanistan has the fewest measures in this area. Tajikistan and Pakistan are next with about 1 and 2 percent, respectively.

3- Comparative analysis of non-tariff measures in group C: Figure 59 shows the comparative status of ECO member countries in the application of pre-shipment inspection (PSI) measures:

Figure 59: Category C

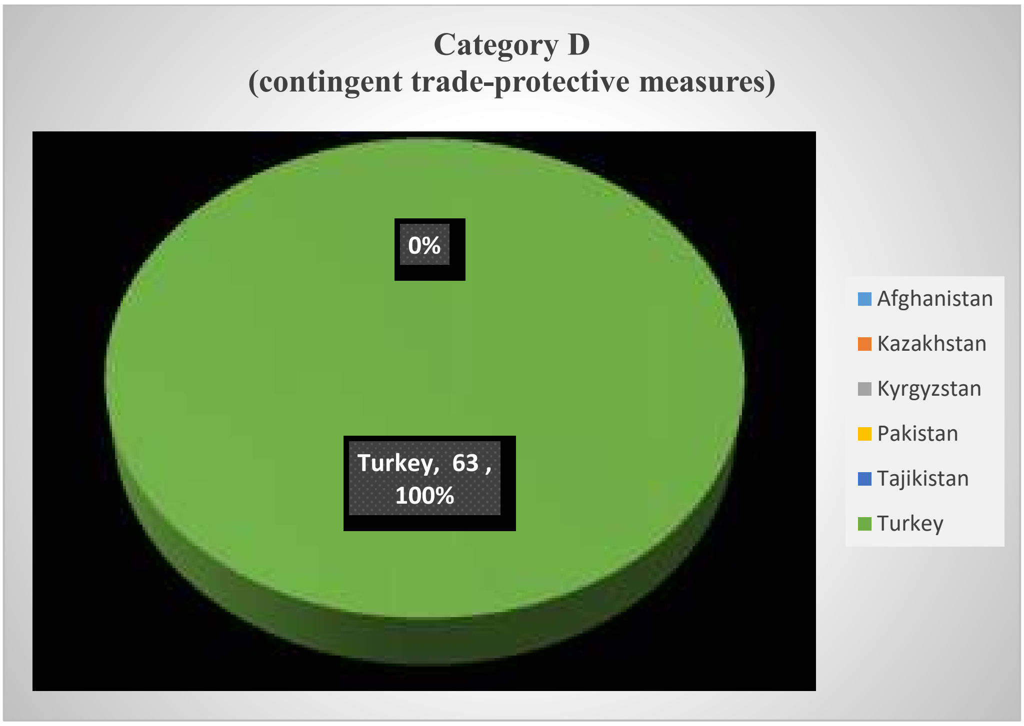


Source: Based on Mac Map data and research calculations.

As shown by Table 30 and Figure 59 in the use of pre-shipment inspection services in imports as a precondition for the import of goods, Turkey ranks first in the ECO area, with about 17,000 measures and about 67 percent of the total pre-shipment inspections measures. After Turkey, Kyrgyzstan and Kazakhstan rank second and third with about 16 and 10 percent, respectively. Tajikistan ranks last with zero percent. Afghanistan and Pakistan then have the lowest number and share of pre-shipment inspection measures in the ECO region, with around 1 and 6 percent, respectively.

4- Comparative analysis of non-tariff measures in group D: Figure 60 shows the comparative status of ECO member countries in the application of contingent measures related to trade defense measures (anti-dumping, countervailing and safeguard measures):

Figure 60: Category D

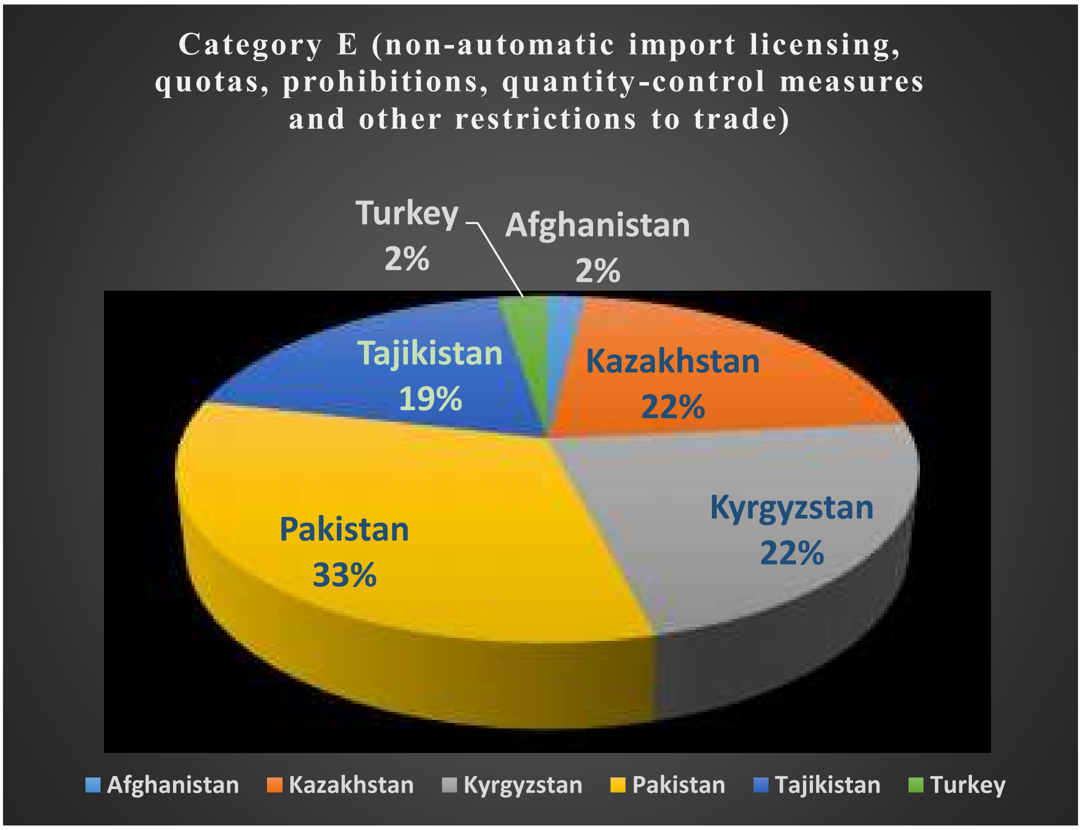


Source: Based on Mac Map data and research calculations.

As shown by Table 30 and Figure 60, in terms of contingency measures related to trade defense, Turkey with 63 cases and a 100 percent share, is the sole ECO member country taking these measures.

5- Comparative analysis of non-tariff measures in group E: Figure 61 shows the comparative status of ECO member countries in the application of measures related to a wide range of trade policies (non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade):

Figure 61: Category E

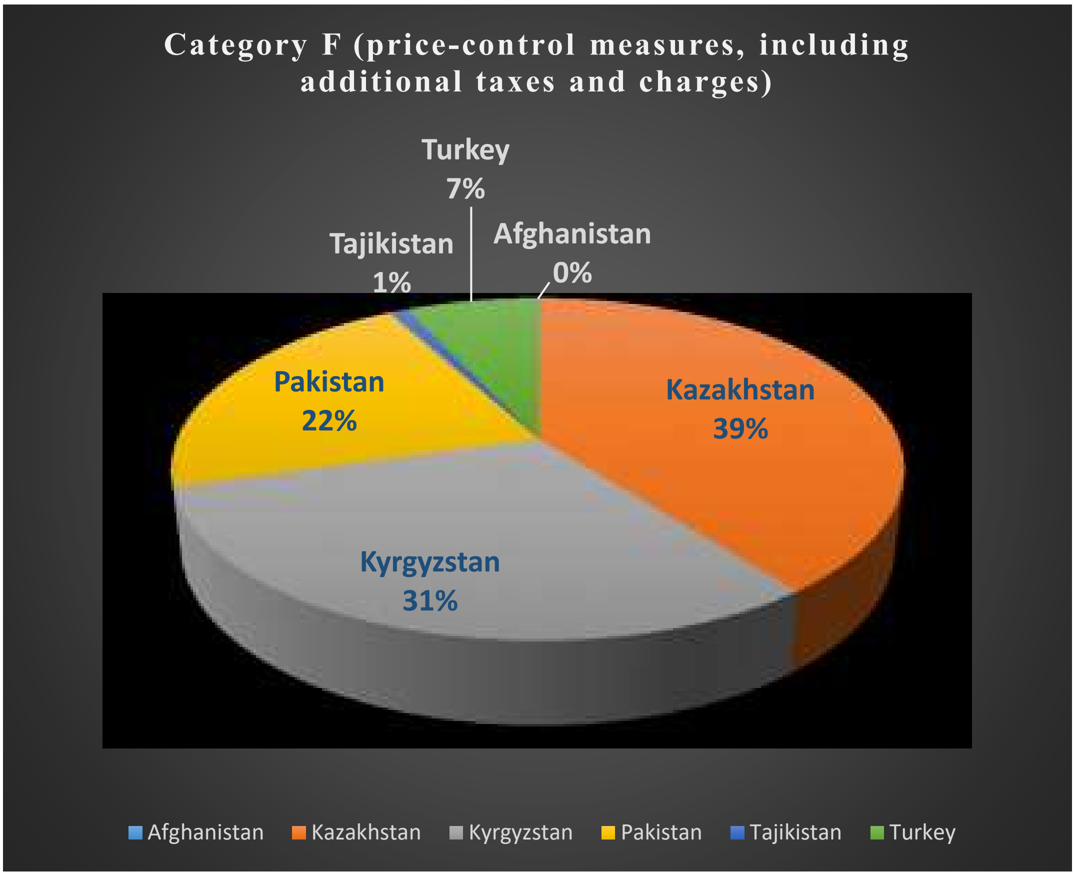


Source: Based on Mac Map data and research calculations.

As shown by Table 30 and Figure 61, in the field of a range of measures including non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade, Pakistan leads with 10,809 measures, accounting for about one-third (33%) of all such non-tariff measures in the gray area. Kyrgyzstan and Kazakhstan are in second and third places with about 22.5 and 22 percent, respectively. Tajikistan is in fourth place with 6,236 measures and a share of about 19 percent. Afghanistan has the lowest frequency with 662 measures and a share of about 2 percent and Turkey is next with 847 measures and a share of about 2.5 percent.

6- Comparative analysis of non-tariff measures in group F: Figure 62 shows the comparative status of ECO member countries in the application of price-control measures, including taxes and charges):

Figure 62: Category F

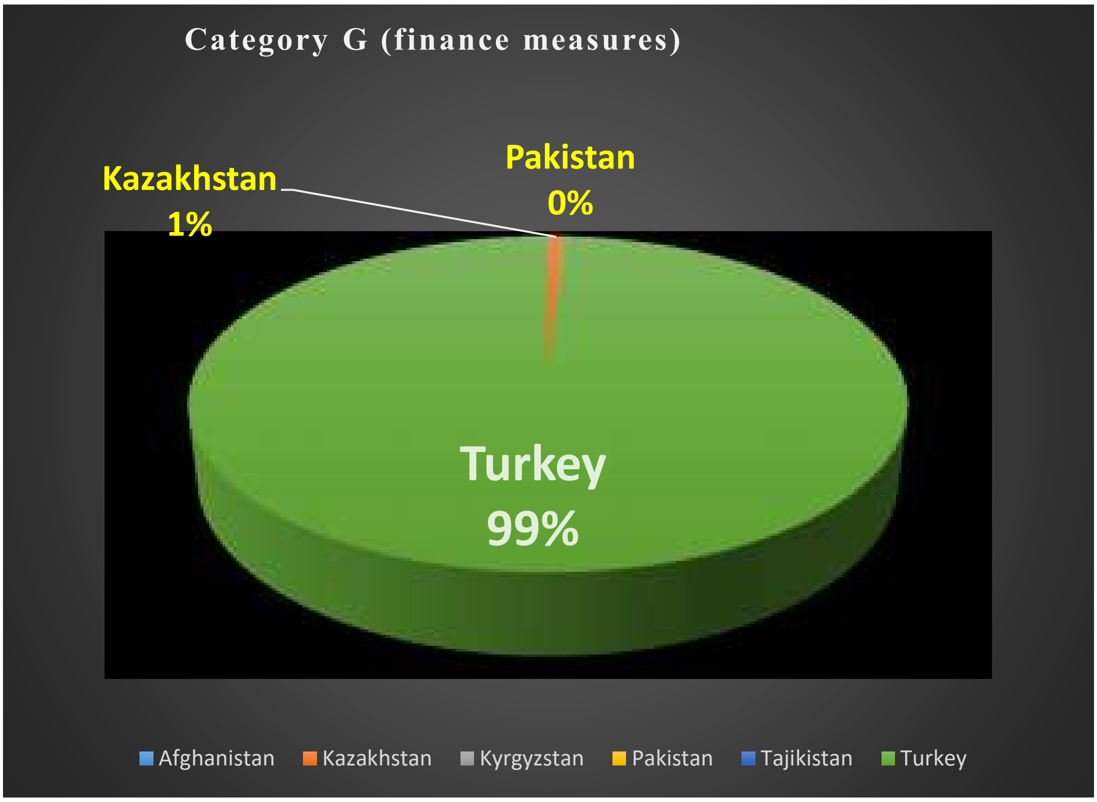


Source: Based on Mac Map data and research calculations.

As shown by Table 30 and Figure 62, in terms of price-control measures, including additional taxes and charges on imports, Kazakhstan ranks first with about 13,000 measures and a share of 39 percent. Kazakhstan and Pakistan are in second and third places with about 10,000 and 7,000 measures and shares of 31 and 22 percent, respectively. Turkey is also in fourth place with about 2000 measures and a share of about 7 percent. Afghanistan has not taken any measures in this area and is in the last place with a share of zero percent. Tajikistan also is among the lowest-ranking countries, with a share of about 1 percent.

7- Comparative analysis of non-tariff measures in group G: Figure 63 shows the comparative status of ECO member countries in the application of financial measures:

Figure 63: Category G

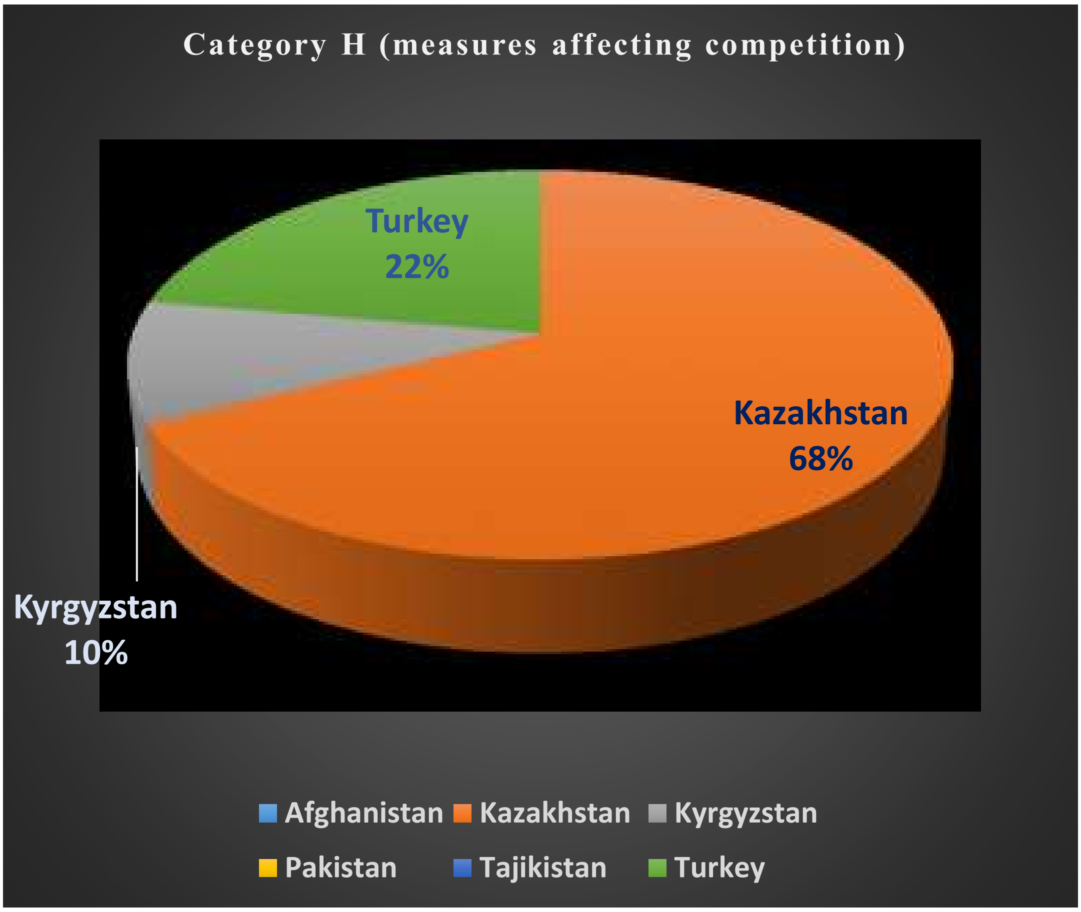


Source: Based on Mac Map data and research calculations.

As shown by Table 30 and Figure 63, in terms of financial measures related to import control, Turkey has accounted for 99 percent of the gray-area measures in the ECO region with 16,640 measures Kazakhstan is in second place with 136 measures and a share of about one percent and Pakistan is in third place with only 5 measures and a share of close to zero .Other ECO member states, including Afghanistan, Kyrgyzstan, and Tajikistan, have not taken any non-tariff measures in this field.

8- Comparative analysis of non-tariff measures in group H: Figure 64 shows the comparative status of ECO member countries in the application of measures affecting competition:

Figure 64: Category H

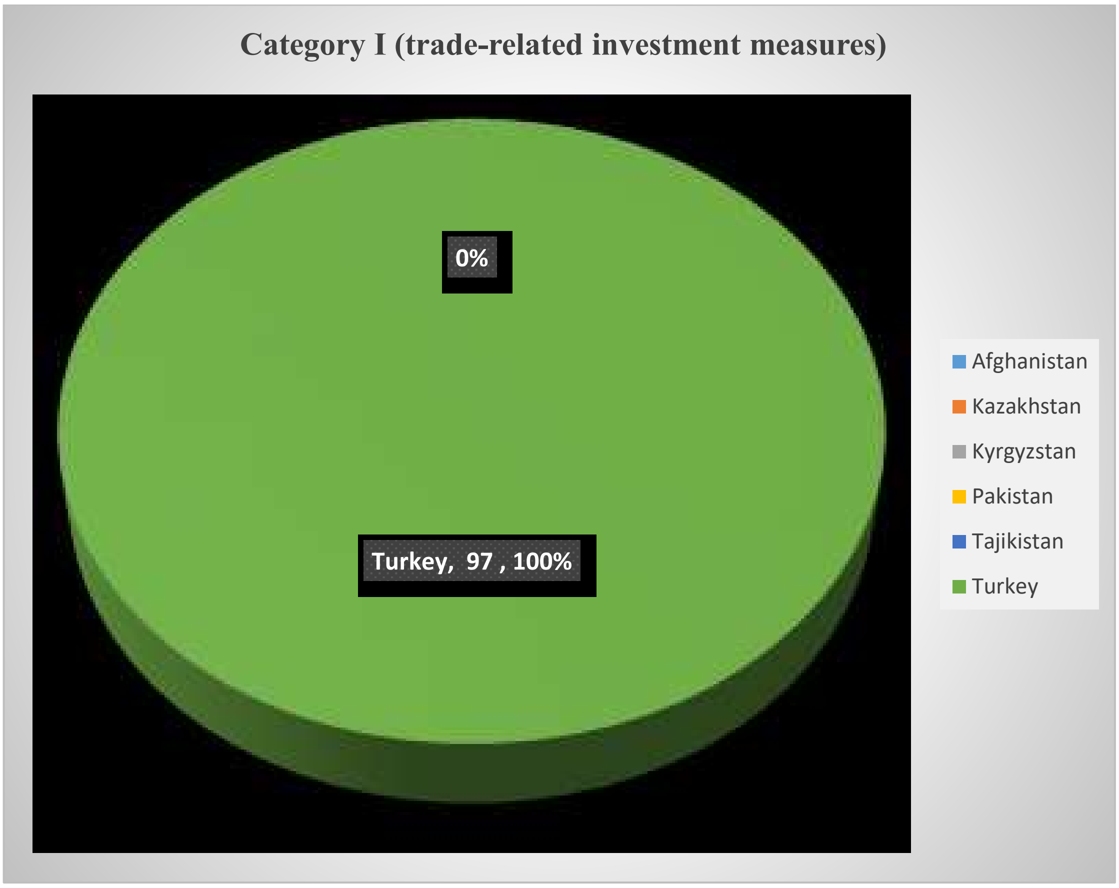


Source: Based on Mac Map data and research calculations.

As shown by Table 30 and Figure 64, in terms of measures affecting competition, Kazakhstan ranks first in the ECO region with about 2,300 measures and a 68 percent share .Turkey is in second place with 760 measures and a share of about 22 percent. Kyrgyzstan ranks third with 343 measures and a share of about 10 percent. Other ECO member states, including Afghanistan, Pakistan, and Tajikistan, have not taken any non-tariff measures in this area.

9-Comparative analysis of non-tariff measures in group I: Figure 65 shows the comparative status of ECO member countries in the application of trade-related investment measures:

Figure 65: Category I



Source: Based on Mac Map data and research calculations.

As shown by Table 30 and Figure 65, in terms of trade-related investment measures, only Turkey has used this tool with 97 measures and has taken 100 percent of the measures related to this field in the ECO region. Other ECO member countries, including Afghanistan, Kazakhstan, Kyrgyzstan, Pakistan, and Tajikistan, has no record of using these measures during the research period.

3-6-8- Reviewing and evaluating non-tariff measures after the outbreak of COVID-19

Since the outbreak of coronavirus, governments have quickly adopted a number of temporary trade measures aimed at restricting exports of essential medical supplies and liberalizing imports of vital medical supplies. Due to the rapid expansion of this extraordinary condition, the International Trade Center (ITC) has provided a special page on its website for daily monitoring of information on economic and trade measures adopted by governments around the world to combat coronavirus. The initiative aims to maintain and improve transparency in international trade and market access. In this monitor, all the actions of the governments, including trade restrictions and trade facilities, are notified and the details of each action are published. It should be noted that according to the principle of transparency, all WTO members are obliged to officially report any new trade action, including trade restrictions or unilateral trade liberalization, to the WTO Secretariat. Relying on these reports, the ITC has also put on its agenda the monitoring of temporary trade measures taken by the countries to deal with the consequences of coronavirus. It is worth noting the interim measures taken with the legitimate aim of protecting health and safety of the community is allowed according to the WTO rules as long as these risks exist, but once these risks are eliminated, restrictive trade measures must also be lifted.

The ITC monitor consists of three sections. The first section provides an overview of the actions of governments around the world, showing the prevalence and distribution of such actions using the Global Atlas. These measures are presented separately in two separate levels, including temporary trade measures in imports and temporary trade measures in exports. The second section presents updated statistics and new measures reported by countries on a daily basis, which is the calendar of these measures. In the third section, a complete and cumulative table of temporary trade measures of countries, which is updated and completed on a daily basis, with complete and accurate details such as type of measure, the scope of products covered, target and affected countries, duration for each measure and other additional information is provided that contains useful information for users. The latest information uploaded on the ITC website introducing an overview and world map of the said measures is briefly presented below.

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3-6-8-1- Review of non-tariff measures of countries after the outbreak of COVID-19

1- Global Atlas of temporary trade measures of countries to deal with the effects of coronavirus
A) Temporary trade measures in exports

Figure 66 below shows the distribution and frequency of temporary trade measures of countries around the world to deal with the consequences of the outbreak of coronavirus in exports.

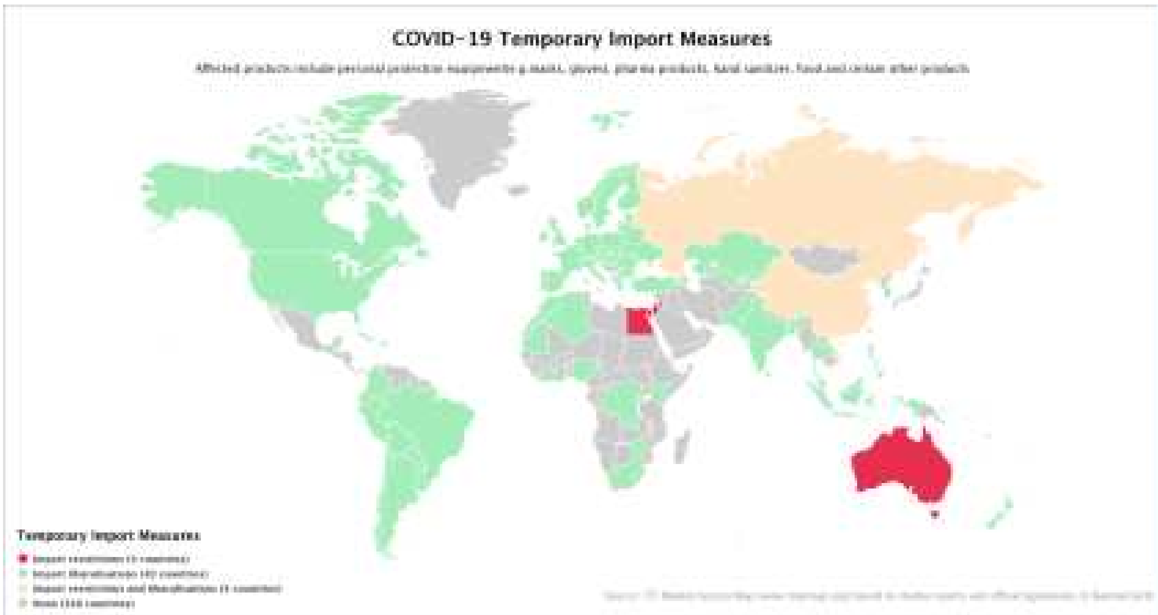
Figure 66: Temporary trade measures of countries around the world in exports of some products to counter the coronavirus

As shown by Figure 66, trade restrictions on export of personal care products and equipment (such as masks and gloves), some pharmaceutical products and medical equipment, disinfectants, foodstuffs and other related products have been the most interim trade measures taken by governments that many countries around the world have adopted them. These export restrictions have included prohibition of export of these products or imposition of quantitative restrictions or export licenses. In Figure 66, the red color indicates the extent of the spread of these measures around the world. According to Figure 66, by December 7, 2020, 98 countries have adopted trade-restrictive measures in exports of the said products. Meanwhile, only two countries have embarked on trade liberalization in exports of those products and two countries have taken both export-restrictive and -liberalizing measures. Other countries in the world that have not yet taken action in this regard or have not yet officially reported these measures, are marked in gray in Figure 66, amounting to 137 countries by December 7, 2020.

B) Temporary trade measures in imports

Figure 67 below shows the interim measures taken by governments to import these products, most of which, unlike restrictive trade measures in exports, cover voluntary and unilateral trade liberalization measures of governments to improve access to these products in their national territory.

Figure 67: Temporary trade measures of the countries of the world in imports of some products to counter coronavirus



As shown by Figure 67 in green, as of December 7, 2020, 102 countries around the world have begun to liberalize trade of these products by reducing or eliminating tariff rates and other trade restrictions, including prohibitions and licenses. As shown by Figure 67 in red color, only 12 countries have imposed import restrictions on these products. 22 countries have applied both trade-restrictive and -liberalizing measures to some of these products, shown in yellow in Figure 67. 103 countries have not yet taken any new trade measure in this regard or have not yet officially notified the WTO Secretariat, which are marked in gray in Figure 67.

2- Overview of trade measures taken by countries around the world to fight coronavirus (until December 7, 2020)

On the special page of the International Trade Center website to monitor the trade measures of countries to fight COVID-19, all temporary trade measures taken by countries of the world since the beginning of COVID-19 epidemic are presented with the details of each measure. This information includes the relevant trade area (import or export), type of measure, nature of the measure (trade restriction or trade liberalization), affected products, affected countries, start date, and end date, if any. There is also a search window for these measures by country. In addition, in most cases, a link to the full details of the measures notified by each country is available.

This information shows that, until December 7, 2020, a total of 341 special measures have been notified by countries, which have either been aimed at restricting trade or used to further facilitate trade. It is worth noting that all these measures have a temporary nature and have been taken in order to deal with the outbreak of coronavirus or its consequences. Further, each of these measures has been taken only by a specific country or countries and is not universal.[40]

3-6-8-2- Review of non-tariff measures of the ECO member countries after the outbreak of COVID-19

Using the information on the International Trade Center website to monitor the trade measures of countries to fight COVID-19, the non-tariff measures adopted by the ECO member countries were extracted, the results of which are presented in Table 31. Considering the information presented in Table 31, the following points can be noted:

1- As shown by Table 31, a total of 36 trade measures have been taken by all ECO member countries, except Afghanistan, to combat COVID-19, of which 28 are trade-restrictive and 8 are trade-liberalizing measures.

2- Trade liberalization measures, adopted by Azerbaijan, Pakistan, and Turkey, have been taken to reduce tariff rates of imported sanitary products.

[40] . For more details please see: https://www.macmap.org/covid19

3- In terms of the number of measures taken, Pakistan leads with 7 measures, followed by Turkey, Kazakhstan, and Uzbekistan with 6 measures each. Iran with 4 measures, Azerbaijan with 3 measures, Kyrgyzstan with 2 measures, and Tajikistan and Turkmenistan each with 1 measure are next.

4- Of the total measures taken, 14 have expired and 22 are still valid.

5- All of these measures, except for one taken by Kazakhstan only against China, have been applied in a non-discriminatory manner to all countries of the world.

6- The largest number of liberalizing measures have been taken by Pakistan with 3 measures, followed by Azerbaijan and Uzbekistan with 2 measures each, and Turkey with 1 measure.

7- The most numerous trade-restrictive measures have been taken by Kazakhstan with 6 measures, Turkey with 5 measures, and Iran, Pakistan and Uzbekistan with 4 measures each. Kyrgyzstan is next with 2 measures, followed by Azerbaijan, Tajikistan and Turkmenistan with 1 measure each.

In general, it can be said that the ECO member countries, more or less like other countries in the world, have reacted to coronavirus by adopting various trade measures to mitigate its consequences. The important point is that these measures have been applied in a non-discriminatory manner to all countries of the world and the ECO member countries have not taken any discriminatory measures in their trade with each other. At the same time, proper timing and timely termination of these measures should be on the agenda, so as not to leave further trade-disruptive effects.

Table 31: Trade measures adopted by the ECO member states after COVID-19 pandemic (December 7, 2020)

No.	Enacting country	Type of measure	Affected products	Effect on trade	Affected partners	Status of measure	Start date	End date
1	Azerbaijan	Export prohibition	Medical supply products, sterile gloves, masks and goggles, disinfectants	Restrictive	All countries	Active	14/02/2020	01/09/2020
2	Azerbaijan	Tariff reduction	Chemical yarns for medical masks production	Liberalising	All countries	Active	25/03/2020	31/12/2020
3	Azerbaijan	Tariff reduction	Shoe covers, medical gloves and masks, respirators	Liberalising	All countries	Terminated	27/03/2020	01/07/2020
4	Iran	Export prohibition	Medical supply products	Restrictive	All countries	Terminated	30/03/2020	22/05/2020
5	Iran	Export prohibition	Medical supply products	Restrictive	All countries	Terminated	29/02/2020	22/05/2020
6	Iran	Export prohibition	Masks	Restrictive	All countries	Active	03/02/2020	Unknown
7	Iran	Import ban	Medical supply products	Restrictive	All countries	Active	13/05/2020	Unknown
8	Kazakhstan	Export quotas	Food products	Restrictive	All countries	Terminated	22/03/2020	01/06/2020

No.	Enacting country	Type of measure	Affected products	Effect on trade	Affected partners	Status of measure	Start date	End date
9	Kazakhstan	Prohibitions/ restrictions of imports for SPS reasons	Fruits	Restrictive	China	Terminated	02/03/2020	22/04/2020
10	Kazakhstan	Export prohibition	Masks	Restrictive	All countries	Active	20/02/2020	Unknown
11	Kazakhstan	Import ban	Portland cement, clinker, alumina cement and other types of hydraulic cement	Restrictive	Non-EAEU countries	Active	28/04/2020	27/10/2020
12	Kazakhstan	Import ban	Petroleum products	Restrictive	All countries	Terminated	01/05/2020	01/08/2020
13	Kazakhstan	Export prohibition	Timber	Restrictive	All countries	Active	15/05/2020	15/11/2020
14	Kyrgyzstan	Export prohibition	Medicines and medical equipment	Restrictive	All countries	Active	03/02/2020	02/08/2020
15	Kyrgyzstan	Export prohibition	Certain food products and disinfectants	Restrictive	All countries	Active	23/03/2020	22/09/2020
16	Pakistan	Tariff reduction	Medical goods	Liberalising	All countries	Active	20/03/2020	30/09/2020
17	Pakistan	Export prohibition	Anti-malaria drugs	Restrictive	All countries	Terminated	09/04/2020	15/09/2020
18	Pakistan	Export prohibition repealed	Masks, sanitizers	Restrictive	All countries	Terminated	18/04/2020	15/09/2020

No.	Enacting country	Type of measure	Affected products	Effect on trade	Affected partners	Status of measure	Start date	End date
19	Pakistan	Export prohibition	Gloves, face masks, sanitizers, goggles, suits	Restrictive	All countries	Terminated	24/03/2020	15/09/2020
20	Pakistan	Export prohibition	Food products	Restrictive	All countries	Terminated	28/04/2020	11/05/2020
21	Pakistan	Tariff reduction	Oxygen gas and oxygen cylinders	Liberalising	All countries	Active	23/06/2020	23/09/2020
22	Pakistan	Tariff reduction	Remdesivir (pharmaceutical product)	Liberalising	All countries	Active	22/06/2020	Unknown
23	Tajikistan	Export prohibition	Grains, beans, wheat, flour, rice, eggs, potatoes and meat	Restrictive	All countries	Active	25/04/2020	Unknown
24	Turkey	Tariff reduction	Ethyl alcohol, disposable medical mask and medical ventilators	Liberalising	All countries	Active	25/03/2020	Unknown
25	Turkey	Certification requirements	Testing kits	Restrictive	All countries	Active	02/04/2020	Unknown
26	Turkey	Licensing or permit requirements to export	Masks, personal protective equipment	Restrictive	All countries	Active	04/03/2020	Unknown
27	Turkey	Licensing or permit requirements to export	Lemons	Restrictive	All countries	Terminated	07/04/2020	07/08/2020
28	Turkey	Licensing or permit requirements to export	Cologne, ethyl alcohol, disinfectant and hydrogen peroxide	Restrictive	All countries	Terminated	18/03/2020	02/05/2020

No.	Enacting country	Type of measure	Affected products	Effect on trade	Affected partners	Status of measure	Start date	End date
29	Turkey	Licensing or permit requirements to export	Ventilators and other COVID-19 medical equipment	Restrictive	All countries	Terminated	26/03/2020	02/05/2020
30	Turkmenistan	Requirement to pass through specific port of customs; transport restrictions	All imports	Restrictive	All countries	Active	24/03/2020	Unknown
31	Uzbekistan	Tariff reduction	Flour, poultry, dairy, sugar, vegetable oils, hygiene product	Liberalising	All countries	Active	03/04/2020	31/12/2020
32	Uzbekistan	Tariff reduction	Medicines, vitamins, medical products and equipment to combat COVID-19	Liberalising	All countries	Active	22/07/2020	01/10/2020
33	Uzbekistan	Export prohibition	Masks and medical suits	Restrictive	All countries	Active	16/03/2020	Unknown
34	Uzbekistan	Import ban	Cement	Restrictive	All countries	Terminated	23/04/2020	23/05/2020
35	Uzbekistan	Export prohibition	Medical supply products	Restrictive	All countries	Active	18/07/2020	Unknown
36	Uzbekistan	Export prohibition	Textile inputs for PPE	Restrictive	All countries	Active	01/05/2020	31/12/2020

Source: https://www.macmap.org/covid19.

3-6-9- Conclusion: Evaluation of the findings of Chapter 3

To summarize the key findings of this chapter's pathological analysis of the current situation of non-tariff measures in foreign trade of the ECO member countries, the following points can be emphasized:

1- Review of the general situation of non-tariff measures in the ECO member countries (six countries whose information is available) shows that these countries have obvious and significant differences in the application of these measures. While Kyrgyzstan, Kazakhstan, and Turkey have made extensive use of these tools, Pakistan, Tajikistan, and Afghanistan are using them much less frequently. Therefore, it is necessary to pay attention to the consequences of this issue and its effects on trade relations between countries and the emergence of trade opportunities for each member.

2- Most of the non-tariff measures in the ECO region include technical barriers to trade as well as sanitary and phytosanitary measures that are of a technical nature and generally have a legitimate basis. The most important element facilitating and counteracting the disruptive consequences of such measures is the international cooperation and coordination between the responsible organizations in the ECO member countries (such as customs cooperation or conclusion of mutual recognition agreements on standards) and deserves due attention in the ECOTA agreement.

3- However, the number of gray-area measures (including groups D to O) is not small and accounts for about 12.5 percent of all non-tariff measures in all ECO member countries. Elimination and reduction of such measures, that have more trade-disruptive effects, can be considered a serious item on the ECO agenda to promote trade relations and achieve the goals of the Vision 2025, and fortunately, the ECOTA has good provisions on this issue.

4-Among the ECO member countries, Turkey has the widest range of non-tariff measures, and various non-tariff measures in 9 main groups of 15 categories of non-tariff measures in imports have emerged in the country's trade policy. The range of non-tariff measures of other ECO countries, except Tajikistan with only 4 groups, is limited to six categories of non-tariff measures, which is 50 percent less than in Turkey. This shows that Turkey is equipped with a variety of trade policy tools that can be used against imports when needed. It is worth noting that the existence of such extensive rules and mechanisms for the use of non-tariff instruments within the framework of the multilateral trading system is a second layer and a strong defense that operates in a timely and effective manner beyond the apparent protection of tariffs.

5- Generally, non-tariff measures of countries are controlled through the WTO rules and agreements and the WTO members should adopt such measures in accordance with the principles and rules of the GATT and WTO in such a way that trade-disruptive effects of these measures are minimized. Such an objective is generally pursued through the application of principles and criteria such as transparency, formal notification, periodic review, non-discrimination, etc. Thus, the WTO membership largely entails non-departure of members from the regulatory framework governing the adoption of non-tariff measures, which minimizes trade-disruptive effects of such measures.

6- Given that currently out of 10 ECO member countries, six countries (Afghanistan, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan and Turkey) are members of the WTO and four countries (Azerbaijan, Iran, Turkmenistan and Uzbekistan) have not yet joined the Organization and are not subject to its rules and regulations, the heterogeneity of the ECO members' trade systems in terms of adherence to the rules of the multilateral trading system concerning non-tariff measures can be a major issue in trade between the ECO members. As seen in this chapter, even sufficient and accurate information on non-tariff measures of the mentioned countries (those not yet joined to the WTO) is not available and there is no clear picture in this regard. Definitely, non-compliance of these countries with the principles and rules of transparency, formal notification, non-discrimination, periodic review and others makes more burdensome the trade-disruptive and -diversion effects of such measures in these countries. Therefore, due provisions for this important issue must have been made in the ECOTA. A review of the structure of the Agreement in Chapter 1 showed that, fortunately, the ECOTA has put the total elimination of non-technical non-tariff barriers to trade between members on its agenda as a binding commitment for its members. At the same time, the improvement and enhancement of the rules governing non-tariff barriers through the revision of the Agreement may be appropriate.

PART 2:

Providing appropriate solutions and scenarios for trade liberalization

Chapter 4- Proposing tariff reduction strategies and scenarios for implementation of the ECOTA (Output 1.2): Developing at least 3 scenarios for ECOTA's practical implementation and, recommend 1 most suitable for ECO (out of 3 equally workable solutions)

4-1- Introduction

Considering the results of the previous sections on the problems and obstacles to the implementation of the ECOTA and the different consequences of implementing the ECOTA for each member, the implementation of the Agreement in its current form results in completely different and unbalanced market access for members, given the different tariff and trade structure of each ECO member. Therefore, the main obstacle to implementation of the provisions and obligations of the ECOTA is the imbalance of its results in terms of privileges and obligations of each member. As a result, members who are harmed by the implementation of the Agreement in practice and do not enjoy much market access benefits therefrom are inclined to hinder the implementation of the ECOTA and have refused to exchange their lists of negative and sensitive goods. In other words, since their benefit from the implementation of the Agreement is almost zero, they have no incentive to implement the Agreement. In practice, this issue has caused the divergence of the positions of the members on how to implement the Agreement and has so far prevented them from implementing the Agreement. Obviously, given the root cause of these problems, which lies in the imbalance of obligations and benefits arising from the implementation of the Agreement among members, providing any solutions to break the current impasse will be impossible, without sufficient attention to solving the problem of imbalance and balancing the results of implementation of the Agreement for all parties. Therefore, considering this fundamental issue, the solutions and scenarios reviewed and proposed in this section are aimed at finding solutions and options that help to balance the results of the implementation of the Agreement for member countries as much as possible and encouraging them to resolve existing disputes and implement the ECOTA Agreement as soon as possible.

4-2- Basic elements and assumptions of the proposed tariff reduction scenarios

Due to the different tariff and trade structure of member countries on the one hand and their different economic potentials and capabilities on the other hand, it is not possible to create a perfect balance between privileges and obligations of members, but complementary modalities of tariff and trade liberalization help reduce the existing imbalance, make a relative improvement in outcomes for members, and provide a positive outlook for the implementation of the Agreement for all members.

In view of the above points and in order to find solutions and provide appropriate scenarios, the following principles and assumptions are the basis for proposing scenarios:

1. Requiring as little change as possible in the text of the Agreement;

2. Maintaining the previous achievements of the Agreement and the prior agreement of members on various issues, in particular on the reduction of tariff peaks to a maximum of 15 percent;

3. Effectively contributing to the achievement of targets outlined and approved by the ECO leaders in the Vision 2025 to double the volume of intra-group trade of the ECO members;

4. Realizing the long-term objective of the Economic Cooperation Organization (ECO) to establish a free trade area between the ECO member countries within a reasonable time frame and being consistent therewith;

5. Using criteria complying not only with the international principles and standards governing free trade agreements in accordance with the GATT 1994 but with the capabilities of the ECO members, while being easily applicable;

6. Enabling easy implementation without operational complexity;

7. Encourage the participation of as many as five ECO member states that have not yet acceded to the ECOTA.

For this purpose, and taking into account the above principles and assumptions, this section tries to examine the effects of tariff reduction on imports of the ECO member countries. Four different scenarios have been considered to reduce tariff rates. Current scenario is the same as the basic scenario of the ECOTA, which is based on eliminating tariff peaks of the member countries and reducing the tariffs to a maximum of 15 percent in accordance with the provisions of the current Article 4 of the ECOTA. Under this scenario, 80 percent of national tariff rates of each country is reduced to a maximum of 15 percent within 8 years. As noted in previous sections, due to the severe heterogeneity of the tariff and trade structures of the ECO member countries, this scenario, creating imbalanced results, does not serve the interests of all member countries. Accordingly, in this section, three scenarios complementary to the basic ECOTA scenario will be considered, which will be described in detail below.

According to the provisions of Article 4, the ECOTA starts trade liberalization and tariff reduction from tariff rates above 15% (international tariff peaks) and its main goal is to reduce these rates to 15%, without making any commitments in respect of tariff rates less than 15 percent. On the one hand, this will not serve the purpose of creating a free trade area, which should usually be achieved within a reasonable period of time (usually 10 years). On the other hand, according to our studies on the tariff and trade structures of the ECO member countries, it will lead to completely unbalanced results in terms of the level of commitments and market access privileges. In other words, the top-down approach of the current tariff liberalization modalities of the ECOTA Agreement not only is inadequate to gradually provide for a free trade area by removing trade barriers as outlined in the ECO Vision 2025, but it has fueled disagreements among members over how to implement tariff reduction commitments and has failed to win the approval of all ECOTA members to implement the Agreement. Therefore, in this study, the use of a bottom-up approach was also considered in the implementation of tariff liberalization modalities as a complement to the previous approach and as a tool balancing the level of commitments and market access privileges, helping eliminate both above shortcomings to achieve the goal of creating a free trade area within the natural framework of commitments and reduce the imbalance of the previous approach and encourage members to implement the ECOTA as much as possible.

Given the tariff and trade structures of the ECO member countries and considering that a significant part of the ECO members' existing trade with the world and with each other takes place at tariff rates less than 15 percent, trade liberalization by reducing lower levels of tariff rates can be considered complementary to trade liberalization method of the ECOTA, and while improving the relative imbalances in the results of the current implementation of Article 4 of the ECOTA, effectively contribute to other important ECO objectives, including achievement of the 2025 vision, as well as creation of a free trade area. For this purpose and in the framework of the tariff bands introduced in the previous sections, in the designed scenarios, in addition to tariff lines with rates over 15 percent (current scenario or baseline scenario), tariff bands of 0-5, 5-10 and 15 -10 percent will also be subject to tariff reduction in the form of complementary scenarios.

Therefore, the proposed scenarios for reducing tariffs in addition to current (baseline) scenario are presented in Table 32 below:

Table 32: Tariff Reduction Scenarios

No.	Scenarios	Coverage of each scenario plus current scenario	Final tariff rate in each scenario	Reference
1	Current Scenario (base)	T[41] >15	15	Article 4 of the ECOTA
2	Scenario 1	Current Scenario + $0<T\leq5$	15+ 0	Proposal out of the research findings
3	Scenario 2	Scenario 1 + $5<T\leq10$	15+ 0	Proposal out of the research findings
4	Scenario 3	Scenario 2 + $10<T\leq15$	15+ 0	Proposal out of the research findings

[41] . T stands for tariff rate

In order to evaluate the effects and comparative results of the implementation of each scenario, it is necessary to use the relevant scientific criteria and indices according to the existing literature on the subject. In this study, in order to measure the increase in imports of countries due to the reduction of tariff rates, the "trade creation" index has been used and different scenarios have been compared and evaluated with the help of this index. Before introducing and evaluating the results of the implementation of each scenario, it is necessary to introduce this index and its calculation method.

4-3- Introducing the trade creation index

One of the common approaches in the empirical literature of international trade to comparing different scenarios related to tariff liberalization is to use the trade creation index. This index, which is based on the partial equilibrium method, measures the increase in a country's total imports due to the reduction of tariff rates on imported products. For example, suppose country A reduces its tariff rate for country B under a trade agreement. In this case, the relative price of the product of country B becomes cheaper than its competitors in the market of country A. The reaction of imports to the reduction of tariff rate may be twofold. First, due to the reduction of the tariff rate, the relative prices of imported goods will decrease and as a result the total imports of country A from country B will increase. For example, suppose country A imported $100 million from its partners before the agreement was implemented. Imports are now rising to $200 million due to lower tariff rates. The extra $100 million in the country A is called trade creation. To calculate the effect of trade creation, we use the following equation:

$$TC = M_{ijk} \eta_i^m \frac{dt_{ijk}}{(1+t_{ijk})} \qquad (1)$$

In equation (1):

M_{ijk} : Initial imports of product i by country j from country k,

η_i^m : demand elasticity of imports of product i by country j, and

$\frac{dt_{ijk}}{(1+t_{ijk})}$: changes in tariff levels of product i in country j.

Second, country B may increase its share of country A market and replace imports from other countries in this market. In this case, only a kind of substitution has taken place between the countries, and the total imports of country A from the world has not changed. This increase in country A's imports from country B is called the "trade diversion" effect. The important point in calculating the trade diversion index is that to calculate the effects of trade deviation due to tariff reductions, the relative price statistics of imported products of each country must be available. Due to the unavailability of relative commodity price information, calculation of this index is very difficult, time-consuming, and even impossible. Therefore, in this research, the calculation of the effect of trade diversion has been omitted and only the effects of trade creation have been considered in evaluating different scenarios. But obviously, the total effects will be much greater than the effects calculated based on trade creation. It should be noted that although the effects of trade diversion do not increase the volume and value of total imports of the ECO members, their intra-group trade can significantly increase, which is one of the targets set out in the 2025 Vision.

It should be noted that in this study, we faced several tedious difficulties in calculation of trade creation index. First, the import statistics announced by the countries were not all based on a single version of the Harmonized System (HS), and the import statistics of some countries, such as Iran, were based on the 2017 version, some based on the 2012 version, and even some countries based on the 2007 version. Comparing and evaluating the results of the scenarios made it necessary to convert those statistics into each other. There were also no tariff elasticity for countries based on a single version of the Harmonized System (HS). Therefore, we had to convert tariff codes of countries to the 1992 version analytical consistency.

On the other hand, since trade statistics for Iran in 2019 were not available in the Trade Map, in order to maintain the basic principles of research and observe uniformity and homogeneity, trade statistics for 2018, which were available for all countries (with the exception of Turkmenistan, whose tariff information was not available for any years) were selected to calculate and evaluate the results of scenarios. Another reason for this was that as the US unilateral sanctions against Iran intensified in 2019, the likelihood that statistics of Iran’s trade with its partners were not properly categorized in order to circumvent the sanctions grew, and as Iran's share of intra-group trade was significant and if we used the mirror data of 2019, a large part of Iran's traded goods would be practically removed from the selection, so the choice of 2018 seemed safer. Further, calculations based on the Trade Map data showed that the total value of imports of the ECO member countries from the world in 2019, excluding Iran, was $377 billion, while this figure in 2018 amounted to $404 billion, by including a direct report of Iran's statistics. The value of intra-group imports of the ECO member countries in 2019, including Iran's mirror statistics (without direct reporting), was $26.8 billion, while this figure in 2018 was close to $30 billion. Meanwhile, according to mirror statistics, Iran's imports from the ECO in 2019 were equivalent to $2.8 billion, while the figure in 2018 was equal to $3.1 billion according to direct country statistics. Therefore, the higher value of intra-group trade of the ECO members in 2018 compared to 2019 was another ground to justify the selection of 2018.

4-4- Methodologies of the proposed scenarios

The methodologies of the proposed scenarios have, in principle, been based on the following three main steps:

1. Determination of the list of tariff lines exempted from tariff reductions for each ECO member in accordance with the current provisions of the ECOTA (19% negative list and 1% sensitive list), taking into account a series of basic assumptions, and their exclusion from the calculations to evaluate the results of each scenario;

2. Identification of the "positive list" of tariff lines that fall within the scope of the Agreement obligations (whether in terms of tariff reduction or standstill at the time of entry into force of the Agreement), which includes 80 percent of tariff lines of countries after extracting and leaving out the negative-list and sensitive-list goods; and

3. Evaluation of the effects of the implementation of each scenario according to the tariff and trade structure of each ECO member, based on both offered concessions and trade creation (increased imports) of each scenario for each ECO member and the ECO as a whole.

Taking into account the above considerations, while explaining our methodology, we will introduce the scenarios and evaluate their results below.

4-4-1- Examination of the negative lists[42] of the ECO members

In order to propose tariff reduction scenarios for the ECO members to balance the exchanged concessions, it is required to identify positive lists to evaluate the tariff reduction effects of each scenario. Therefore, in the first step, the negative list of each country is determined according to the trade and tariff structure of that country, using the methodology described above. To this end, the current provisions of the ECOTA on the inclusion of maximum 20 percent of each country's tariff lines in negative and sensitive lists have been observed, and in determining the negative list of each ECO member, the following methodological assumptions and criteria have been used:

1. First stage (first priority): selecting the negative list from among the highest tariff rates of each country;

2. Second stage (second priority): selecting the negative list from among the tariff lines with the highest value of intra-group imports; and

3. Third stage: selecting the negative list from among the tariff lines with the highest value of imports from the world.

The tariff structures of the ECO members are also examined in terms of the following seven categories (hereinafter, referred only to the number of each band for convenience):

Tariff Band	Tariff Rates
1	$T=0$
2	$0<T\leq5$
3	$5<T\leq10$
4	$10<T\leq15$
5	$15<T\leq25$
6	$25<T\leq50$
7	$T>50$

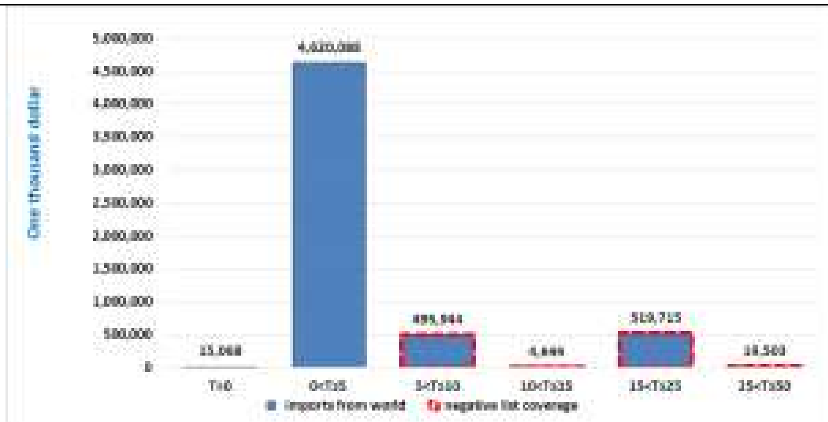
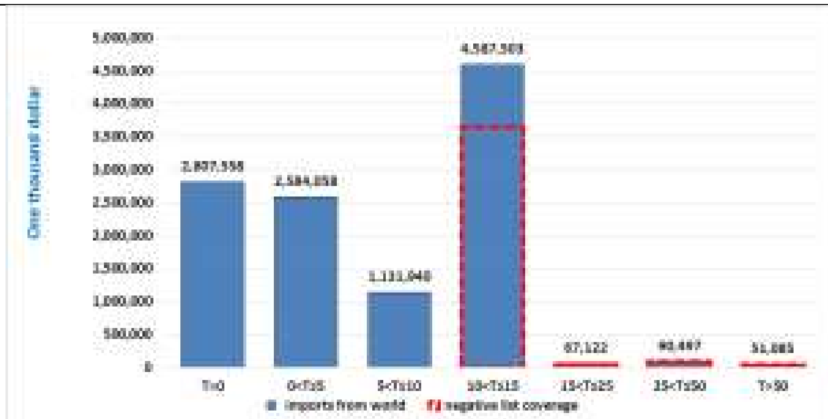
In this context, the sensitive and negative tariff lines of each ECO member were identified by using the mentioned methodology. The comparative results of

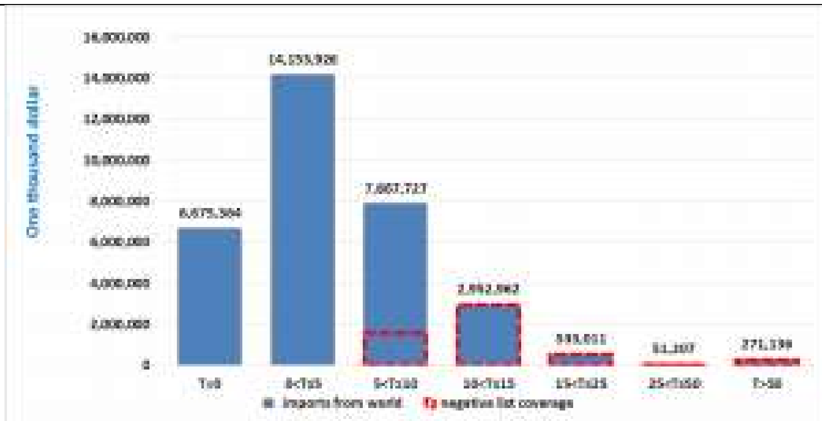
[42] . In this report, for convenience, negative list includes 20 percent of tariff lines exempted from tariff reductions in accordance with the provisions of the current Article 4 of the ECOTA, combining 19% negative list and 1% sensitive list.

extracting the negative lists of the ECO members are presented in Figure 68. This comparison is based on the import value of each ECO member covered by its negative list (in fact, products outside the scope of tariff reduction obligations in terms of each tariff category). In Figure 68, horizontal axis shows the tariff bands of each country and vertical axis measures the value of imports from the world (based on 2018 statistics). The red dotted line around each tariff category shows the level of import coverage in each category by the negative list of each ECO member.

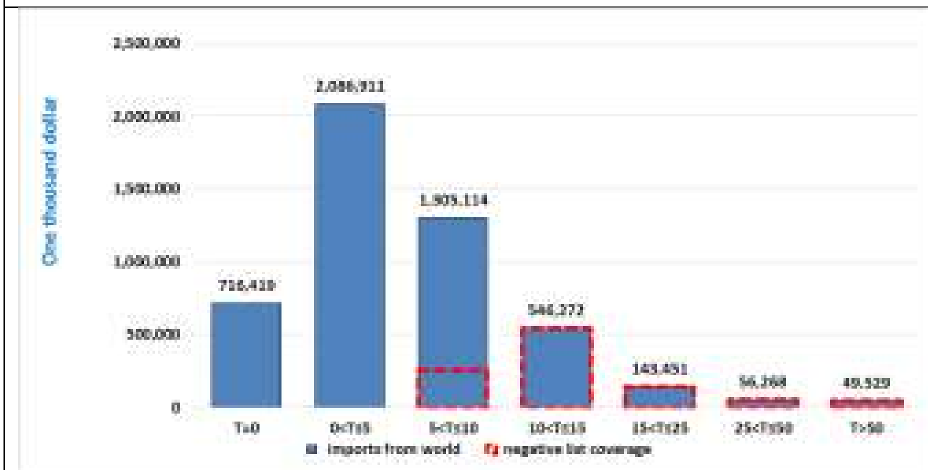
For example, in the case of Afghanistan, 100 percent of the value of the country's imports in bands 6, 5, 4, and 3 can be covered by the negative list of this country and hence exempted from the reduction of tariffs according to the current rules of the ECOTA (for tariff rates above 15%). 100 percent coverage of the third band imports has been achieved while only 53 percent of the tariff lines of this band can be included in the 20 percent list of this country's negative and sensitive tariff lines. Details of the tariff lines and import value covered by different tariff bands in the negative lists are provided on the right side of each chart.

Figure 68: Coverage of the negative lists of the ECO members in terms of the number of tariff lines and the value of imports by the tariff bands of each country

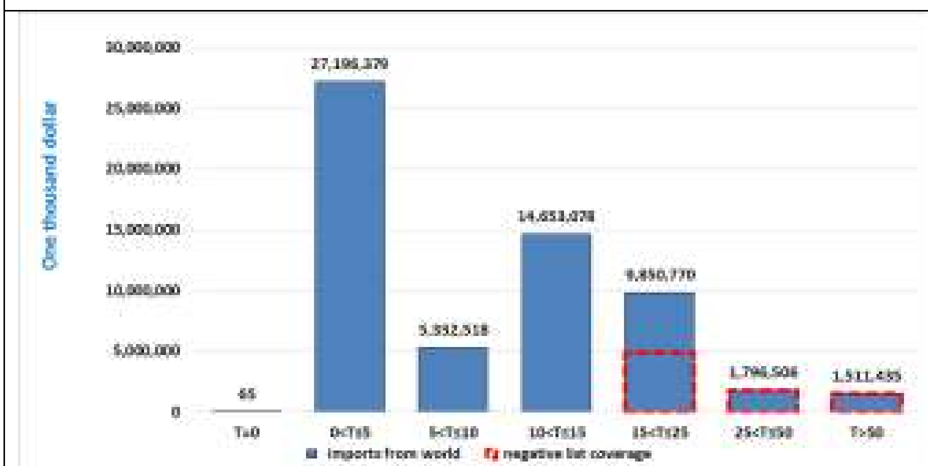
<table>
<tr><td>
</td><td>Afghanistan:
Negative list coverage: 100% of the tariff lines and import value of the 6th, 5th and 4th bands and 53% of the tariff lines of the 3rd band with a 100% coverage of the import value of this band.</td></tr>
<tr><td>
</td><td>Azerbaijan:
Negative list coverage: 100% of the tariff lines and import value of the 7th, 6th and 5th bands and 42% of the tariff lines of the 4th band with a 91% coverage of the import value of this band.</td></tr>
<tr><td>
</td><td>Iran:
Negative list coverage: 100% of the tariff lines and import value of the 7th band and 28% of the tariff lines of the 6th band with a 24% coverage of the import value of this band.</td></tr>
</table>



Kazakhstan:
Negative list coverage: 100% of the tariff lines and import value of the 7th, 6th, 5th, and 4th bands and 23% of the tariff lines of the 3rd band with a 12% coverage of the import value of this band.



Kyrgyzstan:
Negative list coverage: 100% of the tariff lines and import value of the 7th, 6th, 5th and 4th bands and 15% of the tariff lines of the 3rd band with a 20% coverage of the import value of this band.



Pakistan:
Negative list coverage: 100% of the tariff lines and import value of the 7th and 6th bands and 42% of the tariff lines of the 5th band with a 50% coverage of the import value of this band.

<table>
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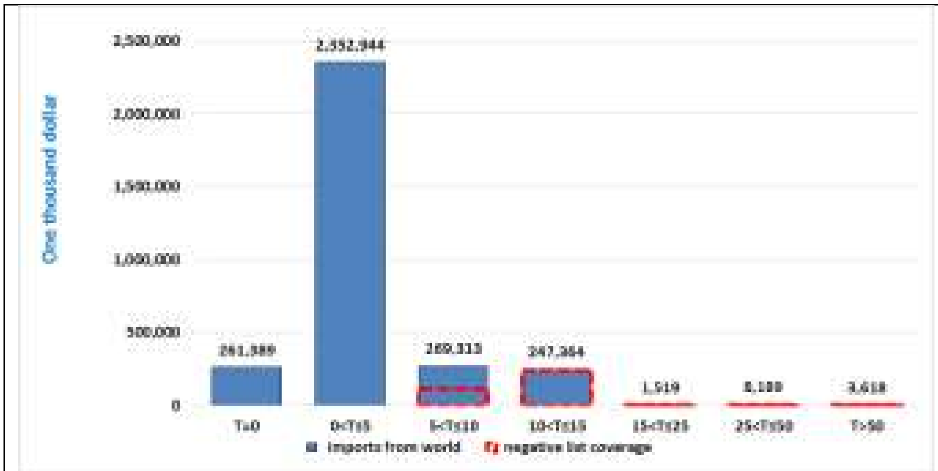
<td>
</td>
<td>Tajikistan:
Negative list coverage: 100% of the tariff lines and import value of the 7th, 6th, 5th and 4th bands and 9% of the tariff lines of the 3rd band with a 43% coverage of the import value of this band.</td>
</tr>
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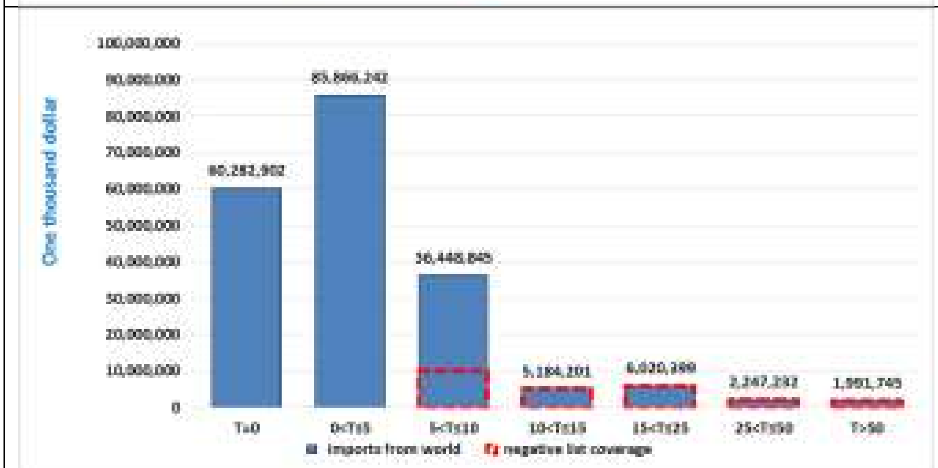
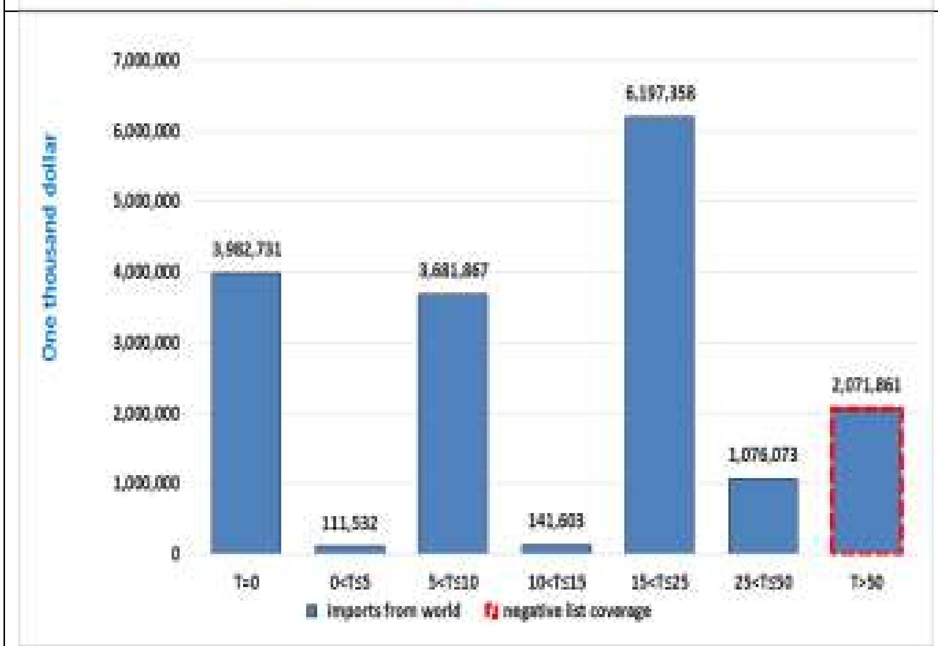
<td>
</td>
<td>Turkey:
Negative list coverage: 100% of the tariff lines and import value of the 7th, 6th, 5th and 4th bands and 1% of the tariff lines of the 3rd band with a 28% coverage of the import value of this band.</td>
</tr>
<tr>
<td>
</td>
<td>Uzbekistan:
Negative list coverage: About 60% of the 7th-band tariff lines with a coverage of about 100% of the import value of this band.</td>
</tr>
</table>

Source: Trade Map, Mac Map, and Research findings.

4-4-2- Evaluation of the positive lists[43] based on the structure of total and intra-group imports of the ECO members

In order to examine the effects of tariff liberalization on imports of the ECO member countries, first, the import structure of the mentioned countries (intra-group imports and total imports from the world) was examined separately by tariff bands both in total terms and in terms of the positive list items of each member (according to Article 4 of the ECOTA Agreement), the results of which are presented in separate panels of Table 33. In panels A and B of the table, the dollar value (in millions of dollars) and the share of intra-group imports of each ECO member by each band are presented. It should be noted that in the statistical data extracted from TRADE MAP, a group of imported goods in some ECO member countries is classified under the code 9999 as "other", the tariff rates of which are not known. Therefore, in this study, we could not determine how to distribute them in tariff bands, but the import value of each ECO member under this code is listed in a column of the same name (other) in Table 33. As can be found out from Table 33, although import statistics classified as "other" are zero for Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, and Uzbekistan, and negligible for Azerbaijan and Iran, the amount is considerable in the case of Afghanistan, and very high and alarming in the case of Turkey. As Panel A of Table 33 shows, the value of imports classified as "other," whose tariff rates are unknown and therefore not included in the calculation and evaluation of scenario outcomes, is more than $1 billion for Afghanistan, accounting for about 25 percent of the value of its intra-group imports with the ECO members. This figure is astounding for Turkey, with more than $5.6 billion out of a total of $10.4 billion in Turkey's intra-group imports from the ECO members, accounting for more than 54 percent of the country's intra-group imports from the ECO members. Therefore, due to this important disruptive component, the results of the scenarios presented for these two countries, especially for Turkey, must be interpreted with extreme caution.

As can be found out from Panel A of Table 33, the total intra-group imports of the ECO members from each other in 2018 amounted to $ 28.977 billion, of which about $3.6 billion has entered with zero tariff rate and $8.5 billion with more than zero up to 5 percent tariff rates. The share of each of these bands of the total intra-group imports of the ECO is shown in panel B. As Panel B of Table 33 shows, about 12.4 percent of the ECO intra-group imports are done at a zero tariff rate, while in the

[43] . In this report, positive list includes the remaining 80 percent tariff lines of each member except tariff lines covered by negative (and sensitive) list. Under the current provisions of the ECOTA, it includes: 1. tariff lines with rates over 15 percent which are subject to tariff reduction commitments in accordance with Article 4 of the ECOTA, and 2. tariff lines with rates less or equal to 15 percent which are subject to a standstill commitment.

cases of Iran and Pakistan, the share of intra-group imports in this band is zero. The highest shares of imports with zero tariff rate, with 25.8 and 22.4 percent, belong to Azerbaijan and Kazakhstan, respectively. As shown in Panels A and B of Table 33, among the tariff bands with rates higher than zero, the largest amount of intra-group imports with about $8.5 billion is done in the tariff band with a rate of more than zero to 5 percent (band 2) and it accounts for about 29 percent of the ECO intra-group imports and ranks first. The value of imports of products with tariff rates more than 5 to 10 percent (band 3) is in second place and accounts for about 12 percent of the ECO intra-group imports with about $3.5 billion. Total imports of the ECO members from each other with tariff rates higher than 15 percent (including tariff bands 5, 6 and 7 which are subject to the tariff reduction in accordance with the current provision of Article 4 of the ECOTA Agreement) have been calculated for each ECO member as well as the ECO as a whole, and listed in the last column of Table 33.

Given the current provisions of Article 4 of the ECOTA to reduce all tariff rates more than 15% to 15 percent, if we consider the distribution of the value of intra-group imports of each member by tariff bands, the following results can be inferred:

1. About 62.3 percent of the ECO intra-group imports belong to tariff bands lower than tariff peaks and are subject to more than zero or maximum tariff rates of up to 15 percent, with a significant share. This figure is about $18 billion, of which $11.9 billion belongs to Turkey, Afghanistan, Azerbaijan, and Kazakhstan.

2. The value of intra-group imports of the ECO member countries at tariff rates in excess of 15 percent is less than $4.2 billion, which is only about 14.5 percent of members' intra-group imports and has far less value, share, and importance compared to the value of intra-group imports at rates of zero to 15 percent.

3. Of the total intra-group imports of the ECO in tariff bands with rates more than 15 percent, which is equivalent to $4.2 billion, $3.5 billion belongs to three countries: Iran, Pakistan and Uzbekistan.

The value of the ECO members' imports from the world in each tariff bands along with their shares are also presented in Panels C and D of Table 33. Considering the statistics presented in panels C and D of the table, the following results can be inferred:

1. Approximately 18.6 percent (equivalent to $75 billion) of the ECO members' imports from the world are made at zero percent rate, of which $60 billion belong to Turkey.

2. Most imports of the ECO members from the world belongs to the second band, i.e. more than zero and up to a maximum rate of 5 percent. 37.6 percent (equivalent to $151 billion) of imports of the ECO countries are done in this band, ranking first among the tariff bands in terms of imports value. About $86 billion and $27 billion in Turkish and Pakistani imports belong to this band, respectively. For other ECO members, imports in this band range from $111 million to about $ 4 billion.

3. 81 percent (equivalent to $326 billion) of the ECO members' imports from the world are made at rates up to 15 percent, of which about $188 billion, $47 billion, and $32 billion are from Turkey, Pakistan, and Kazakhstan, respectively.

4. Only about 11 percent (equivalent to $45.4 billion) of the ECO imports from the world are made at rates higher than 15 percent, of which $13 billion, $11 billion, and $10 billion belong to Pakistan, Iran, and Turkey, respectively.

In order to examine the structure of imports of each ECO member country based on its positive list, this list should first be identified for each member state. As explained previously, for this purpose, the tariff lines included in the negative list were removed from the total imports of the mentioned countries. Given the 20% negative list of each country, the positive lists of all ECO member countries necessarily include the remaining 80 percent of their tariff lines. The value of intra-group imports and their distribution among tariff bands were calculated based on the positive list of each ECO member, the results of which are presented in Panel E of Table 33. Also, the coverage of the mentioned imports by the positive list of each member was calculated, the results of which are shown in panel F of Table 33. Similarly, the distribution of the value of the ECO members' imports from the world among tariff bands, as well as the coverage of these imports by the positive lists of the ECO members, are also presented in panels G and H of Table 33, respectively. By considering the information presented in panels E, F, G and H of Table 33, the following results can be inferred:

1. According to Panel E in Table 33, the overall value of intra-group imports by the ECO members' positive lists, with more than $18 billion, accounts for about 63.4 percent of the total value of their intra-group imports. The data in this table show that the imports at tariff rates less than 15 percent include approximately 88 percent of imported items covered by the positive lists of the ECO member countries and are

supplied from within the group. This means that focusing on the exchange of tariff concessions in the second, third and fourth tariff bands (i.e. tariff rates of more than zero and up to 15 percent) will lead to significant increase in intra-group trade of the ECO members.

2. The coverage of imports of each ECO member by its positive list in various tariff bands is shown in Panel F of Table 33. As can be found out from this part of the table, this coverage varies highly according to the tariff structures of countries, so that the coverage of the positive lists of some ECO members is limited to the lower tariff bands (bands 2, 3 and 4) and others' extend towards the higher ones (bands 2, 3, 4, 5 and 6). For example, the coverage of the positive list of Afghanistan in the second tariff band is equal to 99.5 percent and the remaining 0.5 percent belongs to the first tariff band (at zero rate). Meanwhile, the coverage of the positive lists of Iran and Uzbekistan extends to the sixth band (tariff rates more than 25 up to 50 percent) and includes 12.1 and 10.8 percent of the sixth band, respectively. This entails definite and heavy commitments for these two countries under the current provisions of Article 4 of the ECOTA to reduce tariffs in those bands.

3. According to the information provided in Panel G in Table 33, about $322 billion of the ECO members' imports from the world are covered by their positive lists, of which only about $21 billion is done with tariff rates in excess of 15 percent, with a share of less than 7 percent. This also shows that most of the import needs and exchanges of the ECO member countries with the world take place at low tariff rates. Therefore, trade liberalization and tariff reduction at lower levels will have more positive effects (in respect of both trade creation and trade diversion) in favor of intra-group trade among the ECO members.

4. Furthermore, according to the information in Panel H of Table 33, in total, only about 6.7 percent of the imports of the ECO member countries covered by their positive lists are in tariff rates above 15 percent, of which Uzbekistan, Iran, and Pakistan with 47.9 and 25.2 and 9.5 percent, respectively, have the largest shares of imports with tariff rates of more than 15 percent. Meanwhile, the share of imports of other ECO member countries is zero for some and very small and less than 0.5 percent for others. This finding confirms the possible concern of the said countries in terms of the heavy consequences of trade liberalization and tariff reduction in the upper tariff bands as provided for in Article 4 of the current ECOTA. Given the strong export potential of some ECO member countries to have a greater presence in the domestic markets of these countries, a sharp increase in imports of these

countries due to lower tariff rates in the said bands seems very likely. On the other hand, the small share of other ECO member countries of imports with tariff rates more than 15 percent implies a lack of serious improvement in access to these countries' market for other members in these tariff bands, being itself a reason for the reluctance of some member countries to implement the ECOTA. This reaffirms the heavy obligations of Article 4 of the ECOTA for some members without any effect on others, leading to unbalanced results in terms of real market access commitments.

Table 33: The distributive structure of the ECO members' intra-group imports and their imports from the world among tariff bands (2018)

ECO Member States	Panel A: The value of intra-group imports of the Eco members in each tariff band (million dollars)									
	T=0	0<T≤5	5<T≤10	10<T≤15	15<T≤25	25<T≤50	T>50	Others[44]	Total	Imports in tariff Bands > 15%
Afghanistan	14	2611	187	3	402	14	0	1029	4260	416
Azerbaijan	598	255	150	1274	26	11	4	4	2322	41
Iran	0	1015	492	488	551	445	69	63	3123	1065
Kazakhstan	500	1015	439	246	25	0	9	0	2234	34
Kyrgyzstan	58	398	351	110	53	29	6	0	1005	88
Pakistan	0	602	70	176	403	22	0	0	1273	425
Tajikistan	195	656	93	64	0	2	0	0	1010	2
Turkey	1790	1914	823	126	106	17	8	5644	10428	131
Uzbekistan	430	2	864	29	1269	315	412	0	3321	1996
ECO	**3585**	**8468**	**3469**	**2516**	**2835**	**855**	**508**	**6740**	**28976**	**4198**

ECO Member States	Panel B: The share of each tariff band of intra-group imports of the ECO members (percentage)									
	T=0	0<T≤5	5<T≤10	10<T≤15	15<T≤25	25<T≤50	T>50	Others	Total	Imports in tariff bands > 15%
Afghanistan	0.3	61.3	4.4	0.1	9.4	0.3	0.0	24.2	100.0	9.7
Azerbaijan	25.8	11.0	6.5	54.9	1.1	0.5	0.2	0.2	100.0	1.8
Iran	0.0	32.5	15.7	15.6	17.7	14.3	2.2	2.0	100.0	34.2
Kazakhstan	22.4	45.4	19.6	11.0	1.1	0.0	0.4	0.0	100.0	1.5
Kyrgyzstan	5.7	39.6	34.9	10.9	5.3	2.9	0.6	0.0	100.0	8.8
Pakistan	0.0	47.2	5.5	13.8	31.6	1.7	0.0	0.0	100.0	33.3
Tajikistan	19.3	64.9	9.2	6.3	0.0	0.2	0.0	0.0	100.0	0.2
Turkey	17.2	18.4	7.9	1.2	1.0	0.2	0.1	54.1	100.0	1.3
Uzbekistan	13.0	0.1	26.0	0.9	38.2	9.5	12.4	0.0	100.0	60.1
ECO	**12.4**	**29.2**	**12.0**	**8.7**	**9.8**	**3.0**	**1.8**	**23.3**	**100.0**	**14.6**

[44] . It is related to the value of imports of goods that are not included in any tariff bands and are included in Trade Map statistics as "others", although these figures are significant for some countries.

ECO Member States	Panel C: The value of the ECO members' imports from the world by tariff bands (million dollars)									
	T=0	0<T≤5	5<T≤10	10<T≤15	15<T≤25	25<T≤50	T>50	Others	Total	Imports in tariff bands > 15%
Afghanistan	15.1	4620.1	495.9	4.6	519.7	19.5	0.0	1731.6	7406.6	539.2
Azerbaijan	2807.6	2584.1	1131.9	4587.5	67.1	90.5	51.1	140.5	11460.3	208.7
Iran	0.0	12051.6	9045.6	6590.6	6489.2	3723.8	579.3	2756.1	41236.2	10792.3
Kazakhstan	6675.4	14153.9	7867.7	2953.0	533.0	51.2	271.1	28.2	32533.5	855.3
Kyrgyzstan	716.4	2086.9	1305.1	546.3	143.5	56.3	49.5	3.4	4907.4	249.3
Pakistan	0.1	27196.4	5332.5	14653.1	9850.8	1796.5	1511.4	50.4	60391.1	13158.7
Tajikistan	261.4	2352.9	269.3	247.4	1.5	8.2	3.6	0.0	3144.3	13.3
Turkey	60282.9	85866.2	36448.8	5184.2	6020.4	2247.2	1991.7	25005.3	223046.7	10259.3
Uzbekistan	3982.7	111.5	3681.9	141.6	6197.4	1076.1	2071.9	49.2	17312.3	9345.4
ECO	**74741.6**	**151023.6**	**65578.7**	**34908.3**	**29822.6**	**9069.3**	**6529.6**	**29764.7**	**401438.4**	**45421.5**

ECO Member States	Panel D: The Share of tariff bands of the ECO members' imports from the world (percentage)									
	T=0	0<T≤5	5<T≤10	10<T≤15	15<T≤25	25<T≤50	T>50	Others	Total	Imports in tariff bands > 15%
Afghanistan	0.2	62.4	6.7	0.1	7.0	0.3	0.0	23.4	100.0	7.3
Azerbaijan	24.5	22.5	9.9	40.0	0.6	0.8	0.4	1.2	100.0	1.8
Iran	0.0	29.2	21.9	16.0	15.7	9.0	1.4	6.7	100.0	26.1
Kazakhstan	20.5	43.5	24.2	9.1	1.6	0.2	0.8	0.1	100.0	2.6
Kyrgyzstan	14.6	42.5	26.6	11.1	2.9	1.1	1.0	0.1	100.0	5
Pakistan	0.0	45.0	8.8	24.3	16.3	3.0	2.5	0.1	100.0	21.8
Tajikistan	8.3	74.8	8.6	7.9	0.0	0.3	0.1	0.0	100.0	0.4
Turkey	27.0	38.5	16.3	2.3	2.7	1.0	0.9	11.2	100.0	4.6
Uzbekistan	23.0	0.6	21.3	0.8	35.8	6.2	12.0	0.3	100.0	54.0
ECO	**18.6**	**37.6**	**16.3**	**8.7**	**7.4**	**2.3**	**1.6**	**7.4**	**100.0**	**11.3**

ECO Member States	Panel E: The value of intra-group imports of the ECO members by their positive lists (million dollars)									
	T=0	0<T≤5	5<T≤10	10<T≤15	15<T≤25	25<T≤50	T>50	Others	Total without others	Imports in tariff bands > 15%
Afghanistan	13.5	2610.6	0.0	0.0	0.0	0.0	0.0	-	2624.1	0.0
Azerbaijan	598.4	254.8	150.2	204.3	0.0	0.0	0.0	-	1207.7	0.0
Iran	0.0	1014.8	491.6	488.5	551.3	350.5	0.0	-	2896.7	901.8
Kazakhstan	499.9	1014.5	323.0	0.0	0.0	0.0	0.0	-	1837.4	0.0
Kyrgyzstan	57.7	398.2	297.7	0.0	0.0	0.0	0.0	-	753.6	0.0
Pakistan	0.0	601.6	70.3	176.3	81.7	0.0	0.0	-	929.9	81.7
Tajikistan	195.2	655.7	43.3	0.4	0.0	0.0	0.0	-	894.6	0.0
Turkey	1789.6	1914.4	619.8	0.0	0.0	0.0	0.0	-	4323.8	0.0
Uzbekistan	430.4	2.2	864.0	28.9	1268.5	315.4	0.0	-	2909.4	1583.9
ECO	3584.7	8466.8	2859.9	898.4	1901.5	665.9	0.0	-	18377.2	2567.4
ECO Member States	**Panel F: The coverage of each ECO member's intra-group imports by its positive list in each tariff band (percentage)**									
	T=0	0<T≤5	5<T≤10	10<T≤15	15<T≤25	25<T≤50	T>50	Others	Total without others	Imports in tariff bands > 15%
Afghanistan	0.5	99.5	0.0	0.0	0.0	0.0	0.0	-	100.0	0.0
Azerbaijan	49.5	21.1	12.4	16.9	0.0	0.0	0.0	-	100.0	0.0
Iran	0.0	35.0	17.0	16.9	19.0	12.1	0.0	-	100.0	31.1
Kazakhstan	27.2	55.2	17.6	0.0	0.0	0.0	0.0	-	100.0	0.0
Kyrgyzstan	7.7	52.8	39.5	0.0	0.0	0.0	0.0	-	100.0	0.0
Pakistan	0.0	64.7	7.6	19.0	8.8	0.0	0.0	-	100.0	8.8
Tajikistan	21.8	73.3	4.8	0.0	0.0	0.0	0.0	-	100.0	0.0
Turkey	41.4	44.3	14.3	0.0	0.0	0.0	0.0	-	100.0	0.0
Uzbekistan	14.8	0.1	29.7	1.0	43.6	10.8	0.0	-	100.0	54.4
ECO	**19.5**	**46.1**	**15.6**	**4.9**	**10.3**	**3.6**	**0.0**	**-**	**100.0**	**13.9**

ECO Member States	Panel G: The value of the ECO members' positive-list imports from the world (million dollars)									
	T=0	0<T≤5	5<T≤10	10<T≤15	15<T≤25	25<T≤50	T>50	Others	Total without others	Imports in tariff bands > 15%
Afghanistan	15.1	4620.1	0.0	0.0	0.0	0.0	0.0	-	4635.2	0.0
Azerbaijan	2807.6	2584.1	1131.9	944.3	16.8	0.0	0.0	-	7484.7	16.8
Iran	0.0	12051.6	9045.6	6590.6	6489.2	2845.6	0.0	-	37022.6	9334.8
Kazakhstan	6675.4	14153.9	6282.8	0.0	0.0	0.0	0.0	-	27112.1	0.0
Kyrgyzstan	716.4	2086.9	1050.7	0.0	0.0	0.0	0.0	-	3854.0	0.0
Pakistan	0.1	27196.4	5332.5	14653.1	4977.8	0.0	0.0	-	52159.9	4977.8
Tajikistan	261.4	2352.9	153.3	6.3	0.0	0.0	0.0	-	2773.9	0.0
Turkey	60282.9	85866.2	26322.5	0.0	0.0	0.0	0.0	-	172471.6	0.0
Uzbekistan	3982.7	111.5	3681.9	141.6	6197.4	1076.1	5.8	-	15197	7279.3
ECO	74741.6	151023.6	53001.2	22335.9	17681.2	3921.7	5.8	-	322711	21608.7
ECO Member States	**Panel H: The coverage of the ECO members imports from the world by their positive lists (percentage)**									
	T=0	**0<T≤5**	**5<T≤10**	**10<T≤15**	**15<T≤25**	**25<T≤50**	**T>50**	**Others**	**Total without others**	**Imports in tariff bands > 15%**
Afghanistan	0.3	99.7	0.0	0.0	0.0	0.0	0.0	-	100.0	0.0
Azerbaijan	37.5	34.5	15.1	12.6	0.2	0.0	0.0	-	100.0	0.2
Iran	0.0	32.6	24.4	17.8	17.5	7.7	0.0	-	100.0	25.2
Kazakhstan	24.6	52.2	23.2	0.0	0.0	0.0	0.0	-	100.0	0.0
Kyrgyzstan	18.6	54.1	27.3	0.0	0.0	0.0	0.0	-	100.0	0.0
Pakistan	0.0	52.1	10.2	28.1	9.5	0.0	0.0	-	100.0	9.5
Tajikistan	9.4	84.8	5.5	0.2	0.0	0.0	0.0	-	100.0	0.0
Turkey	35.0	49.8	15.3	0.0	0.0	0.0	0.0	-	100.0	0.0
Uzbekistan	26.2	0.7	24.2	0.9	40.8	7.1	0.0	-	100.0	47.9
ECO	**23.2**	**46.8**	**16.4**	**6.9**	**5.5**	**1.2**	**0.0**	**-**	**100.0**	**6.7**

• "Others" means goods that are registered under the code 999999 and as unspecified goods and are not included in any tariff bands.
Source: Research findings.

4-5- Proposal of tariff reduction scenarios and analysis of their results

As shown in the previous sections, the analysis of the tariff and trade structures of the ECO members shows that their imports are concentrated in the tariff bands less than 15 percent. Therefore, tariff reduction scenarios have been selected by focusing on the second, third, and fourth bands. As shown in Table 32, the selected scenarios are as follows:

Current Scenario (Baseline Scenario): In this scenario, the provisions of the ECOTA are considered, i.e. 20 percent of the tariff lines of the ECO member countries are excluded from the list of tariff reductions as a negative and sensitive list. In this scenario, after the removal of the negative and sensitive list according to Article 4 of the ECOTA, in respect of the remaining tariff lines (as a positive list), tariffs above 15 percent are reduced to 15.

Scenario 1: In this scenario, in addition to the baseline scenario, tariffs up to 5 percent will be reduced to zero.

Scenario 2: In this scenario, in addition to the baseline scenario, tariffs up to 10 percent will be reduced to zero.

Scenario 3: In this scenario, in addition to the baseline scenario, tariffs up to 15 percent will be reduced to zero.

As explained previously, one of the important indices used in examining the effects of the implementation of each of the above scenarios on trade between the ECO members is the trade creation index. This index is commonly used to examine and evaluate the effects of tariff reduction in various trade agreements between countries. It should be noted that the trade creation index depends on the variables of initial imports, elasticity of import demand, and price changes due to tariff reduction.

In this section of the report, the criterion of trade creation is used to calculate and evaluate the effects of the implementation of each of the above scenarios. The final results of the calculation of the trade creation index, along with other criteria such as intra-group imports, imports from the world, and export potential of each ECO member based on the revealed export advantage (RCA) index, is shown in Table 34 separately for each ECO member and the related tariff bands.

Table 34: Trade-creation effects of tariff reduction scenarios in comparison with export potential of the ECO members by different tariff bands

Countries and tariff bands	Number of Tariff	Number of Negative List	Negative List coverage (%)	Total Imports from ECO (Million US$)	Total imports from world (Million US$)	Trade creation (million $)				number of products with RCA greater than 1 of partners in the positive lists of the ECO countries										
						Current scenario	scenario 1	scenario 2	scenario 3	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan	ECO
Afghanistan	**5078**	**1016**	**20**	**4259.5**	**7406.6**	**0.0**	**1050.5**	**1050.5**	**1050.5**		**66**	**267**	**167**	**169**	**391**	**97**	**1006**	**60**	**179**	**2402**
T=0	75	0	0	13.5	15.1	0.0	0.0	0.0	0.0		1	6	5	7	7	1	8	5	6	**46**
0<T≤5	3407	0	0	2610.6	4620.1	0.0	1050.5	1050.5	1050.5		65	250	159	159	370	94	910	55	167	**2229**
5<T≤10	1243	663	53	187.0	495.9	0.0	0.0	0.0	0.0		0	11	3	3	14	2	88	0	6	**127**
10<T≤15	26	26	100	3.4	4.6	0.0	0.0	0.0	0.0											
15<T≤25	270	270	100	402.0	519.7	0.0	0.0	0.0	0.0											
25<T≤50	57	57	100	14.0	19.5	0.0	0.0	0.0	0.0											
T>50	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0											
Others				1028.9	1731.6	0.0	0.0	0.0	0.0											
Azerbaijan	**5385**	**1077**	**20**	**2322.0**	**11460.3**	**0.0**	**14.5**	**27.5**	**253.3**	**44**		**297**	**186**	**185**	**435**	**99**	**933**	**48**	**155**	**2382**
T=0	1670	0	0	598.4	2807.6	0.0	0.0	0.0	0.0	7		107	94	58	83	42	274	18	50	**733**
0<T≤5	1042	0	0	254.8	2584.1	0.0	14.5	14.5	14.5	13		73	47	42	120	36	300	9	37	**677**
5<T≤10	196	0	0	150.2	1131.9	0.0	0.0	13.0	13.0	6		27	13	15	13	5	61	4	14	**158**
10<T≤15	2408	1008	42	1273.8	4587.5	0.0	0.0	0.0	225.7	18		90	32	70	219	16	298	17	54	**814**
15<T≤25	17	17	100	25.6	67.1	0.0	0.0	0.0	0.0											
25<T≤50	20	20	100	11.1	90.5	0.0	0.0	0.0	0.0											
T>50	32	32	100	4.2	51.1	0.0	0.0	0.0	0.0											
Others				3.9	140.5	0.0	0.0	0.0	0.0											

Countries and tariff bands	Number of Tariff	Number of Negative List	Negative List coverage (%)	Total Imports from ECO (Million US$)	Total imports from world (Million US$)	Trade creation (million $)				number of products with RCA greater than 1 of partners in the positive lists of the ECO countries										
						Current scenario	scenario 1	scenario 2	scenario 3	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan	ECO
Iran	**5386**	**1077**	**20**	**3123.0**	**41236.2**	**167.0**	**544.2**	**627.7**	**808.7**	**39**	**68**		**186**	**187**	**410**	**104**	**1085**	**64**	**182**	**2325**
T=0		0	0	0.0	0.0	0.0	0.0	0.0	0.0											
0<T≤5	2024	0	0	1014.8	12051.6	0.0	377.2	377.2	377.2	19	31		103	84	104	45	260	31	63	**740**
5<T≤10	614	0	0	491.6	9045.6	0.0	0.0	83.5	83.5	7	11		33	15	38	14	174	8	22	**322**
10<T≤15	482	0	0	488.5	6590.6	0.0	0.0	0.0	181.0	2	9		16	23	64	15	181	4	21	**335**
15<T≤25	519	0	0	551.3	6489.2	116.2	116.2	116.2	116.2	5	10		20	28	52	12	155	7	22	**311**
25<T≤50	927	259	28	445.1	3723.8	50.8	50.8	50.8	50.8	6	7		14	37	152	18	315	14	54	**617**
T>50	818	818	100	68.5	579.3	0.0	0.0	0.0	0.0											
Others				63.2	2756.1	0.0	0.0	0.0	0.0											
Kazakhstan	**5387**	**1078**	**20**	**2233.9**	**32533.5**	**0.0**	**79.3**	**109.2**	**109.2**	**55**	**76**	**327**		**218**	**470**	**116**	**1167**	**59**	**217**	**2705**
T=0	695	0	0	499.9	6675.4	0.0	0.0	0.0	0.0	6	15	20		31	34	24	149	8	15	**302**
0<T≤5	2424	0	0	1014.5	14153.9	0.0	79.3	79.3	79.3	38	50	214		121	241	67	607	35	132	**1505**
5<T≤10	1539	349	23	438.9	7867.7	0.0	0.0	29.9	29.9	11	11	93		66	195	25	411	16	70	**898**
10<T≤15	664	664	100	246.0	2953.0	0.0	0.0	0.0	0.0											
15<T≤25	33	33	100	25.0	533.0	0.0	0.0	0.0	0.0											
25<T≤50	10	10	100	0.2	51.2	0.0	0.0	0.0	0.0											
T>50	22	22	100	9.1	271.1	0.0	0.0	0.0	0.0											
Others				0.4	28.2	0.0	0.0	0.0	0.0											
Kyrgyzstan	**5387**	**1078**	**20**	**1005.9**	**4907.4**	**0.0**	**66.4**	**102.2**	**102.2**	**57**	**77**	**329**	**175**		**457**	**117**	**1153**	**60**	**211**	**2636**
T=0	723	0	0	57.7	716.4	0.0	0.0	0.0	0.0	6	15	18	23		31	26	163	9	16	**307**
0<T≤5	2288	0	0	398.2	2086.9	0.0	66.4	66.4	66.4	39	47	212	110		226	64	568	34	132	**1432**
5<T≤10	1524	226	15	350.9	1305.1	0.0	0.0	35.8	35.8	12	15	99	42		200	27	422	17	63	**897**
10<T≤15	666	666	100	109.9	546.3	0.0	0.0	0.0	0.0											

Countries and tariff bands	Number of Tariff	Number of Negative List	Negative List coverage (%)	Total Imports from ECO (Million US$)	Total imports from world (Million US$)	Trade creation (million $)				number of products with RCA greater than 1 of partners in the positive lists of the ECO countries										
						Current scenario	scenario 1	scenario 2	scenario 3	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan	ECO
15<T≤25	99	99	100	53.3	143.5	0.0	0.0	0.0	0.0											
25<T≤50	44	44	100	29.2	56.3	0.0	0.0	0.0	0.0											
T>50	43	43	100	6.3	49.5	0.0	0.0	0.0	0.0											
Others				0.3	3.4	0.0	0.0	0.0	0.0											
Pakistan	**5387**	**1078**	**20**	**1273.9**	**60391.1**	**2.8**	**125.7**	**130.5**	**269.3**	**55**	**81**	**306**	**190**	**211**		**103**	**1026**	**54**	**217**	**2243**
T=0	2	0	0	0.0	0.1	0.0	0.0	0.0	0.0	0	0	0	0	0		0	0	0	0	
0<T≤5	2085	0	0	601.6	27196.4	0.0	122.9	122.9	122.9	26	38	146	116	101		63	300	28	96	**914**
5<T≤10	108	0	0	70.3	5332.5	0.0	0.0	4.8	4.8	0	6	5	7	6		3	30	5	5	**67**
10<T≤15	827	0	0	176.3	14653.1	0.0	0.0	0.0	138.8	9	24	52	29	19		16	208	11	43	**411**
15<T≤25	2211	924	42	403.1	9850.8	2.8	2.8	2.8	2.8	20	13	103	38	85		21	488	10	73	**851**
25<T≤50	123	123	100	22.2	1796.5	0.0	0.0	0.0	0.0											
T>50	31	31	100	0.0	1511.4	0.0	0.0	0.0	0.0											
Others				0.5	50.4	0.0	0.0	0.0	0.0											
Tajikistan	**5051**	**1011**	**20**	**1009.9**	**3144.3**	**0.0**	**173.6**	**222.7**	**222.8**	**32**	**55**	**286**	**158**	**193**	**376**		**1028**	**41**	**152**	**2321**
T=0	228	0	0	195.2	261.4	0.0	0.0	0.0	0.0	0	4	17	7	11	11		86	5	9	**150**
0<T≤5	3000	0	0	655.7	2352.9	0.0	173.6	173.6	173.6	26	41	211	134	120	208		667	32	100	**1539**
5<T≤10	894	82	9	93.4	269.3	0.0	0.0	49.1	49.1	6	10	58	17	62	157		275	4	43	**632**
10<T≤15	890	890	100	63.6	247.4	0.0	0.0	0.0	0.0											
15<T≤25	8	8	100	0.0	1.5	0.0	0.0	0.0	0.0											
25<T≤50	28	28	100	1.7	8.2	0.0	0.0	0.0	0.0											
T>50	3	3	100	0.3	3.6	0.0	0.0	0.0	0.0											
Others				0.0	0.0	0.0	0.0	0.0	0.0											

Countries and tariff bands	Number of Tariff	Number of Negative List	Negative List coverage (%)	Total Imports from ECO (Million US$)	Total imports from world (Million US$)	Trade creation (million $)				number of products with RCA greater than 1 of partners in the positive lists of the ECO countries										
						Current scenario	scenario 1	scenario 2	scenario 3	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan	ECO
Turkey	**5387**	**1078**	**20**	**10427.9**	**223046.9**	**0.0**	**87.7**	**143.6**	**143.6**	**34**	**61**	**325**	**158**	**190**	**418**	**101**		**68**	**194**	**1549**
T=0	1088	0	0	1789.6	60282.9	0.0	0.0	0.0	0.0	10	22	94	67	63	85	44		29	41	**455**
0<T≤5	1918	0	0	1914.4	85866.2	0.0	87.7	87.7	87.7	12	27	128	48	74	160	39		22	86	**596**
5<T≤10	1317	14	1	822.6	36448.8	0.0	0.0	55.9	55.9	12	12	103	43	53	173	18		17	67	**498**
10<T≤15	301	301	100	125.8	5184.2	0.0	0.0	0.0	0.0											
15<T≤25	160	160	100	105.8	6020.4	0.0	0.0	0.0	0.0											
25<T≤50	373	373	100	17.3	2247.2	0.0	0.0	0.0	0.0											
T>50	230	230	100	8.2	1991.7	0.0	0.0	0.0	0.0											
Others				5644.2	25005.3	0.0	0.0	0.0	0.0											
Uzbekistan	**5205**	**1041**	**20**	**3321.3**	**17312.3**	**847.1**	**847.2**	**1229.9**	**1235.1**	**44**	**70**	**302**	**182**	**187**	**416**	**108**	**967**	**60**		**2336**
T=0	403	0	0	430.4	3982.7	0.0	0.0	0.0	0.0	0	2	6	7	19	16	24	129	1		**204**
0<T≤5	15	0	0	2.2	111.5	0.0	0.1	0.1	0.1	0	0	4	0	0	1	1	0	0		**6**
5<T≤10	1387	0	0	864.0	3681.9	0.0	0.0	382.7	382.7	4	23	102	82	46	77	29	183	14		**560**
10<T≤15	12	0	0	28.9	141.6	0.0	0.0	0.0	5.2	0	1	2	1	0	1	0	4	0		**9**
15<T≤25	1615	0	0	1268.5	6197.4	112.3	112.3	112.3	112.3	23	36	126	77	84	172	44	422	34		**1018**
25<T≤50	38	0	0	315.4	1076.1	734.7	734.7	734.7	734.7	0	0	2	3	1	4	2	15	0		**27**
T>50	1735	1041	60	411.8	2071.9	0.0	0.0	0.0	0.0	17	8	60	12	37	145	8	214	11		**512**
Others				0.0	49.2	0.0	0.0	0.0	0.0											
Total				**28977.5**	**401438.6**	**1016.9**	**2989.1**	**3643.9**	**4194.6**	**360**	**554**	**2439**	**1402**	**1540**	**3373**	**845**	**8365**	**514**	**1507**	**20899**

Source: Research findings.

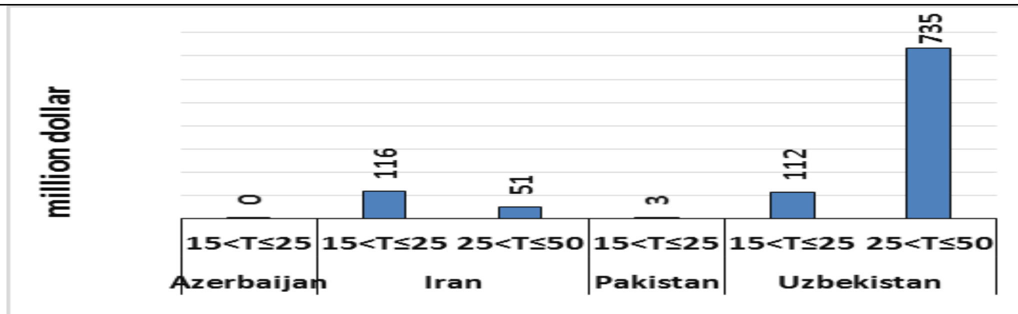
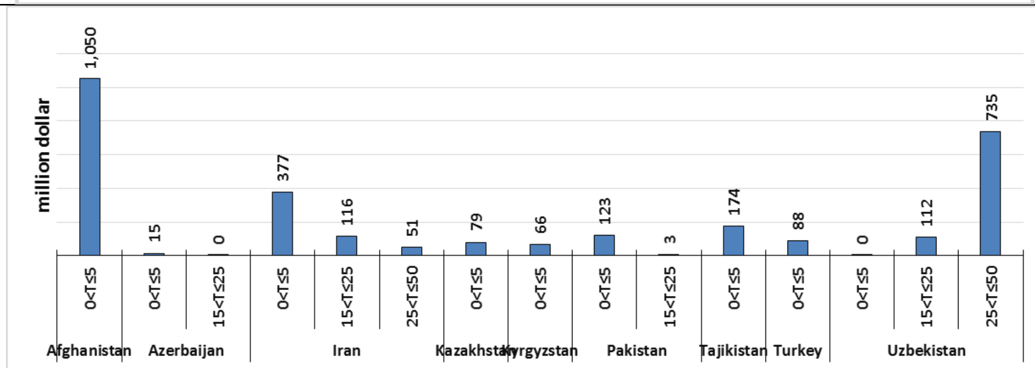
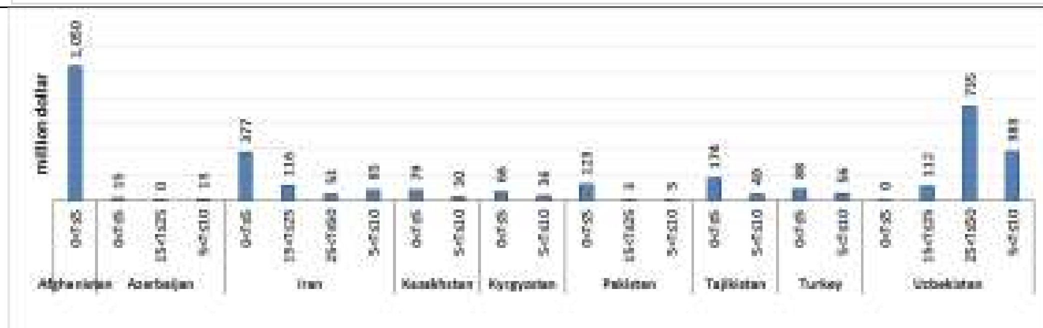
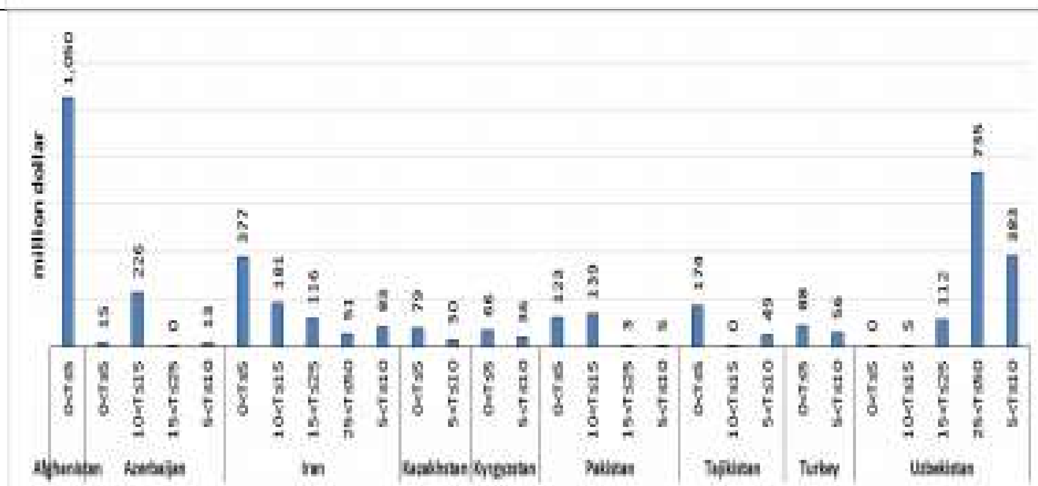
Here, in order to avoid prolonging the report, we will only explain the results of the calculations for Afghanistan. Obviously, the results for other countries can be interpreted in a similar way by considering the statistical data provided for each country in Table 34. However, at the end of this section, in order to make it easier to compare the scenarios, their comparative results are also presented in a separate table.

Analysis of the results of Table 34 for Afghanistan (as an example):

Based on the information of Table 34, out of 5078 six-digit tariff lines in Afghanistan in 2018, 1016 tariff lines (equivalent to 20%) have been included in the negative list according to the procedure described at the beginning of this chapter. Afghanistan's total imports from the ECO partners are about $4.3 billion and its total imports from the world are about $7.4 billion. Thus, Afghanistan's intra-group imports from the ECO members are 1.39 times Afghanistan's extra-group imports in 2018 (the ratio of $4.3 billion in imports from the ECO members to $3.1 billion in imports from the rest of the world). Columns 7 to 10 of the table show the amount of trade creation resulting from the implementation of each of the scenarios. Since more than 80 percent of Afghanistan's tariff lines have rates from zero to 15 percent, Afghanistan will not have any increase in imports by implementing the current scenario (baseline) or, in other words, by implementing the current provisions of Article 4 of the ECOTA. But when we consider the first scenario, it is predicted that with the implementation of the first scenario, there will be a significant increase in imports (trade creation) of approximately $1 billion in Afghanistan. The main reason is that about 60 percent of Afghanistan's intra-group imports (about $2.6 billion) are made in this band. Therefore, with the implementation of the first scenario, trade creation equal to 38 percent of the country's total imports will occur in the second band ($0 < T \leq 5$). With the implementation of the second and third scenarios, due to the zero intra-group imports in the respective bands, there will be no additional trade creation in Afghanistan and the value of trade creation in the second and third scenarios is in fact that of the first scenario reflected cumulatively in the second and third scenarios. In other words, due to the overlap of the four scenarios, it can be said that the net trade creation of each scenario is obtained by the difference between the results of each scenario and the previous scenario. These are clearly shown in Table 34. Thus, the distribution of trade creation in each of the tariff bands shows that the total trade creation resulting from the implementation of scenarios in Afghanistan belongs only to the second band ($0 < T \leq 5$) and tariff rates liberalization in the third and fourth bands will create no new trade in this country. The reason for this is that all the fourth-band tariff codes and some of the codes related to the third band (23 percent

of the codes) are included in the negative list of Afghanistan and there is actually no import in those codes related to the third band which are in the positive list. This was previously shown in Figure 68.
In order to make possible a better comparison of the results, using the results of Table 34, Figure 69 was designed to show the results of each scenario for each ECO member in terms of the number of countries involving in trade creation, the number of tariff bands affected by tariff reduction (under various scenarios) and the value of their imports in each band.

Figure 69: Figure 69: Comparison of scenarios' coverage in terms of the value of imports affected by tariff reduction in each tariff band and the number of countries involving in trade creation

Current(baseline) scenario: 4 countries	
Scenario 1: 9 countries	
Scenario 2: 9 countries	
Scenario 3: 9 countries	

Source: Research findings.

As can be seen in Figure 69, if the baseline scenario of the ECOTA is implemented, only four countries, i.e. Azerbaijan (with increased imports in one tariff band), Iran and Uzbekistan (each with increased imports in two tariff bands), and Pakistan (with increased imports in one tariff band) will create trade as a result of tariff reductions, and, in practice, other countries will not be affected by tariff reductions and will have no share in trade creation. This once again reveals an imbalance in the results of the implementation of the baseline scenario of the ECOTA.

If the first scenario is implemented, the results will be very different: as a result of the elimination of tariffs up to 5 percent (second band), the trade will be created in all 9 ECO member countries, and, in a way, all countries will enter the game, each with its share in creating trade and creating better market access for each other. In this scenario, the intra-group imports of Uzbekistan and Iran will increase in three bands, and that of Azerbaijan and Pakistan in two bands, and the intra-group imports of other countries will increase in at least one tariff band. Obviously, given the involvement of all members in the trade creation, the previous imbalance will be moderated to an acceptable level.

Examining the effects of tariff reduction under the second scenario also shows that due to the elimination of tariffs up to 10 percent, intra-group imports of all ECO members will be affected by tariff reductions. In this scenario, a wider range of goods imported from within the group and in each of the different tariff bands will enter the members' trade with each other. In the second scenario, the imports of Iran and Uzbekistan in four tariff bands, Azerbaijan and Pakistan in three tariff bands, and Kazakhstan, Kyrgyzstan, Tajikistan, and Turkey in two tariff bands will react to the elimination of tariffs and will increase.

Considering the cumulative effects of each scenario, naturally, most effects of tariff reduction are produced by the implementation of the third scenario, in which tariffs below 15 percent are eliminated altogether. As a result of this scenario, i.e. through the elimination of tariffs below 15 percent, there will be an increase in imports of Iran and Uzbekistan in five, Azerbaijan and Pakistan in four, Tajikistan in three, Kazakhstan, Kyrgyzstan, and Turkey in two, and Afghanistan in one tariff band. Therefore, the main and net burden of obligations in the third scenario will be borne by Iran and Uzbekistan, followed by Azerbaijan and Pakistan.

In general, by evaluating the results of the implementation of the four scenarios, it is observed that all ECO members in the first to third proposed scenarios will be affected by tariff reductions and their imports will increase, while in the baseline scenario only four countries will take on the task of creating trade by increased imports, and there will be no change in the volume of imports of other countries. In this respect, baseline scenario brings about the least trade creation and the most imbalanced results.

Given the definition and scope of the scenarios, since each scenario entails the requirements for the implementation of the previous scenario, it is obvious that the cumulative trade-creation effects of a higher scenario will always be greater than or equal to those of a lower scenario. Therefore, although the implementation of the second and third scenarios in general will lead to more trade for the ECO member countries than the first scenario, but this will not be due to increased imports of all members and will be only the result brought about by those members who will have imports in higher tariff bands. Therefore, more balance of concessions and obligations of members do not have a direct correspondence with the higher scenarios, and each requires a separate evaluation.

4-6- Comparative evaluation of the impact of each scenario on the concessions and commitments of the ECO members

In this section of the report, in order to compare the impact of the implementation of the proposed scenarios on each member and the commitments and concessions exchanged under three proposed scenarios and the baseline scenario, two indices have been used. The first index is measured and calculated based on the total concessions received and granted by each member of the ECO by virtue of their positive lists in each scenario. These concessions concern the number of goods with a revealed comparative export advantage (RCA> 1) of each member, which are in a better position to access the market due to the implementation of each scenario and the reduction of tariff rates for goods included in the positive list of other members. In other words, due to the application of each tariff reduction scenario on the positive lists of members, each country, depending on its export potential, would have a different set of products with an RCA in the markets of other members, showing the amount of concessions it receives from the market of other members; in contrast, the implementation of each country' tariff-reduction commitments under each scenario will show the amount of concessions awarded by that country to other members. Obviously, calculating the ratio of concessions earned to concessions given for each country will show the overall status of the balance of concessions and commitments in each scenario for that country.

The second index is calculated based on the net amount of trade creation (increase in imports) in each of the scenarios, the calculation of which was previously explained in detail.
The results about both indices are separately presented below both for the current members of the ECOTA and other ECO member countries, as well as for the ECO member countries as a whole (except Turkmenistan, whose statistical data were not available). The summary of the results obtained for the two indices is evaluated below and then a table including effective components is presented, making it possible to have a general view of the research findings.

A) Evaluation of scenarios based on the index of concessions granted and received for export goods with revealed comparative advantage

In order to compare the net concessions awarded and received by the ECO member countries in each scenario, a special matrix table was designed in which the total concessions received by each ECO member through the positive lists of other members in terms of tariff lines and also the concessions awarded by each member by its positive list to other members have been calculated. In addition, a separate index was defined as the "Score Ratio Index", which is calculated from the ratio of concessions received to concessions awarded for each member, showing the relative position of each country in terms of the concessions awarded and received in each scenario. This index for values greater than 1 means more concessions received than awarded, and conversely, for values less than 1 means more concessions awarded than received in each scenario. It should be noted that although according to the coverage of scenarios 1 to 3, the implementation of a higher scenario involves the implementation of the obligations of a lower scenario, but to facilitate comparison of the net effect of each scenario with others, in this section only the net added effect of each scenario compared to the previous scenario is calculated. Obviously, the sum of the net added effects of scenarios 1, 2, and 3 will be equal to the effects of the last scenario (scenario 3).
The results of the calculations for the ECO member countries (respectively the ECOTA members and other ECO members) in terms of the concessions resulting from the implementation of the scenarios are presented in Table 35. In fact, in this table, the matrix of concessions granted by each country to its trading partners in the

ECO and the concessions received from them are presented. In this matrix, the countries in each row of the matrix (importing countries) are granting concessions to other members of the ECO, and in contrast, the countries in each column of the matrix (exporting countries) are receiving concessions from other members. These concessions are calculated based on the number of products with a comparative export advantage of each member in terms of the tariff lines covered by each scenario. Accordingly, each advantageous export product of country A that is faced with a reduced tariff rate in the market of country B is considered as a concession for country A. For example, in current scenario, the total scores or concessions received by Turkey (in the tenth column) is equal to 1609 scores. This means that a total of 1609 tariff lines (six-digit HS codes) of products for which Turkey has a revealed comparative advantage in their exports, are subject to tariff rates higher than 15 percent in the markets of Uzbekistan, Pakistan, and Iran, but their tariffs will be reduced to 15 percent if the current scenario is implemented, and as a result, Turkey will have better market access in the said countries. As can be found out from Table 35, these concessions will be obtained through 651, 488, and 470 tariff lines, respectively, only from Uzbekistan, Pakistan and Iran. However, under current scenario, Turkey will give no concessions to any of the ECO members. In the twelfth column of the table, the total concessions awarded by each ECO member to its trading partners are given, representing the sum of the scores of each row of the matrix.

In each scenario, the sum of the scores received by each ECO member from other members is presented at the bottom of each matrix column, and in the last line, the "Score Ratio Index" for each country is showed. This index is calculated according to the ratio of concessions received to concessions awarded by each ECO member in each scenario. In case a member in a scenario only receives concessions and does not give any points, since the denominator of the index is zero, which cannot be calculated, the status of that country is marked as "net recipient of concessions". Obviously, in general, this is the most favorable situation for the country receiving the concessions, because without giving any concessions, it receives concessions from other countries. Of course, depending on the size of the numerator (total concessions received), the extent of favorability also changes (increases) accordingly. The results of Table 35 for each ECO member for all scenarios are presented in sub-tables 35.1 to 35.9 too.

Considering the distribution of scores throughout Table 35, in order to better compare the results of all scenarios at a glance, Table 36, using the data in Table 35, was designed to summarize the net effects of each scenario for each ECO member, including the member countries of the ECOTA and the other members separately. In the first column of Table 36, the ECO member countries are classified separately into two separate panels according to the current members of the ECOTA (Panel A) and the other ECO member states (Panel B). In the second column, the concessions received and awarded by each member are presented separately. The exchanged concessions of the members in each scenario (added concessions compared to the previous scenario) are also shown in the third to sixth columns. Finally, the sum of the exchanged concessions of each ECO member in all scenarios is shown in the last column. Given the coverage of the third scenario, which includes all tariff rates up to 15 percent, in fact, the last column of Table 36 shows the sum of the scores of the third scenario.

It should be noted that in analyzing the results of the tables, to avoid prolonging the report, the main focus is on the concessions awarded and how they are distributed among members. Obviously, similar analyzes can be made on the basis of the distribution of the received concessions. Of course, wherever it seems necessary, both aspects are mentioned, while the "Score Ratio Index" includes both of the above aspects. Considering the results presented in Tables 35 and 36, the following points can be deduced as to the comparative effects of the various scenarios.

1. In case of implementation of the current (baseline) scenario, only two countries, Iran and Pakistan, will give concessions among the member countries of the ECOTA, and among the other ECO members, only Uzbekistan will give concessions, and other countries will not give any concessions. However, all of them will benefit from the concessions given by the mentioned countries. The total concessions of this scenario will amount to 3260 products with export advantage, which will be affected by the reduction of tariffs.

2. The Score Ratio Index in the current scenario is very unfavorable for Iran, Pakistan, and Uzbekistan, while it is very favorable for the other members, indicating a fundamental imbalance in the results of the implementation of this

scenario. This is a clear reason why some members are reluctant to implement the current ECOTA, which is in principle based on the current scenario.

3. If scenario 1 is implemented, all ECOTA members and other ECO members will play a role in increased market access. The net added effect of the implementation of this scenario compared to the current scenario is that it will add 9392 concessions to the overall concessions of current scenario, bringing about the most extensive effect among all scenarios. In scenario 1, the highest concessions among the members of the ECOTA belong to Afghanistan with 2174 scores, and among other ECO members belong to Kazakhstan with 1470 scores. At the same time, all countries will benefit from the concessions received.

4. Although the "Score Ratio Index" in scenario 1 varies from 0.08 (Afghanistan) to 135 (Uzbekistan), given that current scenario will be applied at the same time as scenario 1, the sum of the scores of both scenarios will create a more balanced situation for the members and some countries that were only concession donors in current scenario will join the group of concession recipients, and vice versa, countries that were only concession recipients will join the group of concession donors. Furthermore, the very favorable condition of the "Score Ratio Index" for Uzbekistan is a good incentive for this country to join the ECOTA, because this country, while having the most unfavorable condition in this index in current scenario, will be in a favorable condition with the implementation of scenario 1.

5. As can be found out from the results of Table 36, the concessions in the scenario 1 weigh in favor of the countries that give the lowest concessions in the current (baseline) scenario, and vice versa, the countries that bear the main burden of concessions in the current scenario, will face a lower level of concessions in the scenario 1. This causes the implementation of the scenario 1 (along with the implementation of the current scenario) to reduce the imbalance in the current scenario for some members. In general, looking at the results of the scenario 1, it can be seen that the countries with a free riding status in current scenario will leave this situation by implementing scenario 1, and vice versa, the countries that does not benefit from the implementation of current scenario will benefit from the implementation of the ECOTA under scenario 1. Therefore, the implementation of scenario 1 can bring the countries' concessions closer to the relative equilibrium, though it is not possible to create a perfect balance due to the very different export potential of the countries.

6. As can be found out from Tables 35 and 36, with the implementation of the scenario 2, as with the scenario 1, all countries enter the game and must award reciprocal concessions in more than 4074 tariff codes. In this scenario, Tajikistan and Turkey will award the most concessions among the members of the ECOTA with 628 and 481 tariff codes, respectively, and Pakistan will give the least concessions with 62 tariff codes. Among other ECO members, Kazakhstan and Kyrgyzstan will give the most concessions to other members with 882 and 880 tariff codes, respectively, and Azerbaijan will give the least concessions with 154 tariff codes.

7. The net effect of the implementation of the scenario 2 in terms of concessions exchanged with 4074 scores is in the second place after the scenario 1. The total net concessions exchanged in scenario 2 are less than 44 percent of the concessions in the scenario 1. Therefore, in respect of the range of products that actually increase the possible trade between the ECO members, the scenario 1 has a clear advantage over other scenarios, including scenario 2.

8. As can be found out from Table 36, in terms of the concessions awarded, the implementation of scenario 2 will again, to a considerable extent, distance the members from the relative adjustment made in scenario 1 to reduce imbalances, especially for countries that have not yet acceded to the ECOTA, and Keep them away from this key objective, which is the most important incentive to accede to the ECOTA. This can be understood by considering the change in the Score Ratio Index in scenario 2 compared to scenario 1 for each ECO member.

9. In case of implementation of the scenario 3, the net total of concessions granted by the ECO members to each other (i.e. implementation of tariff reductions of each member in its positive list for goods with a comparative export advantage of other members) will amount to 1537 tariff codes, although the burden of granting concessions to other members of the ECOTA will be bore by only Iran and Pakistan among the members of the ECOTA, and Azerbaijan and Uzbekistan (to a small extent) among other ECO members. Pakistan with 400 product codes and Iran with 331 product codes will give the most concessions to others, and among other ECO member states, Azerbaijan with 797 concessions and Uzbekistan with only 9 concessions will play a similar role. However, Turkey will get the most concessions from the implementation of this scenario, winning 691 concessions without giving any new concessions to other ECO members. Therefore, it is obvious that, this

scenario, at least in the short term and in the first step of the implementation of the ECOTA, is not very compatible with the objective of helping those countries bearing the greatest burden of the current scenario, and diminishes the willingness of current ECOTA members to implement the Agreement and the motivation of other members to join it.

10. As shown in the last column of Table 36, if the proposed scenarios are implemented consecutively in a time period (the proposed schedule for the implementation of tariff reduction scenarios will be presented in the following sections of the report), at the end of the implementation period of the scenarios (the third scenario, which also contains the requirements of the previous scenarios), the total concessions awarded to each other by members are improved over time, and after the full implementation of the scenarios, there will be more relative balance compared to the imbalance in the current scenario (baseline). Therefore, proper timing of the scenarios and the order of their implementation are very important in achieving the key objective of this study to find ways out of the existing impasse and eliminate the imbalance of the consequences of the implementation of the ECOTA for each member.

Table 35: Distribution of concessions awarded and received by each ECO member

According to their positive lists in each scenario

Panel A: Net concessions of current scenario											
		ECO exporting countries (concession recipients)									
	Member states	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Uzbekistan	Total awarded concessions
ECO importing countries (concession donors)	Afghanistan	0	0	0	0	0	0	0	0	0	**0**
	Iran	11	17	0	34	65	204	30	470	76	**907**
	Pakistan	20	13	103	38	85	0	21	488	73	**841**
	Tajikistan	0	0	0	0	0	0	0	0	0	**0**
	Turkey	0	0	0	0	0	0	0	0	0	**0**
	Azerbaijan	0	0	0	0	0	0	0	0	0	**0**
	Kazakhstan	0	0	0	0	0	0	0	0	0	**0**
	Kyrgyzstan	0	0	0	0	0	0	0	0	0	**0**
	Uzbekistan	40	44	188	92	122	321	54	651	0	**1512**
Total received concessions		**71**	**74**	**291**	**164**	**272**	**525**	**105**	**1609**	**149**	**3260**
Score ratio index		Net received concessions	Net received concessions	**0.32**	Net received concessions	Net received concessions	**0.62**	Net received concessions	Net received concessions	**0.10**	**1**

Panel A: Net concessions of scenario 1

		ECO exporting countries (concession recipients)									
	Member states	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Uzbekistan	Total awarded concessions
ECO importing countries (concession donors)	Afghanistan	0	65	250	159	159	370	94	910	167	**2174**
	Iran	19	31	0	103	84	104	45	260	63	**709**
	Pakistan	26	38	146	116	101	0	63	300	96	**886**
	Tajikistan	26	41	211	134	120	208	0	667	100	**1507**
	Turkey	12	27	128	48	74	160	39	0	86	**574**
	Azerbaijan	13	0	73	47	42	120	36	300	37	**668**
	Kazakhstan	38	50	214	0	121	241	67	607	132	**1470**
	Kyrgyzstan	39	47	212	110	0	226	64	568	132	**1398**
	Uzbekistan	0	0	4	0	0	1	1	0	0	**6**
Total received concessions		**173**	**299**	**1238**	**717**	**701**	**1430**	**409**	**3612**	**813**	**9392**
Score ratio index		**0.08**	**0.45**	**1.75**	**0.49**	**0.50**	**1.61**	**0.27**	**6.29**	**135.5**	**1**

Panel A: Net concessions of scenario 2

	Member states	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Uzbekistan	Total awarded concessions
		ECO exporting countries (concession recipients)									
ECO importing countries (concession donors)	Afghanistan	0	0	11	3	3	14	2	88	6	**127**
	Iran	7	11	0	33	15	38	14	174	22	**314**
	Pakistan	0	6	5	7	6	0	3	30	5	**62**
	Tajikistan	6	10	58	17	62	157	0	275	43	**628**
	Turkey	12	12	103	43	53	173	18	0	67	**481**
	Azerbaijan	6	0	27	13	15	13	5	61	14	**154**
	Kazakhstan	11	11	93	0	66	195	25	411	70	**882**
	Kyrgyzstan	12	15	99	42	0	200	27	422	63	**880**
	Uzbekistan	4	23	102	82	46	77	29	183	0	**546**
Total received concessions		**58**	**88**	**498**	**240**	**266**	**867**	**123**	**1644**	**290**	**4074**
Score ratio index		**0.46**	**0.57**	**1.59**	**0.27**	**0.30**	**13.98**	**0.20**	**3.42**	**0.53**	**1**

Panel A: Net concessions of scenario 3											
		ECO exporting countries (concession recipients)									
	Member states	**Afghanistan**	**Azerbaijan**	**Iran**	**Kazakhstan**	**Kyrgyzstan**	**Pakistan**	**Tajikistan**	**Turkey**	**Uzbekistan**	**Total awarded concessions**
ECO importing countries (concession donors)	**Afghanistan**	0	0	0	0	0	0	0	0	0	**0**
	Iran	2	9	0	16	23	64	15	181	21	**331**
	Pakistan	9	24	52	29	19	0	16	208	43	**400**
	Tajikistan	0	0	0	0	0	0	0	0	0	**0**
	Turkey	0	0	0	0	0	0	0	0	0	**0**
	Azerbaijan	18	0	90	32	70	219	16	298	54	**797**
	Kazakhstan	0	0	0	0	0	0	0	0	0	**0**
	Kyrgyzstan	0	0	0	0	0	0	0	0	0	**0**
	Uzbekistan	0	1	2	1	0	1	0	4	0	**9**
Total received concessions		**29**	**34**	**144**	**78**	**112**	**284**	**47**	**691**	**118**	**1537**
Score ratio index		**Net received concessions**	**0.04**	**0.44**	**Net received concessions**	**Net received concessions**	**0.71**	**Net received concessions**	**Net received concessions**	**13.11**	**1**

Source: Research calculations.

Table 35.1: Concessions awarded and received by Afghanistan according to its positive list in each scenario

Type of scenarios	Awarded net concessions	Received net concessions	Concessions Ratio index
Current scenario	0	71	Net received concessions
Scenario 1	2174	173	0.08
Scenario 2	127	58	0.46
Scenario 3	0	29	Net received concessions
Total	2301	331	0.14

Source: Research Calculations

Table 35.2: Concessions awarded and received by Azerbaijan according to its positive list in each scenario

Type of scenarios	Awarded net concessions	Received net concessions	Concessions Ratio index
Current scenario	0	74	Net received concessions
Scenario 1	668	299	0.45
Scenario 2	154	88	0.57
Scenario 3	797	34	0.04
Total	1619	495	0.31

Source: Research Calculations

Table 35.3: Concessions awarded and received by Iran according to its positive list in each scenario

Type of scenarios	Awarded net concessions	Received net concessions	Concessions Ratio index
Current scenario	907	291	0.32
Scenario 1	709	1238	1.75
Scenario 2	314	498	1.59
Scenario 3	331	144	0.44
Total	2261	2171	0.96

Source: Research Calculations

Table 35.4: Concessions awarded and received by Kazakhstan according to its positive list in each scenario

Type of scenarios	Awarded net concessions	Received net concessions	Concessions Ratio index
Current scenario	0	164	Net received concessions
Scenario 1	1470	717	0.49
Scenario 2	882	240	0.27
Scenario 3	0	78	Net received concessions
Total	2352	1199	0.51

Source: Research Calculations

Table 35.5: Concessions awarded and received by Kyrgyzstan according to its positive list in each scenario

Type of scenarios	Awarded net concessions	Received net concessions	Concessions Ratio index
Current scenario	0	272	Net received concessions
Scenario 1	1398	701	0.50
Scenario 2	880	266	0.30
Scenario 3	0	112	Net received concessions
Total	2278	1351	0.59

Source: Research Calculations

Table 35.6: Concessions awarded and received by Pakistan according to its positive list in each scenario

Type of scenarios	Awarded net concessions	Received net concessions	Concessions Ratio index
Current scenario	841	525	0.62
Scenario 1	886	1430	1.61
Scenario 2	62	867	13.98
Scenario 3	400	284	0.71
Total	2189	3106	1.42

Source: Research Calculations

Table 35.7: Concessions awarded and received by Tajikistan according to its positive list in each scenario

Type of scenarios	Awarded net concessions	Received net concessions	Concessions Ratio index
Current scenario	0	105	Net received concessions
Scenario 1	1507	409	0.27
Scenario 2	628	123	0.20
Scenario 3	0	47	Net received concessions
Total	2135	684	0.32

Source: Research Calculations

Table 35.8: Concessions awarded and received by Turkey according to its positive list in each scenario

Type of scenarios	Awarded net concessions	Received net concessions	Concessions Ratio index
Current scenario	0	1609	Net received concessions
Scenario 1	574	3612	6.29
Scenario 2	481	1644	3.42
Scenario 3	0	691	Net received concessions
Total	1055	7556	7.16

Source: Research Calculations

Table 35.9: Concessions awarded and received by Uzbekistan according to its positive list in each scenario

Type of scenarios	Awarded net concessions	Received net concessions	Concessions Ratio index
Current scenario	1512	149	0.10
Scenario 1	6	813	135.50
Scenario 2	546	290	0.53
Scenario 3	9	118	13.11
Total	2073	1370	0.66

Source: Research Calculations

Table 36: Sum of concessions awarded and received by the ECO members under each scenario

ECO members	Type of concessions	Current Scenario (net score)	Scenario 1 (net score)	Scenario 2 (net score)	Scenario 3 (net score)	Total
Panel A: ECOTA members						
Afghanistan	**Awarded concessions**	0	2174	127	0	**2301**
	Received concessions	71	173	58	29	**331**
Iran	**Awarded concessions**	907	709	314	331	**2261**
	Received concessions	291	1238	498	144	**2171**
Pakistan	**Awarded concessions**	841	886	62	400	**2189**
	Received concessions	525	1430	867	284	**3106**
Tajikistan	**Awarded concessions**	0	1507	628	0	**2135**
	Received concessions	105	409	123	47	**684**
Turkey	**Awarded concessions**	0	574	481	0	**1055**
	Received concessions	1609	3612	1644	691	**7556**
Sub Total	**Awarded concessions**	**1748**	**5850**	**1612**	**731**	**9941**
	Received concessions	**2601**	**6862**	**3190**	**1195**	**13848**
Panel B: Other ECO members						
Azerbaijan	**Awarded concessions**	0	668	154	797	**1619**
	Received concessions	74	299	88	34	**495**
Kazakhstan	**Awarded concessions**	0	1470	882	0	**2352**
	Received concessions	164	717	240	78	**1199**
Kyrgyzstan	**Awarded concessions**	0	1398	880	0	**2278**
	Received concessions	272	701	266	112	**1351**
Uzbekistan	**Awarded concessions**	1512	6	546	9	**2073**
	Received concessions	149	813	290	118	**1370**
Sub-total	**Awarded concessions**	**1512**	**3542**	**2462**	**806**	**8322**
	Received concessions	**659**	**2530**	**884**	**342**	**4415**
Grand total	**Awarded concessions**	**3260**	**9392**	**4074**	**1537**	**18263**
	Received concessions	**3260**	**9392**	**4074**	**1537**	**18263**

Source: Research calculations.

B) Evaluation of scenarios based on the value of trade creation

In order to measure the effect of "trade creation" in each scenario and how it is distributed among the positive lists of the ECO members, the value of trade creation or trade increase due to tariff reduction based on the implementation of the proposed approach in each scenario was calculated using previous information in Table 34, the results of which are presented in Table 37 below. It should be noted that in order to better explain and compare the total effect and the added effect of each scenario compared to the previous scenario, here the added trade effect created in each scenario compared to the previous scenario is also measured and shown along with its total cumulative effect. The results of the calculations are presented in Table 37 in two separate sections for the current members of the ECOTA and other ECO members. The first part of table (Panel A) shows the trade creation effect of each scenario for the current members of the ECOTA, and the second part of table (Panel B) shows this effect for other ECO members.

Considering the statistics presented in Tables 34 and 37, the following points can be noted:

1. As can clearly found out from the results of the implementation of the scenarios for the ECOTA members, which are presented in Panel A of Table 36, with the implementation of the baseline scenario (current scenario according to the current provisions of Article 4 of the ECOTA), the total trade creation resulting from the implementation of this scenario for the ECOTA members is relatively small and it is about 170 million dollars, of which only the imports of Iran and Pakistan will increase by 167 and 3 million dollars, respectively. Other ECOTA members will not experience any increase in their imports. This is due to the inclusion of all or a significant portion of the tariff lines above 15 percent of the members in their negative lists on the one hand, and the fact that a large part of the ECO members' actual trade is at low tariff rates up to 15 percent on the other hand.

2. Assuming the other members join the ECOTA, the total value of trade creation of the current scenario (baseline scenario) for all ECO members will be about $1 billion, of which $847 million will come from Uzbekistan alone and the trade of the other members will not increase. This is proof of the imbalance in the level of concessions and commitments in the current scenario (baseline), so that the main burden of trade creation will be borne by only three countries and the rest of the members will be bystanders. On the other hand, this situation would be a high price to pay for Uzbekistan's accession to the ECOTA, which is an important obstacle to encouraging the country to join.

3. With the implementation of the first scenario, almost all ECO members will enter the game and a new trade will be created in the amount of $1972 million (trade increase), of which $1812 million belongs to the ECOTA members and the remaining $160 million belongs to other ECO members. Afghanistan, Iran, and Tajikistan will account for the largest share of trade creation with $1,050 million, $377 million, and $174 million, respectively, and Turkey will continue to play the smallest role with an $88 million increase in imports.

4. The first scenario with $1972 million has the highest value of added trade creation and ranks first among all the scenarios. Current scenario with $1,017 million and scenario 2 with $655 million added trade creation are in second and third place, respectively.

5. In terms of the extent of added trade creation value among countries, the first and second scenarios are in the highest rank each with 8 countries, and the current and third scenarios are in the lowest ranks with the participation of 3 and 4 countries, respectively.

6. With the implementation of the second scenario, another $655 million will be added to the value of trade creation, of which $193 million belongs to the ECOTA members and the remaining $462 million to other ECO members if acceded to the ECOTA. From among the ECOTA members, only Afghanistan's imports will not increase compared to the fist scenario, but the imports of other ECOTA members will increase.

7. From among the proposed scenarios 1 to 3, scenario 2 will make the largest increase in imports (trade creation) among countries outside the ECOTA if they accede to this Agreement. Concerns about the consequences of this scenario could obviously be a deterrent for these countries to accede to the ECOTA under this scenario.

8. In terms of trade creation, the third scenario has the least effect among all scenarios and with the creation of $551 million added trade, it is in the last (fourth) rank. Of course, this situation is somewhat different among the ECOTA members, and with the added trade creation of $320 million, it ranks second after the first scenario.

9. The third scenario is in the third place in terms of the extent of distribution of trade creation among countries. Among the ECOTA members, with the implementation of the third scenario, only Iran and Pakistan will create trade by

increasing their imports: Iran with $181 million and Pakistan with $139 million. Other countries will have virtually no positive role to play, because of including most tariff codes with rates above 10 percent on their negative lists. Among other ECO members, Azerbaijan with $226 million and Uzbekistan with a small amount of $5 million are involved in trade creation under this scenario, and other countries are absent from the scene.

10. In the last column of Table 37, the effect of the full implementation of the scenarios in terms of trade creation in each country and in the whole set of the ECO members, as well as separately for the ECOTA members and other ECO members is shown. As can be found out from the said figures, the full implementation of all scenarios (equivalent to the cumulative effect of the third scenario) would create about $4195 million in trade, of which $2495 million belongs to the ECOTA members and $1.7 trillion belongs to other ECO members if they join the ECOTA.

11. After the full implementation of the scenarios (scenario 3) in the ECOTA members, Afghanistan with $1050 and Iran with $808 million trade creation, with a large distance from other members, will play the main role in trade creation. Afghanistan and Iran will account for more than 42 and 32 percent of the total trade creation in the ECOTA members, respectively, implying that the two countries will account for about three-quarters of the total trade creation (increase in imports) during the implementation period of the ECOTA and will be its driving force.

12. Assuming the full implementation of the scenarios (scenario 3) in the ECOTA members, Turkey will made the least trade creation (increase in imports), with $144 million or a share of less than 6 percent. The next ranks in terms of the lowest share of participation and trade creation belong to Tajikistan and Pakistan with $223 and $270 million, respectively.

13. Assuming full implementation of the scenarios (scenario 3), among other ECO members, out of a total trade creation of $1,700 million, Uzbekistan will have the largest share of trade creation if it accede to the ECOTA, with $1,235 million and a share of about 73 percent. The next rank with $254 million belongs to Azerbaijan. Kyrgyzstan and Kazakhstan will have the lowest ranks in terms of trade creation, with $102 and $109 million, respectively.

14. Reflection on the cumulative effect of scenarios as shown in Table 37 indicates that the gradual and staged implementation of scenarios in a continuous manner can have significant consequences for trade expansion and increase in intra-group trade among the ECO members. Given the differences in trade and tariff structures of

members, although the trade creation effect of each scenario will have different implications for market access in each member, but in a gradual and forward-looking process, these differences will be relatively reduced for most members, and their contribution to the achievements of the implementation of the ECOTA Agreement will become more balanced.

Table 37: The value of trade creation in the positive lists by each scenario

ECO members	Trade creation value in each scenario (million $)						
	Current scenario	Scenario 1		Scenario 2		Scenario 3	
	Initial effect	Added effect	Cumulative effect	Added effect	Cumulative effect	Added effect	Cumulative effect
Panel A: Trade creation in the ECOTA members							
Afghanistan	0	1050	1050	0	1050	0	1050
Iran	167	377	544	83	627	181	808
Pakistan	3	123	126	5	131	139	270
Tajikistan	0	174	174	49	223	0	223
Turkey	0	88	88	56	144	0	144
Sub-total	**170**	**1812**	1982	**193**	2175	**320**	2495
Panel B: Trade creation in other ECO members							
Azerbaijan	**0**	15	15	13	28	226	254
Kazakhstan	**0**	79	79	30	109	0	109
Kyrgyzstan	**0**	66	66	36	102	0	102
Uzbekistan	**847**	0	847	383	1230	5	1235
Sub-total	**847**	**160**	1007	**462**	1469	**231**	1700
Total of the ECO	**1017**	**1972**	2989	**655**	3644	**551**	4195

Source: Research calculations and findings.

C. Evaluation of the scenarios based on the value of trade creation in the top twenty items of products exported by the ECOTA member countries to the world

Given that the value of trade creation in each scenario, at least in the short and medium terms, is greatly affected by the current pattern and structure of each ECO member's foreign trade, it is appropriate to assess the trade-creation effect of each scenario on the top twenty items of products exported by each member to the world. Accordingly, using reliable international statistics on foreign trade of the member countries of the ACOTA Agreement, the top twenty tariff lines of Afghanistan, Iran, Pakistan, Tajikistan and Turkey (current members of the ACOTA Agreement) with the highest value of exports to the world in 2018 were extracted at the level of six-digit HS codes and, taking into account all the previous assumptions, the trade-creation effect of each scenario on the mentioned items was calculated, the results of which are presented in Tables 38 to 42 below.

As can be seen from the tables, the trade-creation effect of each scenario on the top twenty items exported by each ECOTA member to the world varies according to the members' current foreign trade patterns and structures. The first scenario will have the largest net trade-creation effect on the ECOTA member countries, with the largest market access for Tajikistan's top twenty export products with about $338 million, of which more than $294 million will affect the Iranian market. Due to the self-expressiveness of the tables, further explanation of the results is avoided.

Table 38: Estimated trade-creation value for the top twenty items of Afghanistan's exports to the world in 2018 (in thousand US dollars)

Top 20 tariff lines with the highest export value to the world	Total ECOTA				Iran				Pakistan				Tajikistan				Turkey			
	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3
070200	0	381	381	381	0	0	0	0	0	381	381	381	0	0	0	0	0	0	0	0
071390	0	2382	2382	2382	0	0	0	0	0	2382	2382	2382	0	0	0	0	0	0	0	0
080211	9	9	9	9	0	0	0	0	9	9	9	9	0	0	0	0	0	0	0	0
080212	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
080250	0	612	612	612	0	0	0	0	0	612	612	612	0	0	0	0	0	0	0	0
080290	0	0	0	8	0	0	0	0	0	0	0	8	0	0	0	0	0	0	0	0
080420	0	2	2	2	0	0	0	0	0	0	0	0	0	2	2	2	0	0	0	0
080610	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
080620	0	0	5	5	0	0	0	0	0	0	0	0	0	0	5	5	0	0	0	0
080910	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
080930	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
081020	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
090930	0	30	30	30	0	0	0	0	0	28	28	28	0	2	2	2	0	0	0	0
091020	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
120740	0	84	17137	17137	0	0	17053	17053	0	0	0	0	0	0	0	0	0	84	84	84
120930	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
130219	0	0	18	18	0	0	18	18	0	0	0	0	0	0	0	0	0	0	0	0
180690	0	152	152	152	0	0	0	0	0	0	0	0	0	152	152	152	0	0	0	0
251622	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
570110	0	0	89	89	0	0	0	0	0	0	0	0	0	0	0	0	0	0	89	89
Total	**9**	**3,653**	**20,818**	**20,826**	**-**	**-**	**17,071**	**17,071**	**9**	**3,412**	**3,412**	**3,419**	**-**	**157**	**162**	**162**	**-**	**84**	**173**	**173**

Table 39: Estimated trade-creation value for the top twenty items of Iran's exports to the world in 2018 (in thousand US dollars)																				
Top 20 tariff lines with the highest export value to the world	**Total ECOTA**				**Afghanistan**				**Pakistan**				**Tajikistan**				**Turkey**			
	Current scenario	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Current scenario**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Current scenario**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Current scenario**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Current scenario**	**Scenario 1**	**Scenario 2**	**Scenario 3**
260111	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
270900	0	768	768	768	0	0	0	0	0	0	0	0	0	768	768	768	0	0	0	0
271000	0	30260	30260	109180	0	0	0	0	0	0	0	78920	0	26908	26908	26908	0	3353	3353	3353
271012	0	6819	6819	24604	0	0	0	0	0	0	0	17785	0	6064	6064	6064	0	756	756	756
271019	0	5114	5114	18453	0	0	0	0	0	0	0	13339	0	4548	4548	4548	0	567	567	567
271111	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
271112	0	23	23	23	0	0	0	0	0	0	0	0	0	0	0	0	0	23	23	23
271113	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
271119	0	85687	85687	85687	0	0	0	0	0	85687	85687	85687	0	0	0	0	0	0	0	0
271320	0	603	603	603	0	0	0	0	0	451	451	451	0	152	152	152	0	0	0	0
290129	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
290290	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
290511	0	7	2168	2168	0	0	0	0	0	7	7	7	0	0	0	0	0	0	2161	2161
290531	0	105	416	416	0	0	0	0	0	90	90	90	0	14	14	14	0	0	311	311
310210	0	495	4440	4440	0	0	0	0	0	0	0	0	0	495	495	495	0	0	3945	3945
390110	0	0	7275	7285	0	0	0	0	0	0	0	10	0	0	0	0	0	0	7275	7275
390120	0	11907	11907	11961	0	0	0	0	0	0	0	54	0	0	0	0	0	11907	11907	11907
720610	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
720711	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
890520	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**-**	**141,788**	**155,480**	**265,587**	**-**	**-**	**-**	**-**	**-**	**86,234**	**86,234**	**196,342**	**-**	**38,949**	**38,949**	**38,949**	**-**	**16,605**	**30,296**	**30,296**

Table 40: Estimated trade-creation value for the top twenty items of Pakistan's exports to the world in 2018 (in thousand US dollars)

Top 20 tariff lines with the highest export value to the world	Total ECOTA				Afghanistan				Iran				Tajikistan				Turkey			
	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3
100119	0	115	115	115	0	0	0	0	0	0	0	0	0	115	115	115	0	0	0	0
100630	6847	6986	6986	6986	0	0	0	0	6847	6847	6847	6847	0	139	139	139	0	0	0	0
170199	0	1555	1555	1555	0	0	0	0	0	0	0	0	0	1555	1555	1555	0	0	0	0
220710	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
270900	0	768	768	768	0	0	0	0	0	0	0	0	0	768	768	768	0	0	0	0
420310	0	6	7	7	0	0	0	0	0	0	0	0	0	0	1	1	0	6	6	6
520512	0	5522	5522	5522	0	0	0	0	0	0	0	0	0	0	0	0	0	5522	5522	5522
520812	2	2	2	2	0	0	0	0	2	2	2	2	0	0	0	0	0	0	0	0
520942	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
610590	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
610910	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
611090	0	0	36	36	0	0	0	0	0	0	0	0	0	0	36	36	0	0	0	0
620322	0	0	5	5	0	0	0	0	0	0	0	0	0	0	5	5	0	0	0	0
620342	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
630210	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
630231	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
630239	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
630260	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
630710	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
901890	0	251	292	292	0	237	237	237	0	0	42	42	0	13	13	13	0	0	0	0
Total	**6,849**	**15,205**	**15,289**	**15,289**	**-**	**237**	**237**	**237**	**6,849**	**6,849**	**6,891**	**6,891**	**-**	**2,591**	**2,633**	**2,633**	**-**	**5,528**	**5,528**	**5,528**

Table 41: Estimated trade-creation value for the top twenty items of Tajikistan's exports to the world in 2018 (in thousand US dollars)

Top 20 tariff lines with the highest export value to the world	Total ECOTA				Afghanistan				Iran				Pakistan				Turkey			
	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3
070310	0	2168	2168	2168	0	0	0	0	0	0	0	0	0	2168	2168	2168	0	0	0	0
080610	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
081310	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
252329	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
260300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
260700	0	82	82	82	0	0	0	0	0	70	70	70	0	12	12	12	0	0	0	0
260800	0	849	849	849	0	0	0	0	0	849	849	849	0	0	0	0	0	0	0	0
261710	0	53	53	53	0	0	0	0	0	53	53	53	0	0	0	0	0	0	0	0
271600	0	10711	10711	10711	0	0	0	0	0	0	0	0	0	10711	10711	10711	0	0	0	0
280540	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
282612	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
520100	0	295860	295860	295860	0	0	0	0	0	292199	292199	292199	0	3660	3660	3660	0	0	0	0
520512	0	5522	5522	5522	0	0	0	0	0	0	0	0	0	0	0	0	0	5522	5522	5522
520523	0	1639	1639	2477	0	0	0	0	0	0	0	838	0	0	0	0	0	1639	1639	1639
520524	0	390	390	572	0	0	0	0	0	0	0	131	0	0	0	51	0	390	390	390
620342	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
760110	0	21582	21582	21582	0	83	83	83	0	905	905	905	0	15	15	15	0	20579	20579	20579
811090	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
870323	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
871000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**-**	**338,856**	**338,856**	**339,876**	**-**	**83**	**83**	**83**	**-**	**294,077**	**294,077**	**295,046**	**-**	**16,566**	**16,566**	**16,617**	**-**	**28,130**	**28,130**	**28,130**

Table 42: Estimated trade-creation value for the top twenty items of Turkey's exports to the world in 2018 (in thousand US dollars)

Top 20 tariff lines with the highest export value to the world	Total ECOTA				Afghanistan				Iran				Pakistan				Tajikistan			
	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3	Current scenario	Scenario 1	Scenario 2	Scenario 3
271012	0	19707	21325	79126	0	0	0	0	0	0	1618	1618	0	0	0	57800	0	19707	19707	19707
271019	0	18191	19685	73039	0	0	0	0	0	0	1494	1494	0	0	0	53354	0	18191	18191	18191
570242	0	0	0	1795	0	0	0	0	0	0	0	0	0	0	0	1795	0	0	0	0
610910	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
610990	0	0	4	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	4
620462	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
710812	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
711319	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
721420	0	13864	13864	13864	0	0	0	0	0	0	0	0	0	0	0	0	0	13864	13864	13864
852872	9	25	25	25	0	0	0	0	9	9	9	9	0	0	0	0	0	16	16	16
854449	63	105	105	105	0	0	0	0	63	63	63	63	0	0	0	0	0	42	42	42
870210	36	6366	6366	6366	0	0	0	0	36	36	36	36	0	0	0	0	0	6330	6330	6330
870321	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
870322	0	40	40	40	0	0	0	0	0	0	0	0	0	0	0	0	0	40	40	40
870323	0	27	27	27	0	0	0	0	0	0	0	0	0	0	0	0	0	27	27	27
870331	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
870332	0	30	30	30	0	0	0	0	0	0	0	0	0	0	0	0	0	30	30	30
870340	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
870421	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
870899	0	16	16	31	0	0	0	0	0	0	0	15	0	0	0	0	0	16	16	16
Total	**108**	**58,371**	**61,488**	**174,452**	**-**	**-**	**-**	**-**	**108**	**108**	**3,220**	**3,235**	**0**	**0**	**0**	**112,950**	**-**	**58,263**	**58,267**	**58,267**

Source: Trade map and research calculations.

D) General evaluation of the results and recommendation on the proposed scenario

Given the diversity and multiplicity of factors affecting the market access commitments and concessions of each ECO member through the implementation of each scenario, in this section of the report, in order to make it easier to make a general evaluation of the scenarios based on the important factors affecting their market access implications, an attempt was made to compile the important and decisive factors as much as possible in a single table. These factors are as follows:

1. Tariff structures of members, which show the distribution of tariff codes of each member in different tariff bands and is a major factor determining the final form of commitments in each scenario.

2. The coverage of the negative list of each member in the different tariff bands, which will act as a deterrent and safe shield against the requirements and commitments of each scenario and keeps the hands of each member free in determining the selected goods from among the highest tariff rates and the most valuable commodities exchanged, provided that the list does not exceed 20 percent of the member's total tariff lines.

3. The coverage of the positive list of each member in the different tariff bands, which determines the definite and unavoidable commitments of each member in implementing the tariff reduction requirements of each scenario. Putting aside the 20 percent coverage of the negative list, the coverage of the positive list of each member is 80 percent of the tariff lines of that member, although its distribution in tariff bands varies according to the tariff structure of each country and can have completely different consequences for each member in respect of commitments and concessions.

4. The value of total and intra-group imports of each member, which shows the latest picture of the actual trade of members (2018). The distribution of each member's imports in different tariff bands has a direct effect on the actual level of concessions and commitments of each member under different scenarios. In addition, the combination of members' trade with other countries of the world (extra-group trade) in each tariff bands, can help us arrive at an approximate assessment of the trade-diversion effect of the implementation of the ECOTA Agreement and the possible shift of imports from the extra-group to intra-group trade.

5. The value of trade creation (increase in imports) resulting from the implementation of each scenario, which will be a direct function of the previous factors, namely the tariff structure, the real trade structure, and the negative and

positive lists of each member. As explained before, in this study, only the trade-creation effect has been calculated and due to the lack of access to the required data, the calculation of the trade-diversion effect has been omitted. Obviously, the overall effects of implementing each scenario can go far beyond what is shown in this study, because some of the inevitable effects of the implementation of the ECOTA Agreement due to the trade-diversion effect have been ignored, which of course will lead to increased intra-group trade among the ECO members.

The data and calculations about the above factors or components are presented in Table 43 below, and, due to the clarity of the results or findings, and in order to avoid lengthening the report, further explanation is omitted. In view of the results of this study, the different dimensions and aspects of the results of the implementation of each scenario, the considerations raised in sections A and B, and the key objectives of the ECOTA Agreement and the 2025 Vision, it can be concluded that although the implementation of all scenarios is necessary in the long run, and in order to achieve the objective of creating a free trade area, it is inevitable to implement all scenarios, which in effect complement each other, but considering the key objective of this study, which is to find possible solutions to overcome the existing impasse, it is necessary to prioritize different scenarios, taking into account the results concerning the differences and distinctions arising from the implementation of each scenario.

As shown in this study, since the main reason for the reluctance of some members to implement the Agreement is rooted in the unbalanced results of the implementation of the current (baseline) scenario according to the current provisions of Article 4 of the ECOTA, naturally and logically, the implementation of a scenario that will reduce this imbalance more effectively and more satisfactorily should be considered as a priority. Accordingly, and based on the results of the present study, the most desirable option to quickly meet this objective will be scenario 1, because it will adjust the imbalance of the current scenario with more speed and wider coverage, and therefore in this scenario, the probability of satisfaction of the members who are in a more unbalanced situation with the implementation of the current scenario, will be higher than other scenarios. In other words, as shown in the previous sections, due to the different tariff and trade structures of the ECO members, the implementation of scenario 1 along with the implementation of current scenario (baseline), compared to scenarios 2 and 3, will result in a greater relative balance between members' concessions and commitments.

Table 43: Comparative evaluation of scenarios

Countries and tariff bands	Number of tariff lines (6 digit)	Share of total tariff lines (%)	Number of negative list	Negative list coverage (%)	Positive list coverage (%)	Imports value in 2018 (million $)		Trade creation (million $)							
						Total imports from the ECO	Total imports from the world	Current Scenario	Scenario 1		Scenario 2		Scenario 3	
									Net	Total	Net	Total	Net	Total
Afghanistan	**5078**	**100.00**	**1016**	**20**	**80**	**4,259.50**	**7,407**	**0**	**1050.5**	**1050.5**	**0**	**1050.5**	**0**	**1050.5**
T=0	75	1.48	0	0	100	13.50	15	0		0	0	0	0	0
0<T≤5	3407	67.09	0	0	100	2,610.60	4,620	0	1050.5	1050.5	0	1050.5	0	1050.5
5<T≤10	1243	24.48	663	53	47	187.00	496	0	0	0	0	0	0	0
10<T≤15	26	0.51	26	100	0	3.40	5	0	0	0	0	0	0	0
T>15	327	6.44	327	100	0	416.00	539	0	0	0	0	0	0	0
Others						1,028.90	1,732	0		0	0	0	0	0
Azerbaijan	**5385**	**100.50**	**1077**	**20**	**80**	**2,322.00**	**11,460**	**0**	**14.5**	**14.5**	**13**	**27.5**	**226**	**253.3**
T=0	1670	31.17	0	0	100	598.40	2,808	0	0	0	0	0	0	0
0<T≤5	1042	19.45	0	0	100	254.80	2,584	0	14.5	14.5	0	14.5	0	14.5
5<T≤10	196	3.66	0	0	100	150.20	1,132	0	0	0	13	13	0	13

Countries and tariff bands	Number of tariff lines (6 digit)	Share of total tariff lines (%)	Number of negative list	Negative list coverage (%)	Positive list coverage (%)	Imports value in 2018 (million $)		Trade creation (million $)						
						Total imports from the ECO	Total imports from the world	Current Scenario	Scenario 1		Scenario 2		Scenario 3	
									Net	Total	Net	Total	Net	Total
10<T≤15	2408	44.94	1008	42	58	1,273.80	4,588	0	0	0	0	0	226	225.7
T>15	69	1.29	69	100	0	40.90	209	0	0	0	0	0	0	0
Others						3.90	141	0	0	0	0	0	0	0
Iran	**5386**	**100**	**1077**	**20**	**80**	**3,123.00**	**41,236**	**167**	**377**	**544.2**	**84**	**627.7**	**181**	**808.7**
T=0	0	0	0	0	100	-	-	0	0	0	0	0	0	0
0<T≤5	2024	37.58	0	0	100	1,014.80	12,052	0	377.2	377.2	0	377.2	0	377.2
5<T≤10	614	11.40	0	0	100	491.60	9,046	0	0	0	84	83.5	0	83.5
10<T≤15	482	8.95	0	0	100	488.50	6,591	0	0	0	0	0	0	181
T>15	2264	42.03	1077	47.57	52.43	1,064.90	10,792	167	0	167	0	167	0	167
Others						63.20	2,756	0	0	0	0	0	0	0

Countries and tariff bands	Number of tariff lines (6 digit)	Share of total tariff lines (%)	Number of negative list	Negative list coverage (%)	Positive list coverage (%)	Imports value in 2018 (million $)		Trade creation (million $)						
						Total imports from the ECO	Total imports from the world	Current Scenario	Scenario 1		Scenario 2		Scenario 3	
									Net	Total	Net	Total	Net	Total
Kazakhstan	**5387**	**100**	**1078**	**20**	**80**	**2,233.90**	**32,534**	**0**	**79.3**	**79.3**	**30**	**109.2**	**0**	**109.2**
T=0	695	12.90	0	0	100	499.90	6,675	0	0	0	0	0	0	0
0<T≤5	2424	45.00	0	0	100	1,014.50	14,154	0	79.3	79.3	0	79.3	0	79.3
5<T≤10	1539	28.57	349	23	77	438.90	7,868	0	0	0	30	29.9	0	29.9
10<T≤15	664	12.33	664	100	0	246.00	2,953	0	0	0	0	0	0	0
T>15	65	1.21	65	100	0	34.30	855	0	0	0	0	0	0	0
Others						0.40	28	0	0	0	0	0	0	0
Kyrgyzstan	**5387**	**100**	**1078**	**20**	**80**	**1,005.90**	**4,907**	**0**	**66.4**	**66.4**	**36**	**102.2**	**0**	**102.2**
T=0	723	13.42	0	0	100	57.70	716	0	0	0	0	0	0	0
0<T≤5	2288	42.47	0	0	100	398.20	2,087	0	66.4	66.4	0	66.4	0	66.4
5<T≤10	1524	28.29	226	15	85	350.90	1,305	0	0	0	36	35.8	0	35.8

Countries and tariff bands	Number of tariff lines (6 digit)	Share of total tariff lines (%)	Number of negative list	Negative list coverage (%)	Positive list coverage (%)	Imports value in 2018 (million $)		Trade creation (million $)						
						Total imports from the ECO	Total imports from the world	Current Scenario	Scenario 1		Scenario 2		Scenario 3	
									Net	Total	Net	Total	Net	Total
10<T≤15	666	12.36	666	100	0	109.90	546	0	0	0	0	0	0	0
T>15	186	3.45	186	100	0	88.80	249	0	0	0	0	0	0	0
Others						0.30	3	0	0	0	0	0	0	0
Pakistan	**5387**	**100**	**1078**	**20**	**80**	**1,273.90**	**60,391**	**2.8**	**123**	**125.7**	**5**	**130.5**	**139**	**269.3**
T=0	2	0.037	0	0	100	-	0	0	0	0	0	0	0	0
0<T≤5	2085	38.704	0	0	100	601.60	27,196	0	122.9	122.9	0	122.9	0	122.9
5<T≤10	108	2.005	0	0	100	70.30	5,333	0	0	0	5	4.8	0	4.8
10<T≤15	827	15.352	0	0	100	176.30	14,653	0	0	0	0	0	0	138.8
T>15	2365	43.902	1078	45.58	54.42	425.30	13,159	2.8	0	2.8	0	2.8	0	2.8
Others						0.50	50	0	0	0	0	0	0	0

Countries and tariff bands	Number of tariff lines (6 digit)	Share of total tariff lines (%)	Number of negative list	Negative list coverage (%)	Positive list coverage (%)	Imports value in 2018 (million $)		Trade creation (million $)						
						Total imports from the ECO	Total imports from the world	Current Scenario	Scenario 1		Scenario 2		Scenario 3	
									Net	Total	Net	Total	Net	Total
Tajikistan	**5051**	**100**	**1011**	**20**	**80**	**1,009.90**	**3,144**	**0**	**174**	**173.6**	**49**	**222.7**	**0**	**222.8**
T=0	228	4.51	0	0	100	195.20	261	0	0	0	0	0	0	0
0<T≤5	3000	59.39	0	0	100	655.70	2,353	0	173.6	173.6	0	173.6	0	173.6
5<T≤10	894	17.70	82	9	91	93.40	269	0	0	0	49	49.1	0	49.1
10<T≤15	890	17.62	890	100	0	63.60	247	0	0	0	0	0	0	0
T>15	39	0.77	39	100	0	2.00	13	0	0	0	0	0	0	0
Others						-	-	0	0	0	0	0	0	0
Turkey	**5387**	**100**	**1078**	**20**	**80**	**10,427.90**	**223,047**	**0**	**87.7**	**87.7**	**56**	**143.6**	**0**	**143.6**
T=0	1088	20.20	0	0	100	1,789.60	60,283	0	0	0	0	0	0	0
0<T≤5	1918	35.60	0	0	100	1,914.40	85,866	0	87.7	87.7	0	87.7	0	87.7
5<T≤10	1317	24.45	14	1	99	822.60	36,449	0	0	0	56	55.9	0	55.9
10<T≤15	301	5.59	301	100	0	125.80	5,184	0	0	0	0	0	0	0
T>15	763	14.16	763	100	0	131.30	10,259	0	0	0	0	0	0	0

Countries and tariff bands	Number of tariff lines (6 digit)	Share of total tariff lines (%)	Number of negative list	Negative list coverage (%)	Positive list coverage (%)	Imports value in 2018 (million $)		Trade creation (million $)						
						Total imports from the ECO	Total imports from the world	Current Scenario	Scenario 1		Scenario 2		Scenario 3	
									Net	Total	Net	Total	Net	Total
Others						5,644.20	25,005	0	0	0	0	0	0	0
Uzbekistan	**5205**	**100**	**1041**	**20**	**80**	**3,321.30**	**17,312**	**847.1**	0	**847.2**	**383**	**1229.9**	**5**	**1235.1**
T=0	403	7.743	0	0	100	430.40	3,983	0	0	0	0	0	0	0
0<T≤5	15	0.288	0	0	100	2.20	112	0	0	0	0	0.1	0	0.1
5<T≤10	1387	26.647	0	0	100	864.00	3,682	0	0	0	383	382.7	0	382.7
10<T≤15	12	0.231	0	0	100	28.90	142	0	0	0	0	0	0	5.2
T>15	3388	65.091	1041	30.73	69.27	1,995.70	9,345	847	0	847	0	847	0	847
Others						-	49	0	0	0	0	0	0	0
Grand total						**28,977.50**	**401,439**	**1016.9**	**1972**	**2989.1**	**655**	**3643.9**	**551**	**4194.6**

Source: Research calculations and findings.

4-7- (Output 1.3): Devising a step-by-step Roadmap of Implementation of ECOTA

Now, after presenting the proposed scenarios for tariff reductions and evaluating their results, it is necessary to determine the appropriate timing and the way to fulfill the commitments of members under each scenario. This is done by designing a roadmap for the step-by-step implementation of the ECOTA, offering a timetable for the implementation of tariff reductions for each ECO member (including current members of the ECOTA and other ECO members if acceded to the ECOTA) under proposed scenarios.

Article 4 of the ECOTA already sets out the timing and manner of implementation of the current (baseline) scenario. Pursuant to paragraph 4 of this Article, all Contracting Parties undertake to reduce their tariff rates above 15 percent to 15 percent within 8 years (15 years for Afghanistan). All goods that are traded between members at the time of the entry into force of the Agreement, with the exception of items listed in the negative list of each member, will included in the positive list. The positive list of goods should be gradually and proportionally expanded in 8 equal annual phases so that it covers at least 80 percent of the tariff lines. The reduction of positive list tariff rates should continue gradually until the maximum rate of 15 percent is reached and should not be less than 10 percent per annum.

Taking into account the assumptions mentioned for defining the negative lists of members (i.e. selecting the goods included in the negative list from among the highest tariff rates and with the highest trade value, respectively) and considering the tariff and trade structures of members, as shown in the previous sections, by moving tariff lines above 15 percent into the negative list, Afghanistan and some other members will have virtually no commitment to reduce tariff rates, because all their goods with tariff rates higher than 15 percent will be removed from the positive list. Therefore, the 15-year deadline for the implementation of tariff reductions for Afghanistan and the 8-year deadline for some other members will be irrelevant in practice. In fact, the 8-year deadline is relevant only for the three countries of Iran, Pakistan and Uzbekistan, which have in their positive lists, tariff reduction commitments under the current (baseline) scenario, and that deadline is irrelevant for the rest of the ECO members, since they will have no commitment to reduce their tariff rates under the current scenario.

In the three proposed scenarios of this study, each of which can be implemented at the same time as the current scenario, all members will have tariff reduction commitments, which will bring the level of commitments and concessions of members closer to the balance. The available options for selecting the modality of tariff reductions are introduced based on three approaches: conservative, moderate and ambitious:

Conservative approach: Scenario 1 + simultaneous implementation of current (baseline) scenario (according to Article 4 of the ECOTA)

Moderate approach: Scenario 2 + simultaneous implementation of current (baseline) scenario (according to the provisions of Article 4 of the ECOTA)

Ambitious approach: Scenario 3 + simultaneous implementation of current (baseline) scenario (according to the provisions of Article 4 of the ECOTA).

Therefore, considering the above options, we can assume that during the 8-year timeframe for the implementation of the current (baseline) scenario, each of the other selected scenarios (after the agreement of the members) will be implemented in parallel, so that all members will participate in tariff reduction commitments and reciprocal market access.

In this study, in view of the considerations described at the beginning of this section, especially focusing on the scenarios and modalities that require the least textual amendment to the ECOTA, the timeframe set out in the ECOTA Agreement for the full implementation of tariff reduction commitments (implementation of the current scenario + scenario 3) is considered a reasonable period of time that not only provides the necessary speed in implementing and achieving the objective of creating a free trade area within a reasonable time frame but also takes into account the considerations of members for the gradual implementation of their commitments in proportion to the coverage of their positive lists. Therefore, the modality of reducing tariffs in each scenario is considered in the following two forms:

A) Fixed time frame for all members (except Afghanistan)

B) Variable time frame for each member in proportion to the scope of the commitments covered by its positive list.

The above proposed modalities for scheduling the implementation of each scenario are presented below.

4-7-1- Modality of fulfilling the tariff reduction commitments with a fixed time frame

In the proposed modality for the implementation of tariff reduction commitments with a fixed time frame, along with the implementation of current scenario within an 8-years period, the time allotted to the implementation of each scenario is the same for all members (except Afghanistan). Also, the implementation period of each of the three proposed scenarios (scenarios 1, 2 and 3) is considered different according to the depth of the commitments covered by each of them based on a conservative, moderate or ambitious approach. To this end, and taking into account the objectives of the ECO Vision 2025, the implementation period is considered two years for the conservative approach (scenario 1), four years for the moderate approach (scenario 2), and eight years for the ambitious approach (scenario 3). In this modality, the full implementation of the third scenario has a full time overlap with the implementation of the current (baseline) scenario, and all member tariff reduction obligations will be fulfilled within a maximum of 8 years. How to implement and schedule the mentioned modality is presented in Table 44 below:

Table 44: Fixed time period modality

ECO member	Current scenario (baseline)		Scenario 1 (conservative)		Scenario 2 (moderate)		Scenario 3 (ambitious)	
	Coverage of tariff lines to be reduced to 15 excluding negative list (percentage)	Fixed time frame already determined for current scenario (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Fixed time frame (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Fixed time period (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Fixed time frame (years)
Afghanistan	0	15 (void)	67.09	4	78.59	8	78.59	8
Azerbaijan	0	8 (void)	19.45	2	23.11	4	49.17	8
Iran	22.03	8	37.58	2	48.71	4	57.66	8
Kazakhstan	0	8 (void)	45	2	67	4	67	8
Kyrgyzstan	0	8 (void)	42.47	2	66.5	4	66.5	8
Pakistan	23.89	8	38.71	2	40.71	4	56.06	8
Tajikistan	0	8 (void)	59.39	2	75.5	4	75.5	8
Turkey	0	8 (void)	35.60	2	59.8	4	59.8	8
Uzbekistan	45.08	8	0.3	2	26.94	4	27.17	8

Source: Research calculations and findings.

As can be seen from Table 44, although according to the provisions of Article 4 of the ECOTA, all members have 8 years to fulfill their current scenario commitments (reduction of tariff rates of more than 15% to 15%), but, in practice, considering that all tariffs over 15 percent of Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan and Turkey are covered by their negative lists (according to the methodology and assumptions already considered) and they have no tariff reduction commitments according to their positive lists, the 8-year period (15 years for Afghanistan) will be irrelevant to them.

In scenario 1, unlike current scenario, all members will be subject to tariff reduction commitments based on their positive lists (tariffs more than zero up to 5 percent), because the tariff structures of the members are such that none of the members can simultaneously include all the tariff reductions covered by current (baseline) and 1 scenarios in their negative lists, although the coverage of their lists is different from each other.

Given that the tariff lines covered by scenario 1 are, the lowest tariff rates (second band including tariff rates of more than zero up to 5 percent), members are reasonably less likely to have concerns about protecting domestic like products in fulfillment of their commitments, and as a result, its implementation will be easier and need a shorter period. Therefore, considering that the tariff rates of the products covered by scenario 1 are very close to the nuisance and low tariffs of the members, the estimated time for implementation is two years, divided into two equal phases. Given the level of development of Afghanistan and it's almost double time frame set in the current scenario (according to Article 4 of the ECOTA), the deadline for the implementation of scenario 1 commitments for this country is twice the deadline for other members, i.e. 4 years. On the other hand, considering the different levels of coverage of the positive lists of members in scenario 1 and current scenario, the simultaneous implementation of these two scenarios will bring the status of commitments and concessions of members closer to balance and at the same time, due to the wider coverage of goods by the scenario 1, expedite the realization of the target of the ECO Vision 2025 to double the volume of trade between the ECO member countries.

In scenario 2, which is a moderate scenario, the time required to fulfill the commitments of the positive lists of the members is 4 years, divided into 4 equal phases. This deadline is 8 years for Afghanistan. The time required to implement the second scenario is considered twice that of the scenario 1, given its more difficult implementation and the possible concerns of the members about protecting domestic like products.

In scenario 3, which is considered an ambitious scenario, the time required to fulfill the commitments of the positive lists of members is 8 years, divided into 8 equal phases. Due to the difficulty of fulfilling all the commitments of the scenario 3 and the more concerns of the members about protecting domestic like products, the timing of the implementation of scenario 3 commitments for all members is twice that of scenario 2. Given that the tariff structure of Afghanistan is such that the third scenario will not create any additional commitment for the country compared to the second scenario, its implementation does not require a longer deadline and therefore the implementation period for Afghanistan is similar to that of other members, i.e. 8 years. It should be noted that, due to the concurrence of the implementation of the third scenario with the current scenario during 8 years, the status of the Agreement in the final year of implementation of the commitments of all members (eighth year) will be very close to the condition of creating a free trade area, which is one of the important objectives of the ECO.

4-7-2- Modality of fulfilling the tariff reduction commitments with a variable time frame

Although setting a fixed and equal deadline for all members has the advantage of simplicity in implementation, but due to the different tariff structures of members and their different burden in fulfilling their obligations to reduce tariffs, a modality with a fixed and uniform time frame for all members is not commensurate with the scope of their commitments and is not balanced. This may be at odds with the key objective of this study to find ways out of the impasse in the implementation of the ECOTA, which essentially stems from the unbalanced commitments of members. Therefore, an attempt was made to design another modality, paying due attention to the said important point. Accordingly, the modality of reducing tariffs with a variable time frame was considered. This modality, while fully fulfilling the commitments of the members in each scenario, it also sets an implementation schedule in proportion to the scope and share of the tariff lines covered by the positive list of each member, thus reducing as much as possible the imbalance caused by the implementation of the current scenario. Hence, differences of commitments of the members are reflected in implementation modality and its timing so that members can fulfill their commitments in a more balanced way. The details of this modality and the time frame of the implementation of members' commitments in each scenario are specified in Table 45 below.

Table 45: Variable time period modality

ECO member	Current Scenario (baseline)		Scenario 1 (conservative)		Scenario 2 (moderate)		Scenario 3 (ambitious)	
	Coverage of tariff lines to be reduced to 15 excluding negative list (percentage)	Time period already determined for current scenario (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Time period with annual full reduction of 10 percent of tariff lines (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Time period with annual full reduction of 10 percent of tariff lines (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Time period with annual full reduction of 10 percent of tariff lines (years)
Afghanistan	0	15 (void)	67.09	7	78.59	8	78.59	8
Azerbaijan	0	8 (void)	19.45	2	23.11	3	49.17	5
Iran	22.03	8	37.58	4	48.71	5	57.66	6
Kazakhstan	0	8 (void)	45	5	67	7	67	7
Kyrgyzstan	0	8 (void)	42.47	5	66.5	7	66.5	7
Pakistan	23.89	8	38.71	4	40.71	5	56.06	6
Tajikistan	0	8 (void)	59.39	6	75.5	8	75.5	8
Turkey	0	8 (void)	35.60	4	59.8	6	59.8	6
Uzbekistan	45.08	8	0.3	1	26.94	3	27.17	3

Source: Research calculations and findings.

In this modality, while maintaining the time period of 8 years provided for in Article 4 of the Agreement on the implementation of the current scenario (baseline scenario), another identical criterion is considered to determine the annual level of the members' tariff reduction commitments. This criterion is based on the coverage of the tariff lines subject to tariff reduction commitments by the positive list of each member, so that at least 10 percent of the tariff lines subject to tariff reduction are reduced each year until the final rate of each scenario (zero rate) is reached. Accordingly, the timing of the implementation of tariff reductions of each member will be a function of its level of commitments and the coverage of its positive list in each scenario. For example, in scenario 1, if hypothetical country A have 50 percent of its tariff lines subject to tariff reduction commitments in its positive list, it needs a 5-year implementation period to fulfill its commitments evenly and annually in such a way that it covers 10 percent of its tariff lines every year. Obviously, for hypothetical country B, whose positive list covers, for example, 20 percent of its tariff lines, the period will be only 2 years (10 percent for the first year and another 10 percent for the second year). For ease of implementation, in determining the time required to implement each scenario in proportion to the share of tariffs subject to reduction of the total tariff lines covered by the positive list of each member, the figures above the border points are rounded up. For example, in scenario 2, although only 23 percent of Azerbaijan's tariffs are subject to reduction, but the time required for its implementation is considered 3 full years, not 2.3 years.

As can be seen, in this modality, the coverage of the positive list of each member (share of tariff lines subject to a reduction in each scenario of the total national tariff lines of each country) determines the time required to implement it. This period cannot be more than 8 years even with the widest coverage and the longest time frame, because once the coverage of tariffs subject to a reduction of each country reaches 80 percent of its national tariff lines, full implementation of tariff reduction commitments under each scenario has been achieved (taking into account the 20 percent share of tariff lines subject to the negative list) and the period of the fulfillment of commitments ends (100 = 80 + 20).

In this modality, countries that, due to their tariff structures, accept more liberalization commitments and tariff reductions, enjoy more flexibility in scheduling the implementation of commitments, and this plays an important role in balancing the relative commitments of members vis-a-vis each other. In effect, through this modality, not only a significant amount of trade liberalization will be achieved each year for each member, but also they will be given sufficient implementation time in proportion to the burden of their commitments. Obviously, this method is more consistent with the aim of balancing the concessions and commitments of the members and seems more equitable. Therefore, from among the two mentioned modalities, the second modality is more appropriate and is recommended in this study.

PART 3:

Determining all the necessary textual amendments to the ECOTA and drafting them, including:

- **Output 2: Draft an amendment to ECOTA in line with Article 38 of ECOTA:**
  - ✓ **Output 2.1: proposal for amending Article 4 of ECOTA**
  - ✓ **Output 2.2: Proposal for amending other articles of ECOTA**
  - ✓ **Output 2.3: Other Proposals for encouraging MSs to join ECOTA for its implementation**

- **Output 3: Preparing a draft MoU for immediate implementation and parallel amendment in ECOTA**
  - ✓ **Output: 3.1: Draft an MoU for selected items for trading among ECO Member States with an ambitious proposal for reduction in tariffs with on such items based on content and spirit of ECOTA**
  - ✓ **Output 3.2: Sort out the recommended Tariff Lines of commodities to have minimum tariff (preferably on the basis of Revealed Comparative Advantage to cover substantial trade) as specified in output 1 and 2**
  - ✓ **Output 3.3: Liaise with Technical Committee for Customs/Trade (of which the first meeting was held in 2018) for output 1.3 and 3.2 and get verified commodity lists with latest bound and applied tariffs on the specified commodities, recorded at customs border crossings points of ECO countries.**
  - ✓ **Output 3.4: Based on output 1.3, 2.1 to 2.3 and 3.1 to 3.3 prepare and submit a verified draft of MoU to the supervisor as specified in the TORs.**

Chapter 5- Determining all the necessary amendments to the text of the Agreement and drafting them

5-1- (Output 2): Draft an amendment to ECOTA in line with Article 38 of ECOTA

According to the pathology and studies conducted in previous sections of this report with its proposed scenarios for overcoming the current impasse and the modalities provided for the implementation of each of them, it seems that the Agreement cannot be advanced except through its amendment. Therefore, the proposed textual amendments to the ECOTA are provided below. These amendments are divided into two categories: a) necessary amendments to Article 4 of the ECOTA to implement each of the proposed scenarios and tariff reduction modalities, and b) other proposed amendments to other articles of the ECOTA to remove some ambiguities and improve the text of the Agreement. It should be noted that all the said amendments will be applicable within the framework provided for in Article 38 of the Agreement.

5-1-1 (Output 2.1): proposal for amending Article 4 of ECOTA

Considering the provisions of Article 4 of the ECOTA and the requirements of the proposed scenarios and the tariff reduction modalities, it will be necessary to amend Article 4.4 as follows. The proposed amendments to the following four subparagraphs may replace subparagraphs (a) to (d) of Article 4.4 of the ECOTA:

“a. All tariff lines a Contracting Party, except for those reflected in the negative list notified by that Contracting Party, constitute the positive list of that Contracting Party and comprise 80 percent of its total tariff lines.

b. The basis for the reduction of the tariff rates of a Contracting Party shall be its applied tariff rates at the time when this amendment enters into force, which shall be the base year.

c. Tariff lines included in the positive list of a Contracting Party which have rates above 15 percent in the base year, shall be reduced to 15 percent within 8 years in eight equal phases.

d. Tariff lines included in the positive list of a Contracting Party which have rates above zero up to 5 percent/up to 10 percent/up to 15 percent in the base year, shall be reduced to zero. A Contracting Party shall make tariff reductions of this subparagraph in such a way that by the time the rates of all the said tariff lines are zero, 10 percent of the total tariff lines of that Contracting Party shall be subject to a reduction of the tariff to zero.”

5-1-2 (Output 2.2): Proposal for amending other articles of ECOTA

As noted in the section on the evaluation of the ECOTA, given that the most important concerns of members are related to the method of implementation of tariff reductions, and other provisions of the ECOTA have not yet been significantly criticized by members, in this study, the proposed amendments to address other shortcomings of the Agreement are limited to a minimum and the issues that are not a priority for the members are not raised. Such an approach avoids prolonging the overall process of amending the Agreement and the approval thereof, and provides for the ECOTA being implemented as soon as possible. Accordingly, and in view of the pathology and explanations provided in the first part of this report on the textual evaluation of the ECOTA, the following minimum textual amendments are recommended for other ECOTA articles (other than Article 4):

1. *Proposed amendment to Article 8:* The following sentence is added to the end of this article:

"The provisions of Article 18 of this Agreement shall apply to subsidies."

2. *Proposed amendments to Article 18:* Considering the general provisions on the subsidies without focusing on export subsidies or asserting reciprocal action against subsidies, exclusion of agricultural products, existence of some verbal deficiencies and inadequate reference of this article to Article 21 of the ECOTA, following amendments to Article 18 are proposed:

- Paragraph 2 of Article 18 is replaced with the following paragraph: "The provisions of paragraph 1 shall apply only to export subsidies which cause material injury."

- Paragraph 3 of Article 18 is replaced with the following paragraph: "A Contracting Party may, in order to counteract the export subsidies of another Contracting Party which cause material injury to the domestic producers of the like products, take reciprocal measures in the form of countervailing duties up to a level equivalent to the said subsidy in accordance with the procedures referred to in Annex II."

- Paragraph 4 of Article 18 is replaced with the following paragraph: "Prior to the adoption of the provisions of paragraph 3 of this Article, the Contracting Parties shall conduct the necessary consultations in order to verify the existence of such export subsidies causing a material injury."

- Due to the inclusion of the necessary measures in paragraph 3, paragraph 5 is unnecessary and should be deleted.

3. *Proposed amendments to Article 21:* Subparagraph (b) of Article 21.2, which deals with the undefined concept of serious disturbance and makes reference to Article 24 with deadlines inconsistent with the provisions of this Article, should be deleted. Instead, the following sentence is added at the end of the article: "The global safeguards shall be applied in a non-discriminatory manner in accordance with the domestic laws and regulations of the Contracting Parties."

4. *Proposed amendment to Article 24:* In paragraph 2 of this Article, the reference to Article 20 (dumping) should be deleted because specific measures are foreseen in this respect.

5. *Proposed amendment to Article 25:* In paragraph 2 of this Article, the clause "based on agreed provisions approved by the Cooperation Council" should be deleted, because the initial adoption of measures, by its nature, may not be subject to agreement.

6. *Proposed amendment to Article 33:* In paragraph 2 of this Article, the last sentence should be deleted, as it seems to be an unnecessary obstacle to the Agreement.

5-2-(Output 2.3): Other Proposals for encouraging MSs to join ECOTA for its implementation

As described in the section on pathology of the ECOTA and the obstacles to its implementation, the most important and main obstacle to the implementation of the Agreement by its members is inequality and imbalance in the concessions and commitments related to tariff reduction according to Article 4 (current scenario), which due to different tariff and trade structures of members leads to completely different and unequal results in terms of members' new access to each other's markets. This also acts as a deterrent to members who have not yet acceded to the ECOTA, minimizing the potential benefits of joining the Agreement compared to the tariff reduction commitments. In fact, taking a top-down approach to tariff liberalization and focusing solely on tariff rates above 15 percent and overlooking tariff rates below 15 percent, which account for the bulk of intra-group and extra-group trade of members, is an important drawback which cannot be ignored, especially since the tariff structures of members in terms of the distribution of their tariffs in the upper and lower tariff bands are significantly different from each other.

Since the rationale for the proposed scenarios in this study is to reduce these imbalances and achieve a greater relative balance through the simultaneous adoption of a top-down approach (current scenario) and a bottom-up approach (scenarios 1, 2 and 3) to reduce tariffs, the implementation of these scenarios, and in particular the modalities designed for it, not only reduces the dissatisfaction of the current members of the ECOTA and encourages them to implement it, but can also attract the attention of other ECO members who have not yet acceded to the Agreement.

For this purpose, it is recommended to prioritize scenario 1 from among the proposed scenarios, because this scenario is more attractive to members outside the ECOTA. For example, in scenario 1, while Uzbekistan, upon joining the ECOTA, can benefit from the broad access that other members provide by reducing their tariffs from zero to 5 percent, this country will have almost no new commitments in this scenario, because the share of tariffs subject to the country's reduction commitments in scenario 1 is less than half a percent. However, in current scenario, Uzbekistan, with a 45 percent share of tariff lines above 15 percent, will have the highest tariff reduction commitments among all ECO members. Simultaneous implementation of current and 1 scenarios could greatly reduce this imbalance and provide an incentive for the country to join the ECOTA. In the case of Azerbaijan, scenario 1 can also be a more favorable scenario than other scenarios, because while it benefits from the implementation of the broad commitments of other members and their reduction of tariffs between zero and 5 percent, the extent of the tariff reduction commitment of the country in this scenario is about less than half of the commitments of other members.

It is also recommended that from among the two proposed modalities for the implementation of each scenario, the second modality, i.e. the modality with a variable time frame, is given priority, because in addition to reducing the imbalance of member commitments and concessions, it also gives more time to countries with heavier commitments to reduce tariffs. For example, the time frame of the implementation of tariff reduction commitments of scenario 1 for Kazakhstan and Kyrgyzstan is 5 years, which is longer than most of the current members of the ECOTA, although the accession of these two countries to the ECOTA seems difficult, but not possible based on some global experience, due to their accession to the Eurasian Economic Union and their difficulty in adjusting their tariff rates with other members.

5-3-(Output 3): Preparing a draft MoU for immediate implementation and parallel amendment in ECOTA

Considering the positions of the members regarding the implementation of the ECOTA, and considering the results of this study and the fundamental imbalance in the commitments and concessions of the members in the implementation of the ECOTA in its current form within the framework of Article 4, it seems very difficult to reach a consensus among members to implement the Agreement quickly without making parallel amendments. The failure of the members to reach an agreement on the implementation of their commitments, despite the passage of many years since obtaining the quorum required for the entry into force of the Agreement, is clear evidence of this. On the other hand, the implementation of the Agreement without amendment, due to lack of sufficient motivation of some members who benefit the most from the implementation of the Agreement in its current form (current scenario), can make the amending process very long and time-consuming. This could lead to new disputes between members and create new challenges and seriously jeopardize the key objectives of the ECO, especially the decision of the 13th Summit to double the volume of trade among the ECO members, according to the Vision 2025.

Therefore, if the members agree on the need to balance the commitments and concessions of the ECOTA through immediate amendments to the Agreement as a necessary precondition for the implementation of the commitments of the Agreement, due to the more balanced situation that the amendments will create, there will be sufficient incentive for all members to complete the amendments to the Agreement as soon as possible and implement it in the shortest possible time and this issue itself can be considered as the driving force for the progress of mentioned reforms with sufficient and reasonable speed (for example, within 6 months), realizing the immediate implementation of the Agreement. On the other hand, this approach will permanently put a much wider range of trade liberalizations and tariff reductions at the top of members' agenda, and a more promising picture of the realization of the targets of the Vision 2025 will be presented to the members. Therefore, the immediate implementation of the Agreement will depend on its prompt and minimal amendment. Accordingly, a draft Memorandum of Understanding amending the Agreement with an immediate amendment approach in order to implement the ECOTA as soon as possible is presented below.

5-4-(Output 3.1): Draft a MoU for selected items for trading among ECO Member States with an ambitious proposal for reduction in tariffs with on such items based on content and spirit of ECOTA

Memorandum of Understanding for Immediate Implementation and Parallel Amendment of the ECOTA

The ECO Members and Contracting Parties to the ECO Trade Agreement (ECOTA),

In view of the objectives set out in Article 2 of the ECOTA to the effect that the Agreement shall be based and applied on the principles of overall reciprocity and mutuality of advantages in such a way as to benefit equitably all Contracting Parties, taking into account their respective levels of economic and industrial development, the pattern of their external trade, trade and tariff policies;

Considering that the Agreement has not yet been implemented in practice, despite a long time that has elapsed since its conclusion and ratification;

Recognizing that in the conception of the Contracting Parties, the way in which the tariff reduction commitments have been set out in the current form of the provisions of Article 4 of the ECOTA entails a severe imbalance in the Members' commitments, which has become an important obstacle to reaching a consensus among the Contracting Parties on the implementation of the Agreement;

With the aim of helping to establish as much balance as possible in the tariff reduction commitments of the Contracting Parties and the way to fulfill them, taking into account the prospect of achieving a free trade area as well as increasing intra-regional trade and the number of Contracting Parties in accordance with the targets of the ECO Summit;

Hereby agree as follows:

1. Paragraph 4 of Article 4 of the Agreement, the amendment of which is necessary for the implementation of the Agreement, shall be amended as set forth in the Annex to this Memorandum.

2. The other articles of the Agreement shall be amended, in a limited manner and in the manner set out in the Annex to this Memorandum, in order to remove some deficiencies.

3. The Contracting Parties shall, as a matter of urgency and as soon as possible, within six months from the signing of this Memorandum at most, approve the amendment to the Agreement.

4. Those Contracting Parties which have the ratification of the Annexes to the Agreement on their agenda shall, at the same time, proceed with their ratification immediately.

5. The Secretariat shall, upon due notice, invite and encourage other members of the ECO to accept and ratify the Agreement in accordance with this amendment.

6. The Secretariat shall follow up and inform the progress of the members' approval process on a continuous and monthly basis.

7. The members that approve the amendment, shall submit their new schedules of concessions to the Secretariat in the 30-day period leading up to the implementation of the amendment in accordance with Article 38, in order to be notified to all members.

8. The Secretariat shall, in accordance with Article 38 of the Agreement, notify the entry into force of the Agreement after the approval of the amendment by five ECO members in accordance with the above paragraphs, and follow up any deficiencies in this regard so that the full implementation of the Agreement is possible before the beginning of 2022.

This Memorandum was signed by the following members on ….

Annex

1. Amendment to Article 4: Paragraph 4 of Article 4 of the Agreement shall be amended by replacing the following subparagraphs:

“a. All tariff lines a Contracting Party, except for those reflected in the negative list notified by that Contracting Party, constitute the positive list of that Contracting Party and comprise 80 percent of its total tariff lines.

b. The basis for the reduction of the tariff rates of a Contracting Party shall be its applied tariff rates at the time when this amendment enters into force, which shall be the base year.

c. Tariff lines included in the positive list of a Contracting Party which have rates above 15 percent in the base year, shall be reduced to 15 percent within 8 years in eight equal phases.

d. Tariff lines included in the positive list of a Contracting Party which have rates above zero up to 5 percent/up to 10 percent/up to 15 percent in the base year, shall be reduced to zero. A Contracting Party shall make tariff reductions of this subparagraph in such a way that by the time the rates of all the said tariff lines are zero, 10 percent of the total tariff lines of that Contracting Party shall be subject to a reduction of the tariff to zero.”

2. Amendment to Article 8: The following sentence shall be added to the end of this article:

“The provisions of Article 18 of this Agreement shall apply to subsidies.”

3. Amendments to Article 18:

- Paragraph 2 of Article 18 shall be replaced with the following paragraph: “The provisions of paragraph 1 shall apply only to export subsidies which cause material injury.”

- Paragraph 3 of Article 18 shall be replaced with the following paragraph: “A Contracting Party may, in order to counteract the export subsidies of another Contracting Party which cause material injury to the domestic producers of the like products, take reciprocal measures in the form of countervailing duties up to a level equivalent to the said subsidy in accordance with the procedures referred to in Annex II.”

- Paragraph 4 of Article 18 shall be replaced with the following paragraph: “Prior to the adoption of the provisions of paragraph 3 of this Article, the Contracting Parties shall conduct the necessary consultations in order to verify the existence of such export subsidies causing a material injury.”

- Paragraph 5 shall be deleted.

4. Amendments to Article 21:

- Paragraph 2(b) shall be deleted.

- The following sentence shall be added at the end of the article: “The global safeguards shall be applied in a non-discriminatory manner in accordance with the domestic laws and regulations of the Contracting Parties.”

5. Amendment to Article 24: In paragraph 2 of this Article, the reference to Article 20 (dumping) shall be deleted.

6. Amendment to Article 25: In paragraph 2 of this Article, the clause “based on agreed provisions approved by the Cooperation Council” should be deleted.

7. Amendment to Article 33: In paragraph 2 of this Article, the last sentence shall be deleted.

5-5-(Output 3.2): Sort out the recommended tariff lines of commodities to have minimum tariff (preferably on the basis of revealed comparative advantage to cover substantial trade) as specified in the previous sections of this report

As shown in the section on proposing tariff reduction scenarios, the tariff structures and the distribution of imports of the ECO members among different tariff bands are different from each other. In this section, using Table 34, the lowest tariff rates of the ECO members, which are covered by the second tariff band ($0<T\leq5$) except zero, are selected to find out the distribution of the goods with a revealed export competitive advantage of each country in the markets of other ECO members. The results are presented in Table 46.

Reflecting on Table 46 make it clear that in case of agreement among the members to collectively reduce the tariff rates between zero and 5, which except zero are in fact among the lowest tariffs in all countries, what the relative share of each country in creating better market access for other countries would be, given the export potential of each member based on its revealed export competitive advantage. In fact, this table provides an overall picture of each country in terms of the frequency of tariff lines with low rates in its tariff structure and the export potential of other members to enter into the market of each country, thereby helping the members to decide in this respect. Obviously, a significant number of low-rate tariff codes in trade between members can unleash the potential for significant trade expansion if those tariff rates are eliminated, helping the development of intra-group trade among the ECO members.

The implementation of the scenario 1, which was proposed in the previous sections, has such significant trade expansion effects that, if members agree to implement it, could be an important contribution to achieving the target of the ECO Vision 2025 to double the volume of intra-group trade among the ECO members.

Table 46: List of tariff lines with minimum tariff rates and with RCA>1 by each ECO member

Minimum tariff band in each ECO member	Number of products with RCA greater than 1 of partners in the positive lists of the ECO members										
	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan	ECO
Afghanistan											
0<T≤5		65	250	159	159	370	94	910	55	167	**2229**
Azerbaijan											
0<T≤5	13		73	47	42	120	36	300	9	37	**677**
Iran											
0<T≤5	19	31		103	84	104	45	260	31	63	**740**
Kazakhstan											
0<T≤5	38	50	214		121	241	67	607	35	132	**1505**
Kyrgyzstan											
0<T≤5	39	47	212	110		226	64	568	34	132	**1432**
Pakistan											
0<T≤5	26	38	146	116	101		63	300	28	96	**914**
Tajikistan											
0<T≤5	26	41	211	134	120	208		667	32	100	**1539**
Turkey											
0<T≤5	12	27	128	48	74	160	39		22	86	**596**
Uzbekistan											
0<T≤5	0	0	4	0	0	1	1	0	0		**6**
Total	**173**	**299**	**1238**	**717**	**701**	**1430**	**409**	**3612**	**246**	**813**	**9638**

Source: Trade Map, MacMap and research calculations.

5-6-(Output 3.3):Liaise with the Technical Committee for Customs/Trade (of which the first meeting was held in 2018) and get verified commodity lists with latest bound and applied tariffs on the specified commodities, recorded at customs border crossing points of the ECO countries

Due to the availability of tariff and trade statistics required for the period of this study through the International Trade Center, which is a credible international institution in trade analysis, on the one hand, and the difficulty of receiving countries' tariff data through the ECO Secretariat in view of the very short time allotted to this study on the other, the statistical data extracted through the International Trade Center have been the basis of this study and all calculations, analyses and scenarios have been based on these data. Furthermore, due to the different tariff codes of the ECO member countries from 6 to 12 digits, the national tariffs of the countries could not be used directly and it was necessary for all calculations and analyses to be done according to the international standard classification of tariff codes, i.e. six-digit codes, making the use of tariff data of the International Trade Center inevitable.

At the same time, the minutes of the first meeting of the Technical Committee for Customs/Trade of the ECO were requested and received from the ECO Secretariat, but there was no item related to this study there. The main issue of the meeting was the electronic exchange of data between the customs of the ECO member countries, which is related to the "trade facilitation." However, given that this issue is mentioned in another part of the study commissioned by the ECO Secretariat, the minutes and decisions of the Technical Committee for Customs/Trade can be used in that study.

5-7-(Output 3.4): Prepare and submit a verified draft of MoU to the supervisor

The draft Memorandum of Understanding required for the amendment of the ECOTA and its immediate implementation has previously been presented, and upon receipt of the ECO Secretariat's views and requested amendments, will be redrafted for submission to the members by the Specialist.

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