IN THE NAME OF GOD

Review of the Study on the Impediments to the Implementation of the ECO Trade Agreement and Measures to Resolve

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List of abbreviations and acronyms

ECO	Economic cooperation organization
ECO States	ECO member countries
ECOTA	Economic cooperation organization's trade agreement
ECOTA States	ECOTA signatory states
GATT	General agreement on tariff and trade
ITC	International trade center
MACMAP	Market access map
RCA	Revealed comparative advantage
WTO	World trade organization
UNCTAD	United nations conference on trade and development

Executive summary

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 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 with the world and its founding countries have not yet been able to significantly increase their intra-regional trade.

Despite initial high hopes that the ECOTA Agreement, which was concluded in 2003 and reached the required quorum for entry into force in 2008, would meet the ECO's long-term goals of expanding trade cooperation and intra-group trade, a long 21-year period has elapsed since its signing and members have failed to implement the terms of the Agreement, pointing to significant disagreements among the Contracting States on the modalities of the Agreement. However, in the declarations and reports of the meetings of the various bodies of the organization, including the ECO Summit, Ministerial Meetings, Regional Planning Council Meetings, and most important of ECOTA Cooperation Council- which is its main executive body, the members have regularly 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. In this regard, the 9th meeting of the ECOTA Cooperation Council endorsed the need to amend the agreement and tasked the Secretariat with updating the study conducted in 2020 entitled *"Study on Impediments in Implementation of the ECO's Trade Tools and Measures to Resolve"* and presenting proposed solutions and measures to review the latest situation and take appropriate decisions at the fifth meeting of the ECO Ministers of Commerce and Trade. The present study contains the updated results of the aforementioned study.

The results of the studies conducted showed that the ECOTA Agreement neglected the manner and method of establishing a balance in the privileges and benefits derived from it for all member states in proportion to their level of development, which is explicitly mentioned in the objectives section of the Agreement, and the mechanism envisaged in Article 4 of the Agreement regarding tariff reductions lacks the necessary features to achieve the aforementioned goal, which has led 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. In addition, 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 (Article 4).

Currently, 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 % within eight years. 19 % 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 % of national tariff lines can also be included in the sensitive list of each country, which will be exempt from all commitments of the ECOTA. According to the studies conducted, the difference in the tariff structure of ECO member states, which is presented in the table below, leads to the creation of two groups of countries based on the criteria of the ECOTA Agreement:

Distribution of cumulative share of ECO Members Tariff Lines in each Tariff Bands (Current applied rate in 2024)

No	Countries/Tariff Bands	T=0	T≤5	T≤10	T≤15	T≤25	T≤50	T≤+50[1]
1	**Afghanistan**	0.5	68.3	93.0	93.5	98.9	100.0	100.0
2	**I.R. Iran**	0.1	55.9	65.7	71.3	79.6	85.5	100.0
3	**Pakistan**	31.5	45.1	46.8	62.2	97.2	99.5	100.0
4	**Tajikistan**	10.3	40.1	80.5	92.9	99.4	99.9	100.0
5	**Turkey**	22.8	57.8	80.8	86.2	89.4	96.0	100.0
6	**Azerbaijan**	31.8	51.6	55.4	99.3	99.4	99.7	100.0
7	**Kazakhstan**	23.4	64.3	90.4	99.1	99.5	99.9	100.0
8	**Kyrgyzstan**	12.8	55.5	84.6	97.8	99.1	99.6	100.0
9	**Uzbekistan**	44.2	64.4	80.0	85.0	96.3	99.5	100.0

Source: ITC raw data, national trade data and research findings.

- The first category includes countries where the share of HS codes with a tariff rate of less than 15 % in their tariff structure is high. These countries are easily able to note all HS codes with a tariff rate greater than 15 % on their negative and sensitive lists according to the 80%-19%-1% rule and avoid providing any new market access for other members.
- The second category includes countries whose share of HS codes with a tariff rate greater than 15 % 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 greater than 15 % to their positive list and implement tariff reduction commitments without benefiting from similar reductions as other members.

As can be seen from the table above, based on the existing tariff structure of countries, according to Article 4 of ECOTA, only Iran and Pakistan will be required to reduce tariffs for items exceeding their 20% share of the negative list, and other members with 20% coverage of the negative list will be exempted from tariff reductions. This clearly shows the imbalance in the results of the implementation of Article 4 of the agreement, which itself has been the cause of its suspension.

Due to the different tariff and trade structures of ECO member states 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 benefits and commitments of Contracting States, 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 Parties.For this purpose, four scenarios for tariff reductions were considered. In addition to the base (or zero) scenario for reducing tariff rates above 15 % to 15 %, three other scenarios in three different tariff bands with rates equal to or less than 5, 10 and 15 % were also considered for reducing tariffs to zero percent. The effects of reducing tariff rates in each scenario were examined and evaluated by indices such as the "trade creation" index and the "revealed comparative advantage" index. The results of the surveys showed that:

- ❖ about 94.8 % 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 %, with a significant share. The value of intra-group imports of the ECO member countries at tariff rates in excess of 15% is $2.2 billion, which is only about 5.2% of members’ intra-group imports. The overall value of intra-group imports covered by the ECO members’ positive lists, with more than $34.2 billion, accounts for about 80 % of the total value of their intra-group imports and the value of imports at tariff rates less than

15% include approximately 99.2 % of imported items covered by the positive lists of the ECO member states. In total, only about 1.4% of the imports of the ECO member states covered by their positive lists are in tariff rates above 15%. This means that focusing on the exchange of tariff concessions in the second, third and fourth tariff bands (i.e., tariff rates above zero to 15 %) will lead to significant increase in intra-group trade among the ECO members.

- ❖ The baseline scenario would result in the least trade creation and at the same time the most unbalanced outcomes. By implementing the base scenario (the current scenario according to the current provisions of Article 4 of the ECOTA Agreement), the total trade creation for the ECOTA member states is relatively insignificant and amounts to $31 million. This is due to the inclusion of all or a significant portion of the tariff lines above 15 % 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 tariff rates less than 15 % on the other hand.
- ❖ With the implementation of scenario 1, almost all ECO members will enter the game and a new trade will be created in the amount of $10.4 billion (trade increase), of which $8.2 billion belongs to the ECOTA members and the remaining $2.2 billion belongs to other ECO members.
- ❖ Scenario 1 with $10.4 billion has the highest value of added trade creation and ranks first among all the scenarios. Scenario 2 with $1.8 billion and scenario 3 with $355 million added trade creation are in second and third place respectively .The current (base) scenario with $31 million added trade creation has the least effect.
- ❖ In terms of scope and number of members participating in creating extra trade, scenarios 1, 2 and 3 are in the highest rank each with 9, 8 and 4 member states respectively, while the current scenario is in the lowest rank with the participation of only one member state. Furthermore, from among the proposed scenarios 1 to 3, scenario 1 will make the largest increase in imports (trade creation) among the ECO members outside the ECOTA if they accede to this Agreement.
- ❖ In general, full implementation of all scenarios (equivalent to the cumulative effect of scenario 3) would create about $12.6 million in trade, of which $9.8 million belongs to the ECOTA members and less than $2.8 trillion belongs to other ECO members if they join the ECOTA.

Therefore, gradual and phased implementation of scenarios in a continuous manner can have significant consequences for trade expansion and increase in intra-group trade among the ECO members.

The tariff reduction modality in each of the scenarios was introduced in two ways: with a fixed time frame for all members (except Afghanistan) or with a variable time frame for each member, commensurate with the scope of commitments.

In the fixed-time-frame modality, one year is considered for the implementation of the conservative approach (scenario 1), four years for the implementation of the moderate approach (scenario 2), and eight years for the implementation of the ambitious approach (scenario 3). In this modality, the full implementation of the third scenario has complete time symmetry with the implementation of the zero (baseline) scenario, and all members' tariff reduction commitments will be realized within a maximum of 8 years. It should be noted that the simultaneous and parallel implementation of the third scenario with the zero scenario over 8 years will bring the status of the Agreement in the final year of implementation of the commitments of all members (the eighth year) to the status of creating a free trade area with a broad scope in which 80 percent of tariffs have been reduced to zero or to 15 percent.

In the variable time frame 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 % 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. 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 they will also 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 modality with a variable time frame, considering its strengths in balancing the level of members' commitments, is more appropriate and is recommended in this study.

In the final section of the third chapter, a proposed draft roadmap for amending the Agreement and appropriate negotiation strategies are presented, divided into two areas: negotiations to amend the articles of the Agreement and negotiations to determine the lists of goods subject to preferences. In the first area, the use of multilateral negotiations to amend the articles of the Agreement is necessary and inevitable, but in the second area, by following a formula approach to tariff reduction that will be included in the text of the amendment to the Agreement, entering into long and difficult bilateral and multilateral negotiations will be avoided, and thus the processes of amending the Agreement until its entry into force will be significantly accelerated.

Deviating from the formula approach and replacing it with a request-offer approach in the stage of determining product lists is not recommended at all due to the length of this process and its conflict with the objectives of ECO Vision and other relevant documents.

Finally, in the chapter 4 and its appendix, proposed textual amendments to the articles of the agreement are presented in accordance with the proposed scenarios.

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, such 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 maximization of efficiency of factors of production 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 several goals desired in terms of trade promotion as well as general economic development.

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 also 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 [2].

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.[3]

While at the time of the establishment of the World Trade Organization (1994) the total number of active trade agreements in the world was 38, today (as of January 29, 2025) it has increased to 373. The total number of ongoing trade agreements announced by members to the WTO Secretariat now stands at 615. According to statistics released by the WTO Secretariat, of the 373 trade agreements currently in force, 170 are in the field of trade in goods, 3 are in the trade in services, and 200 are in both trade in goods and services[4].

The Economic Cooperation Organization (ECO), one of the oldest regional trade arrangements in Asia and dating back to 1964, is one of the regional organizations established with a diverse mandate 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; however, transportation, energy and trade 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, it 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 one of the oldest regional organizations in the world.

At present, with a population of 550 million, an area of 8 million square kilometers[5], and nearly $ 1125 billion in world trade[6], of which only about 9% 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

2. World Trade Organization, World Trade Report 2011, The WTO and preferential trade agreements: From Co-existence to coherence, p. 64.
3. Ibid, pp. 13 and 132.
4. WTO, Regional Trade Agreements Information System (RTA-IS), Evolution of RTAs, 1948 – 2025.
5. https://eco.int/
6. based on calculation of this research

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 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 with the world 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 consistently been increasing their intra-regional exchanges and have become influential 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 members' trade relations by gradual reduction of tariffs and removal of non-tariff barriers, provide conditions for fair trade competition among 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 Türkiye, and ratified by their relevant national 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 21-year period has elapsed since its signing and members have failed to implement the terms of the Agreement, pointing to significant disagreements among the Contracting States on the modalities of the Agreement. However, in the declarations and reports of the meetings of the various bodies of the organization, including the ECO Summit, Ministerial Meetings, Regional Planning Council Meetings, and most important of ECOTA Cooperation Council- which is its main executive body, the members have regularly 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

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

structure of the Agreement, revising the liberalization methods, sector-specific liberalization, or any other arrangements.

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].

Based on the above decision, the ECO Secretariat commissioned a research study titled "Study on Impediments in Implementation of the ECO's Trade Tools and Measures to Resolve" to a group of trade experts through an economic research institute. This study was conducted in 2020-2021, and the present report is the result of the said study, which has been revised and updated after 4 years. According to the Secretariat, the report and the results of the said study were distributed and shared among the ECO members to get their opinions, but the opinions were received only from Afghanistan.[9] Although the received comments and the study report were re-circulated for information of ECOTA Parties and Member States, no additional comments have been received since then. The efforts to hold the 9th meeting of the ECOTA Cooperation Council failed, despite Pakistan's attempts to host this meeting in 2022 and 2023.

In 2024, a virtual consultative meeting was held on May 8, 2024, where the Secretariat explained the impasse on the implementation of the ECOTA, the state of intra-regional trade and the negative effects of the absence of a preferential trade regime in the ECO region and that currently trade between members is generally conducted at the general MFN tariff rates or in the framework of bilateral arrangements. Following the reappraisal of the current situation and taking into account the goals outlined in the ECO 2025 Vision document, which emphasizes the implementation and operationalization of the ECOTA as a main goal, the parties to the ECOTA agreed to revive the process and find a way out of the current impasse during the 9th ECOTA Cooperation Council meeting.

The virtual consultative meeting of May 8, 2024 also reminded the importance of other provisions of ECOTA, importantly the reduction of non-tariff barriers to trade, and the meeting concluded with an understanding that the Member States

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."

9 . The views of Afghanistan have been incorporated in the report as updated and circulated by the ECO Secretariat for other Member States' information on October 13, 2021.

should continue to cooperate regarding the reduction of technical barriers to trade through furthering transparency.

Subsequently, the 9th ECOTA Cooperation Council meeting was hosted by the Islamic Republic of Pakistan on July 30-31, 2024, in Islamabad, and the results of the research study and the possible liberalization scenarios were discussed in detail for the first time. In the end, the parties agreed as follows:

1. The ECOTA Contracting Parties will share their trade data with the Secretariat in digital format (excel sheets) containing the trade data for five years and tariff book with applied MFN rates for 2024 (HS-6), so that the previous study titled "Study on Impediments in Implementation of the ECO's Trade Tools and Measures to Resolve" conducted by the Secretariat in 2020 -2021 can be updated.[10]

2. The Secretariat will share the updated study report with the ECOTA Contracting Parties to receive their comments.

3. The Secretariat will prepare the draft Terms of Reference (ToRs) for the Technical Negotiation Committee as well as the draft Negotiation Strategy and Roadmap and share these outcomes with the ECOTA Contracting Parties as well as all ECO Member States to receive their comments.

4. Based on the comments received from the ECOTA Contracting Parties, the Secretariat will publish a report for consideration at the fifth ECO Commerce and Foreign Trade Ministerial Meeting, which the Republic of Türkiye has proposed to host on 25th June 2025, in Istanbul.

5. With the order of the fifth ECO Commerce and Foreign Trade Ministerial Meeting, the Technical Negotiation Committee (TNC) will start negotiations for the implementation of the ECOTA.

Based on the above decisions, the Secretariat initiated updating the previous study, and the current report is the result of the review and updating of the previous study.

Like the previous report, this report is organized and presented in three main sections as follows:

[10] . Among 5 ECOTA state members only the three countries, Iran, Pakistan, and Turkey, provided the ECO Secretariat with detailed information and statistical data on their trade with the world and ECO members for the period 2019-2023 and their current tariff data in 2024, which were used in this study. Tajikistan had only reported to the Secretariat the overall statistics of its trade with the world and ECO members during the period in question. The information required for other ECO members has been extracted and utilized from the International Trade Center's trade databases (trade map & Mac-Map).

1. Examining the research question of the current situation in view of the structure of the Agreement and the trade and tariff structure 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.

In Part I, which is exploratory 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 two chapters.[11] In Chapter 1, the structure of the ECOTA is made subject to an analytical 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 revised projection of access of each member to the markets of other member as well as the balance of their commitments and concessions. In this study, in addition to the current parties to the ECOTA, the condition of other ECO members and their potential gains from joining the Agreement is also examined and analyzed.

Part II, which includes Chapter 3, is dedicated to the proposed solutions to break the existing inertia. This is mainly done by using the analytical 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 commitments to reduce their tariffs. Based on this, various suitable scenarios are proposed for overcoming the current impasse 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 modalities and tariff reductions, are identified and introduced.

Pert III, which includes fourth and final chapter of the report, contains all the necessary textual amendments to the ECOTA in order to implement the solutions presented in Part II. These amendments are presented through drafting the articles

11. In the previous study, the first part of the report contained a third chapter entitled "Overview of non-tariff measures in the ECO foreign trade", which was removed from the current study due to its lower priority in Secretariat's opinion.

of the Agreement to be amended. Finally, a draft of amending protocol to the Agreement is presented.

PART 1:
Examination of the status quo and identification of the impediments to implementation of the ECOTA Agreement

Chapter 1 - An overview of the current situation and Structure of the ECO Trade Agreement

1-1- Introduction

The ECO Trade Agreement (ECOTA), which was signed in July 2003 by Afghanistan, Iran, Pakistan, Tajikistan and Türkiye 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 an analytical study of the provisions of the Agreement necessary in order to 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 made by 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 reports of the eighth and ninth meetings of the ECOTA Cooperation Council,[12] report of the 24th meeting of the ECO Council of Ministers,[13] Working Paper of the 30th meeting of the ECO Regional Planning Council,[14] and Working Paper on the ECOTA[15]. Taking into account the above-mentioned events, the latest status of the signing, approval and completion of the necessary procedures

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10. Adopted Reports on the 8th Meeting of ECOTA Cooperation Council, ECO Secretariat, Tehran, August 18-19, 2019 and the 9th ECOTA Cooperation Council Meeting, Islamabad, July 30-31, 2024.
11. 24th Meeting of the ECO Council of Ministers (COM) Report, November 9, 2019 Antalya, Republic of Türkiye, *ECO/24th COM/2019/*9th November 2019.
12. 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.
13. Working Paper on ECO Trade Agreement (ECOTA), prepared for 8th Meeting of ECOTA Cooperation Council.

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

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	Türkiye	(√)	(√)	(√)	(√)	(√)

* PL, NL and SL stand for positive list, negative list and sensitive list respectively.

As shown by the table above, Afghanistan, Iran, Pakistan and Türkiye have already ratified the text of the Agreement and its annexes with the approval of their relevant 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 (1 % of the total tariff lines of each country, which is exempted from most of the commitments of the Agreement), negative list (19 % of tariff lines exempted from tariff reductions) and positive list (80 % of the total tariff lines -less or more than 15 %- which are subject to the commitments), although these lists have not been publicized yet, according to the ECO Secretariat, Afghanistan, Pakistan and Türkiye have submitted their lists to the Secretariat. Tajikistan has provided only its sensitive list, and Iran has so far refused to publicize 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 commitments

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 1 % 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 % 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 % 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 (1 % of 6-digit tariff lines to the maximum) are excluded from Articles 3 to 10 of the Agreement, and sensitive goods will also 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) (please note that here only an assessment is mentioned, without an action plan), 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 to 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 among themselves 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 annexure, 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 annexure includes relatively some more 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 more than 21 years from the conclusion of the Agreement and despite its ratification by 5 member states (according to paragraph 1 of Article 39) and 9 meetings of the ECOTA Cooperation Council (according to Article 29), the Agreement has not been implemented yet. The reasons are as follows:

- Tajikistan has stated that the ratification process in that country requires the ratification of annexes to the Agreement that have not yet been ratified.
- Iran has not submitted its product lists, including the negative list, sensitive list, and positive list, and has made its submission conditional on information about the lists of other members.
- Tajikistan has only announced a list of sensitive goods and has refused to provide a negative and positive list.
- The members also have not reached consensus on implementation of the Agreement by a limited number of members (according to paragraph 2 of Article 39).

In addition, current Contracting Member States 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 eight 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 17 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.[16]

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16. 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 considered and evaluated 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 and 9th meetings 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 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 wide-ranging free trade agreements, including the ASEAN Free Trade Area (AFTA) and the South Asian Free Trade Area (SAFTA), are reviewed below.

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 Türkiye (out of a total of eight member states), are required to reduce their tariffs for 8 % of products 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 products with tariffs above 25 % will be reduced to 25 %, tariffs above 15 % to 15 %, and tariffs above 10 % to 10 % (Article 5 of the Agreement). The Agreement has been in force since August 2011.[17]

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.

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 achieved a zero-tariff rate in at least 80 % of their tariff lines. In this process, tariff reduction was planned and implemented in

17. http://developing8.org/areas-of-cooperation/supervisory-committee

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 products 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 0-5 % among the members, to be applied in two phases: reducing tariffs above 20 % to 20 % and reducing tariffs below 20 % to 0-5 % (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 %, and for the four new members, including Cambodia, Laos, Myanmar and Vietnam, more than 80 %. A minimum tariff rate of 0-5 % 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 commitments and imposed tariffs of 0-5 % 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 tariff

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 21 years from the signing of the Agreement, a review of the positions of the members in the nine 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 %, to observe the balance of concessions among the members.

Tajikistan criticized that the 15-year deadline set for Afghanistan to implement the tariff reduction commitments in the Agreement, compared to the 8-year deadline for other members, is inconsistent with the details of the implementation procedures of the Agreement --envisaging 8 equal stages per year-- and also is discriminatory as it is in conflict with the general 10-year period of the Agreement.

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, while others insist that the lists are nonnegotiable. 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)[18].

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 a number of textual shortcomings in the ECOTA:

- In addition to typographical errors in references to some articles of the Agreement[19], several instances of textual ambiguity or differences with international standards can be mentioned, some of which were mentioned in the section 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.
- Other drawbacks and shortcomings[20] of the text of the ECOTA are ambiguous references regarding subsidies and dumping[21] 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 some 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

[18] Please note that the publication of product lists is mandatory under Article 4.

[19] These items are mentioned in the review section of the agreement, while explaining Articles 4, 18, 20, 21, 24, 25, and 39.

[20] . The necessary amendments have been made with an approach of limiting changes to the minimum in the proposed amendment protocol.

[21] . Further explanation is provided in the explanation of Article 24 in the Agreement Review section.

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 may not be a priority for the members.

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.[22]

However, in terms of the scope and depth of trade liberalization, 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 be promoted from a preferential trade agreement with a limited scope to a free trade agreement through some limited amendments to tariff reduction methods.

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

Overall, 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. In addition, 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

[22] . Initially, the Eurasian Economic Union was also considered for study, but subsequent studies revealed that the Eurasian Economic Union, given that free trade was already established among its members and that the economic union was overseeing higher levels of coordination, was not a suitable basis for comparison with ECOTA, because the purpose of the comparison was to identify methods for gradually achieving free trade, and such gradualism has not been followed in the case of the Eurasian Economic Union. However, for higher levels of economic integration, especially in the field of reducing and eliminating non-tariff barriers and harmonizing trade procedures such as trade facilitation and customs coordination, examining the rules of this union could be beneficial, which is beyond the scope of the present study.

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 (Article 4).

Chapter 2- Analysis of trade structure and tariffs of the 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- Examining the position of the ECO in world trade

In 2023, the total trade of the ECO members with the world is $ 1124 billion, of which $ 496 billion (44.2%) is related to exports and $ 628 billion (55.8%) is related to imports. During the period 2018-2023, the ECO members' trade with the world grew by an average of 11.4 % per year, which was more than global trade growth (5.9%) during the period. Figure 1 shows the commodity trade trend of the ECO with the world from 2019 to 2023.

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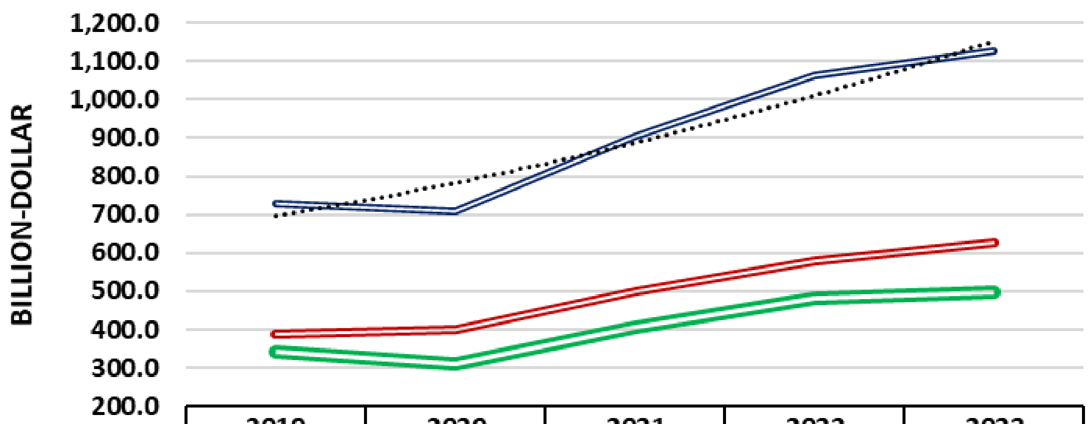
Figure 1: Total commodity trade of the ECO members

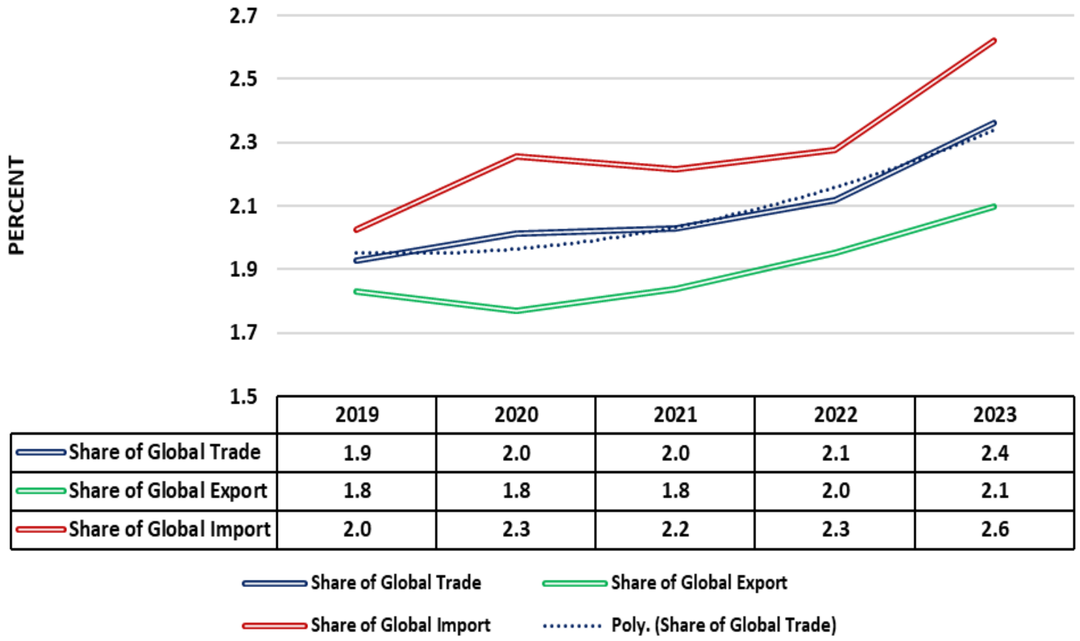


	2019	2020	2021	2022	2023
Export	343.8	309.4	407.0	482.4	496.8
Import	386.7	400.1	497.7	578.6	628.0
Trade	730.4	709.5	904.7	1,060.9	1,124.8

Source: ITC, https://www.trademap.org and based on national trade data for Iran, Pakistan, Tajikistan and Türkiye

It should be noted that, currently, only 2.4 % of the value of global trade belongs to the ECO members. However, the share of the ECO members in world trade has increased from 1.9 % in 2019 to 2.4 % in 2023. Figure 2 shows the trend of changes in the ECO share of world trade during the period 2019 to 2023.

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



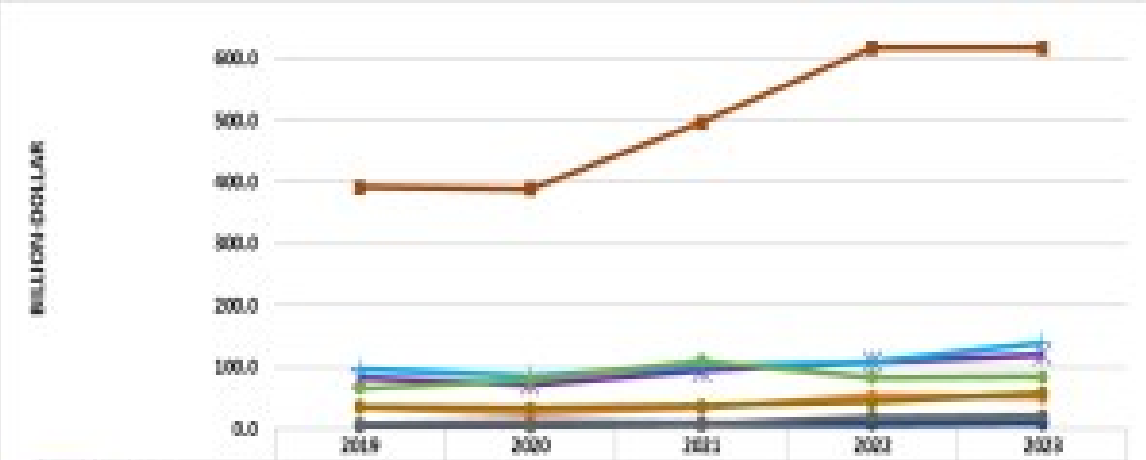
	2019	2020	2021	2022	2023
Share of Global Trade	1.9	2.0	2.0	2.1	2.4
Share of Global Export	1.8	1.8	1.8	2.0	2.1
Share of Global Import	2.0	2.3	2.2	2.3	2.6

Source: ITC, https://www.trademap.org and based on national trade data for Iran, Pakistan, Tajikistan and Türkiye.

More than 77 % of the ECO members' trade with the world belongs to three countries: Türkiye, Kazakhstan and Iran. During the period 2019-2023, Türkiye, Kazakhstan and Iran have the highest share of the ECO members' trade with the world with 55.5 %, 11.7 %, and 10.5 %, respectively. Among the ECO member countries, the highest rate of trade growth belongs to Turkmenistan (33%), followed by Kyrgyzstan (22.9%) and Tajikistan (16.6%). Despite the higher growth of these latter countries, which is due to the lower value of their trade with the world compared to Türkiye, Kazakhstan and Iran over the past five years, these three countries totally enjoy only 4 %of the ECO's trade with the world.

During the period 2019-2023, Türkiye with 53.4 %, Kazakhstan with 15.7 % and Iran with 11 % had the highest share in the export of the ECO members to the world, respectively. Also, Türkiye with about 57.3 % has the highest share of the import of the ECO members from the world, followed by Pakistan with 11.4 % and Iran with 10.1 %. Figure 3 shows the trends of the ECO members' trade with the world during the period 2019-2023.

Figure 3: Commodity trade trends of the ECO members with the world during the period 2019-2023



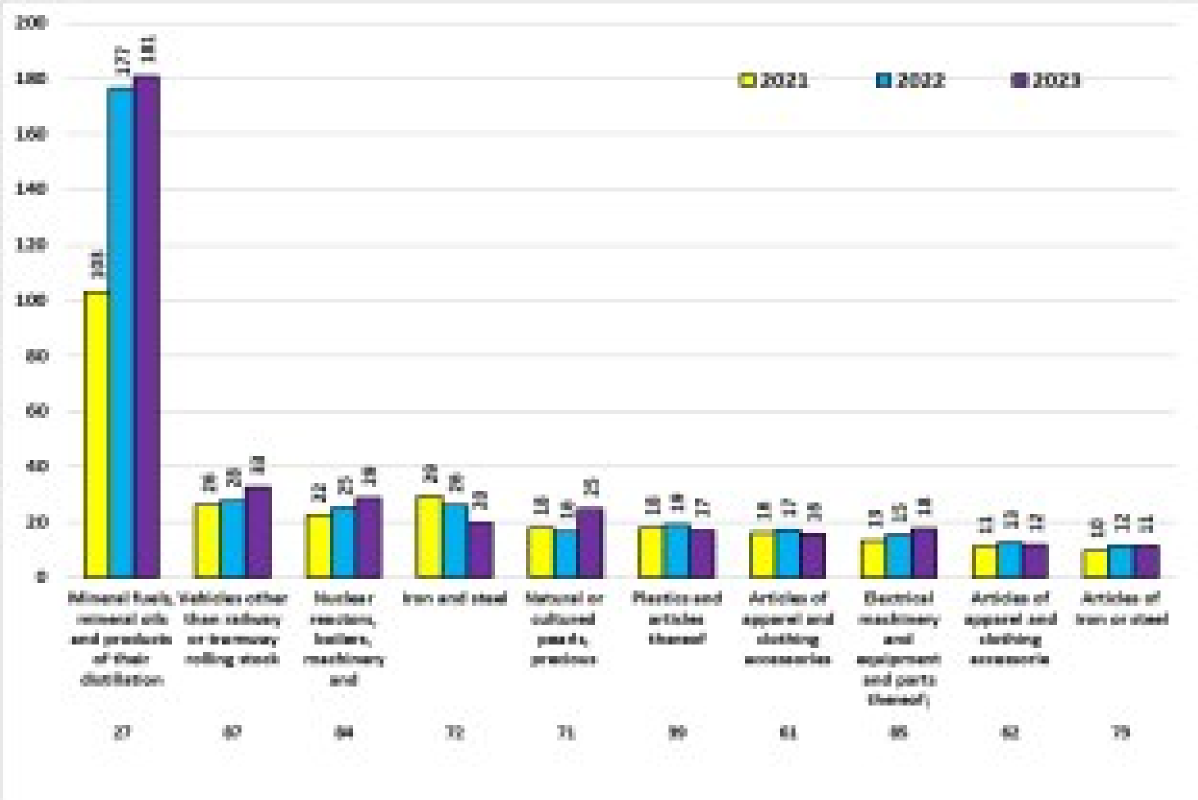
	2019	2020	2021	2022	2023
Afghanistan	7.6	10.6	9.3	9.2	10.4
Azerbaijan	33.5	24.5	33.9	52.7	51.2
Iran, Islamic Republic of	82.4	71.6	93.5	108.8	119.6
Kazakhstan	96.1	85.0	101.7	107.1	139.9
Kyrgyzstan	6.9	5.8	7.2	12.1	15.7
Pakistan	65.7	79.5	110.6	83.2	83.7
Tajikistan	4.5	4.6	6.4	7.5	8.5
Türkiye	391.2	389.1	496.6	612.9	617.6
Turkmenistan	6.6	5.9	7.7	18.2	20.6
Uzbekistan	36.2	33.1	37.8	48.6	57.7

Source: ITC, https://www.trademap.org and based on national trade data for Iran, Pakistan, Tajikistan and Türkiye.

2-1-2- Survey of major commercial commodity groups of the ECO region in the last three years (2021-2023)

Oil and oil products (code 27) account for about 33.2 % of the ECO members' exports; and Vehicles other than railway or tram vehicles and their parts and accessories (code 87) with 6.2 % and machinery and nuclear reactors (code 84) with 5.5 % are in the next ranks. Among the major commodity groups, exports of oil and oil products (code 27) had the highest growth with 32.6 %, and exports of iron and steel (code 72) decreased by 18 %. Figure 4 shows the value of major commodity groups exports of the ECO members during the three years 2021-2023.

Figure 4:Value of major export groups of the ECO countries during the period 2021-2023 (Billion Dollar)

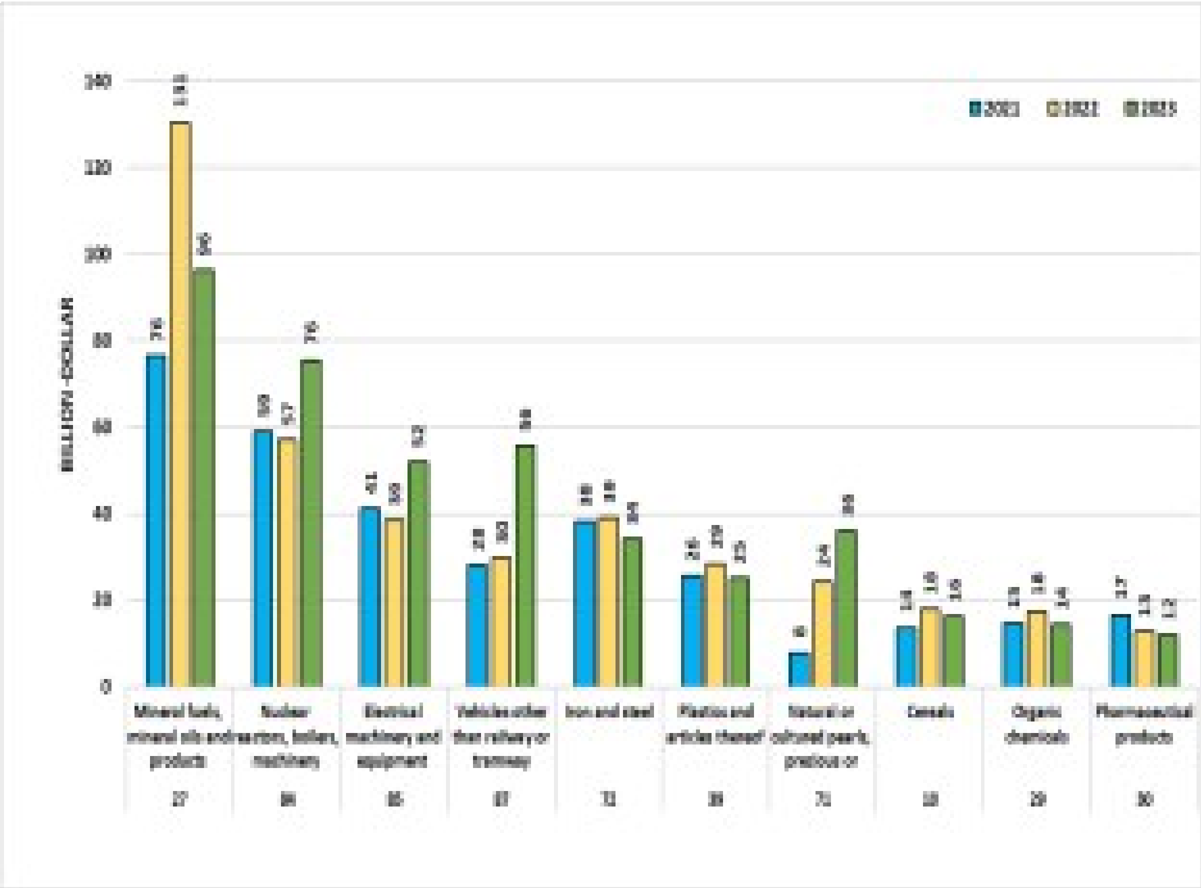


Source: ITC, https://www.trademap.org and based on national trade data for Iran, Pakistan, Tajikistan and Türkiye.

An examination of the major imports of the ECO members also shows that oil and petroleum products (code 27) with 17.8 % of the total imports of the ECO from the world, is the largest group of imported products of this economic bloc from the world. Machinery and mechanical devices (code 84) with 11.2 % and electrical machinery and equipment and their parts (code 85) with 7.7 % are coming next.

In imports, among the major commodity groups, precious or semi-precious stones, precious metals (code 71) with 112.1 % and then machinery and mechanical devices (code 84) with 41.1 % had the highest growth rates. In contrast, pharmaceutical products (code 30) with -15.8 % and iron and steel (code 72) with -5.3 % growth rates faced a decline in import demand. Figure 5 shows these changes.

Figure 5: Value of major groups of imported products of the ECO members during the period 2021-2023



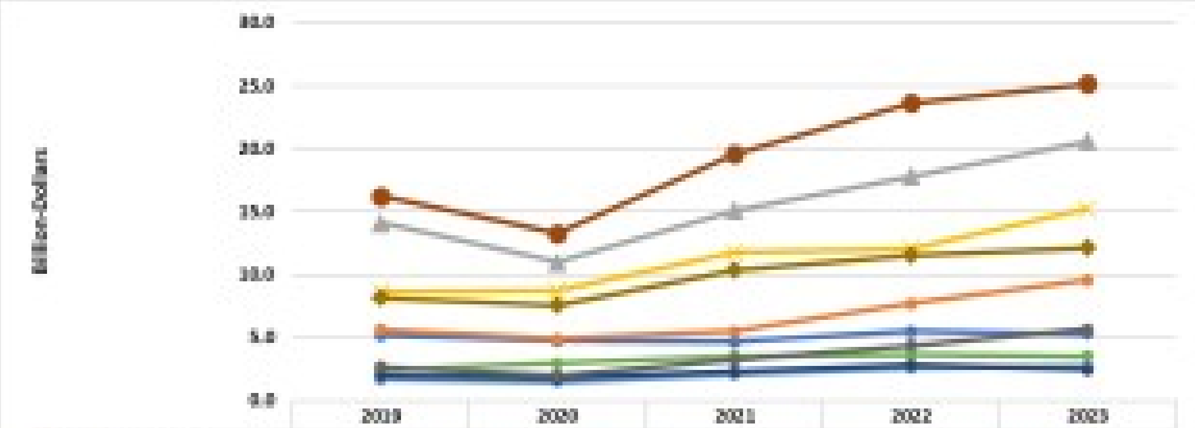
Source: ITC, https://www.trademap.org and based on national trade data for Iran, Pakistan, Tajikistan and Türkiye.

2-1-3- Intra-group trade

The total intra-group trade of the ECO members in 2023 was equivalent to 102.3 billion dollars. During the period 2019-2023, the value of the intra-group trade of the ECO members increased from $ 66.7 billion in 2019 with an average annual growth rate of 11.3 % to $ 102.3 billion in 2023.

The highest value of intra-group trade among the ECO members belongs to Türkiye, Iran, and Kazakhstan, with 24.6 %, 20.1 %, and 14.9 %, respectively. Figure 6 shows the intra-group trade value of the ECO members during the period 2019-2023.

Figure 6: Value of intra-group trade of the ECO members during the period 2019-2023

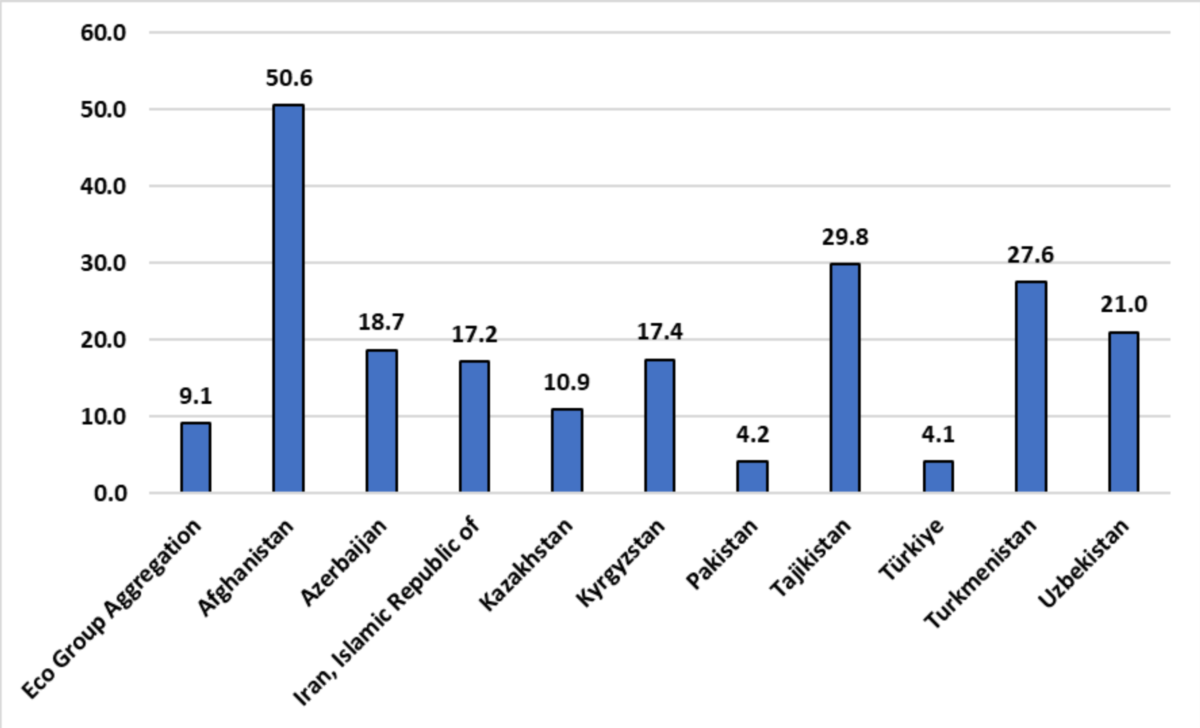


	2019	2020	2021	2022	2023
Afghanistan	5.2	4.7	4.7	5.5	5.3
Azerbaijan	5.6	4.9	5.5	7.7	9.6
Iran, Islamic Republic of	14.1	11.0	15.1	17.8	20.6
Kazakhstan	8.6	8.7	11.8	12.1	15.2
Kyrgyzstan	1.7	1.5	2.1	2.6	2.7
Pakistan	2.4	3.0	3.5	3.6	3.5
Tajikistan	2.0	1.8	2.3	2.8	2.5
Türkiye	16.2	13.3	19.6	23.6	25.2
Turkmenistan	2.7	2.0	3.2	4.4	5.7
Uzbekistan	8.1	7.6	10.4	11.5	12.1

Source: ITC, https://www.trademap.org and based on national trade data for Iran, Pakistan, Tajikistan and Türkiye**.**

Statistical studies show that in the last five years, only 8.8 % 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 2023 statistics, Afghanistan, Tajikistan, Turkmenistan and Uzbekistan have the highest share of intra-group trade, while Türkiye, Pakistan and Kazakhstan have the lowest share of intra-group trade, ranking first to third in terms of intra-group trade value (Figure 7).

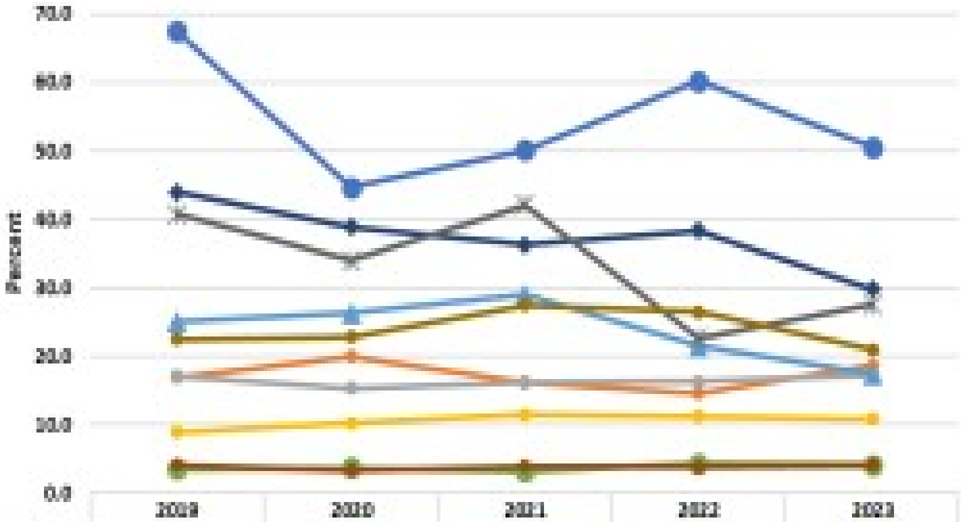
Figure 7: The share of intra-group trade of the ECO members in their total trade with the world in 2023



Source: ITC, https://www.trademap.org and based on national trade data for Iran, Pakistan, Tajikistan and Türkiye**.**

The share of intra-group trade has been rather stable and decreased from 9.13 % in 2019 to 9.10 % in 2023, indicating an average annual growth of -0.1 % over the last five years. Among the ECO member countries, the higher growth rates of intra-group trade concerned Kazakhstan (5%) and Pakistan (3.9%), and the lower growth rates of intra-group trade related Tajikistan (-9.2). Figure 8 shows these developments during the period 2019-2023.

Figure 8: The trend of changes in the share of intra-group trade of the ECO members during the period 2019-2023

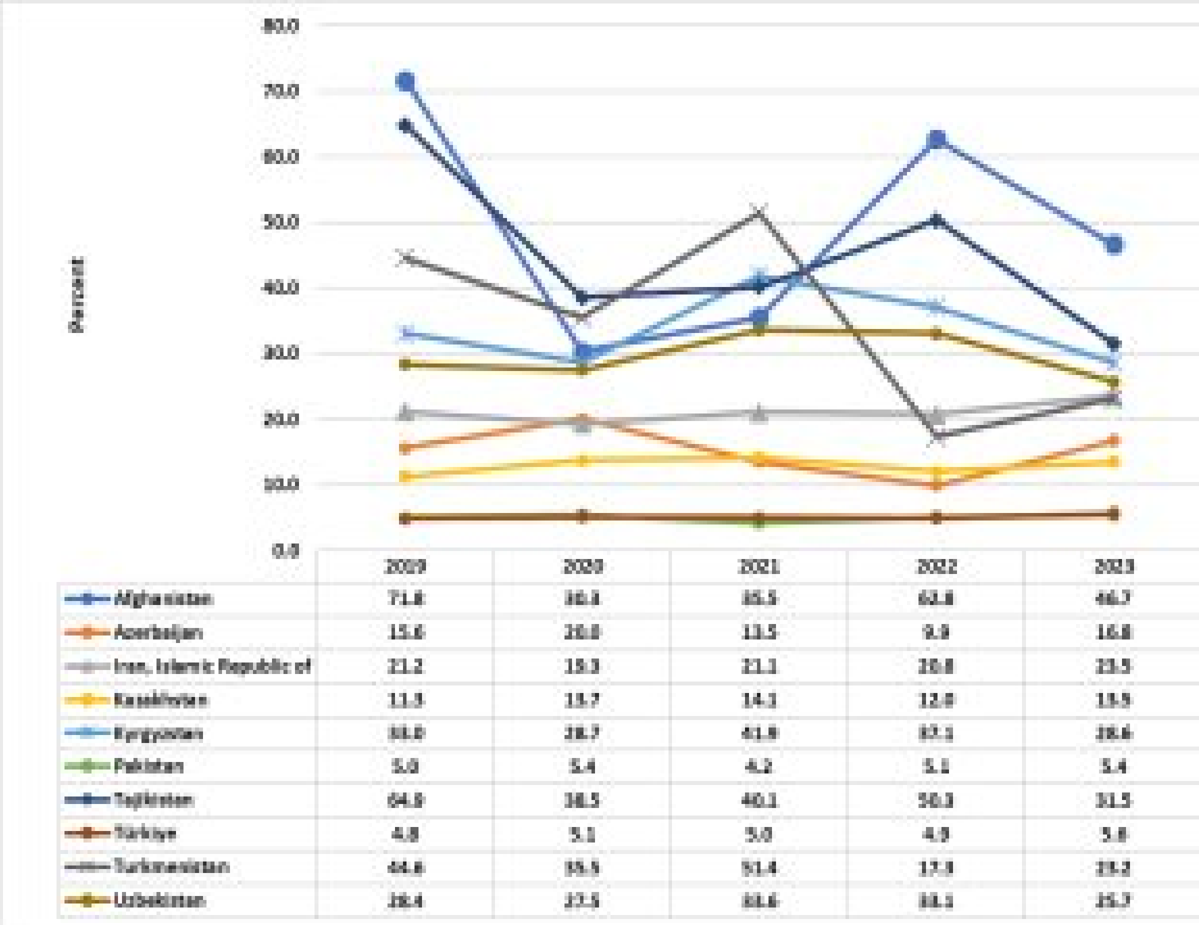


	2019	2020	2021	2022	2023
Afghanistan	67.4	44.7	50.1	60.2	50.6
Azerbaijan	17.0	20.0	16.2	14.7	18.7
Iran, Islamic Republic of	17.2	15.4	16.1	16.4	17.2
Kazakhstan	9.0	10.2	11.6	11.3	10.9
Kyrgyzstan	25.1	26.4	29.0	21.5	17.4
Pakistan	3.6	3.8	3.2	4.4	4.2
Tajikistan	43.9	38.9	36.3	38.4	29.8
Türkiye	4.1	3.4	3.9	3.8	4.1
Turkmenistan	40.8	34.0	42.1	22.7	27.6
Uzbekistan	22.5	22.8	27.5	26.5	21.0

Source: ITC, https://www.trademap.org and based on national trade data for Iran, Pakistan, Tajikistan and Türkiye**.**

Figure 9 shows the trend of intra-group export changes during the period 2019-2023. Kazakhstan (4.5%) and Türkiye (3.8%) experienced the higher intra-group export growth rates. While the share of intra-group exports of Kazakhstan, Türkiye, Iran and Azerbaijan has been increasing, the share of Tajikistan, Turkmenistan, Afghanistan, Kyrgyzstan and Uzbekistan has been declining.

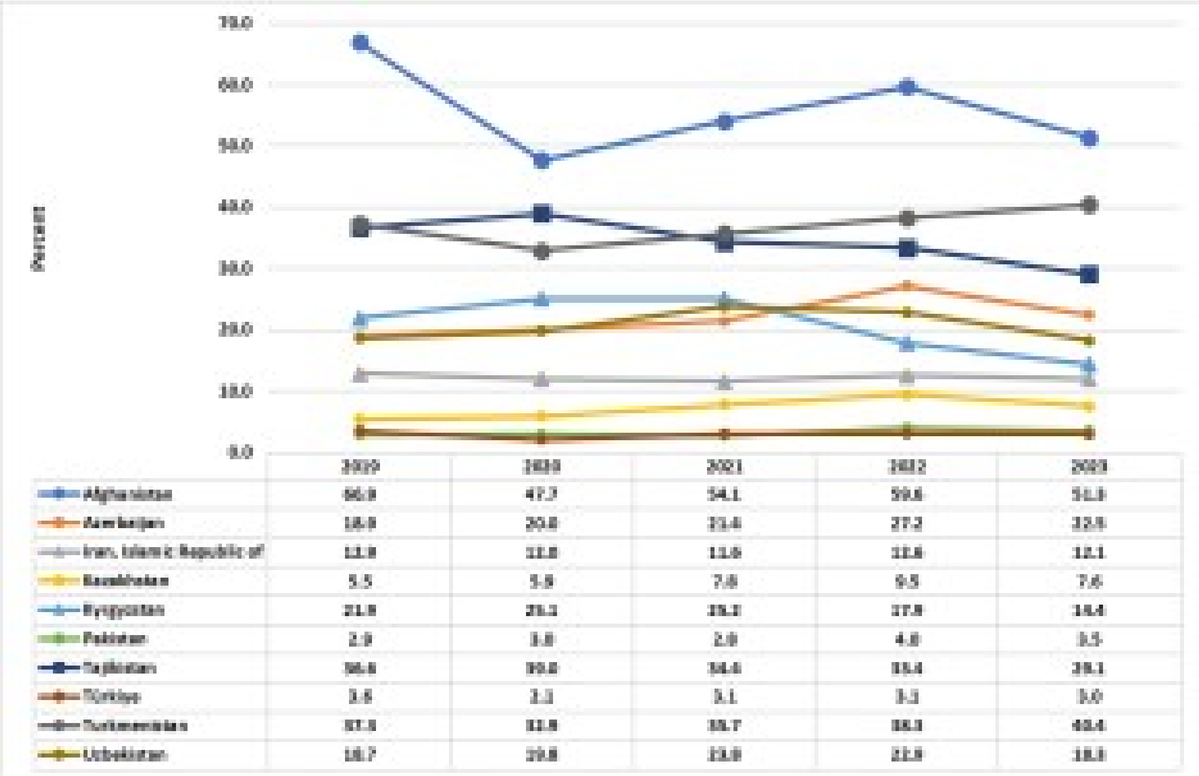
Figure 9: The changes in the share of exports within the ECO members during the period 2019-2023



Source: ITC, https://www.trademap.org and based on national trade data for Iran, Pakistan, Tajikistan and Türkiye**.**

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 2019-2023. Among the ECO members, the share of intra-group imports of Kazakhstan (8.4%), Pakistan (4.9%), Azerbaijan (4.4%) and Turkmenistan (2%) was increasing, while the share of intra-group imports of Kyrgyzstan, Afghanistan, Tajikistan, Türkiye, Iran and Uzbekistan was decreasing.

Figure 10: The changes in the share of intra-group imports of the ECO members during the period 2019-2023

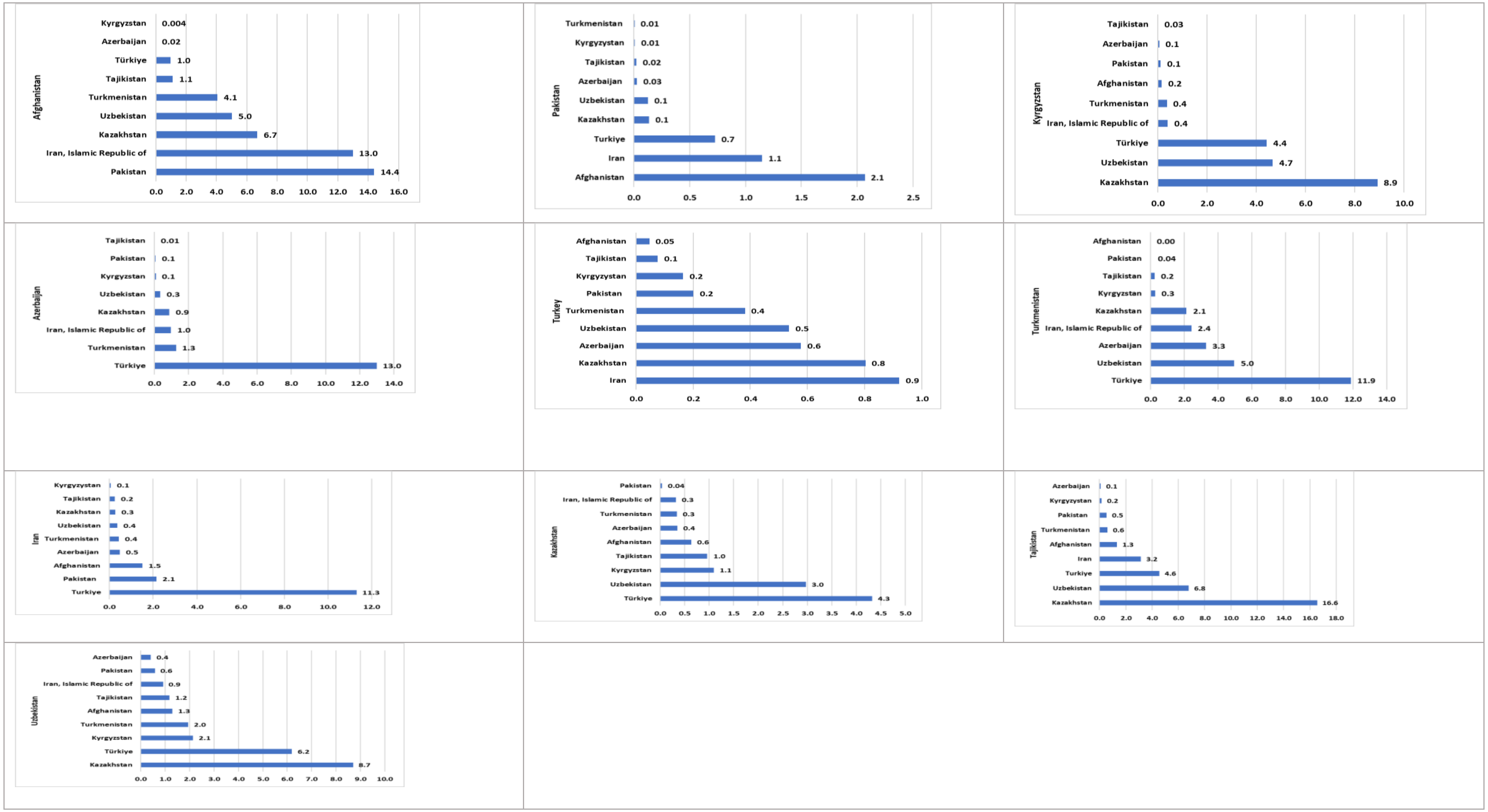


Source: ITC, https://www.trademap.org and based on national trade data for Iran, Pakistan, Tajikistan and Türkiye.

2-1-4 -Examining 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 Tajikistan and Kazakhstan. Tajikistan has the highest level of trade relations with Kazakhstan, Uzbekistan and Türkiye, respectively. Kazakhstan has the highest level of trade relations with Türkiye, Uzbekistan and Kyrgyzstan, respectively. Türkiye has the highest level of trade relations with Iran, Kazakhstan and Azerbaijan, respectively. Among the ECO members, Türkiye is the first trading partner for Iran, Azerbaijan, Kazakhstan and Turkmenistan. Pakistan and Afghanistan 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 2022-2023.

Figure 11: bilateral intra-group trade of ECO members (Average of 2022-2023) (%)



Source: ITC, https://www.trademap.org and based on national trade data for Iran, Pakistan, Tajikistan and Türkiye

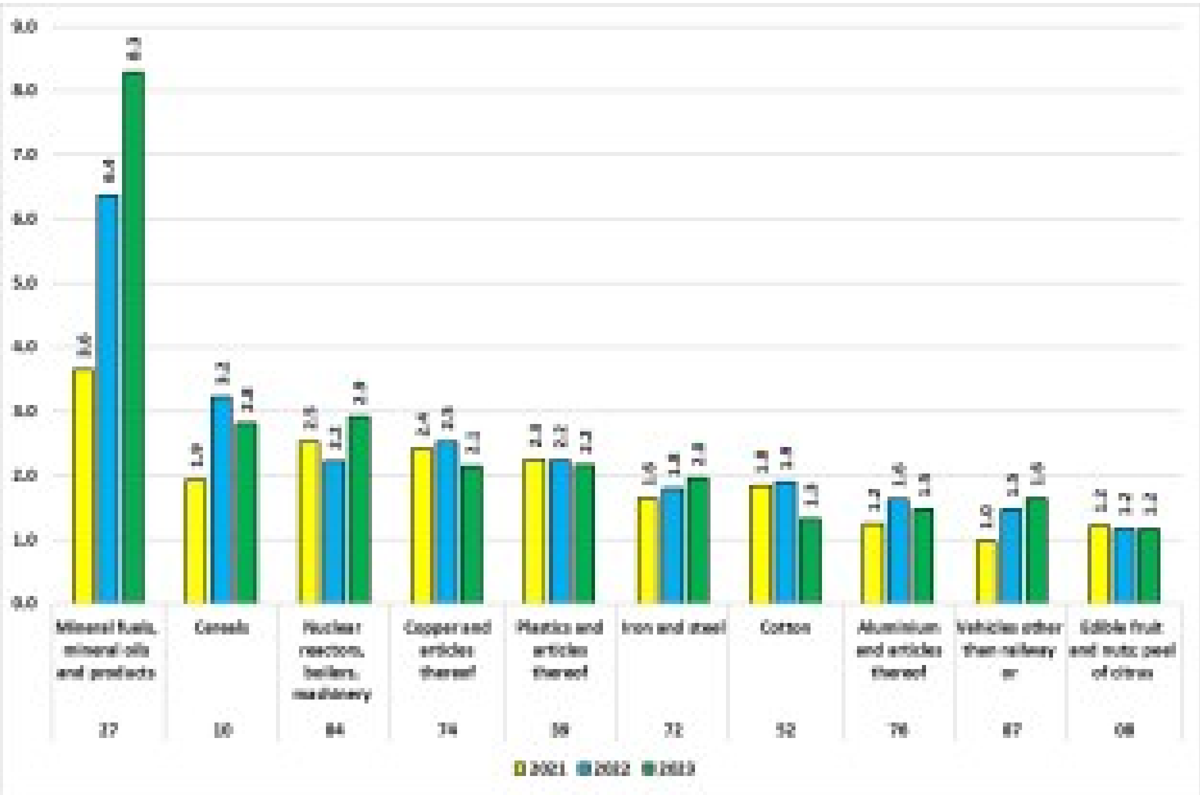
2-1-5- Major commodity groups in intra-group trade of the ECO members (2021-2023)

The study of major imported products shows that oil and petroleum products (code 27) with 14.6 % of intra-group imports of the ECO members are the main group of imported products. Cereals (code 10) with 6.4 % and machinery and mechanical devices (code 84) with 6.1 % are in the next ranks.

Among the major imported commodity groups, the intra-group imports of cotton (code 52), copper and articles thereof (code 74), plastics and articles thereof (code 39) and edible fruits (code 08) 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 50.1 %.

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 products in intra-group trade of the ECO members during the period 2021-2023 (Billion Dollar)



Source: ITC, https://www.trademap.org and based on national trade data for Iran, Pakistan, Tajikistan and Türkiye.

2-2- Examining the tariff structure of the ECO member countries

In order to study and analyze the tariff structure 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 Türkiye. 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 structure 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, Afghanistan and Pakistan are eight-digit codes, while they are ten-digit codes in Türkiye and twelve-digit codes in other countries. 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 tariff structure 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 Iran, Pakistan and Türkiye in 2024; Afghanistan in 2018; Azerbaijan, Kazakhstan and Kyrgyzstan in 2023; and Tajikistan and Uzbekistan in 2021 have been collected. Information for Iran, Pakistan and Türkiye was received from the ECO Secretariat and all information for other countries was downloaded from the International Trade Center-Market Access Map 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 products in the tariff schedules of countries, 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 15.5 %.

(2) Türkiye and Pakistan are in the second and third ranks with average tariff rates of 10.2 and 10.1 %, respectively.

(3) Afghanistan and Tajikistan have the lowest average tariff rates among ECOTA Contracting States. The maximum tariff rates are imposed by Tajikistan and Türkiye at 312% and 225%, respectively, which are for their sensitive products.

Comparison of applied tariff rates in the non-agricultural sector shows that Iran and Pakistan have applied the highest average tariff rates with 13.5 and 9.4 %, respectively. The average tariff rate in other countries is less than 10 % and the lowest rate is applied in Türkiye, which is equal to 3.9 %. The minimum tariff rates are zero for all countries in the non-agricultural sector as well as (except for Afghanistan with 1 %) in the agricultural sector.

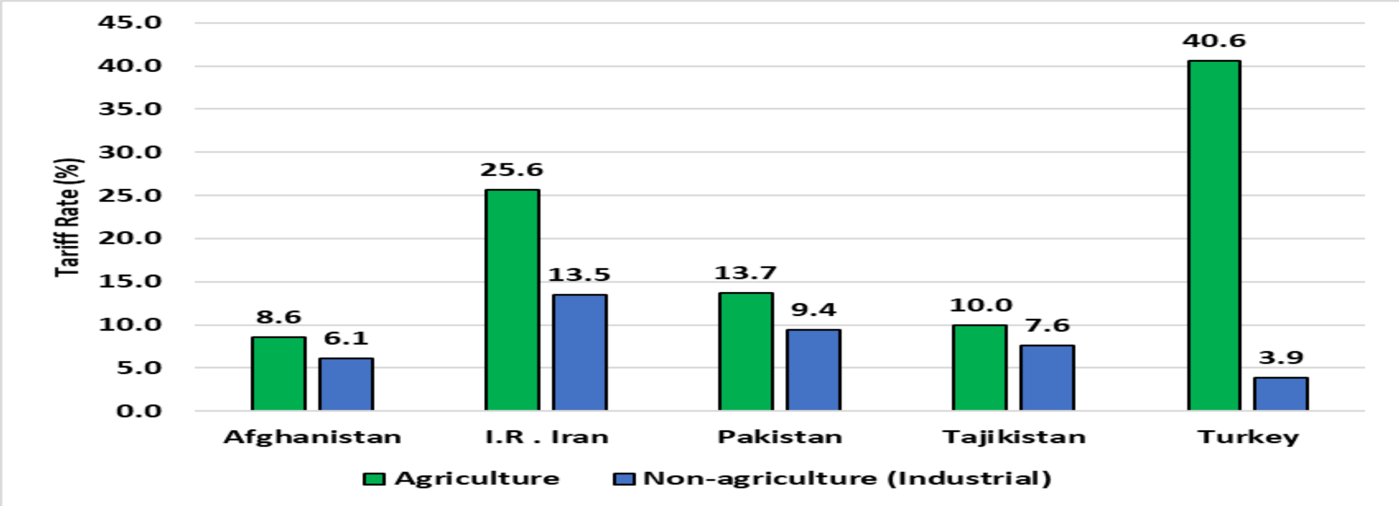
As shown in Figure 13, the average applied tariff rates by the ECO countries in the agricultural sector are much higher than the non-agricultural sector, indicating that these countries are more protective in this sector. Türkiye and Iran have the highest average tariff rates in the agricultural sector among the ECO member countries, with 41 and 26 %, respectively.

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

ECOTA Members	Total				Agriculture				Non-agriculture (Industrial)			
	National Tariff lines	Min	Ave	Max	National Tariff lines	Min	Ave	Max	National Tariff lines	Min	Ave	Max
Afghanistan	5471	0.0	6.5	50.0	923	1.0	8.6	40.0	4548	0.0	6.1	50.0
I.R. Iran	9037	0.0	15.5	175.0	1396	0.0	25.6	55.0	7641	0.0	13.5	175.0
Pakistan	7692	0.0	10.1	146.2	1093	0.0	13.7	146.2	6599	0.0	9.4	100.0
Tajikistan	11402	0.0	8.0	311.9	2869	0.0	10.0	311.9	8533	0.0	7.6	30.0
Türkiye	16006	0.0	10.2	225.0	3239	0.0	40.6	225.0	12767	0.0	3.9	40.0

Source: ITC raw data, national trade data and research findings.

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



Source: ITC raw data, national trade data and research findings.

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

In order to review and analyze the applied tariff rates of the countries, the tariff rates are classified into seven categories: zero tariff rate (T = 0), tariff rates greater than zero to 5 % (0 <T≤5), tariff rates greater than 5 % to 10 % (5<T≤10), tariff rates greater than 10 % to 15 % (10<T≤15), tariff rates greater than 15 % to 25 % (15<T≤25), tariff rates greater than 25 % to 50 % (25<T≤50), and tariff rates greater than 50 % (T> 50).

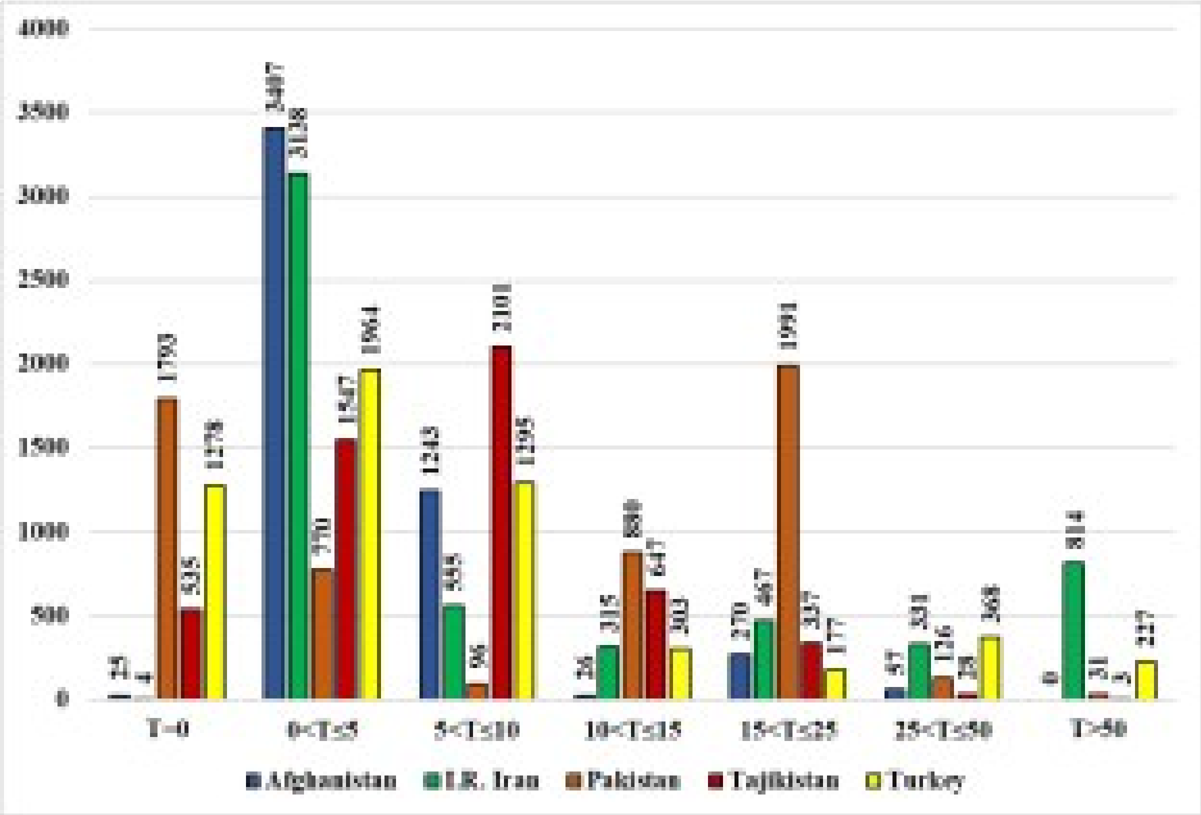
Table 2 shows the share of the number of six-digit HS codes in each tariff band of the total six-digit HS codes of each country. Figure 14 also shows the number of six-digit HS codes of the ECOTA member countries in each tariff band.

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	0.5	67.8	24.7	0.5	5.4	1.1	0.0
I.R. Iran	0.1	55.8	9.9	5.6	8.3	5.9	14.5
Pakistan	31.5	13.5	1.7	15.5	35.0	2.2	0.5
Tajikistan	10.3	29.8	40.4	12.4	6.5	0.5	0.1
Türkiye	22.8	35.0	23.1	5.4	3.2	6.6	4.0

Source: ITC raw data, ECO Secretariat and research findings.

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



Source: ITC raw data, and ECO Secretariat.

2-2-1-3- Examining 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 % of national tariff lines should be included in the positive list of products. The tariff rates for all lines on this list must be reduced to 15 % within eight years. Afghanistan can complete the liberalization process within 15 years.

2) Negative list: 19 % 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 them. However, negative list items are subject to other provisions of the ECOTA.

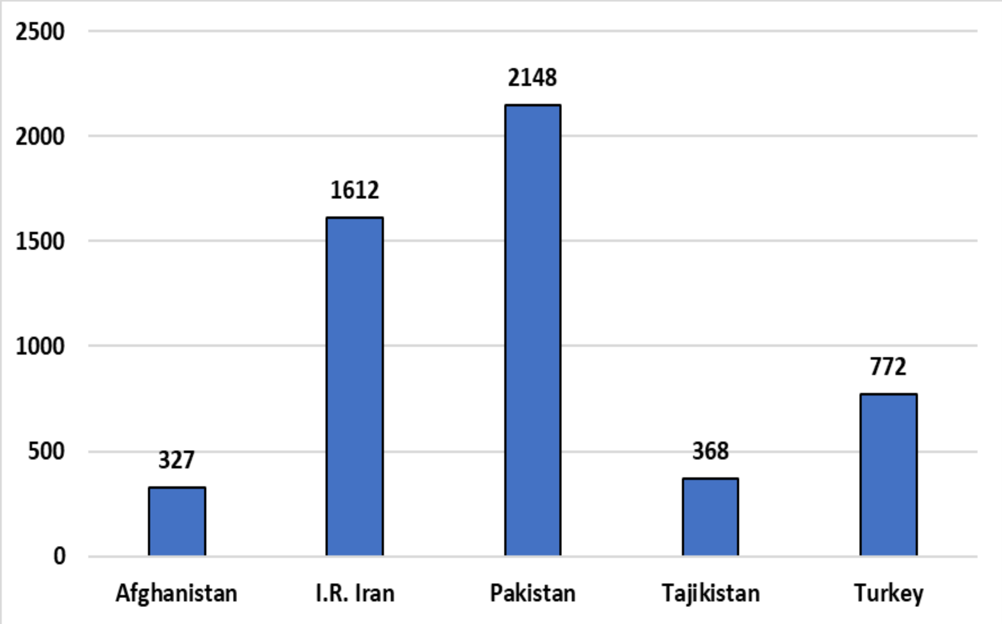
3) Sensitive list: 1 % of six-digit tariff lines in each country can enter the sensitive list. The tariff lines in this list will generally be exempted from all provisions of the ECOTA, including tariff reductions.

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 is not possible to check the positive, negative, and sensitive lists of countries based on their national tariff lines and this is 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 %, 19 % and 1 % 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 greater than 15 %. As we see, the tariff rates of 28.6 % (equivalent to 1612 six-digit HS codes) and 37.8 % (equivalent to 2148 six-digit HS codes) of the total six-digit tariff lines of Iran and Pakistan are greater than 15 %, respectively. In contrast, for Afghanistan, Tajikistan and Türkiye, the tariff rates of 6.5 % (equivalent to 327 six-digit HS codes), 7.1 % (equivalent to 368 six-digit HS codes), and 13.8 % (equivalent to 772 six-digit HS codes), respectively, are larger than 15 %. 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 Iran and Pakistan and their market access commitments are far greater than the other three members.

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



Source: ITC raw data, national trade 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 2017 version for Tajikistan, Afghanistan and Uzbekistan, and the 2022 version for Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan and Türkiye. 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 presents 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 Türkiye are 4499, 4550 and 4490 tariff lines, respectively, and these countries must reduce the tariff line rates on their positive list to a maximum of 15 % or less within eight years. Afghanistan and Tajikistan should add 4022 and 4158six-digit HS codes to their positive lists, respectively.

Regarding the negative list, from the total tariff lines, Türkiye, Iran and Pakistan can enter 1016, 1069 and 1081 six-digit HS codes, respectively, and Afghanistan and Tajikistan 955 and 988 six-digit HS codes, respectively, to the negative list, which are exempted from tariff reduction commitments. 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 rates.

Regarding the list of sensitive products, Afghanistan, Iran, Pakistan, Tajikistan and Türkiye are allowed to enter 50, 56, 57, 52 and 56 six-digit HS code, respectively, to the list of sensitive products, 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/Tariff Bands	Positive list	Negative list	Sensitive list
Afghanistan	4022	955	50
I.R. Iran	4499	1069	56
Pakistan	4550	1081	57
Tajikistan	4158	988	52
Türkiye	4490	1066	56

Source: ITC raw data, national trade data

In order to assess the level of tariff liberalization and market access commitments 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 % 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 4701 six-digit HS code in this country is less than 15 %, this country can complete a new positive list of 4022 rows without any tariff reduction. Accordingly, in Afghanistan, the number of tariff rates below 15 % is more than its positive list quotas and this country will not be required to implement any new tariff reduction commitments.

The same is true for Tajikistan and Türkiye. Tajikistan, for example, has to add 4158 six-digit HS codes to its positive list, while the tariff rates of 4830 tariff lines are currently less than 15 %, so it can easily complete its positive list with the same items, without any further commitment of tariff reduction. The same is true for Türkiye, which has to add 4490 six-digit HS codes to its positive list, while the tariffs for 4840 tariff lines in 2024 were less than 15 %, and therefore the tariff commitments of the ECOTA have been fulfilled, so there are no binding commitments to reduce tariffs.

Accordingly, out of the five ECOTA Contracting States, three countries, i.e., Afghanistan, Tajikistan and Türkiye, can unilaterally and voluntarily submit their positive list without any tariff reductions.[23]

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 4499 six-digit HS codes to its positive list, while tariff rates of only 4012 six-digit HS codes of this country are less than 15 %, and, as a result, Iran has to add 487 six-digit HS codes with tariff rates higher than 15 % to its positive list to reduce their tariff rates to 15 %.

Similarly, Pakistan should add 4550 six-digit HS codes to its positive list, while tariff rates of only 3539 six-digit HS codes in this country are less than 15 %. So, Pakistan has to add 1011 six-digit HS codes with tariff rates higher than 15 % to its positive list to reduce their tariff rates to 15 %.

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 %. As Figure 16 shows, the number of tariff lines with rates less than or equal to 15 % in Afghanistan, Tajikistan and Türkiye is far more than the number of their positive list items, indicating that they do not have to reduce tariffs. In contrast, Iran and Pakistan will face significant commitments for tariff reductions.

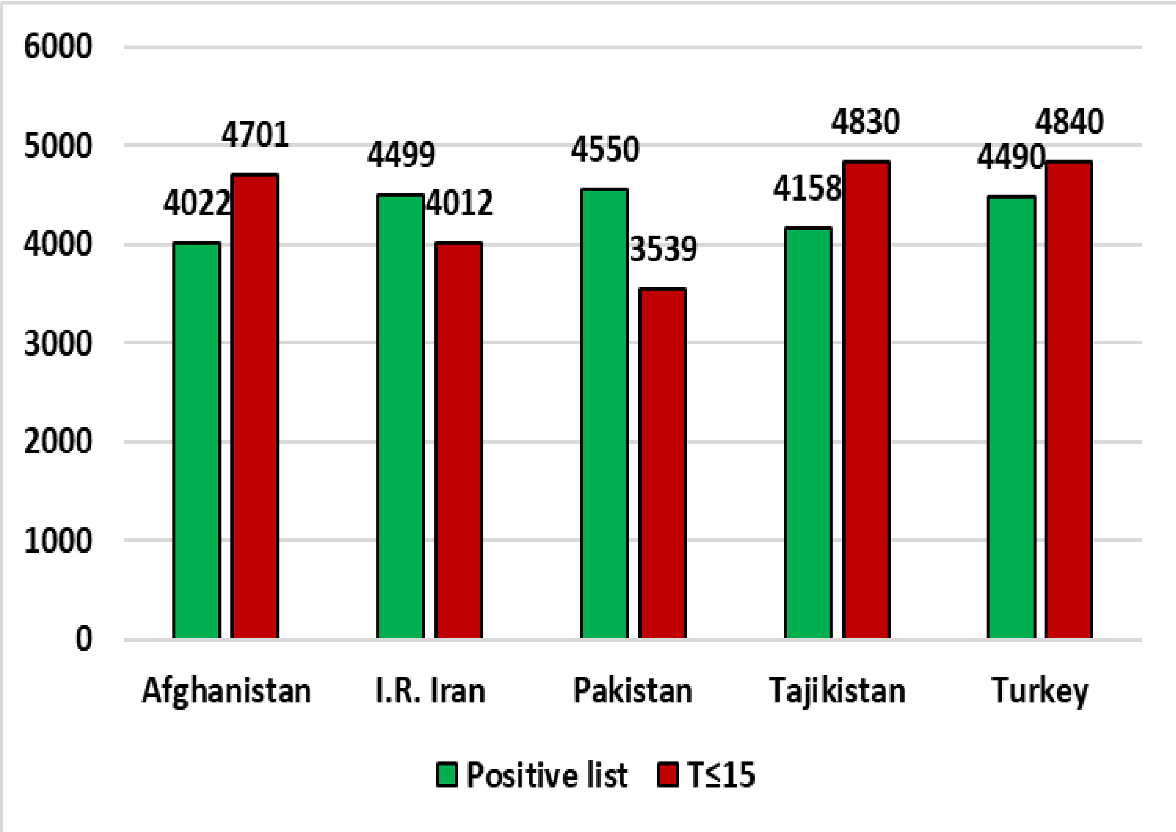
Also, the examination of tariff structure of Iran shows that the tariff codes more than 15 % are generally in the range of 15 to more than 50 %, while the intensity of the reduction commitments is less for Pakistan, and the tariff rates of the tariff

[23] . Although part of the reason for this situation could be due to the tariff reductions of these countries' membership in the World Trade Organization, this is not necessarily a sufficient reason for this issue, as Pakistan is also a founding member of GATT and an initial member of the World Trade Organization, but it has relatively high tariff peaks.

codes that the country will have to reduce their tariff rates are lower and fluctuate between 15 and 25 %.

This shows that the heaviest commitments to reduce tariff rates fall on Iran, followed by Pakistan, while other three countries may face no obligation to reduce tariffs.[24]

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



Source: ITC raw data, national trade data and research findings.

2-2-2-Analysis of tariff structure 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, Turkmenistan and Uzbekistan. 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

[24] . Of course, since the production structure and competitive advantages of countries are not the same, their tariff protection patterns for sensitive goods will also be different from each other.

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 11.9 %, Azerbaijan has the highest tariff rates among the four countries, while Kazakhstan, with 7.2 %, has the lowest average tariff rate of the agricultural sector and the lowest average tariff rate in the agricultural sector among the 10 ECO member countries. A review of the maximum tariff rates shows that the highest tariff rate on agricultural products has imposed by Kazakhstan and Kyrgyzstan at 255.1 %. The highest tariff rates of Uzbekistan and Azerbaijan are 128.8 and 131.4 %, respectively.

A study of the tariff structure in the non-agricultural sector (industry) shows that Kazakhstan, with an average of 5.2 %, has the lowest average tariff rate among the four countries, as well as among all ECO member countries, following Türkiye with 4 %. The average tariff rate of the other three countries in the industrial sector is less than 10 %, and Kazakhstan is at the highest level with 7.5 %. The minimum tariff rate imposed by all four countries in the industrial sector is zero. In total, Uzbekistan and Azerbaijan, with tariff rates of 986.7 and 223 %, respectively, have the highest 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 Azerbaijan, with an average tariff rate of 8.2 %, has the highest tariff rate among the ECO member countries. The average tariff rates of Kazakhstan, Kyrgyzstan and Uzbekistan are at the lowest levels of 5.6, 6.9 and 7.4 %, respectively.

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

ECO Members	Total				Agriculture				Non-agriculture (Industrial)			
	National Tariff Lines	Min	Ave	Max	National Tariff Lines	Min	Ave	Max	National Tariff Lines	Min	Ave	Max
Azerbaijan	10469	0	8.2	223.0	2667	0	11.9	131.4	7802	0	7.5	223.0
Kazakhstan	13135	0	5.6	255.1	3076	0	7.2	255.1	10059	0	5.2	18.9
Kyrgyzstan	13057	0	6.9	255.1	3052	0	10.2	255.1	10005	0	6.2	60.8
Uzbekistan	11164	0	7.4	986.7	2873	0	10.6	128.8	8291	0	6.7	986.7

Source: ITC raw data, national trade data and research findings.

Table 5 shows the distribution of other ECO members' MFN applied tariff rates in different tariff bands.

Table 5:Distribution of other ECO 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
Azerbaijan	31.8	19.7	3.8	43.9	0.2	0.3	0.3
Kazakhstan	23.4	40.9	26.1	8.8	0.4	0.4	0.1
Kyrgyzstan	12.8	42.7	29.0	13.2	1.3	0.5	0.4
Uzbekistan	44.2	20.2	15.6	5.0	11.3	3.2	0.5

Source: ITC raw data, national trade 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 43.9 and 31.8 % 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 19.7 % of the tariff rates imposed by Azerbaijan. Less than 1 % of tariff

rates imposed by Azerbaijan belong to the fifth ($15<T\leq25$), sixth ($25<T\leq50$) and seventh ($T>50$) bands of tariffs.

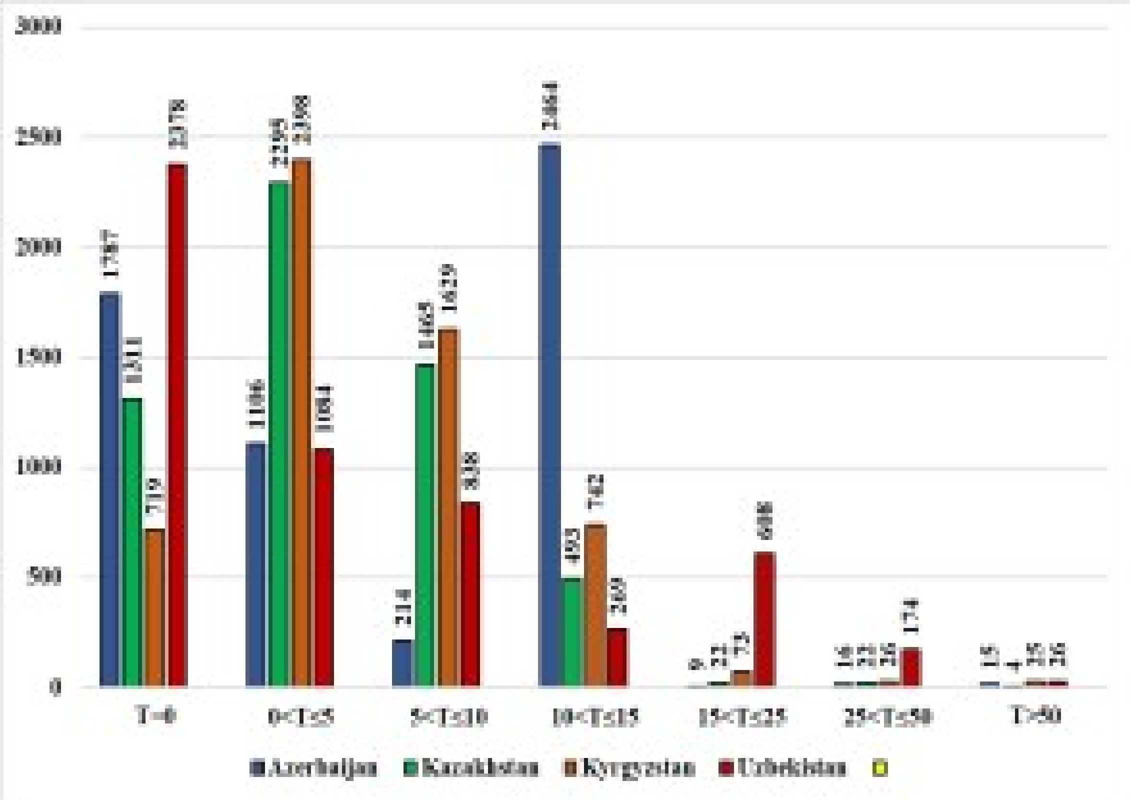
The distribution of the applied tariff rates by Kazakhstan and Kyrgyzstan in the tariff bands (except for the first band) is almost identical, due to the two countries' membership in the Eurasia Economic Union. The highest frequency of applied tariff rates by Kazakhstan is related to the second ($0<T\leq5$), third ($5<T\leq10$) and first ($T = 0$) bands and 40.9, 26.1 and 23.4 % of the tariffs imposed by this country belong to the said three categories, respectively. It should be noted that only less than 1 % of the applied tariff rates by Kazakhstan belong to the fifth ($15<T\leq25$), sixth ($25<T\leq50$) and seventh ($T>50$) tariff bands. The fourth band ($10<T\leq15$) covers 8.8 % of Kazakhstan's tariff rates.

The highest frequency of applied tariff rates by Kyrgyzstan is related to the second ($0<T\leq5$), third ($5<T\leq10$) and fourth ($10<T\leq15$) bands and 42.7, 29 and 13.2 % of the tariffs imposed by this country belong to the said three categories, respectively. The first band ($T = 0$) covers 12.8 % of tariff rates of this country. Totally, 2.2 % of Kyrgyzstan's tariff rates fall into the fifth ($15<T\leq25$), sixth ($25<T\leq50$) and seventh ($T>50$) tariff bands.

The distribution of tariff rates imposed by Uzbekistan shows that the highest frequency of tariff rates is in the first ($T = 0$), second ($0<T\leq5$), third ($5<T\leq10$) and fifth ($15<T\leq25$) categories and 44.2, 20.2, 15.6 and 1.3 % of the tariff rates imposed by Uzbekistan belong to these four categories, respectively, and only less than 1 % of the applied tariff rates by the country belong to the seventh ($T>50$) category. the fourth ($10<T\leq15$) and sixth ($25 <T\leq50$) categories include 5 and 3.2 % of tariff rates applied by Uzbekistan, respectively.

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

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



Source: ITC raw data, national trade data and research findings.

In order 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 this table, 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 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 cumulative share of the ECO Members tariff lines in each tariff bands

No	Countries/Tariff Bands	T=0	T≤5	T≤10	T≤15	T≤25	T≤50	T≤+50[25]
1	**Afghanistan**	0.5	68.3	93.0	93.5	98.9	100.0	100.0
2	**I.R. Iran**	0.1	55.9	65.7	71.3	79.6	85.5	100.0
3	**Pakistan**	31.5	45.1	46.8	62.2	97.2	99.5	100.0
4	**Tajikistan**	10.3	40.1	80.5	92.9	99.4	99.9	100.0
5	**Türkiye**	22.8	57.8	80.8	86.2	89.4	96.0	100.0
6	**Azerbaijan**	31.8	51.6	55.4	99.3	99.4	99.7	100.0
7	**Kazakhstan**	23.4	64.3	90.4	99.1	99.5	99.9	100.0
8	**Kyrgyzstan**	12.8	55.5	84.6	97.8	99.1	99.6	100.0
9	**Uzbekistan**	44.2	64.4	80.0	85.0	96.3	99.5	100.0

Source: ITC raw data, national trade data and research findings.

As Table 6 shows, 99.3, 99.1 and 97.8 % of the tariff lines in Azerbaijan, Kazakhstan and Kyrgyzstan have tariff rates of less than or equal to 15 %, respectively. Afghanistan and Tajikistan are next in line, with 93.5 and 92.9 % of the tariff lines with tariff rates less than or equal to 15 %, respectively. This share is 86.2, 85, 71.3 and 62.2 % for Türkiye, Uzbekistan, Iran and Pakistan, which have the last ranks, respectively. According to the current criteria of the ECOTA, if we consider the level of market access commitments of each country to reduce tariff rates beyond 15 %, the highest level of liberalization commitments through tariff reduction is related to Pakistan, Iran and Uzbekistan, respectively. Given the possibility of exempting 20 % of the total tariff lines of each country from tariff reduction commitments, Tajikistan Afghanistan, Kyrgyzstan, Kazakhstan, Azerbaijan and Türkiye have the greatest possibility and flexibility to avoid any reduction in their current tariff rates, respectively. In fact, the tariff structures of these six countries are such that they can easily ride for free in the current framework of the ECOTA, while the heaviest commitments will fall on Pakistan, Iran and Uzbekistan, respectively. Another noteworthy point is that Iran has the highest level (14.5 %) of tariff lines falling into the seventh band with tariff rates higher than 50 % among the ECO members, bringing about the worst effects of

25. For all tariff rates higher than 50 %

liberalization and tariff reduction for Iran. Only 4 % of Turkish tariff lines are more than 50 %, and for other countries, less than 1 % of their tariff lines belong to the last band and Afghanistan have no tariff line higher than 50 %.

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 commitments 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 structures of Kazakhstan and Kyrgyzstan are 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 %.

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

Countries/Tariff Bands	Total lines of HS 6 digit	Positive list	Negative list	Sensitive list
Azerbaijan	5611	4489	1066	56
Kazakhstan	5612	4490	1066	56
Kyrgyzstan	5612	4490	1066	56
Uzbekistan	5377	4302	1022	54

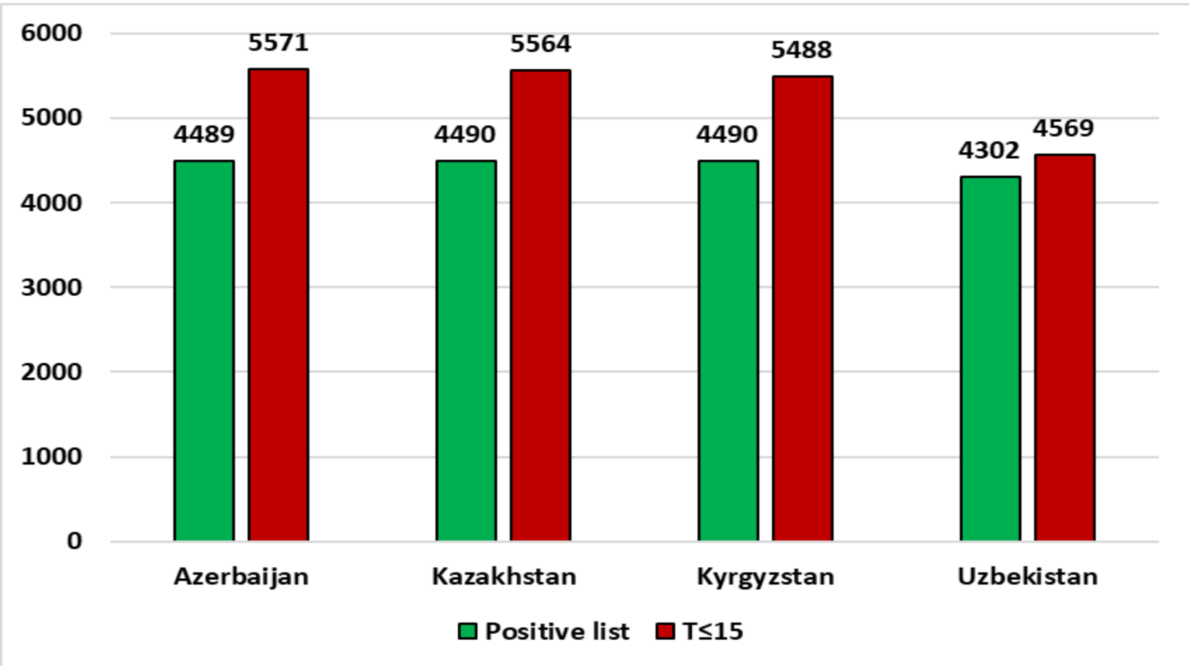
Source: ITC raw data, national trade data and research findings.

As shown in the table above and Figure 18 below, Kazakhstan and Kyrgyzstan should add 4490 six-digit HS codes to their positive list and reduce their tariff rates to 15 %. But now, based on the MFN tariff rates imposed by the two countries in 2023, they have 5488 and 4938 six-digit HS tariff rates lower than 15 %, respectively. Therefore, their six-digit HS lines with a tariff rate of less than 15 % are more than their positive list quotas, and **as a result they are not subject to any tariff liberalization beyond the status quo.**

Uzbekistan should also add 4302 six-digit HS codes to its positive list, but since its tariff rates of 4569 six-digit HS codes are currently less than 15 %, its six-digit HS lines with a tariff rate of less than 15 % are more than its positive list quotas, and **as a result it is not subject to any tariff liberalization beyond the status quo.**

Azerbaijan should add 4489 six-digit HS codes to its positive list, but since its tariff rates of 5571 six-digit HS codes are currently less than 15 %, its six-digit HS lines with a tariff rate of less than 15 % are more than its positive list quotas, and as a result it is not subject to any tariff liberalization beyond the status quo. So, if these four countries join the ECOTA, they can enjoy free riding like Türkiye, Afghanistan and Tajikistan.

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



Source: ITC raw data, national trade data and research findings.

2-3- Review and analysis of tariff structure 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 commitments 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 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 product 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 product "i" by the country "c" 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 commodity "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 the 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 product. In some cases, the dollar value of a country's exports of a product may be low, but the share of the product in that country's exports is greater than the share of global exports of that product 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 the product in that country's exports is less than the share of exports of the 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 for 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 concessions and commitments 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 products 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 2023) presented separately in tariff bands in panel D.

The following are the calculated results for each ECO member separately presented in a country-specific table, 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	Turkiye	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Afghanistan by each tariff band												
Agriculture	***Total***	859	8.6	31	133	69	94	153	47	195	-	95
	T=0	0	0	0	0	0	0	0	0	0	-	0
	0<T≤5	541	3.8	9	51	56	37	100	15	91	-	41
	5<T≤10	140	9.9	1	22	6	15	17	4	46	-	11
	10<T≤15	17	12.1	0	7	1	4	3	0	1	-	0
	15<T≤25	123	20.1	8	38	3	27	26	16	37	-	26
	25<T≤50	38	33.9	13	15	3	11	7	12	20	-	17
	Share of tariff lines over 15%	18.7		67.7	39.8	8.7	40.4	21.6	59.6	29.2		45.3
Panel B: Number of tariff lines with comparative export advantage in case of export to Afghanistan by each tariff band												
Non- Agriculture	***Total***	4170	6.1	57	416	195	320	542	144	1469	-	359
	T=0	25	0	0	4	1	3	4	2	11	-	2
	0<T≤5	2866	3.7	45	288	151	162	295	86	984	-	232
	5<T≤10	1104	9.8	8	92	40	134	217	51	407	-	113
	10<T≤15	9	12.0	0	0	0	1	1	0	0	-	0
	15<T≤25	147	18.3	1	25	1	17	21	4	56	-	10
	25<T≤50	19	35.6	3	7	2	3	4	1	11	-	2
	Share of tariff lines over 15%	4.0		7.0	7.7	1.5	6.3	4.6	3.5	4.6		3.3

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkiye	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***	5030	6.5	88	549	264	414	695	191	1664	-	454
	T=0	25	0	0	4	1	3	4	2	11	-	2
	0<T≤5	3407	3.6	54	339	207	199	395	101	1075	-	273
	5<T≤10	1245	9.7	9	114	46	149	234	55	453	-	124
	10<T≤15	26	12.1	0	7	1	5	4	0	1	-	0
	15<T≤25	270	19.1	9	63	4	44	47	20	93	-	36
	25<T≤50	57	34.3	16	22	5	14	11	13	31	-	19
	Share of tariff lines over 15%	**6.5**		**28.4**	**15.5**	**3.4**	**14.0**	**8.3**	**17.3**	**7.5**		**12.1**
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***	5030	6.5	32,459	48,675	65,788	2,852	28,489	1,263	192,996	-	18,871
	T=0	25	0	0	9.5	0.04	0.5	22	0.2	164	-	1
	0<T≤5	3407	3.6	15,264	40,472	22,352	2,263	12,674	974	98,225	-	14,934
	5<T≤10	1245	9.7	16,377	3,364	43,172	385	14,044	231	70,290	-	2,874
	10<T≤15	26	12.1	0	370	8	25	157	0	38	-	0
	15<T≤25	270	19.1	485	3,177	193	132	1,402	49	15,909	-	505
	25<T≤50	57	34.3	333	1,283	64	46	190	9	8,370	-	556
	Share of tariff lines over 15%	**6.5**		**2.5**	**9.2**	**0.4**	**6.2**	**5.6**	**4.5**	**12.6**		**5.6**

Source: ITC raw data, national trade data and research findings.

In order to facilitate the interpretation of the results presented in the table 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 revealed comparative export advantage in its 31 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, 0, 9, 1, 0, 8, and 13 HS codes will fall into the first (T = 0), second (0 <T≤5), third (5 <T≤10), fourth (10 <T≤15), fifth (15 <T≤25) and sixth (25 <T≤50) tariff bands, respectively.

Similarly, the results of Panel B show that Azerbaijan, in its 57 industrial (non-agricultural) products that have an revealed comparative export advantage, will face different tariff barriers for possible export to the Afghan market, of which, 0, 45, 8, 0, 1 and 3 HS codes will fall into the first (T = 0), second (0 <T≤5), third (5 <T≤10), fourth (10 <T≤15), fifth 15 <T≤25) and sixth (25 <T≤25) tariff bands, respectively.

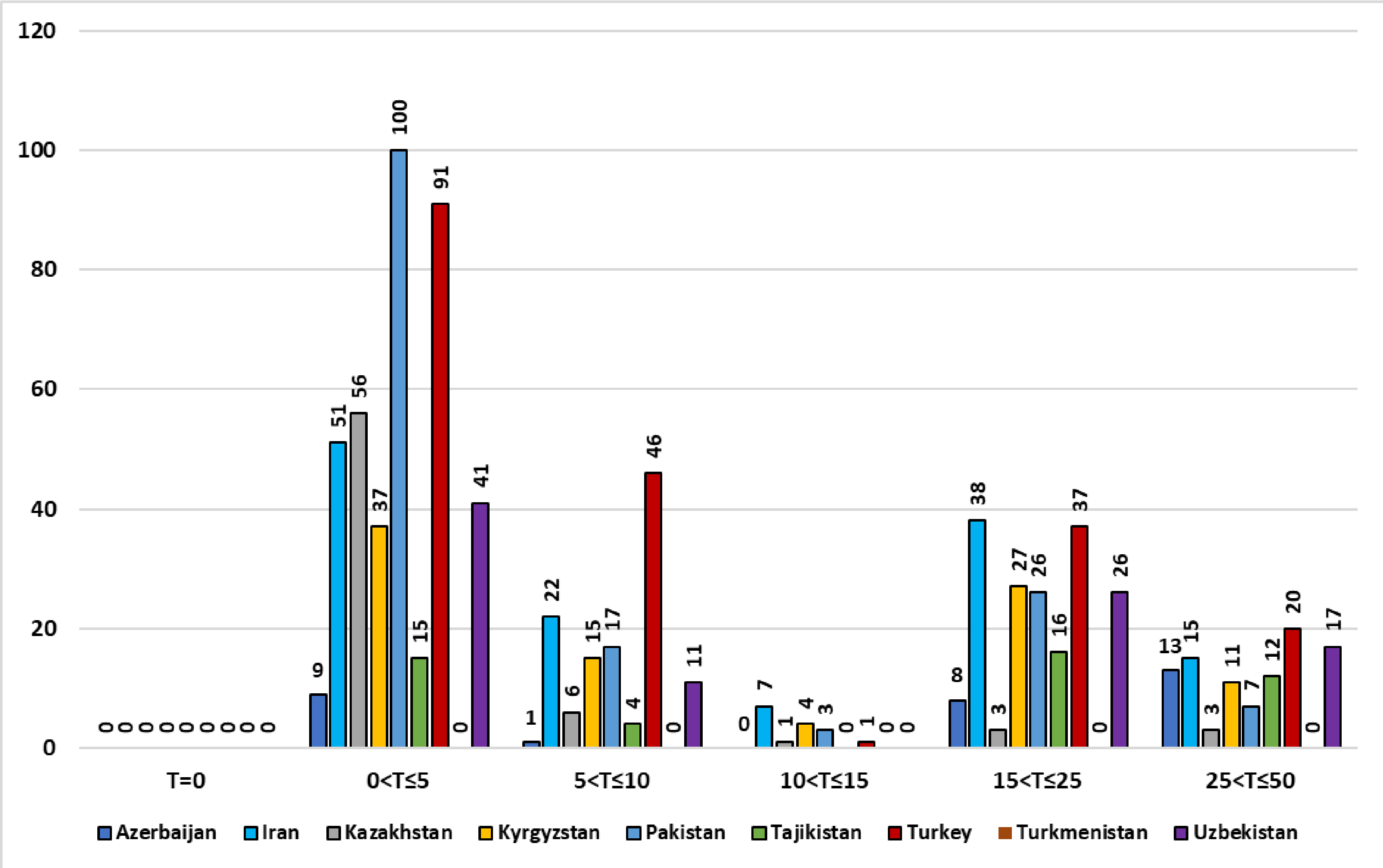
The results of Panel C also show that Azerbaijan will face various tariff barriers for possible exports to the Afghan market in a total of 88 products (both agricultural and industrial) that have an revealed comparative export advantage, of which, 0, 54, 9, 0, 9 and 16 HS codes will fall into the first (T = 0), second (0 <T≤5), third (5 <T≤10), fourth (10 <T≤15), fifth 15 <T≤25) and sixth (25 <T≤25) tariff bands, respectively.

According to the data provided in Panel D, 0, 15264, 16377, 0, 485 and 333 million dollars of Azerbaijan's exports to the world, if exported to Afghanistan, will be placed in the first (T = 0), second (T <0), third (5 <T≤10), fourth (10 <T≤15), fifth (15 <T≤25) and sixth (25 <T≤25) tariff bands, respectively. Inferred from Panel D of the table, it can be seen that about $ 817 million of Azerbaijan's exports to the world, if exported to Afghanistan, will face tariff rates higher than 15 %, which is approximately equal to 2.5 % 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 panel's 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 (Tables 9 to 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.

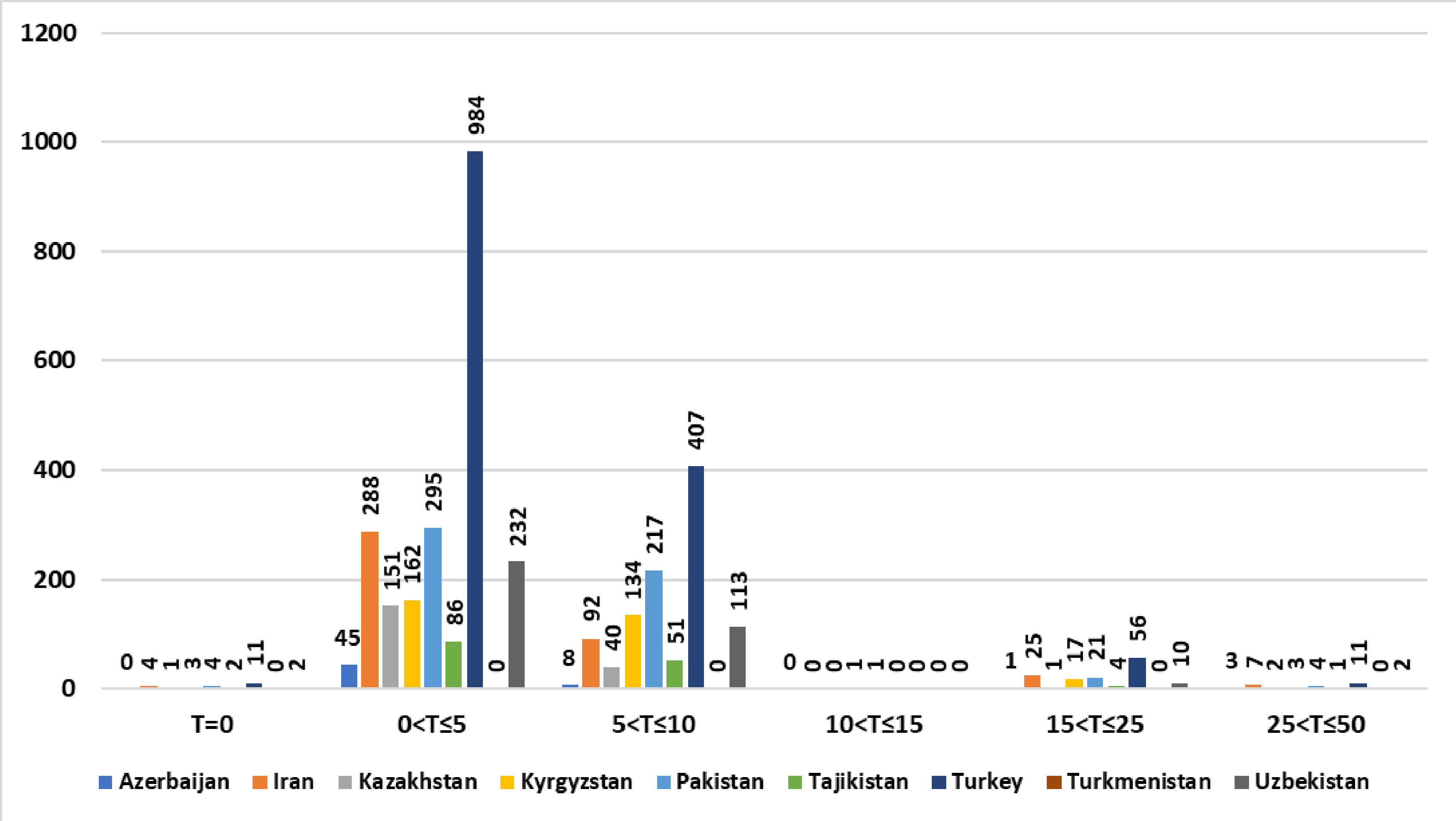
Also, based on the calculations in Table 8, the comparative status of each of the ECO member partners in the Afghan market in terms of the distribution of their export RCA in each tariff bands by agricultural, non-agricultural (industry) and the whole economy (agriculture and industry) is shown in Figures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

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



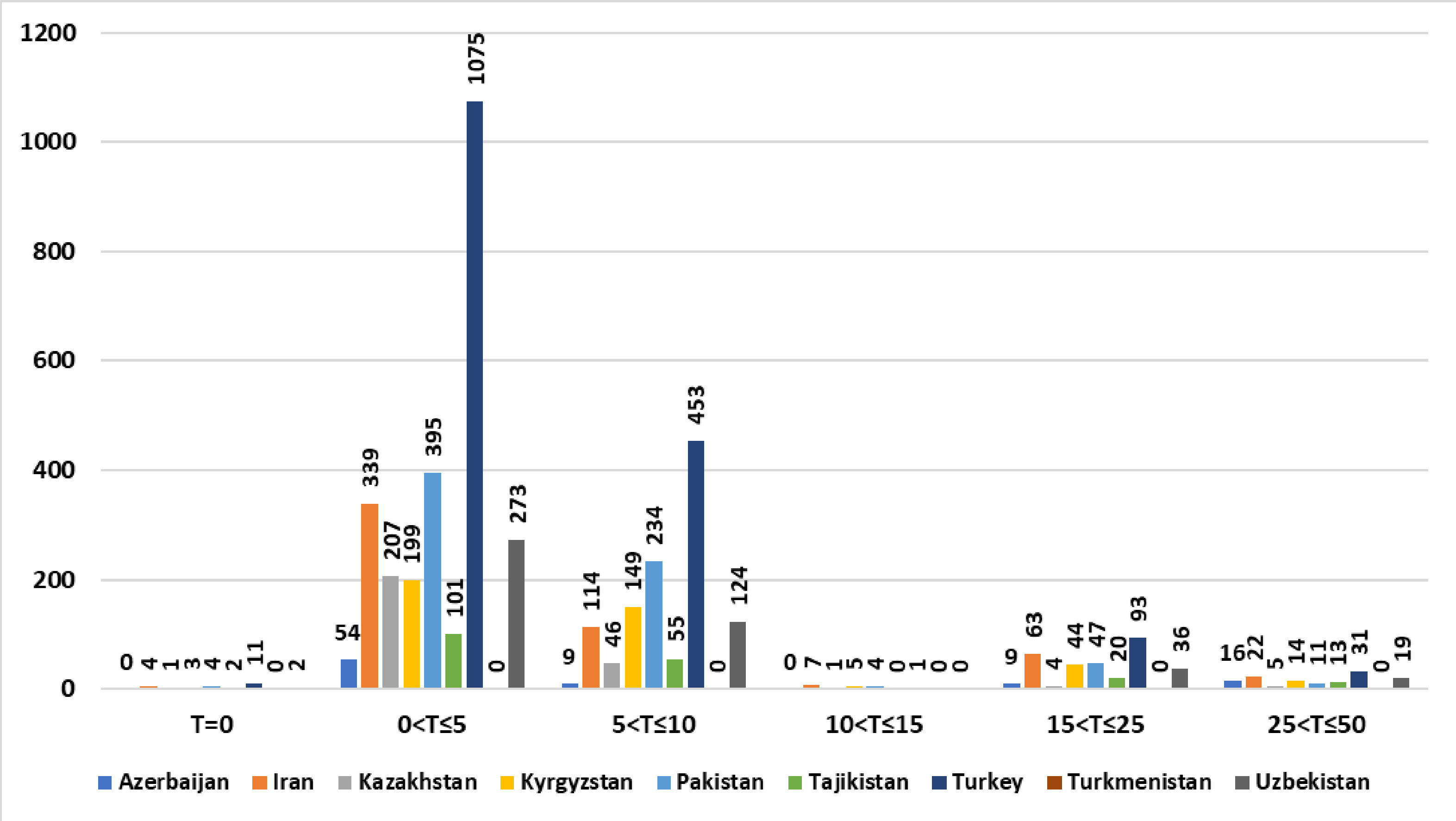
Source: ITC raw data, national trade data and research findings.

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



Source: ITC raw data, national trade 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, national trade data and research findings.

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

Considering the status of Afghanistan's tariff structure as well as the number of products 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, the following analytical results can be inferred:

1) Among the ECO member countries, **Türkiye, Pakistan and Iran have the highest frequency of products with a comparative export advantage in the agricultural sector**, and they have an obvious export RCA in 195, 153 and 133 six-digit HS codes, respectively, for which Afghanistan has imposed tariffs in 2023. Of these, 57 advantageous agricultural products of Türkiye, 53 advantageous agricultural products of Iran and 33 advantageous agricultural products of Pakistan have faced tariffs higher than 15 % in Afghanistan. Other advantageous agricultural products of these three countries face tariff rates of less than or equal to 15 % in Afghanistan (Table 8, panel A). In addition to those countries, 43, 38, 28 and 21 agricultural products with comparative export advantage of Uzbekistan, Kazakhstan, Tajikistan, and Azerbaijan, respectively, face tariffs higher than 15 % in Afghanistan. These products could potentially be Afghanistan's risk areas in the event of liberalization based on the fulfillment of the ECOTA tariff commitments. 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 %.

2) The results presented in Table 8 (panel B) show that most of the industrial (non-agricultural) products the ECO countries with a comparative export advantage face tariffs of less than 15 % in Afghanistan. Accordingly, 67, 32 and 25 advantageous export products of Türkiye, Iran and Pakistan, respectively, face tariffs more than 15 % in Afghanistan. In contrast, only 3, 3, 2, 2 and 1 advantageous industrial products of Azerbaijan, Kyrgyzstan, Kazakhstan, Uzbekistan and Tajikistan face tariffs higher than 25 % in Afghanistan. These results show that most of the advantageous industrial products exported by the ECO countries face tariffs of less than 10 % in Afghanistan.

3) The results of the survey for all products in Table 8 (panel C) show that, first, a small number of the revealed comparative export advantages of the ECO member countries face zero tariffs in Afghanistan; second, most of the advantageous export products of these countries face tariffs higher than zero and less than 10 % in Afghanistan; third, a higher percentage of products from Türkiye, Pakistan, Iran and Uzbekistan face tariffs of between 0 and 5 % 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 Türkiye, approximately more than 90 % of the dollar value of exports of other ECO countries to the world will face tariffs of less than 15 % if exported to Afghanistan. This ratio is about 87.4 % for Türkiye.

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 put all of its risky products on the positive list according to the terms of the current market access commitments in the ECOTA. If the liberalization procedure in the ECOTA is changed and the tariff rates are reduced to less than 15 %, 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 5 and 10 %.

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 Azerbaijani 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.

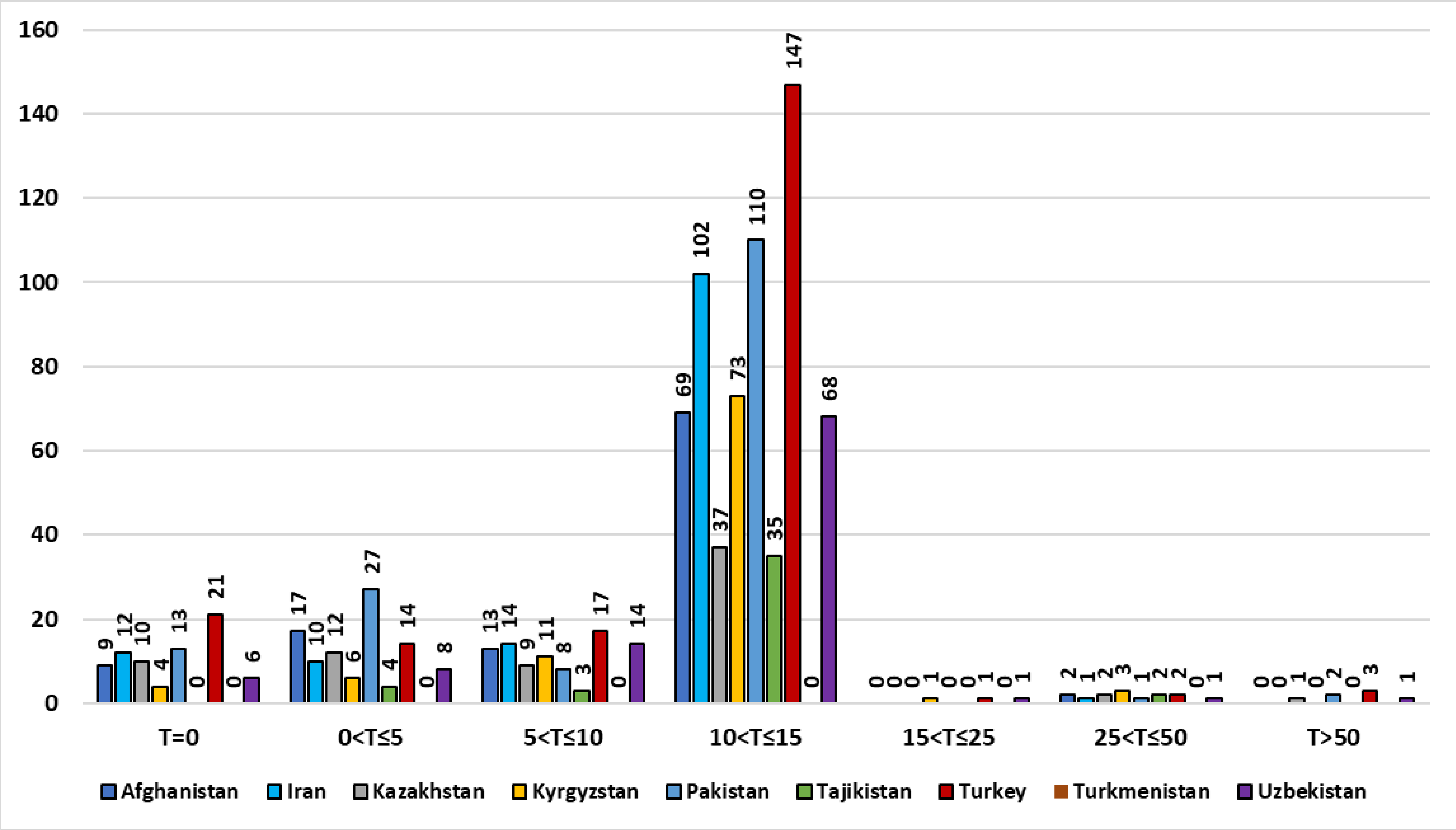
Table 9: Export potential of the ECO member countries based on the RCA index in each of Azerbaijan's tariff bands (applied tariffs 2023)

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkiye	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Azerbaijan by each tariff band												
Agriculture	***Total***	963	11.7	110	139	71	98	161	44	205	-	99
	T=0	104	0	9	12	10	4	13	0	21	-	6
	0<T≤5	170	4.7	17	10	12	6	27	4	14	-	8
	5<T≤10	79	8.3	13	14	9	11	8	3	17	-	14
	10<T≤15	579	14.7	69	102	37	73	110	35	147	-	68
	15<T≤25	9	19.4	0	0	0	1	0	0	1	-	1
	25<T≤50	13	33.4	2	1	2	3	1	2	2	-	1
	T>50	9	82.8	0	0	1	0	2	0	3	-	1
	Share of tariff lines over 15%	3.2		1.8	0.7	4.2	4.1	1.9	4.5	2.9		3.0
Panel B: Number of tariff lines with comparative export advantage in case of export to Azerbaijan by each tariff band												
Non- Agriculture	***Total***	4648	7.5	101	453	225	354	563	112	1580	-	401
	T=0	1683	0	28	136	122	73	68	43	369	-	89
	0<T≤5	936	4.8	13	100	40	64	109	19	333	-	65
	5<T≤10	135	8.2	2	14	7	17	8	4	53	-	12
	10<T≤15	1885	15.0	56	201	56	198	378	46	821	-	232
	15<T≤25	0	0	0	0	0	0	0	0	0	-	0
	25<T≤50	3	28.8	0	0	0	1	0	0	0	-	1
	T>50	6	136.7	2	2	0	1	0	0	4	-	2
	Share of tariff lines over 15%	0.2		2.0	0.4	0.0	0.6	0.0	0.0	0.3		0.7

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkiye	Turkmenistan	Uzbekistan
Panel C: Number of tariff lines with comparative export advantage in case of export to Azerbaijan by each tariff band												
All Sectors	***Total***	5611	8.2	211	592	296	452	724	156	1785	-	500
	T=0	1787	0	37	148	132	77	81	43	390	-	95
	0<T≤5	1106	4.8	30	110	52	70	136	23	347	-	73
	5<T≤10	214	8.3	15	28	16	28	16	7	70	-	26
	10<T≤15	2464	14.9	125	303	93	271	488	81	968	-	300
	15<T≤25	9	19.4	0	0	0	1	0	0	1	-	1
	25<T≤50	16	32.7	2	1	2	4	1	2	2	-	2
	T>50	15	104.4	2	2	1	1	2	0	7	-	3
	Share of tariff lines over 15%	**0.7**		**1.9**	**0.5**	**1.0**	**1.3**	**0.4**	**1.3**	**0.6**		**1.2**
Panel D: Number of tariff lines with comparative export advantage in case of export to Azerbaijan by each tariff band												
Value of export (Million $US)	***Total***	5611	8.2	1,685	49,534	70,073	3,001	29,051	1,258	211,183	-	19,209
	T=0	1787	0	269	14,820	64,962	1,816	2,683	794	43,269	-	10,835
	0<T≤5	1106	4.8	215	7,717	2,302	300	2,592	64	47,554	-	2,582
	5<T≤10	214	8.3	121	5,452	668	106	252	35	10,971	-	892
	10<T≤15	2464	14.9	986	21,497	1,983	766	23,069	357	108,168	-	4,812
	15<T≤25	9	19.4	0	0	0	6	0	0	42	-	24
	25<T≤50	16	32.7	22	2	140	6	10	9	305	-	51
	T>50	15	104.4	0	46	18	0	445	0	874	-	13
	Share of tariff lines over 15%	**0.7**		**1.3**	**0.1**	**0.2**	**5.9**	**1.6**	**0.7**	**0.6**		**0.5**

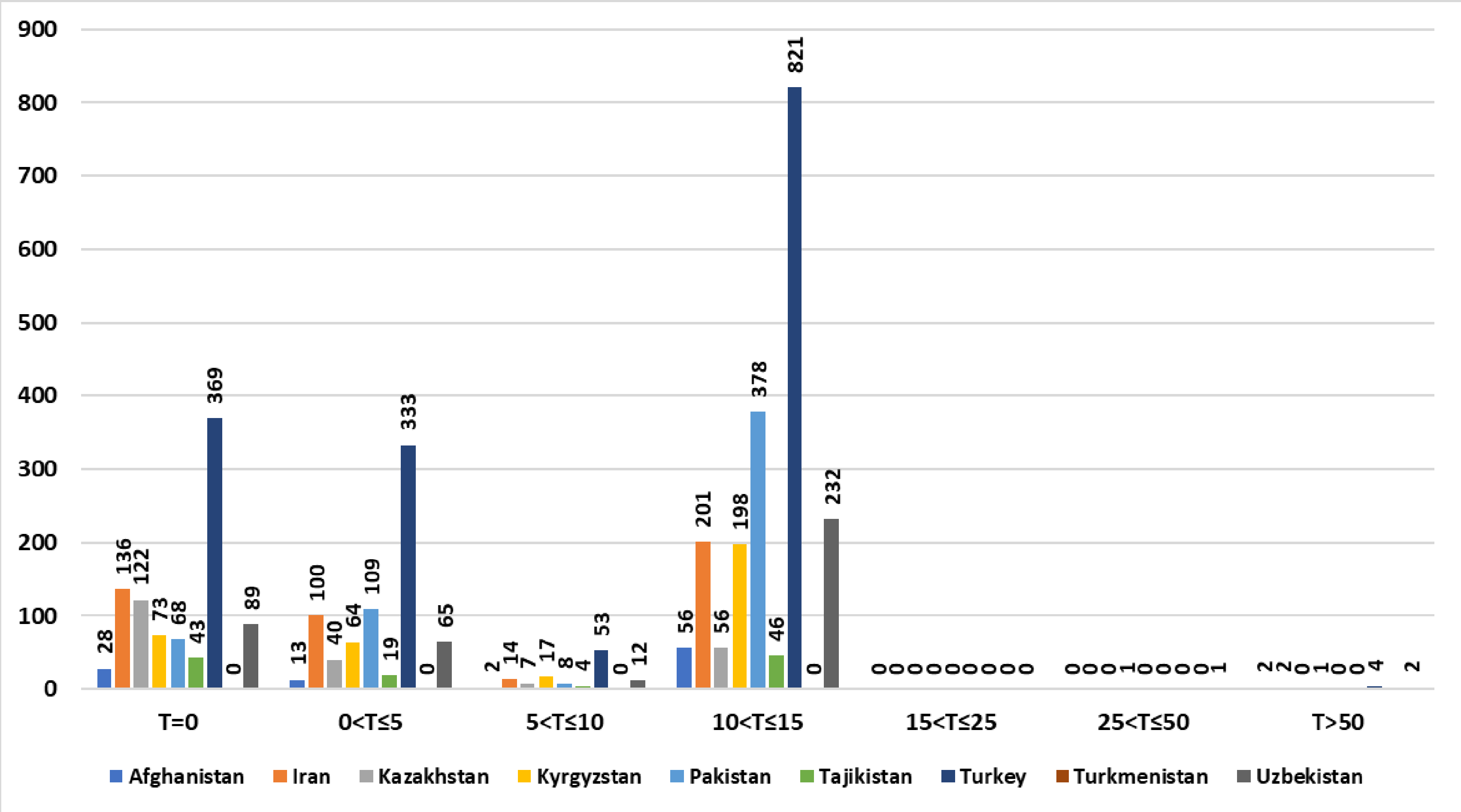
Source: ITC raw data, national trade data and research findings.

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



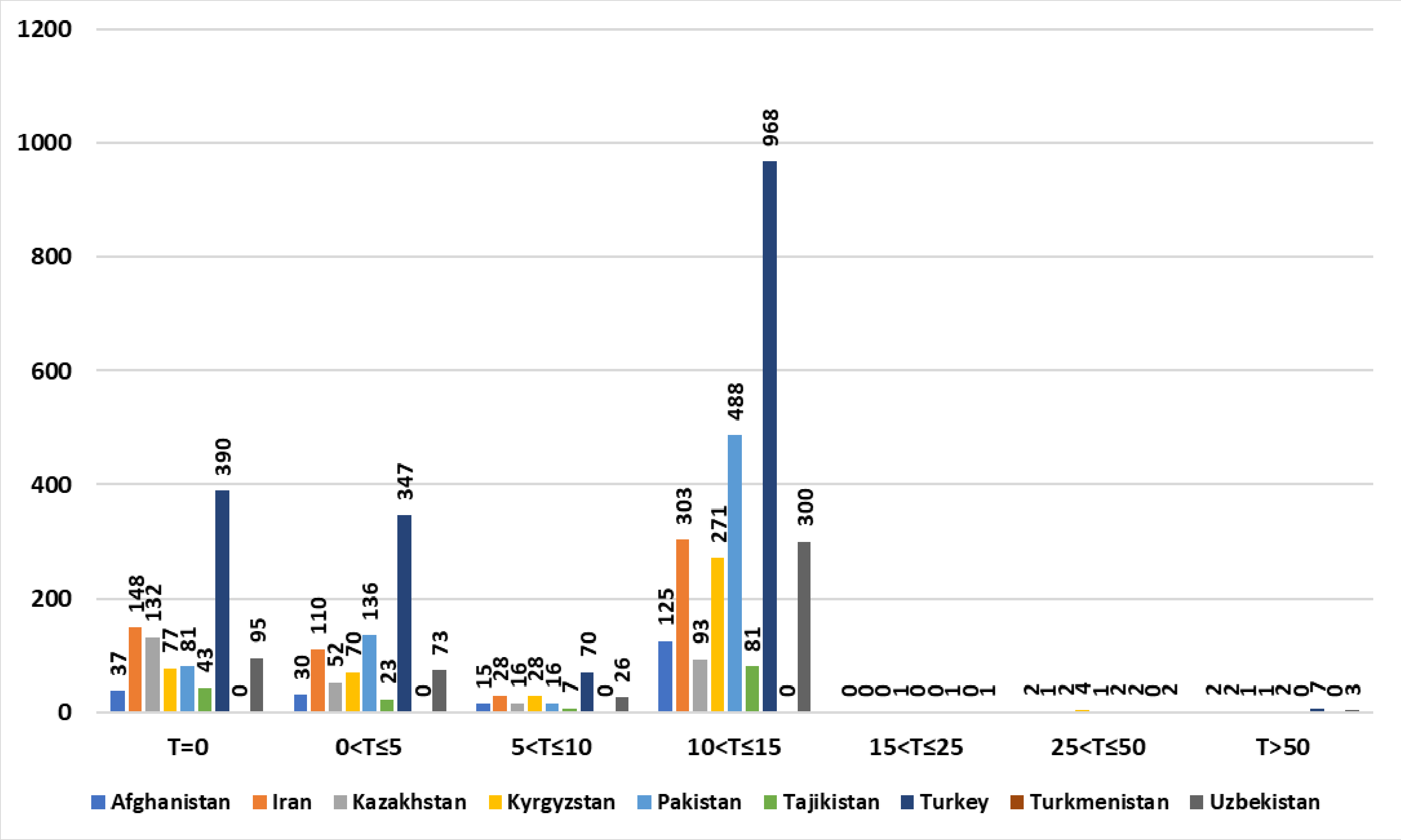
Source: ITC raw data, national trade data and research findings.

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



Source: ITC raw data, national trade 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, national trade data and research findings.

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

Considering the status of Azerbaijan's tariff structure as well as the number of products 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, the following analytical results can be inferred:

1) In 2023, Azerbaijan has set tariff rates higher than 15 % for about 3.2 % 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 5 % of agricultural products with a comparative export advantage of the ECO members to the world face tariffs more than 15 % in Azerbaijan. According to the last line of Panel A, the lowest share with 0.7 % belongs to Iran and the highest share with 4.5 % belongs to Tajikistan. Tariffs between 25 and 50 % have the highest frequency in the tariff bands above 15 % and the higher numbers of agricultural products with comparative advantage of the ECO members in this band belong to Kyrgyzstan with 3 tariff lines and Afghanistan, Tajikistan and Türkiye each with 2 tariff lines.

2) Of the 4648 tariff lines of industrial products (six-digit HS codes) for which Azerbaijan has imposed tariffs in 2023, about 0.2 % of the tariff lines of industrial products (9 codes) have tariff rates more than 15 %. According to Panel B of Table 9, most products with a comparative export advantage of the ECO members will face tariff rates between 10 and 15 % to enter the Azerbaijani market.

3) The results of the survey of all products also show that the majority of products with a comparative export advantage of the ECO members face tariffs 10-15,0 and 0-5 % to enter the Azerbaijani market. Out of 4716 advantageous codes of the ECO members, **Türkiye with 1785 codes (38%), Pakistan with 724 codes (15%) and Iran with 592 codes (12.6%) have the higher variety of products with a comparative export advantage.** Also, the highest share of products with a comparative export advantage that enters the Azerbaijani market with tariff rates higher than 15 % in the composition of their export products belongs to Afghanistan, Türkiye and Uzbekistan.

4) The results of the study of the dollar value of exported products with comparative advantage of the ECO member countries in each tariff band of Azerbaijan show that about 5.9, 1.6 and 1.3 % of the total value of exports of Kyrgyzstan, Pakistan and Afghanistan face tariff rates more than 15 % in this group of products 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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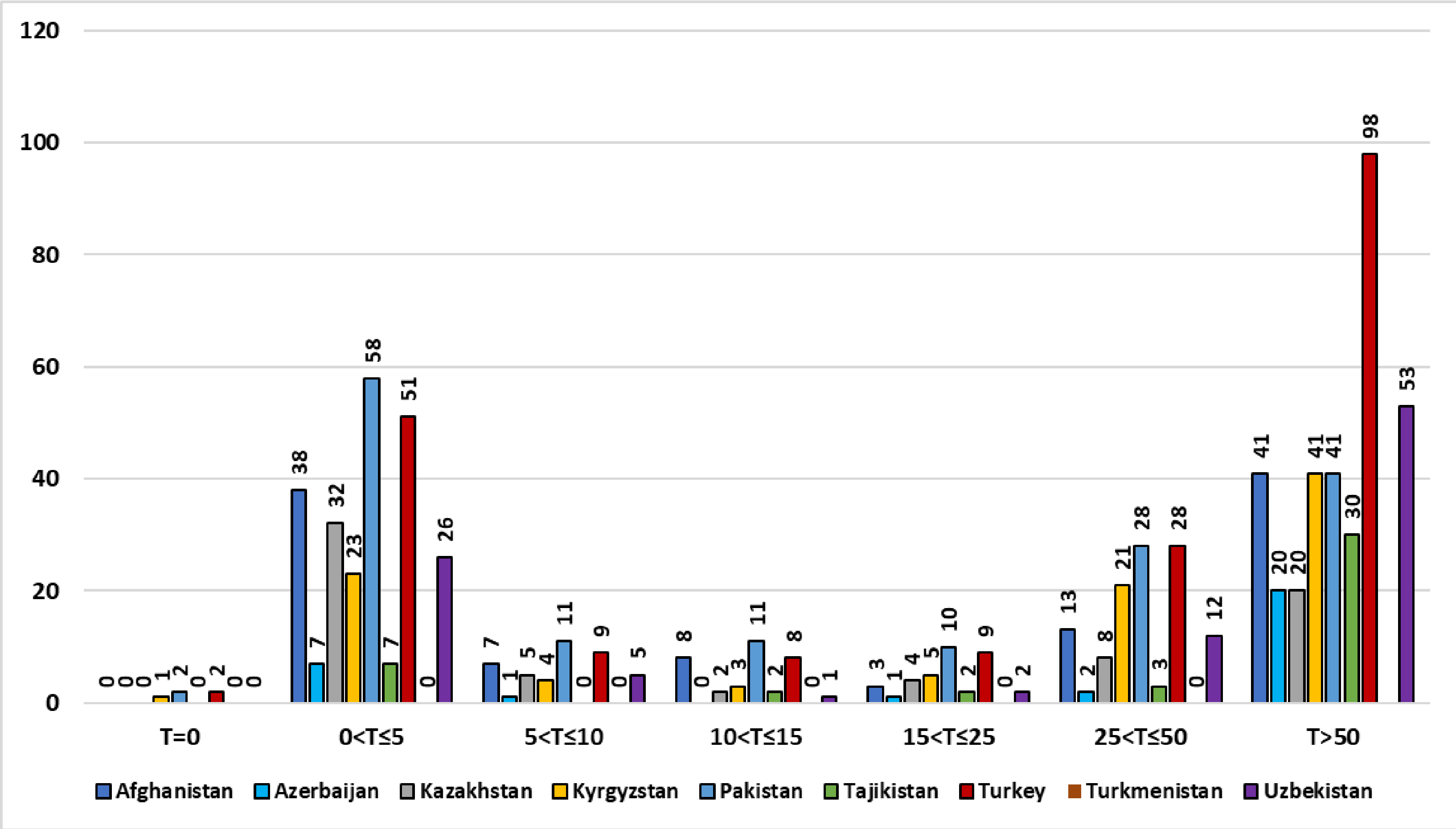
Table 10: Export potential of the ECO member countries based on the RCA index in each of Iran's tariff bands (applied tariffs 2024)

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkiye	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Iran by each tariff band												
Agriculture	***Total***	963	25.6	110	31	71	98	161	44	205	-	99
	T=0	3	0	0	0	0	1	2	0	2	-	0
	0<T≤5	344	3.7	38	7	32	23	58	7	51	-	26
	5<T≤10	65	8.9	7	1	5	4	11	0	9	-	5
	10<T≤15	60	17.6	8	0	2	3	11	2	8	-	1
	15<T≤25	50	20.4	3	1	4	5	10	2	9	-	2
	25<T≤50	143	32	13	2	8	21	28	3	28	-	12
	T>50	298	55	41	20	20	41	41	30	98	-	53
	Share of tariff lines over 15%	51.0		51.8	74.2	45.1	68.4	49.1	79.5	65.9		67.7
Panel B: Number of tariff lines with comparative export advantage in case of export to Iran by each tariff band												
Non- Agriculture	***Total***	4661	13.5	100	57	225	354	563	112	1581	-	400
	T=0	1	0	1	1	0	0	0	1	1	-	0
	0<T≤5	2794	4.2	57	33	173	142	133	56	663	-	145
	5<T≤10	490	8.8	4	8	18	25	67	13	205	-	43
	10<T≤15	255	14.1	1	4	13	25	18	5	109	-	21
	15<T≤25	417	20	4	6	13	30	130	10	232	-	66
	25<T≤50	188	33.4	4	2	1	18	24	3	77	-	17
	T>50	516	55.4	29	3	7	114	191	24	294	-	108
	Share of tariff lines over 15%	24.1		37.0	19.3	9.3	45.8	61.3	33.0	38.1		47.8

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkiye	Turkmenistan	Uzbekistan
Panel C: Number of tariff lines with comparative export advantage in case of export to Iran by each tariff band												
All Sectors	***Total***	5624	15.5	210	88	296	452	724	156	1786	-	499
	T=0	4	0	1	1	0	1	2	1	3	-	0
	0<T≤5	3138	4.1	95	40	205	165	191	63	714	-	171
	5<T≤10	555	8.8	11	9	23	29	78	13	214	-	48
	10<T≤15	315	17.2	9	4	15	28	29	7	117	-	22
	15<T≤25	467	20	7	7	17	35	140	12	241	-	68
	25<T≤50	331	32.8	17	4	9	39	52	6	105	-	29
	T>50	814	55.2	70	23	27	155	232	54	392	-	161
	Share of tariff lines over 15%	**28.7**		**44.8**	**3.4**	**17.9**	**50.7**	**58.6**	**1.3**	**41.3**		**51.7**
Panel D: Number of tariff lines with comparative export advantage in case of export to Iran by each tariff band												
Value of export (Million $US)	***Total***	5624	15.5	1,612	32,459	70,073	3,001	29,051	1,258	211,187	-	19,199
	T=0	4	0	0	0	0	0	98	1	581	-	0
	0<T≤5	3138	4.1	697	31,450	65,674	2,213	8,102	1,041	65,210	-	12,031
	5<T≤10	555	8.8	29	131	2,534	179	1,478	74	38,810	-	1,940
	10<T≤15	315	17.2	9	54	334	96	644	19	22,113	-	373
	15<T≤25	467	20	5	23	233	79	2,460	15	14,647	-	844
	25<T≤50	331	32.8	104	15	207	144	1,654	10	12,532	-	691
	T>50	814	55.2	769	786	1,091	290	14,615	98	57,295	-	3,320
	Share of tariff lines over 15%	**28.7**		**54.4**	**2.5**	**2.2**	**17.1**	**64.5**	**9.8**	**40.0**		**25.3**

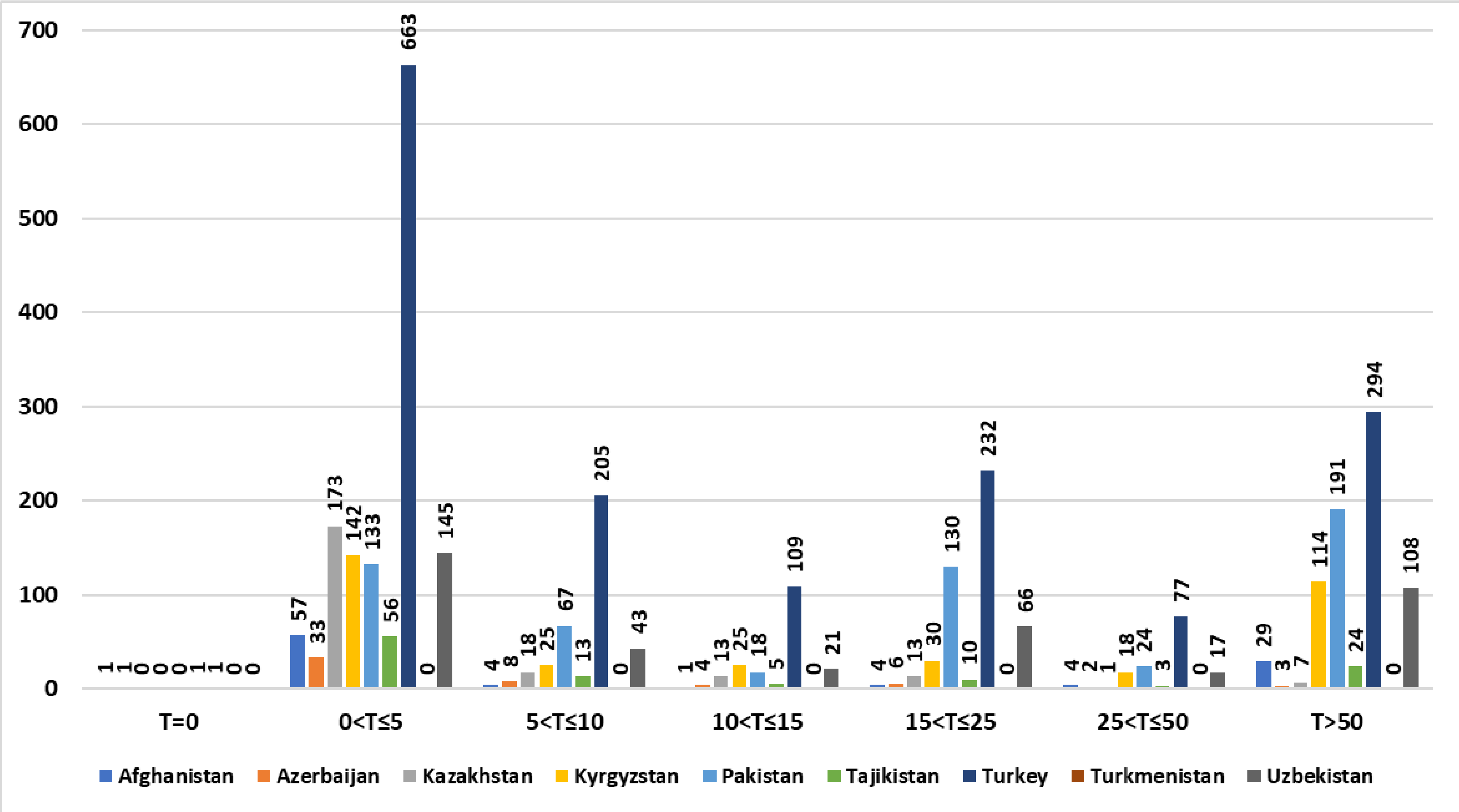
Source: ITC raw data, national trade data and research findings.

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



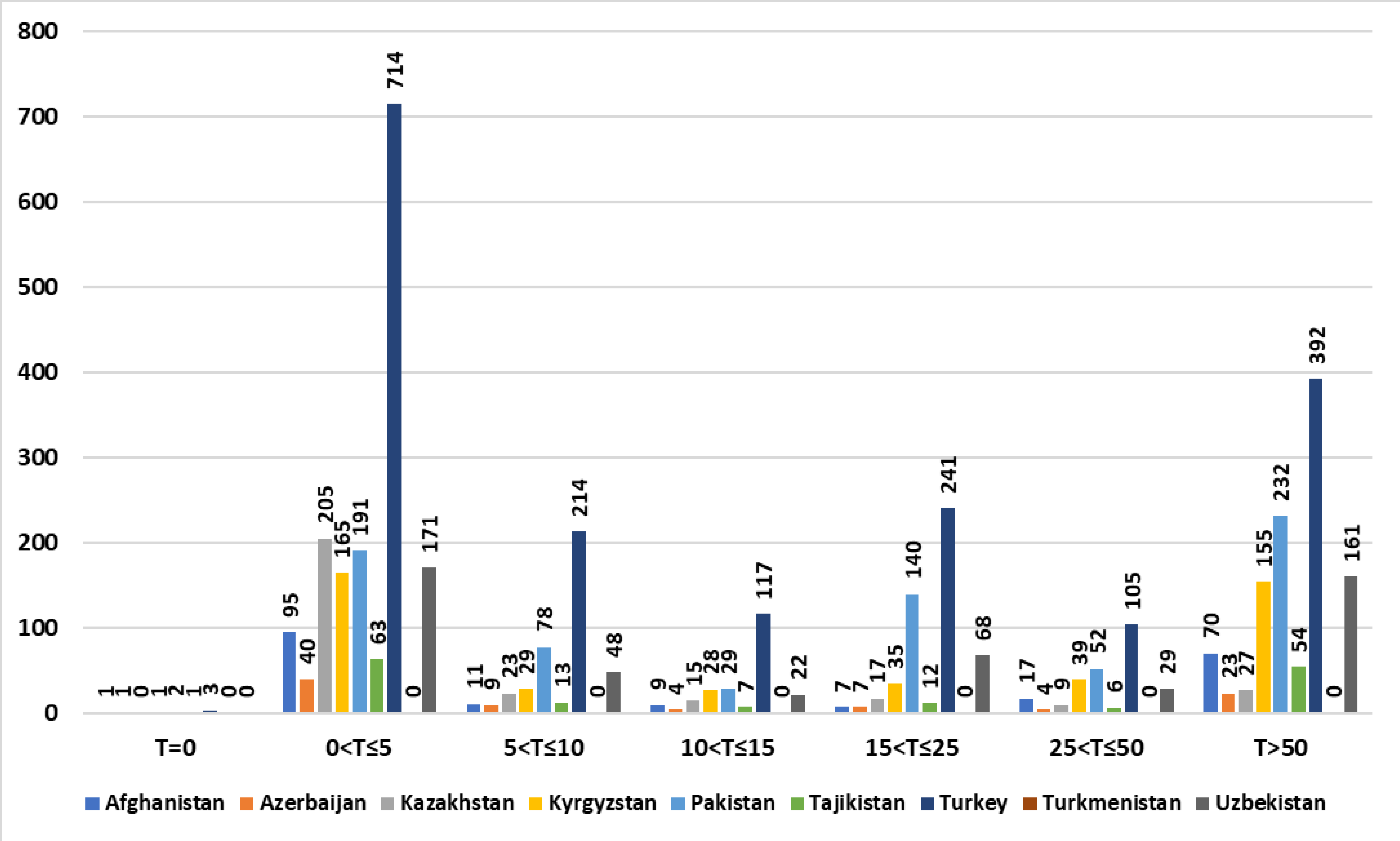
Source: ITC raw data, national trade data and research findings.

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



Source: ITC raw data, national trade 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, national trade data and research findings.

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

Considering the status of Iran’s tariff structure as well as the number of products 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, the following analytical results can be inferred:

1) Iran has imposed tariff rates higher than 15 % in 2024 for 51 % of agricultural products. As shown in Panel A of Table 10, 45 to 80 % of the ECO member countries’ agricultural products with a comparative export advantage face rates higher than 15 % in Iran. 135 products (equivalent to 65.9%), 79 products (49.1%), 67 products (68.4%) and 67 products (67.7%) of agricultural products with comparative export advantage of Türkiye, Pakistan, Kyrgyzstan and Uzbekistan respectively encounter with tariff rates higher than 15 % in Iran. In addition to those countries, 57, 32, 35 and 23 agricultural products with comparative advantage of Afghanistan, Kazakhstan, Tajikistan and Azerbaijan respectively face tariffs of more than 15 % in Iran. 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 provide a significant part of its positive commodity list from tariffs above 15 % 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 the 4661 industrial products (six-digit HS codes) for which Iran has imposed tariffs in 2024**, the tariff rates of 24.1 % of industrial products are higher than 15 %. 603 products (equivalent to 38.1%), 345 products (61.3%), 191 products (47.8%) and 162 products (45.8%) of products with a comparative export advantage of Türkiye, Pakistan, Uzbekistan and Kyrgyzstan respectively face tariff rates higher than 15 % in Iran. These ratios for Afghanistan, Azerbaijan, Kazakhstan and Tajikistan are 37, 19.3, 9.3 and 33 % for their industrial products with comparative export advantage, respectively. The results of this study show that, on average, more than 41.5 % of industrial products with a comparative export advantage of the ECO member countries are faced with tariff rates more than 15 % in Iran.

3) The results of the survey of all products show that 28.7 % of imported products face tariff rates higher than 15 % in Iran. The results show that, first, 0-3 of the products with a comparative export advantage of the ECO member countries face zero tariff in Iran. Second, with the exception of Pakistan and Kyrgyzstan, more than 50 % of the ECO member countries' products with comparative export advantage face tariff rates less than 15 %. The ratios of tariffs more than 15 % for Afghanistan and Türkiye are 44.8 and 41.3 %, respectively. Third, in terms of the

number of products with comparative advantage, 738, 424, 258 and 229 products with comparative export advantage of Türkiye, Pakistan, Uzbekistan and Kyrgyzstan respectively face tariffs higher than 15 % in Iran.

4) The results on the dollar value of the ECO exports by the tariff bands applied by Iran show that: (a) 90.2, 97.5 and 97.8 % of the exports of Tajikistan, Azerbaijan and Kazakhstan respectively face tariff rates less than or equal to 15 % in Iran, followed by Uzbekistan that only 25.3 % of its exports to the world face tariff rates higher than 15 % in Iran; (b) 64.5 % of Pakistan's exports to the world, if exported to Iran, will face tariffs more than 15 % in Iran and 56 % of the dollar value of its exports to the world will face tariff rates more than 25 % in Iran. 60 % of Turkish exports to the world face tariff rates less than or equal to 15 % in Iran, while about 14.7, 4.9 and 18.6 % of the country's exports to the world face tariff rates of 15-25, 25-50 or greater than 50 % in Iran, respectively. 54.4 % of Afghanistan's exports to the world face tariff rates higher than 15 % in Iran. Of these, 47.7 % of the dollar value of the country's exports to the world face tariff rates higher than 50 % 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 make significant tariff exemptions highly compatible with the export potential and comparative advantage of important ECO member countries such as Türkiye and Pakistan. As a result, the opening of the Iranian market can be expected to be lucrative for its trade partners. Due to the wide range of tariff lines above 15 % and the export potential of Iran’s trade partners in these products, the protection of like domestic products in Iran may be challenging and it will probably face unprecedented import increases compared to today.

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.

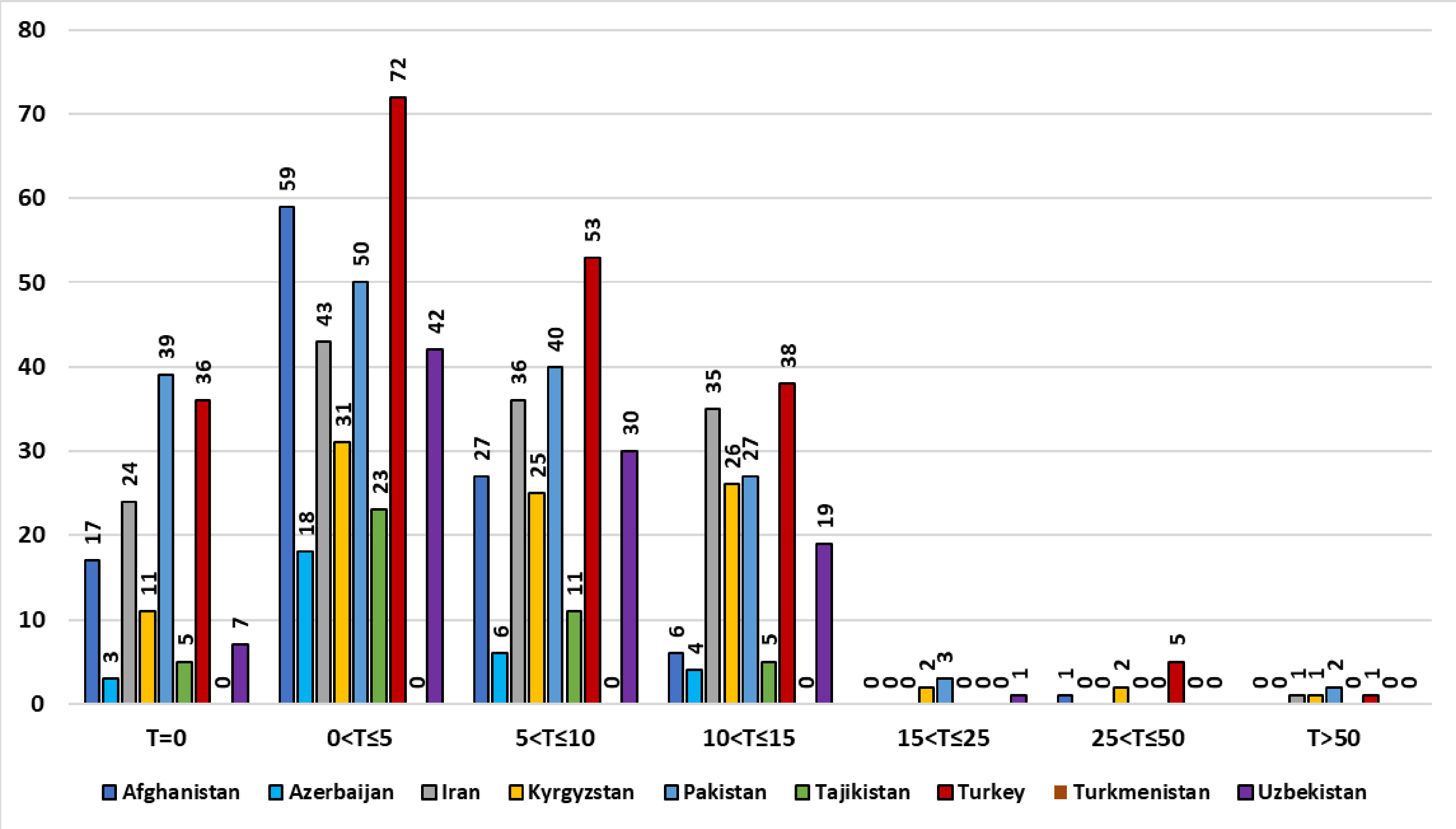
Table 11: Export potential of the ECO member countries based on the RCA index in each of Kazakhstan's tariff bands (applied tariffs 2023)

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kyrgyzstan	Pakistan	Tajikistan	Turkiye	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Kazakhstan by each tariff band												
Agriculture	***Total***	963	7.2	110	31	139	98	161	44	205	-	99
	T=0	304	0	17	3	24	11	39	5	36	-	7
	0<T≤5	266	4.5	59	18	43	31	50	23	72	-	42
	5<T≤10	189	9.1	27	6	36	25	40	11	53	-	30
	10<T≤15	156	13.4	6	4	35	26	27	5	38	-	19
	15<T≤25	22	20.5	0	0	0	2	3	0	0	-	1
	25<T≤50	22	39.2	1	0	0	2	0	0	5	-	0
	T>50	4	158.9	0	0	1	1	2	0	1	-	0
	Share of tariff lines over 15%	5.0		0.9	0.0	0.7	5.1	3.1	0.0	2.9		1.0
Panel B: Number of tariff lines with comparative export advantage in case of export to Kazakhstan by each tariff band												
Non- Agriculture	***Total***	4649	5.2	101	56	453	354	563	112	1581	-	401
	T=0	1007	0	14	9	44	73	34	28	268	-	39
	0<T≤5	2029	4.4	56	28	248	125	206	40	626	-	160
	5<T≤10	1276	8.6	23	16	132	118	244	32	562	-	165
	10<T≤15	337	13.4	8	3	29	38	79	12	125	-	37
	15<T≤25	0	0	0	0	0	0	0	0	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	0.0	0.0	0.0	0.0	0.0	0.0		0.0

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kyrgyzstan	Pakistan	Tajikistan	Turkiye	Turkmenistan	Uzbekistan
Panel C: Number of tariff lines with comparative export advantage in case of export to Kazakhstan by each tariff band												
All Sectors	***Total***	5612	5.6	211	87	592	452	724	156	1786	-	500
	T=0	1311	0	31	12	68	84	73	33	304	-	46
	0<T≤5	2295	4.4	115	46	291	156	256	63	698	-	202
	5<T≤10	1465	8.6	50	22	168	143	284	43	615	-	195
	10<T≤15	493	13.4	14	7	64	64	106	17	163	-	56
	15<T≤25	22	20.5	0	0	0	2	3	0	0	-	1
	25<T≤50	22	39.2	1	0	0	2	0	0	5	-	0
	T>50	4	158.9	0	0	1	1	2	0	1	-	0
	Share of tariff lines over 15%	**28.7**		**0.5**	**0.0**	**0.2**	**1.1**	**0.7**	**0.0**	**0.3**		**0.2**
Panel D: Number of tariff lines with comparative export advantage in case of export to Kazakhstan by each tariff band												
Value of export (Million $US)	***Total***	5624	5.6	1,612	32,459	49,534	3,001	29,051	1,258	211,187	-	19,209
	T=0	4	0	205	14,437	4,367	691	2,223	788	23,468	-	1,103
	0<T≤5	3138	4.4	1,100	17,013	35,811	568	5,796	257	86,101	-	4,995
	5<T≤10	555	8.6	243	749	7,059	1,548	13,522	182	80,355	-	12,436
	10<T≤15	315	13.4	65	259	2,247	184	6,689	32	20,460	-	650
	15<T≤25	467	20.5	0	0	0	6	376	0	0	-	24
	25<T≤50	331	39.2	0.03	0	0	0	0	0	470	-	0
	T>50	814	158.9	0	0	50	3	445	0	334	-	0
	Share of tariff lines over 15%	**28.7**		**0.002**	**0.0**	**0.1**	**0.3**	**2.8**	**0.0**	**0.4**		**0.1**

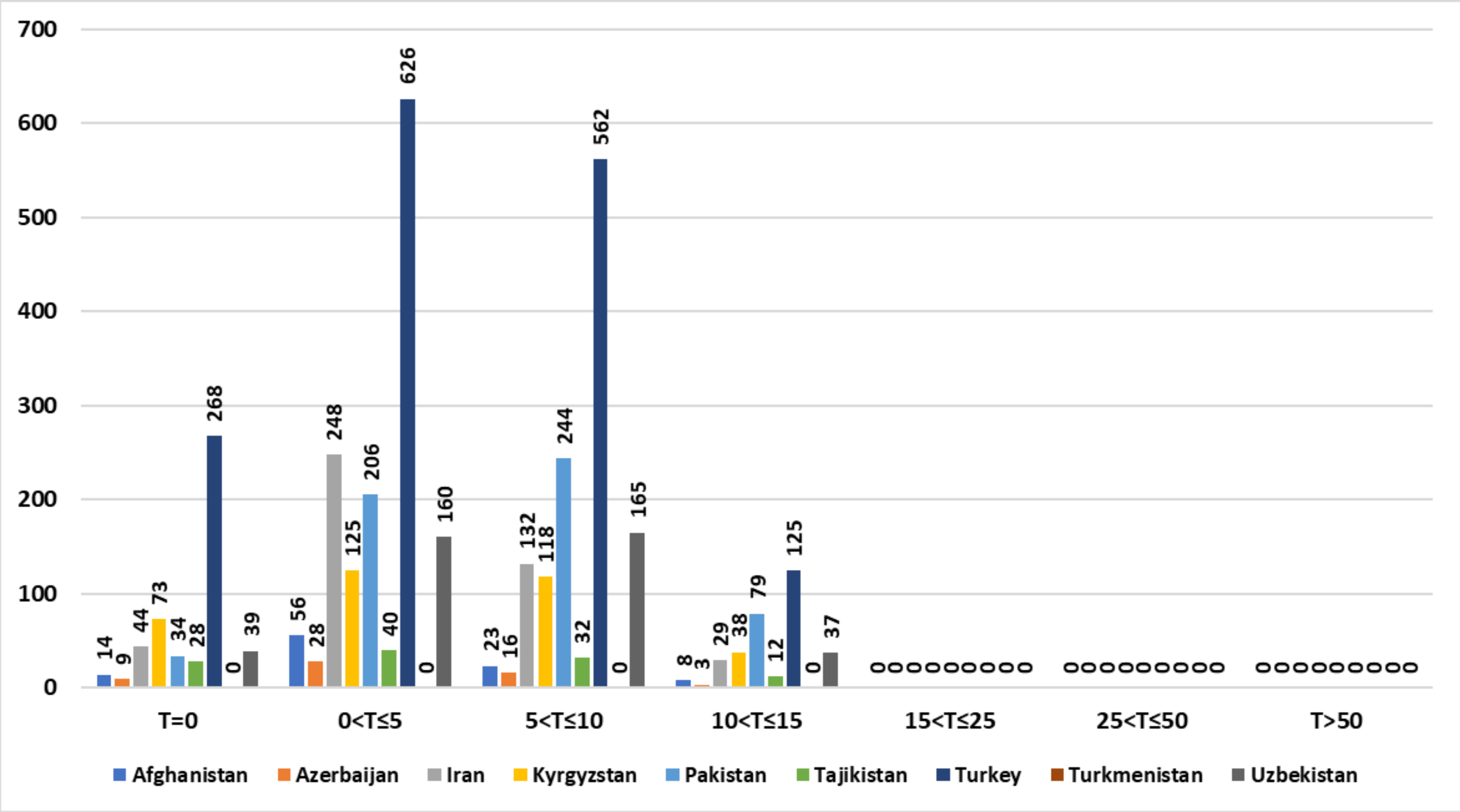
Source: ITC raw data, national trade data and research findings.

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



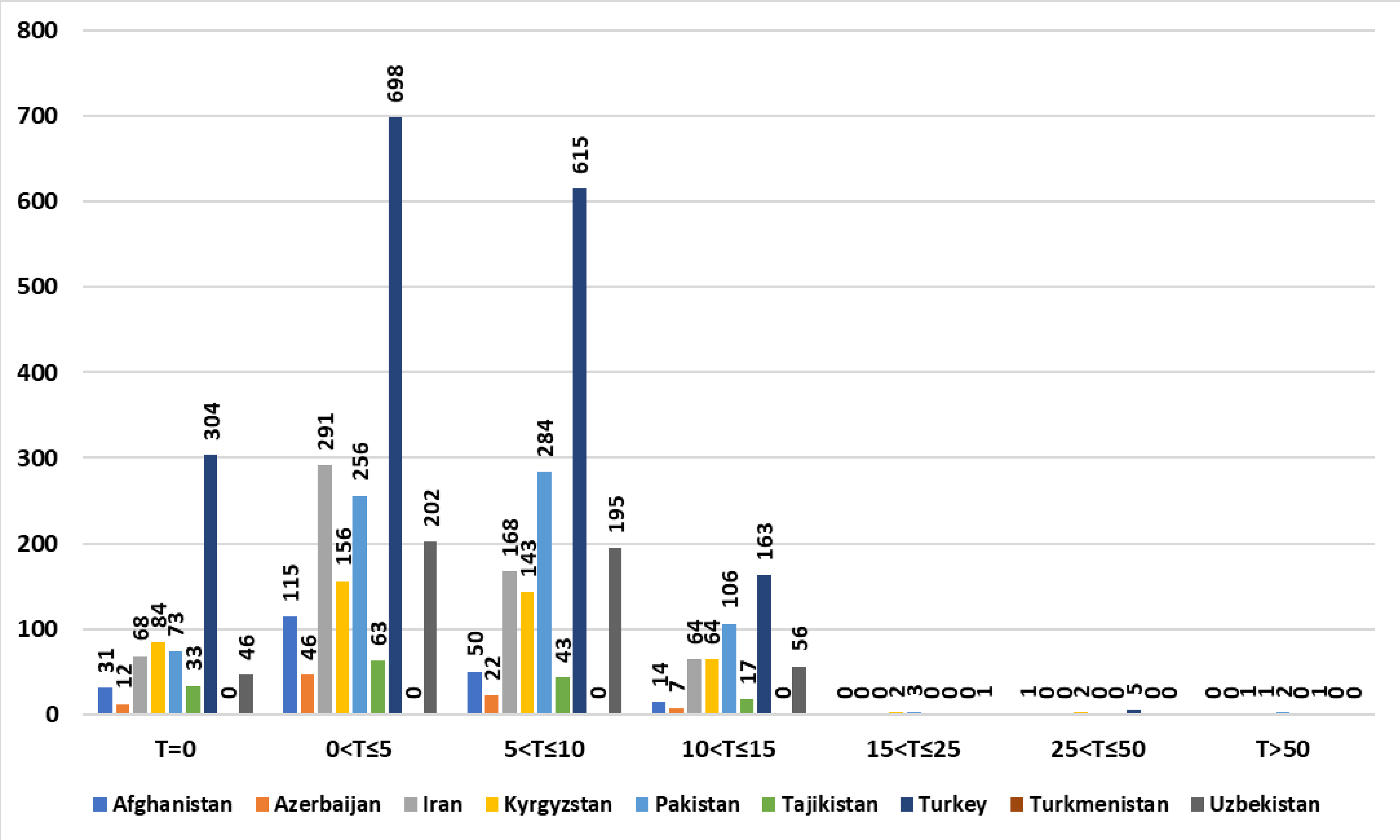
Source: ITC raw data, national trade data and research findings.

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



Source: ITC raw data, national trade 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, national trade data and research findings.

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

Considering the status of Kazakhstan's tariff structure as well as the number of products 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 15 % or more in 2023 for 5 % of the tariff lines of its agricultural products (equivalent to 48 six-digit HS codes), of which 22 codes have tariff rates between 15 and 25 %, 22 codes have tariff rates between 25 to 50 %, and 4 codes have tariff rates more than 50 %. According to Panel A in Table 11, a small number of products with a comparative export advantage of the ECO members face tariff rates higher than 15 % in Kazakhstan. Only 1 % of Uzbekistan's products with a comparative export advantage face tariffs above 15 %, and for other countries, the coverage percentage is up to 5.1 %. According to Table 11, a significant percentage of products with a comparative export advantage of the ECO member countries in the agricultural sector face relatively low tariff rates of 0 to 15 % 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 Türkiye, 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 4649 tariff lines of industrial products (according to the six-digit HS codes) of Kazakhstan in 2023, no tariff line of this country has tariff rate above 15 %. Therefore, industrial tariff structure of this country lacks fifth to seventh tariff bands (i.e., tariffs higher than 15 % to tariffs higher than 50 %).

3) The results of the study of the dollar value of products with a comparative export advantage of the ECO member countries show that about 100 to 97 % of the value of products with a comparative export advantage of Afghanistan, Azerbaijan, Uzbekistan, Iran, Kyrgyzstan, Turkmenistan, Tajikistan, Pakistan and Türkiye to the world face tariff rates up to 15 % in Kazakhstan.

4) As a general result, Kazakhstan has a relatively 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 %. Thus, Kazakhstan can easily include all of its tariff lines higher than 15 % in its negative list. The same is true of agricultural

products. **Therefore, according to Article 4 of the ECOTA, Kazakhstan seems to be able to put all its sensitive products with high tariff rates in its negative list**.

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 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 31 to 33, respectively.

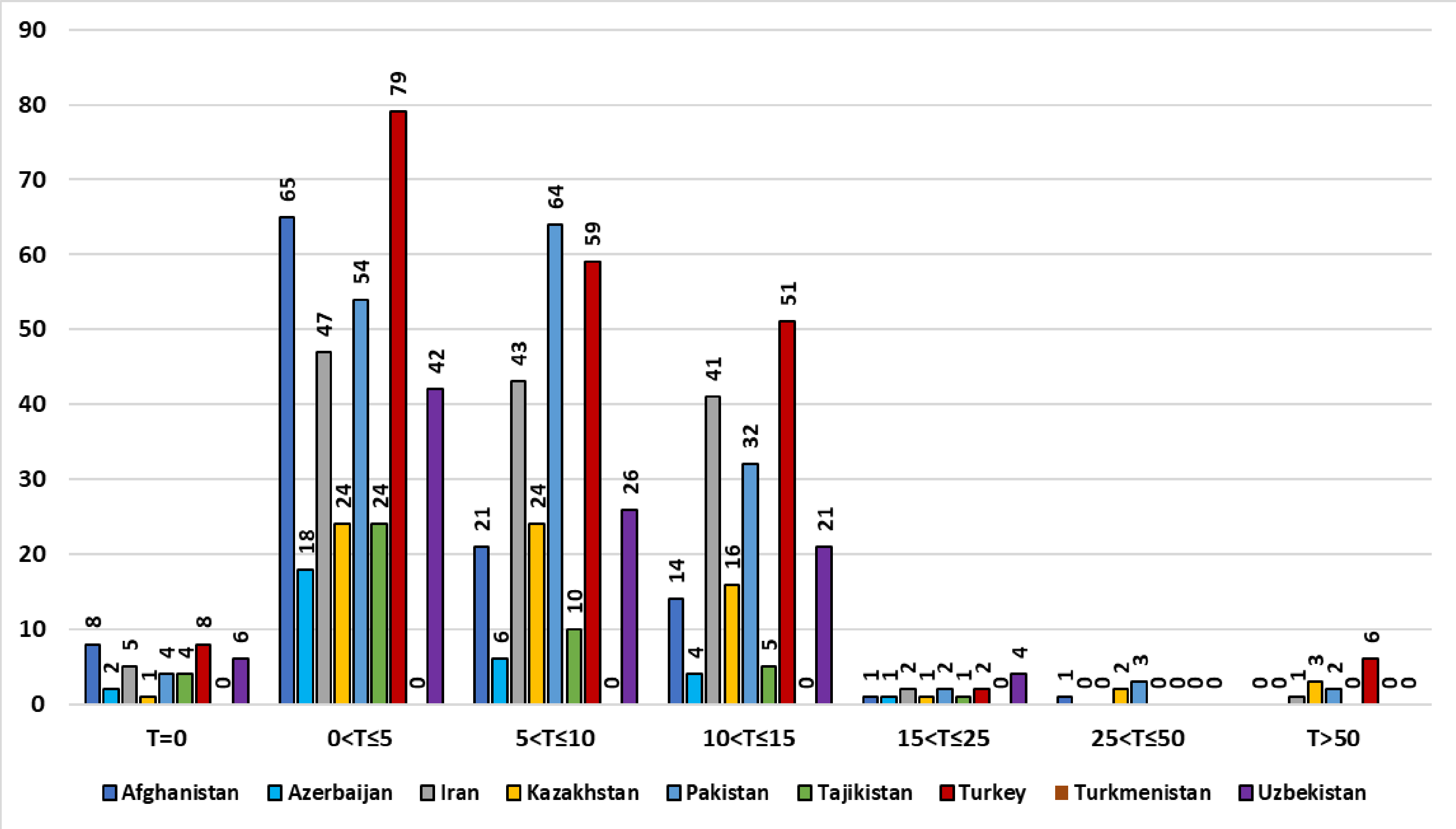
Table 12: Export potential of the ECO member countries based on the RCA index in each of Kyrgyzstan's tariff bands (applied tariffs 2023)

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Pakistan	Tajikistan	Turkiye	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Kyrgyzstan by each tariff band												
Agriculture	***Total***	963	10.2	110	31	139	71	161	44	205	-	99
	T=0	40	0	8	2	5	1	4	4	8	-	6
	0<T≤5	336	4.6	65	18	47	24	54	24	79	-	42
	5<T≤10	323	7.9	21	6	43	24	64	10	59	-	26
	10<T≤15	199	13.3	14	4	41	16	32	5	51	-	21
	15<T≤25	30	19.9	1	1	2	1	2	1	2	-	4
	25<T≤50	12	28.9	1	0	0	2	3	0	0	-	0
	T>50	23	93.6	0	0	1	3	2	0	6	-	0
	Share of tariff lines over 15%	6.7		1.8	3.2	2.2	8.5	4.3	2.3	3.9		4.0
Panel B: Number of tariff lines with comparative export advantage in case of export to Kyrgyzstan by each tariff band												
Non- Agriculture	***Total***	4649	6.2	101	56	453	225	563	112	1581	-	401
	T=0	679	0	14	8	31	36	25	25	199	-	31
	0<T≤5	2062	4.4	56	27	246	127	191	42	596	-	157
	5<T≤10	1306	8.4	21	16	119	42	228	32	556	-	141
	10<T≤15	543	13.2	9	5	54	17	85	10	194	-	48
	15<T≤25	43	18	1	0	1	2	23	3	23	-	14
	25<T≤50	14	35.4	0	0	2	1	11	0	12	-	9
	T>50	2	57.5	0	0	0	0	0	0	1	-	1
	Share of tariff lines over 15%	1.3		1.0	0.0	0.7	1.3	6.0	2.7	2.3		6.0

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Pakistan	Tajikistan	Turkiye	Turkmenistan	Uzbekistan
Panel C: Number of tariff lines with comparative export advantage in case of export to Kyrgyzstan by each tariff band												
All Sectors	***Total***	5612	6.9	211	87	592	296	724	156	1786	-	500
	T=0	719	0	22	10	36	37	29	29	207	-	37
	0<T≤5	2398	4.4	121	45	293	151	245	66	675	-	199
	5<T≤10	1629	8.3	42	22	162	66	292	42	615	-	167
	10<T≤15	742	13.2	23	9	95	33	117	15	245	-	69
	15<T≤25	73	18.8	2	1	3	3	25	4	25	-	18
	25<T≤50	26	32.4	1	0	2	3	14	0	12	-	9
	T>50	25	90.8	0	0	1	3	2	0	7	-	1
	Share of tariff lines over 15%	**2.2**		**1.4**	**1.1**	**7.8**	**1.7**	**5.7**	**2.6**	**2.5**		**5.6**
Panel D: Number of tariff lines with comparative export advantage in case of export to Kyrgyzstan by each tariff band												
Value of export (Million $US)	***Total***	5612	6.9	1,612	32,459	49,534	70,073	29,051	1,258	211,187	-	19,209
	T=0	719	0	196	14,434	3,493	7,702	1,208	695	15,541	-	978
	0<T≤5	2398	4.4	1,098	16,984	36,162	58,471	13,073	348	71,421	-	4,604
	5<T≤10	1629	8.3	205	752	7,180	2,625	5,402	184	85,067	-	3,562
	10<T≤15	742	13.2	113	288	2,606	1,131	7,197	28	34,590	-	9,391
	15<T≤25	73	18.8	0	1	20	6	1,000	3	3,034	-	535
	25<T≤50	26	32.4	0.03	0	22	109	726	0	709	-	115
	T>50	25	90.8	0	0	50	28	445	0	824	-	24
	Share of tariff lines over 15%	**28.7**		**0.002**	**0.003**	**0.2**	**0.2**	**7.5**	**0.2**	**2.2**		**3.5**

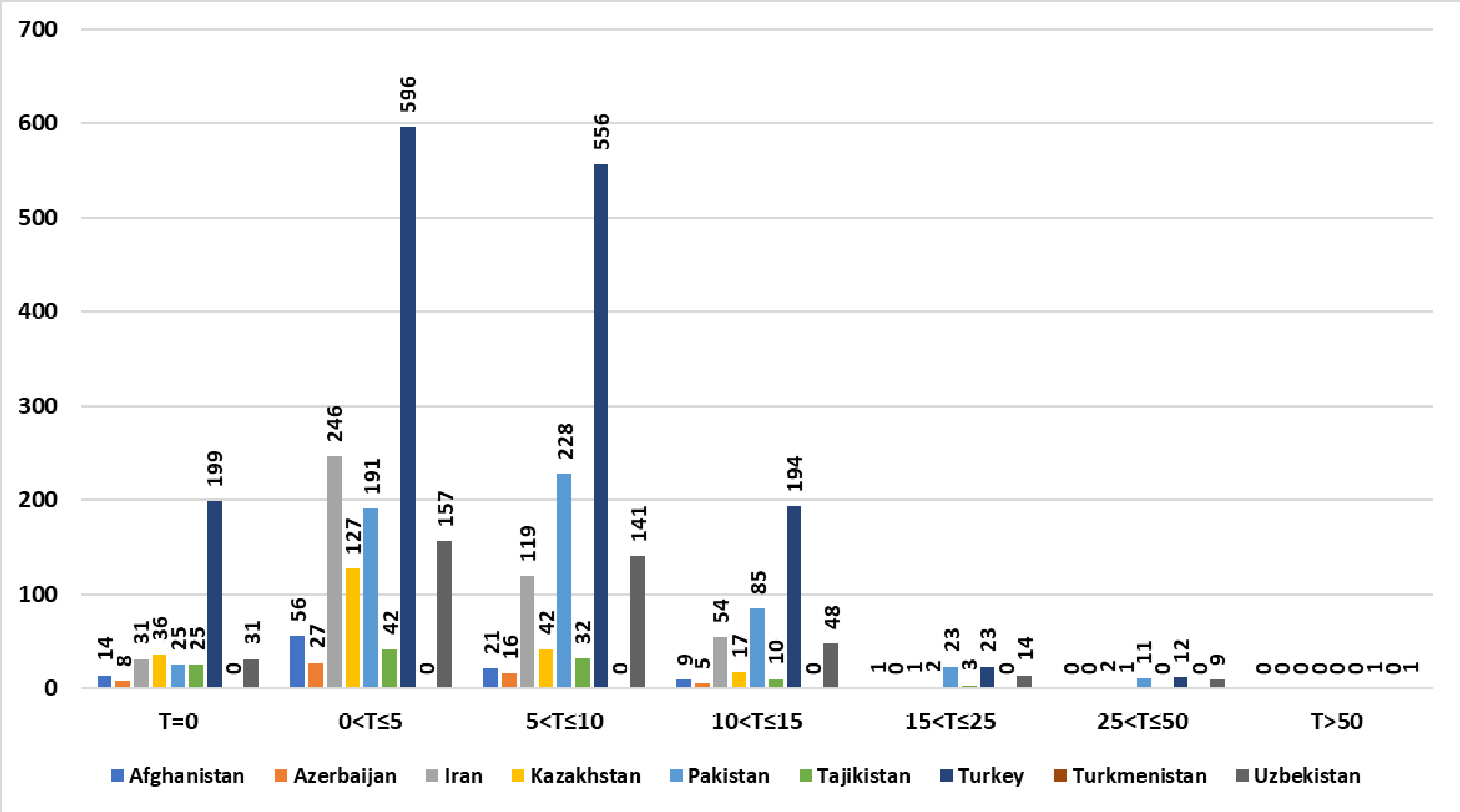
Source: ITC raw data, national trade data and research findings.

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



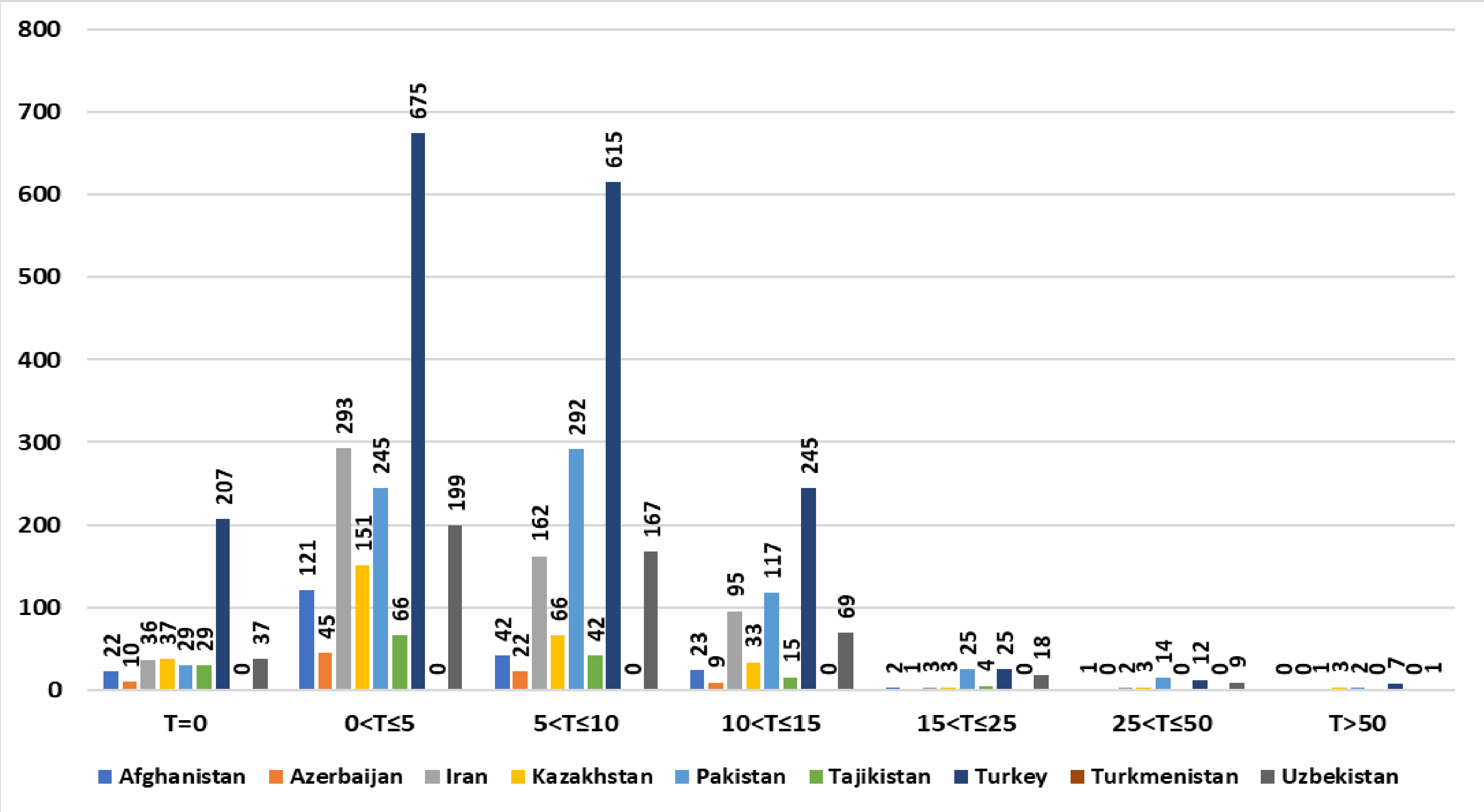
Source: ITC raw data, national trade data and research findings.

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



Source: ITC raw data, national trade 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, national trade data and research findings.

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

Given the status of Kyrgyzstan's tariff structure as well as the number of products 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, the following analytical results can be inferred:

1) In 2023, Kyrgyzstan set tariff rates higher than 15 % for 6.7 % of agricultural products (according to the six-digit HS codes). According to Panel A in Table 12, less than 9 % of tariff lines with a comparative export advantage in the agricultural sector of the ECO members face tariff barriers of more than 15 % in Kyrgyzstan. According to the last row of Panel A, that ratio is 8.5 % for Kazakhstan and 1.8 % for Afghanistan. According to the results of this study, given the current structure of tariffs imposed by Kyrgyzstan, the country can put a few products with tariff rates more than 15 % 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 4649 non-agricultural products (according six-digit HS codes) that Kyrgyzstan has set tariffs on their imports (2023), about 1.3 % (59 codes) have tariffs more than 15 %. According to Panel B of Table 12, most non-agricultural products with a comparative advantage of the ECO members face tariffs of 0-5 and then 5-10 %.

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 % in Kyrgyzstan (about 7.8 % in case of Iran at the most). Türkiye with 36 codes (about 2.5 %) and Pakistan with 34 codes (about 6 %) have most variety of products with a comparative advantage, subject to tariffs above 15 % in Kyrgyzstan.

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 7.5 % of the global export value of Pakistan is subject to tariffs above 15 % in Kyrgyzstan. This share is 3.5 % for Uzbekistan and 2.2 % for Türkiye.

5) As a general conclusion, given that a small portion of Kyrgyzstan tariff lines above 15 % is imposed on products with a comparative advantage and export potential of the ECO members, trade liberalization and inclusion of a wide range of products in the positive list will not pose a competitive risk to the country and it is expected that the country may be able to put products subject to tariffs above 15 % on its negative list.

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.

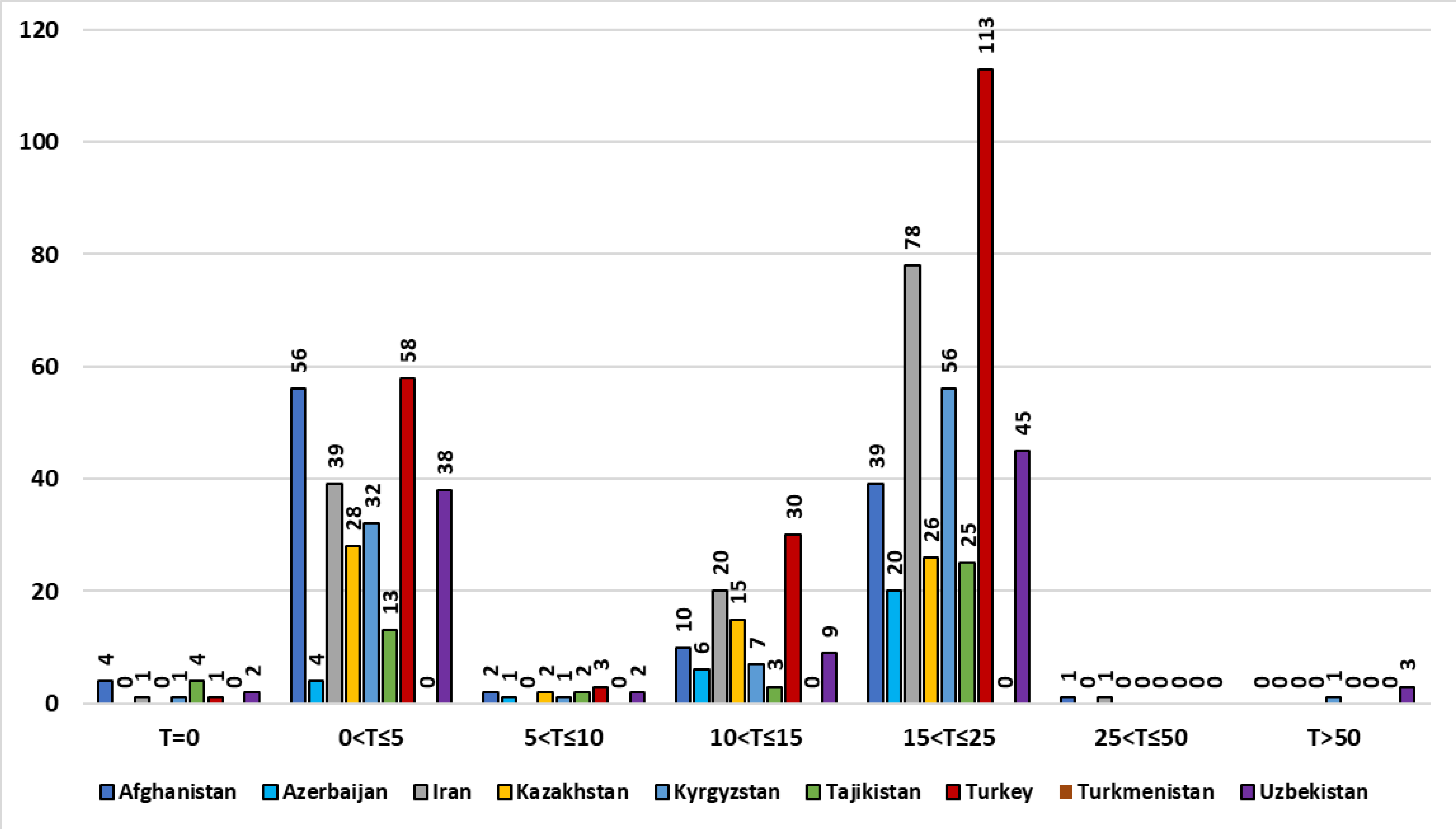
Table 13: Export potential of the ECO member countries based on the RCA index in each of Pakistan's tariff bands (applied tariffs 2024)

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Tajikistan	Turkiye	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Pakistan by each tariff band												
Agriculture	***Total***	975	13.7	112	31	139	71	98	47	205	-	99
	T=0	14	0	4	0	1	0	1	4	1	-	2
	0<T≤5	293	3	56	4	39	28	32	13	58	-	38
	5<T≤10	7	7.3	2	1	0	2	1	2	3	-	2
	10<T≤15	187	11	10	6	20	15	7	3	30	-	9
	15<T≤25	455	19.3	39	20	78	26	56	25	113	-	45
	25<T≤50	2	43.1	1	0	1	0	0	0	0	-	0
	T>50	17	90	0	0	0	0	1	0	0	-	3
	Share of tariff lines over 15%	48.6		36.4	64.5	56.8	36.6	58.2	53.2	55.1		48.5
Panel B: Number of tariff lines with comparative export advantage in case of export to Pakistan by each tariff band												
Non- Agriculture	***Total***	4712	9.4	131	57	452	222	352	140	1575	-	398
	T=0	1779	0	76	21	141	110	79	72	326	-	93
	0<T≤5	477	2.9	3	7	32	28	25	7	96	-	22
	5<T≤10	89	8.2	0	1	6	2	4	3	30	-	6
	10<T≤15	693	11.2	13	12	69	23	34	16	320	-	96
	15<T≤25	1536	19	39	14	203	56	196	38	743	-	175
	25<T≤50	124	33.1	0	1	1	3	12	3	54	-	6
	T>50	14	76.9	0	1	0	0	2	1	6	-	0
	Share of tariff lines over 15%	35.5		29.8	28.1	45.1	26.6	59.7	30.0	51.0		45.5

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Tajikistan	Turkiye	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***	5687	10.1	243	88	591	293	450	187	1780	-	497
	T=0	1793	0	80	21	142	110	80	76	327	-	95
	0<T≤5	770	2.9	59	11	71	56	57	20	154	-	60
	5<T≤10	96	8.2	2	2	6	4	5	5	33	-	8
	10<T≤15	880	11.2	23	18	89	38	41	19	350	-	105
	15<T≤25	1991	19.1	78	34	281	82	252	63	856	-	220
	25<T≤50	126	33.2	1	1	2	3	12	3	54	-	6
	T>50	31	84.1	0	1	0	0	3	1	6	-	3
	Share of tariff lines over 15%	**37.8**		**32.5**	**40.9**	**7.8**	**29.0**	**59.3**	**35.8**	**51.5**		**46.1**
Panel D: Number of tariff lines with comparative export advantage in case of export to Pakistan by each tariff band												
Value of export (Million $US)	***Total***	5687	10.1	1,685	32,459	49,533	69,999	3,001	1,262	210,675	-	19,200
	T=0	1793	0	293	14,169	26,616	19,870	465	887	15,507	-	2,369
	0<T≤5	770	2.9	624	17,257	9,181	44,503	1,706	111	23,051	-	9,560
	5<T≤10	96	8.2	2	65	467	749	11	24	8,019	-	487
	10<T≤15	880	11.2	42	232	3,751	2,812	205	82	33,827	-	2,820
	15<T≤25	1991	19.1	724	671	9,466	1,984	527	158	101,768	-	3,354
	25<T≤50	126	33.2	0.7	1	52	80	52	1	14,616	-	583
	T>50	31	84.1	0	63	0	0	35	0	13,887	-	27
	Share of tariff lines over 15%	**37.8**		**43.0**	**2.3**	**19.2**	**2.9**	**20.5**	**12.6**	**61.8**		**20.6**

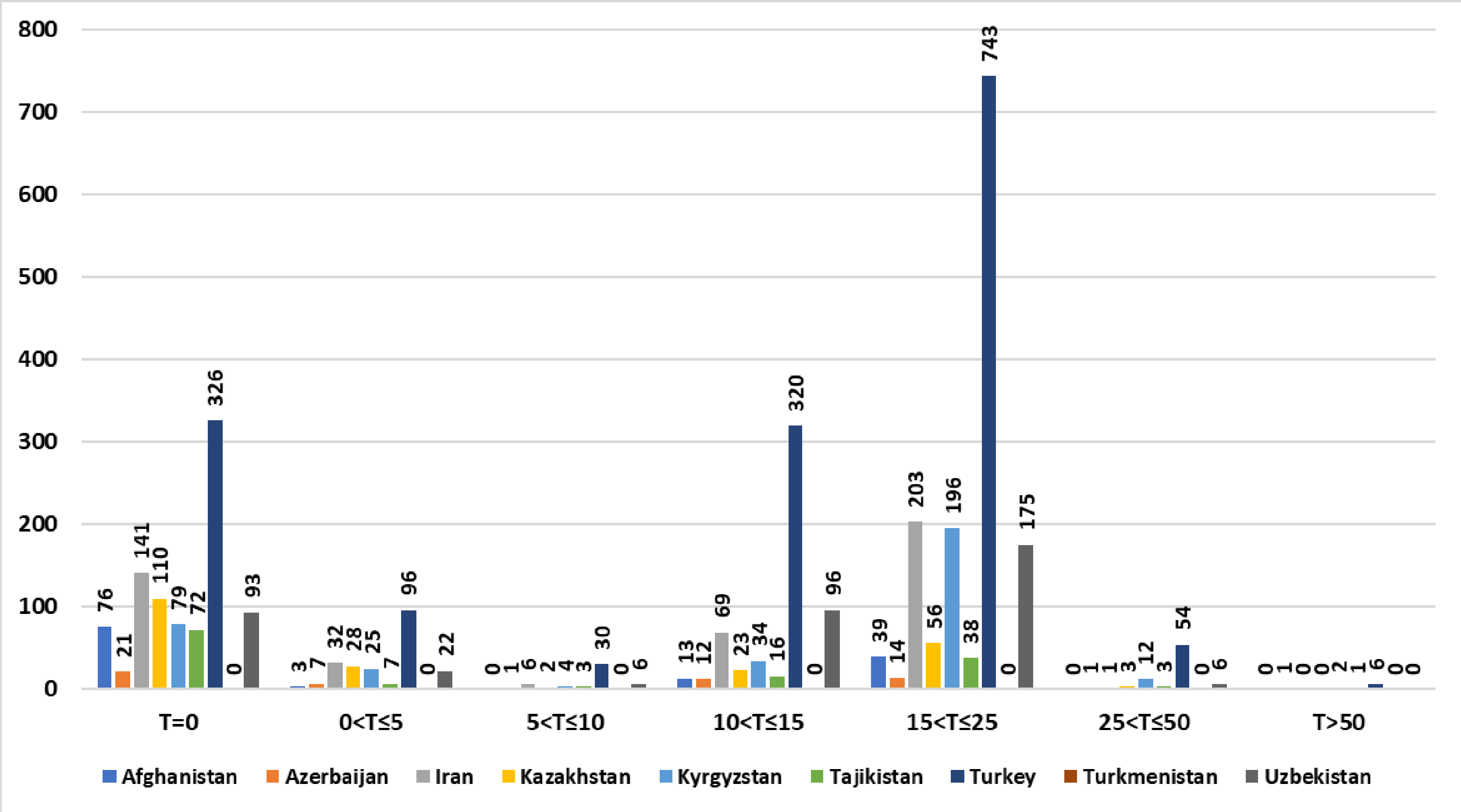
Source: ITC raw data, national trade data and research findings.

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



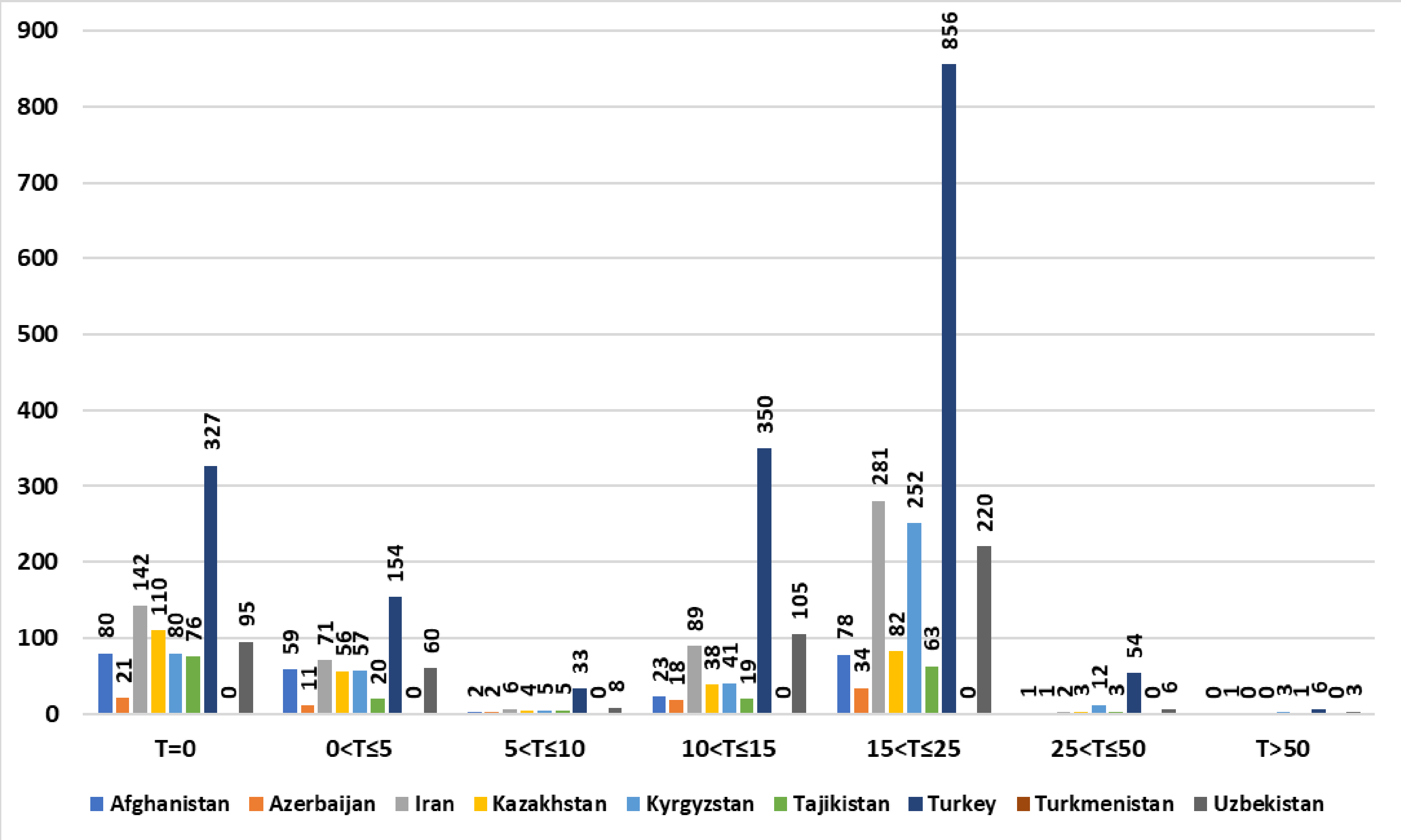
Source: ITC raw data, national trade data and research findings.

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



Source: ITC raw data, national trade 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, national trade data and research findings.

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

Considering the status of Pakistan's tariff structure as well as the number of products 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, the following analytical results can be inferred:

1) Pakistan has applied tariff rates more than 15 % in 2024 for 48.6 % of agricultural products (equivalent to 474 HS six-digit codes), of which 455 codes have tariff rates between 15 to 25 %, and 19 codes have tariff rates more than 25 %. As shown in Panel A of Table 13, more than 50 % of agricultural products with a comparative export advantage of Azerbaijan, Kyrgyzstan, Iran, Tajikistan and Türkiye face tariff rates higher than 15 % in Pakistan. In terms of the number of tariff lines with a comparative export advantage, 113, 79, 57 and 48 agricultural products of Türkiye, Iran, Kyrgyzstan and Uzbekistan face tariff rates higher than 15 % in Pakistan. A significant percentage of the ECO member countries' products with comparative export advantage face tariff rates of 15 to 25 % in Pakistan, and products belonging to this tariff band are among the 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 % 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 4712 non-agricultural products (six-digit HS codes) on which Pakistan has imposed tariffs in 2024, tariff rates for 35.5 % of non-agricultural products are more than 15 %. In terms of market access conditions for the ECO members in the country's market, Türkiye's 803 products (equivalent to 51%), Kyrgyzstan's 210 products (59.7%), Iran's 204 products (45.1%) and Uzbekistan's 181 products (45.5%) with a comparative export advantage face tariff rates higher than 15 % in Pakistan. As for Afghanistan, Azerbaijan, Kazakhstan and Tajikistan, the proportions are 29.8, 28.1, 26.6 and 30 % 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 %, followed by tariff rates of zero and 15-25 %, in Pakistan.

3) Survey results on total products show that 37.8 % of imported products face tariff rates higher than 15 % in Pakistan. The results show that 916, 283, 267 and 229 products with a comparative export advantage of Türkiye, Iran, Kyrgyzstan and Uzbekistan respectively face tariff rates of more than 15 % in Pakistan. For other ECO member countries, the number is less than 90 products. Most of the

products with a comparative export advantage of the ECO member countries face tariff rates between 15 and 25 %, followed by tariffs of zero and 10-15 %.

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) 38.2 % of Turkish exports to the world is facing with tariff rates equal or less than 15 % in Pakistan. 48.3 % of the global value of Turkish exports is faced with tariff rates between 15 and 25 %, 6.9 % with tariff rates between 25 and 50 %, and 6.6 % with tariff rates of more than 50 %. In addition, 57 % of Afghanistan's global exports face tariff rates equal or less than 15 % and other countries mostly (79 %) face tariff rates less than 15 % in Pakistan. (B) 97.7, 97.1 and 80.8 % of the dollar value of exports of Azerbaijan, Kazakhstan and Iran respectively face tariff rates equal or less than 15 % and the majority of the remaining exports of these countries face tariff rates between 15 and 25 % in Pakistan.

5) As a general result, Pakistan will have to include a number of its national tariff lines in its positive list.

Most of Pakistan's tariff exemptions cover products in tariff range of 15 to 25 %.

The most important challenge for Pakistan (to protect domestic like products) in terms of increased competition resulting from the intensification of imports as a result of the implementation of the commitments under the positive list is related to Türkiye, Iran, and Kazakhstan, because the export potential of these three countries is high.

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.

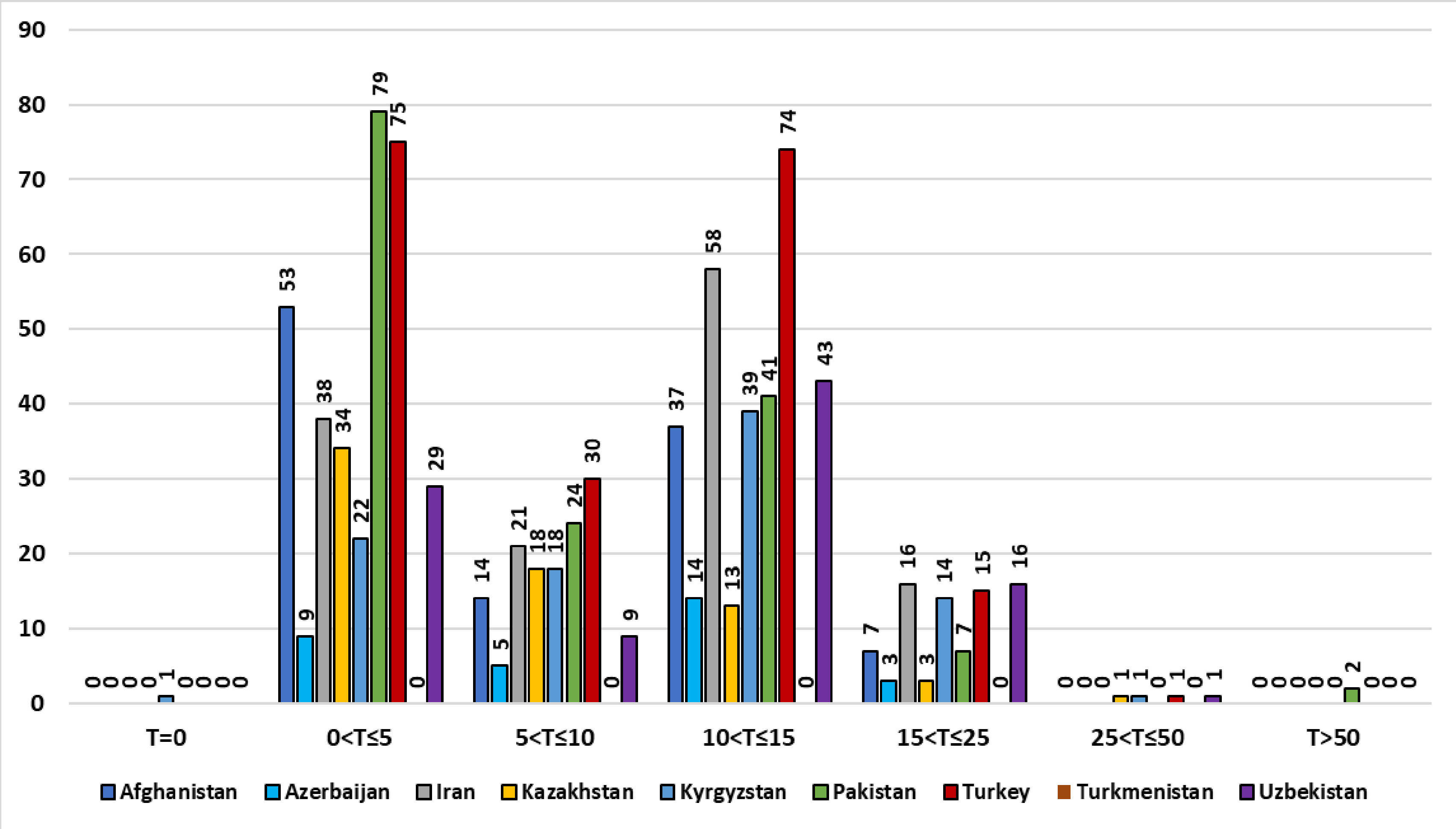
Table 14: Export potential of the ECO member countries based on the RCA index in each of Tajikistan's tariff bands (applied tariffs 2021)

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Turkiye	Turkmenistan	Uzbekistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Tajikistan by each tariff band												
Agriculture	***Total***	899	9.9	111	31	133	69	95	153	195	-	98
	T=0	3	0	0	0	0	0	1	0	0	-	0
	0<T≤5	439	4.9	53	9	38	34	22	79	75	-	29
	5<T≤10	167	9.7	14	5	21	18	18	24	30	-	9
	10<T≤15	241	14.5	37	14	58	13	39	41	74	-	43
	15<T≤25	39	19.1	7	3	16	3	14	7	15	-	16
	25<T≤50	7	36.4	0	0	0	1	1	0	1	-	1
	T>50	3	221.7	0	0	0	0	0	2	0	-	0
	Share of tariff lines over 15%	5.5		6.3	9.7	12.0	5.8	15.8	5.9	8.2		17.3
Panel B: Number of tariff lines with comparative export advantage in case of export to Tajikistan by each tariff band												
Non- Agriculture	***Total***	4299	7.6	130	55	436	209	323	548	1463	-	372
	T=0	532	0	5	1	13	11	16	6	59	-	12
	0<T≤5	1108	4.8	37	18	176	86	80	107	404	-	81
	5<T≤10	1934	7.8	37	23	192	103	111	119	587	-	125
	10<T≤15	406	17.3	14	8	29	5	33	121	175	-	65
	15<T≤25	298	19.6	21	5	17	4	79	193	222	-	85
	25<T≤50	21	30	16	0	9	0	4	2	16	-	4
	T>50	0	0	0	0	0	0	0	0	0	-	0
	Share of tariff lines over 15%	7.4		28.5	9.1	6.0	1.9	25.7	35.6	16.3		23.9

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Turkiye	Turkmenistan	Uzbekistan
Panel C: Number of tariff lines with comparative export advantage in case of export to Tajikistan by each tariff band												
All Sectors	***Total***	5198	8	241	86	569	278	418	701	1658	-	470
	T=0	535	0	5	1	13	11	17	6	59	-	12
	0<T≤5	1547	4.8	90	27	214	120	102	186	479	-	110
	5<T≤10	2101	8	51	28	213	121	129	143	617	-	134
	10<T≤15	647	14.4	51	22	87	18	72	162	249	-	108
	15<T≤25	337	19.5	28	8	33	7	93	200	237	-	101
	25<T≤50	28	31.6	16	0	9	1	5	2	17	-	5
	T>50	3	221.7	0	0	0	0	0	2	0	-	0
	Share of tariff lines over 15%	**7.1**		**18.3**	**9.3**	**7.4**	**2.9**	**23.4**	**29.1**	**15.3**		**22.6**
Panel D: Number of tariff lines with comparative export advantage in case of export to Tajikistan by each tariff band												
Value of export (Million $US)	***Total***	5198	8	1,682	32,458	48,980	69,826	2,862	28,552	194,877	-	19,022
	T=0	535	0	0	85	441	53	71	12	3,776	-	179
	0<T≤5	1547	4.8	613	14,395	30,225	14,840	518	8,165	66,193	-	3,438
	5<T≤10	2101	8	327	17,333	13,763	53,660	640	2,527	66,360	-	2,387
	10<T≤15	647	14.4	419	318	2,973	850	1,492	6,999	34,157	-	11,219
	15<T≤25	337	19.5	305	326	1,252	416	139	10,345	21,966	-	1,749
	25<T≤50	28	31.6	18.8	0	325	6	2	59	2,425	-	49
	T>50	3	221.7	0	0	0	0	0	445	0	-	0
	Share of tariff lines over 15%	**7.1**		**19.3**	**1.0**	**3.2**	**0.6**	**4.9**	**38.0**	**12.5**		**9.5**

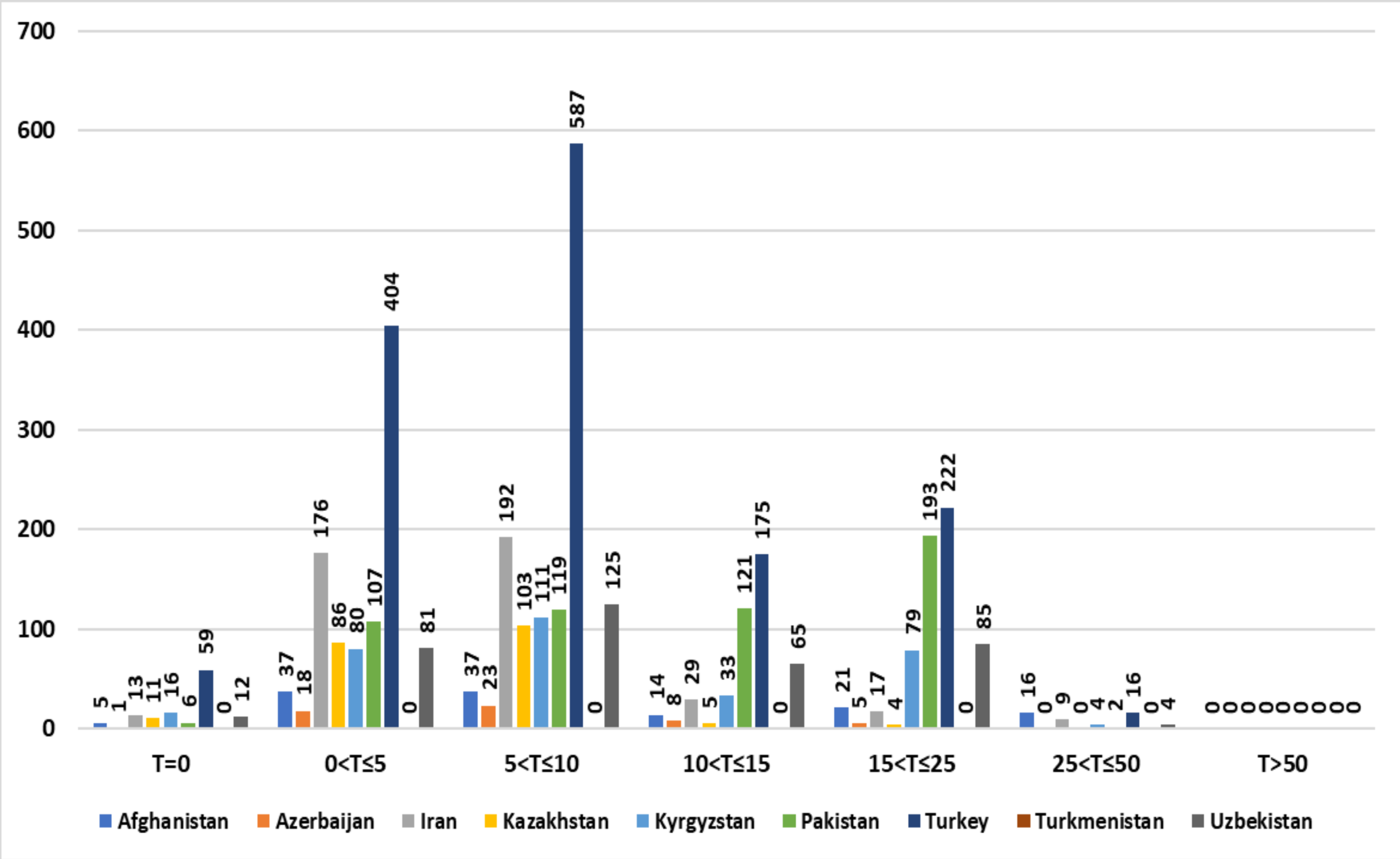
Source: ITC raw data, national trade data and research findings.

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



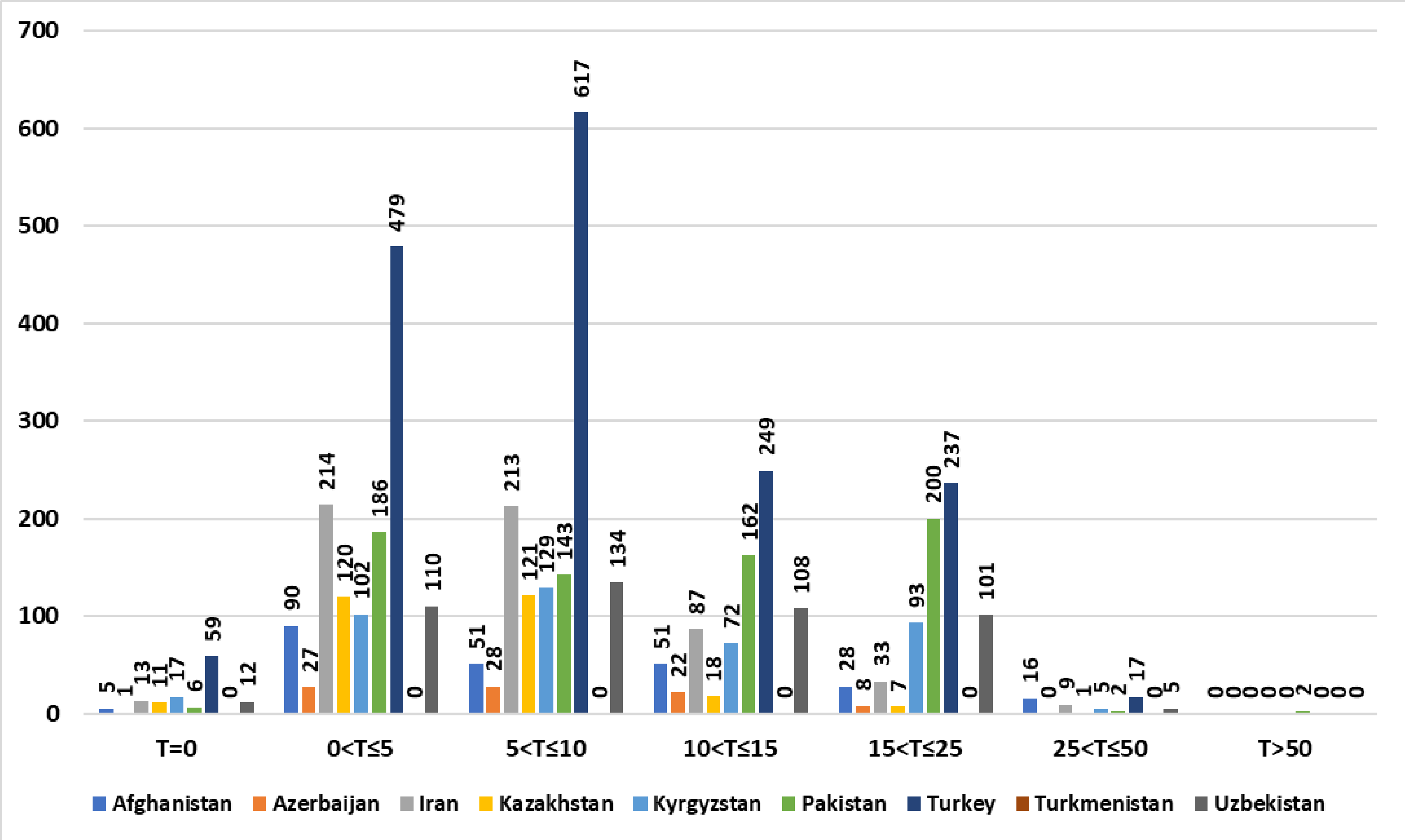
Source: ITC raw data, national trade data and research findings.

Figure 38: Number of tariff lines with export RCA of the ECO members' non-agricultural products by Tajikistan tariff bands



Source: ITC raw data, national trade 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, national trade data and research findings.

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

Considering the status of Tajikistan's tariff structure as well as the number of products 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, the following analytical results can be inferred:

1) Tajikistan has set tariff rates of more than 15 % in 2021 for 5.5 % of its agricultural products (equivalent to 49 six-digit HS codes), of which 39 codes have tariff rates 15 to 25 %, 7 codes have tariff rates between 25 to 50 %, and 3 codes have tariff rates more than 50 %. As indicated by the data in Panel A of Table 14, 15.8, 12 and 9.7 % of the agricultural products with a comparative export advantage of Kyrgyzstan, Iran and Azerbaijan respectively face tariff rates in excess of 15 % in Tajikistan. In terms of the number of tariff lines with a comparative export advantage, Uzbekistan's 17 agricultural products with a comparative export advantage face tariff rates higher than 15 % in the Tajik market. 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 %. In contrast, a very small share of agricultural products with a comparative export advantage of the ECO member countries faces tariffs more than 25 % 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) Among 4229 industrial products (six-digit HS codes) for which Tajikistan imposed tariffs in 2021, tariff rates of about 7.4 % of industrial products are above 15 %. Also, in the Tajik market, 35.6 and 28.5 % of industrial products with a comparative advantage of Pakistan and Afghanistan respectively face tariff rates more than 15 %. In terms of the number of industrial products, 238 and 195 tariff lines of non-agricultural products with a comparative advantage of Türkiye and Pakistan respectively face tariff rates more than 15 % in Tajikistan. In addition, in the Tajik market, a significant share of industrial products with a comparative export advantage of the ECO countries faces tariff rates of 5 to 10 %.

3) The results of the survey of all products show that in Tajikistan, 7.1 % of tariff lines (equivalent to 368 six-digit HS codes) have tariff rates more than 15 %. These results show that in Tajikistan, 254, 204 and 106 products with a comparative export advantage of Türkiye, Pakistan and Uzbekistan respectively face tariff rates in excess of 15 %. Totally, about 90 % of the products with a

comparative export advantage of the ECO member countries in Tajik market face tariff rates of 0 to 15 %.

4) The results of the study of the dollar value of exports of the ECO member countries in Tajikistan’s tariff bands show that about 90 % of the products exported by the ECO countries face tariff rates equal to or less than 15 % in Tajikistan.

5) As a general conclusion, given the wide range of tariff rates of less than 15 % in Tajikistan, according to Article 4 of the ECOTA, the country can maintain its limited number of tariff lines above 15 %, 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 %. 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 % on its negative list.

2-3-8- Türkiye

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.

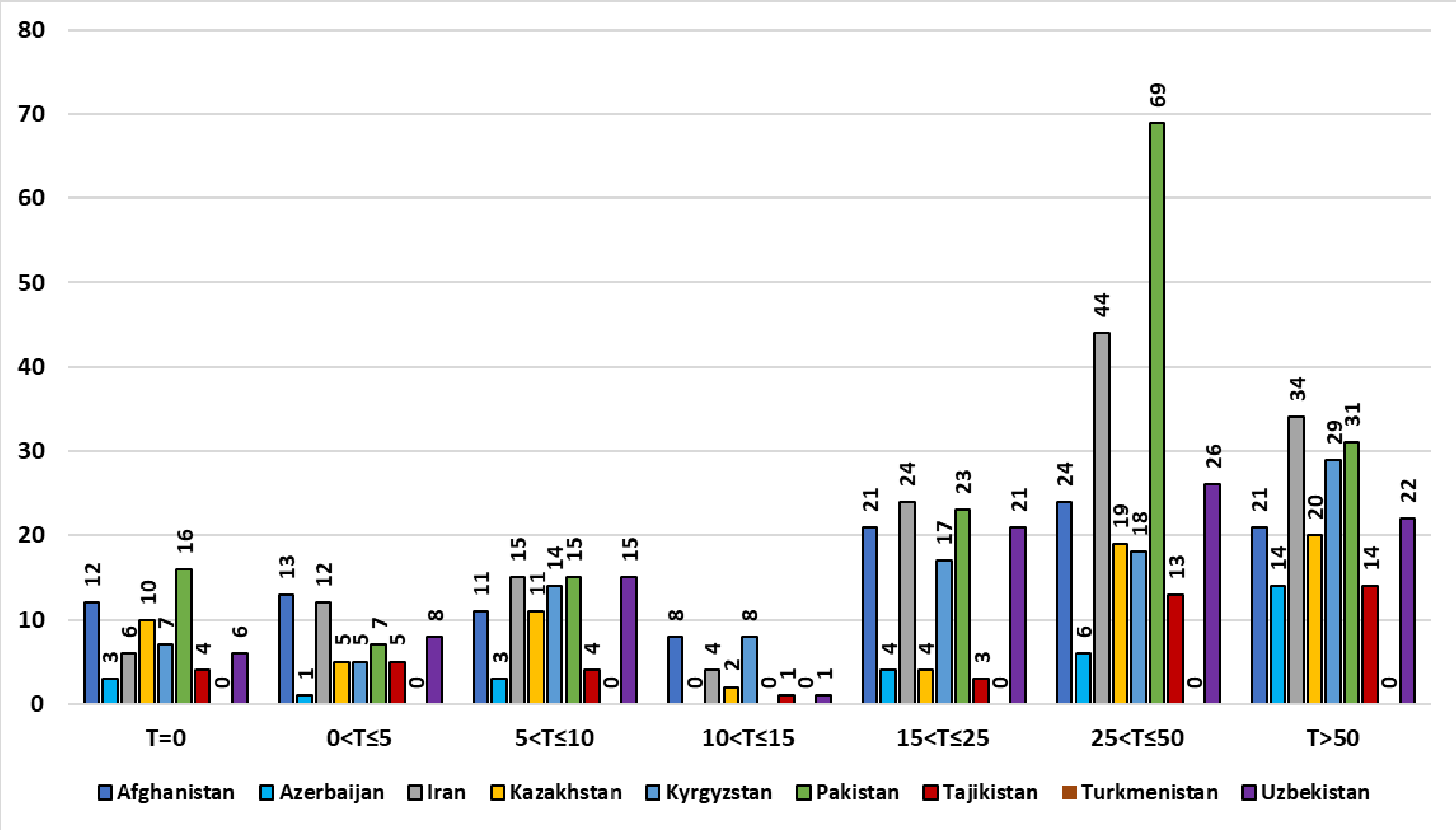
Table 15: Export potential of the ECO member countries based on the RCA index in each of Türkiye's tariff bands (applied tariffs 2024)

	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 Turkiye by each tariff band												
Agriculture	***Total***	963	40.6	110	31	139	71	98	161	44	-	99
	T=0	86	0	12	3	6	10	7	16	4	-	6
	0<T≤5	44	3.1	13	1	12	5	5	7	5	-	8
	5<T≤10	88	7.6	11	3	15	11	14	15	4	-	15
	10<T≤15	25	12.7	8	0	4	2	8	0	1	-	1
	15<T≤25	133	19.9	21	4	24	4	17	23	3	-	21
	25<T≤50	360	35.8	24	6	44	19	18	69	13	-	26
	T>50	227	87.3	21	14	34	20	29	31	14	-	22
	Share of tariff lines over 15%	74.8		60.0	77.4	73.4	60.6	65.3	76.4	68.2		69.7
Panel B: Number of tariff lines with comparative export advantage in case of export to Turkiye by each tariff band												
Non- Agriculture	***Total***	4649	3.9	101	56	453	225	354	563	112	-	401
	T=0	1192	0	40	14	116	77	68	63	36	-	59
	0<T≤5	1920	2.6	30	26	170	83	137	162	38	-	142
	5<T≤10	1207	6.7	24	15	121	45	61	196	26	-	126
	10<T≤15	278	12.4	7	0	35	8	79	140	12	-	69
	15<T≤25	44	17.3	0	0	7	10	7	2	0	-	4
	25<T≤50	8	30.9	0	1	4	2	2	0	0	-	1
	T>50	0	0	0	0	0	0	0	0	0	-	0
	Share of tariff lines over 15%	1.1		0.0	1.8	2.4	5.3	2.5	0.4	0.0		1.2

	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 Turkiye by each tariff band												
All Sectors	***Total***	5612	10.2	211	87	592	296	452	724	156	-	500
	T=0	1278	0	52	17	122	87	75	79	40	-	65
	0<T≤5	1964	2.6	43	27	182	88	142	169	43	-	150
	5<T≤10	1295	6.9	35	18	136	56	75	211	30	-	141
	10<T≤15	303	12.5	15	0	39	10	87	140	13	-	70
	15<T≤25	177	19.5	21	4	31	14	24	25	3	-	25
	25<T≤50	368	30.6	24	7	48	21	20	69	13	-	27
	T>50	227	87.3	21	14	34	20	29	31	14	-	22
	Share of tariff lines over 15%	**13.8**		**31.3**	**28.7**	**19.1**	**18.6**	**16.2**	**17.3**	**19.2**		**14.8**
Panel D: Number of tariff lines with comparative export advantage in case of export to Turkiye by each tariff band												
Value of export (Million $US)	***Total***	5612	10.2	1,612	32,419	49,534	70,073	3,001	29,051	1,258	-	19,209
	T=0	1278	0	571	16,902	7,628	55,747	1,893	2,100	750	-	9,435
	0<T≤5	1964	2.6	85	14,126	24,215	7,076	496	3,164	241	-	4,620
	5<T≤10	1295	6.9	128	682	9,368	2,249	282	5,244	180	-	1,987
	10<T≤15	303	12.5	56	0	1,700	822	109	11,688	37	-	1,533
	15<T≤25	177	19.5	28	42	1,412	592	51	311	4	-	159
	25<T≤50	368	30.6	474	444	2,973	746	120	5,745	35	-	447
	T>50	227	87.3	272	262	2,238	2,841	51	799	12	-	1,028
	Share of tariff lines over 15%	**13.8**		**48.0**	**2.3**	**13.4**	**6.0**	**7.4**	**23.6**	**4.1**		**8.5**

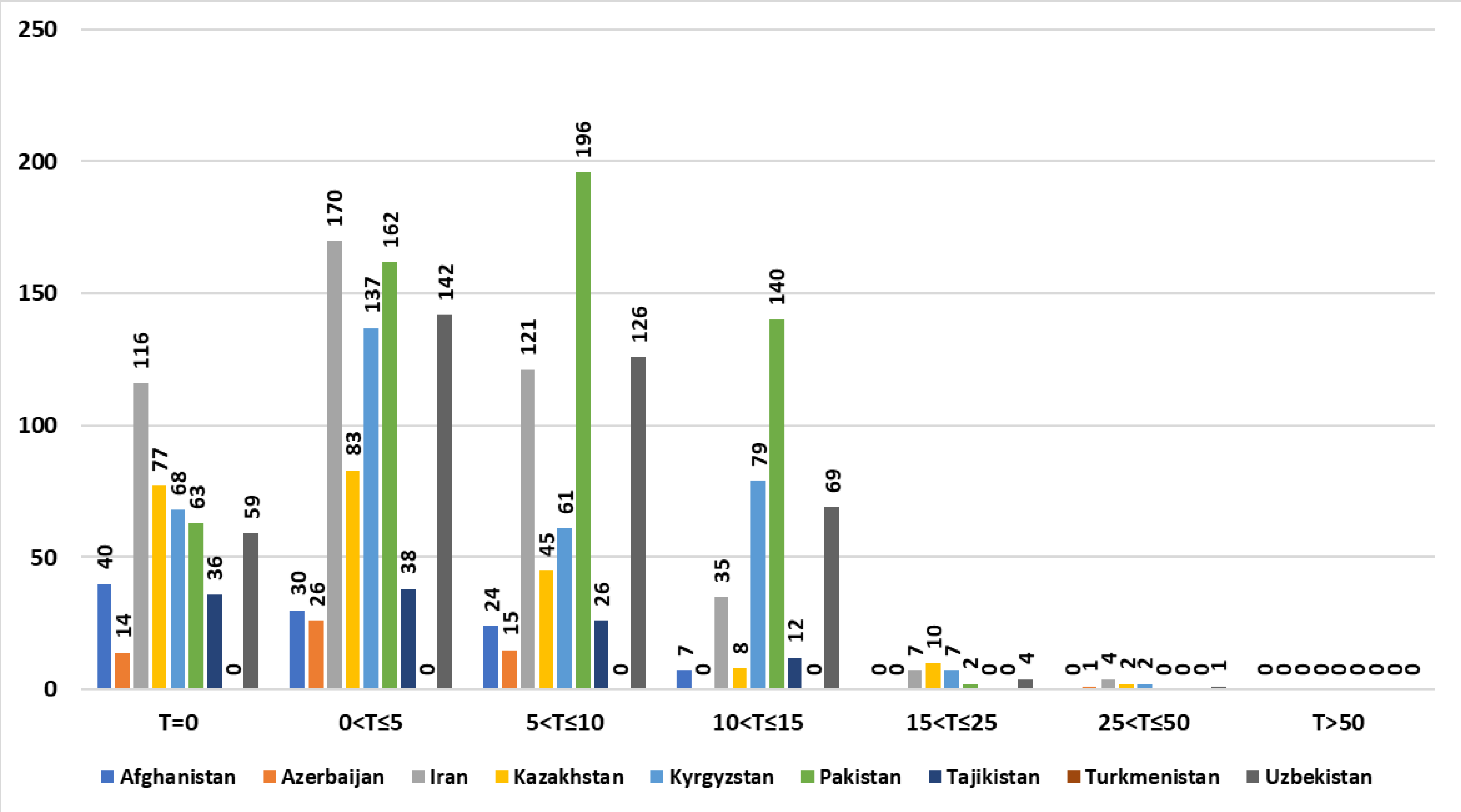
Source: ITC raw data, national trade data and research findings.

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



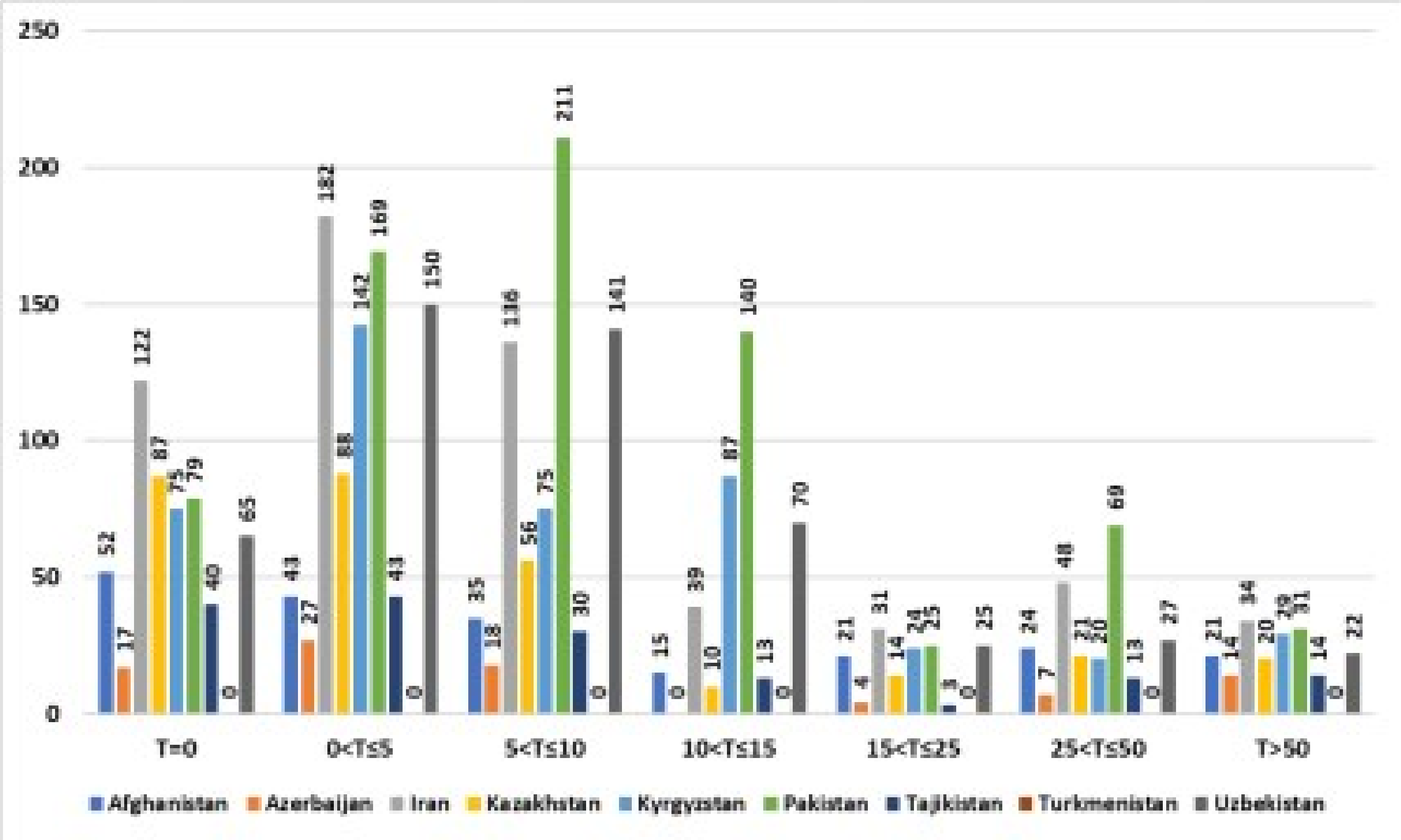
Source: ITC raw data, national trade data and research findings.

Figure 41: Number of tariff lines with export RCA of the ECO members' non-agricultural products by Türkiye's tariff bands



Source: ITC raw data, national trade data and research findings.

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



Source: ITC raw data, national trade data and research findings.

2-3-8-1-Analysis and evaluation of results concerning Türkiye

According to the status of Türkiye's tariff structure and also the number of products 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, the following analytical results can be inferred:

1) Türkiye has set tariff rates of more than 15 % in 2024 for 74.8 % of agricultural products (equivalent to 720 six-digit HS codes), of which 133 codes have tariff rates between 15 and 25 %, 360 codes have tariffs between 25 and 50 %, and 360 codes have tariffs more than 50 %. More than 60 % of agricultural products with a comparative export advantage of the ECO member countries face tariff rates more than 15 % in Türkiye. In terms of the number of tariff lines with comparative export advantage, Pakistan’s 123 products, Iran’s 102 products, Uzbekistan’s 69 products, and Afghanistan’s 66 products with a comparative export advantage will face tariff rates higher than 15 % in the Turkish market. A significant share of products with a comparative export advantage of the ECO member countries faces tariff rates between 25 to 50 % in Türkiye, followed by tariff rates greater than 50 % and between 15 to 25 %. Products belonging to these tariff bands are considered sensitive products of Turkish agricultural sector. According to the results of this study, considering the current structure of Türkiye's applied tariffs, **Türkiye can easily include all products that have tariff rates higher than 15 % and are considered sensitive products in its negative and sensitive product lists**, **with a view to eliminate the potential risk of increased imports resulting from tariff exemptions under current ECOTA provisions, or completely avoid the ECO members’ market access.**

2) Among 4649 industrial products (six-digit HS codes) for which Türkiye has imposed tariffs in 2024, tariff rates of only 1 % of industrial products are more than 15 %. More than 97 % of industrial products with a comparative advantage of the ECO member countries face tariff rates less than 15 % in Türkiye. About 5.3, 2.5 and 2.4 % of industrial products with comparative advantage of Kazakhstan, Kyrgyzstan and Iran respectively face the tariff rates more than 15 % in Turkish market. About 27.9 % of products with a comparative export advantage of the ECO countries face tariff rates of 0 to 5 %.

3) The results of the survey of all products show that 13.8 % of products (equivalent to 772 six-digit HS codes) have tariff rates higher than 15 %. The results show that 125, 113, 74 and 73 products with a comparative export advantage of Pakistan, Iran, Uzbekistan and Kyrgyzstan (which is less than a third of the total products with a comparative export advantage of these countries) are facing with tariff rates higher than 15 % in Türkiye. For other ECO countries, the number is less than 70 products. Most of the products with a comparative export

advantage of the ECO member countries face tariff rates between 0 and 5 %, followed by 5 to 10 % and 0 %.

4) Comparing the dollar value of the ECO member countries' exports to the world in each applied tariff band of Türkiye shows that (A) 48 and 23.6 % of global exports of Afghanistan and Pakistan will face tariff rates equal or more than 15 % in Türkiye. 1.7 % of Afghanistan's global exports face tariff rates between 15 and 25 %, 29.3 % with tariff rates between 25 and 50 %, and 16.9 % with tariff rates more than 50 %. 76.4 % of Pakistan's global exports face tariff rates equal or less than 15 %, 1.1 % face tariff rates between 15 and 25, 19.8 % face tariff rates between 25 and 50 %, and about 2.7 % face tariff rates more than 50 % in Türkiye. (B) About 91.5 % of Uzbekistan's global exports face tariff rates equal or less than 15 %, 0.8 % face tariff rates of 15 to 25 %, 2.3 % face tariff rates of 25 to 50 %, and 5.4 % face tariff rates more than 50 % in Türkiye. (C) 97.7, 95.9, 94, 92.6 and 91.5 % of the dollar value of exports of Azerbaijan, Tajikistan, Kazakhstan, Kyrgyzstan and Uzbekistan to the world will face tariff rates equal or less than 15 % in Turkish market, respectively. And the rest of these countries' exports are distributed between the three tariff bands ($15 < T \leq 25$), ($25 < T \leq 50$) 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, these barriers are relatively low in the non-agricultural sector. Under Article 4 (ECOTA), this country may be expected to include all of its sensitive tariff lines, especially in the agricultural sector, in its negative list and provide its trade partners with no market access. **Therefore, the implementation of the ECOTA tariff commitments under the current Article 4 criteria is easily possible for Türkiye, and if the country fully incorporates its tariff lines higher than 15 % into its negative and sensitive lists, the implementation of the Agreement could lack any substantial value for the ECO partners in terms of access to the Turkish market in the tariff lines of their export interest[26].**

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

[26] . Given that, according to Article 4 of the ECOTA Agreement, the determination of negative and sensitive lists is done unilaterally and without the need for negotiations with other members, countries whose share of tariff lines with rates exceeding 15 percent is more than 20 percent and are forced to reduce their tariff rates to 15 percent do not have the opportunity to open up market access bilaterally and reciprocally for them.

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 Uzbek 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.

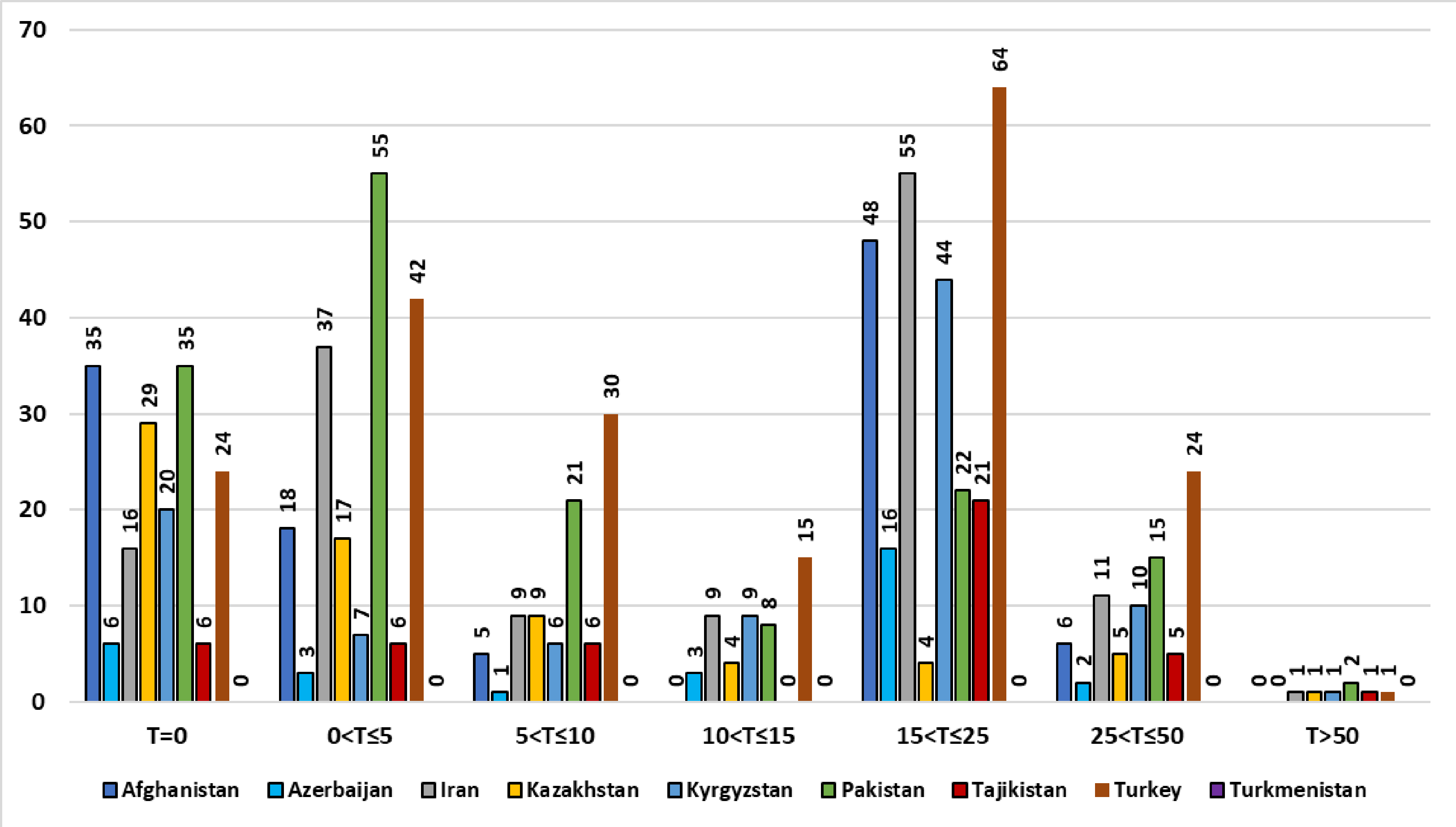
Table 16: Export potential of the ECO member countries based on the RCA index in each of Uzbekistan's tariff bands (applied tariffs 2021)

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkiye	Turkmenistan
Panel A: Number of tariff lines with comparative export advantage in case of export to Uzbekistan by each tariff band												
Agriculture	***Total***	941	10.6	112	31	138	69	97	158	45	200	-
	T=0	164	0	35	6	16	29	20	35	6	24	-
	0<T≤5	325	3.8	18	3	37	17	7	55	6	42	-
	5<T≤10	142	7.4	5	1	9	9	6	21	6	30	-
	10<T≤15	69	12.4	0	3	9	4	9	8	0	15	-
	15<T≤25	178	21.5	48	16	55	4	44	22	21	64	-
	25<T≤50	57	33.8	6	2	11	5	10	15	5	24	-
	T>50	6	92.6	0	0	1	1	1	2	1	1	-
	Share of tariff lines over 15%	25.6		48.2	58.1	48.6	14.5	56.7	24.7	60.0	44.5	-
Panel B: Number of tariff lines with comparative export advantage in case of export to Uzbekistan by each tariff band												
Non- Agriculture	***Total***	4436	6.7	132	56	446	219	329	557	135	1497	-
	T=0	2214	0	50	20	206	149	101	109	54	518	-
	0<T≤5	759	3.3	13	17	72	27	42	122	26	300	-
	5<T≤10	696	7.2	16	12	62	22	53	109	16	245	-
	10<T≤15	200	12.5	5	0	32	8	15	15	7	102	-
	15<T≤25	430	20.8	28	3	53	8	89	154	19	259	-
	25<T≤50	117	31.8	19	4	19	4	21	33	9	61	-
	T>50	20	197.6	1	0	2	1	8	15	4	12	-
	Share of tariff lines over 15%	12.8		36.4	12.5	16.6	5.9	35.9	36.3	23.7	22.2	-

	Tariff structure\ECO partners	Tariff lines frequency	Average tariff rate	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkiye	Turkmenistan
Panel C: Number of tariff lines with comparative export advantage in case of export to Uzbekistan by each tariff band												
All Sectors	***Total***	5377	7.4	244	87	584	288	426	715	180	1697	-
	T=0	2378	0	85	26	222	178	121	144	60	542	-
	0<T≤5	1084	3.4	31	20	109	44	49	177	32	342	-
	5<T≤10	838	7.1	21	13	71	31	59	130	22	275	-
	10<T≤15	269	12.4	5	3	41	12	24	23	7	117	-
	15<T≤25	608	20.9	76	19	108	12	133	176	40	323	-
	25<T≤50	174	32.5	25	6	30	9	31	48	14	85	-
	T>50	26	73.4	1	0	3	2	9	17	5	13	-
	Share of tariff lines over 15%	**15.0**		**41.8**	**28.7**	**24.1**	**8.0**	**40.6**	**33.7**	**32.8**	**24.8**	**-**
Panel D: Number of tariff lines with comparative export advantage in case of export to Uzbekistan by each tariff band												
Value of export (Million $US)	***Total***	5377	7.4	1,685	32,395	49,396	70,020	2,869	29,020	1,262	199,787	-
	T=0	2378	0	634	17,273	19,224	64,197	770	7,847	998	39,048	-
	0<T≤5	1084	3.4	113	14,111	20,373	3,814	1,533	2,618	54	46,660	-
	5<T≤10	838	7.1	181	211	2,621	1,188	64	2,587	59	26,184	-
	10<T≤15	269	12.4	6	20	1,833	203	126	331	16	13,911	-
	15<T≤25	608	20.9	708	685	3,802	243	303	8,263	83	50,097	-
	25<T≤50	174	32.5	43.2	95	1,528	335	69	6,356	51	23,451	-
	T>50	26	73.4	0.001	0	14	40	5	1,018	1	436	-
	Share of tariff lines over 15%	**15.0**		**44.6**	**2.4**	**10.8**	**0.9**	**13.1**	**53.9**	**10.7**	**37.0**	

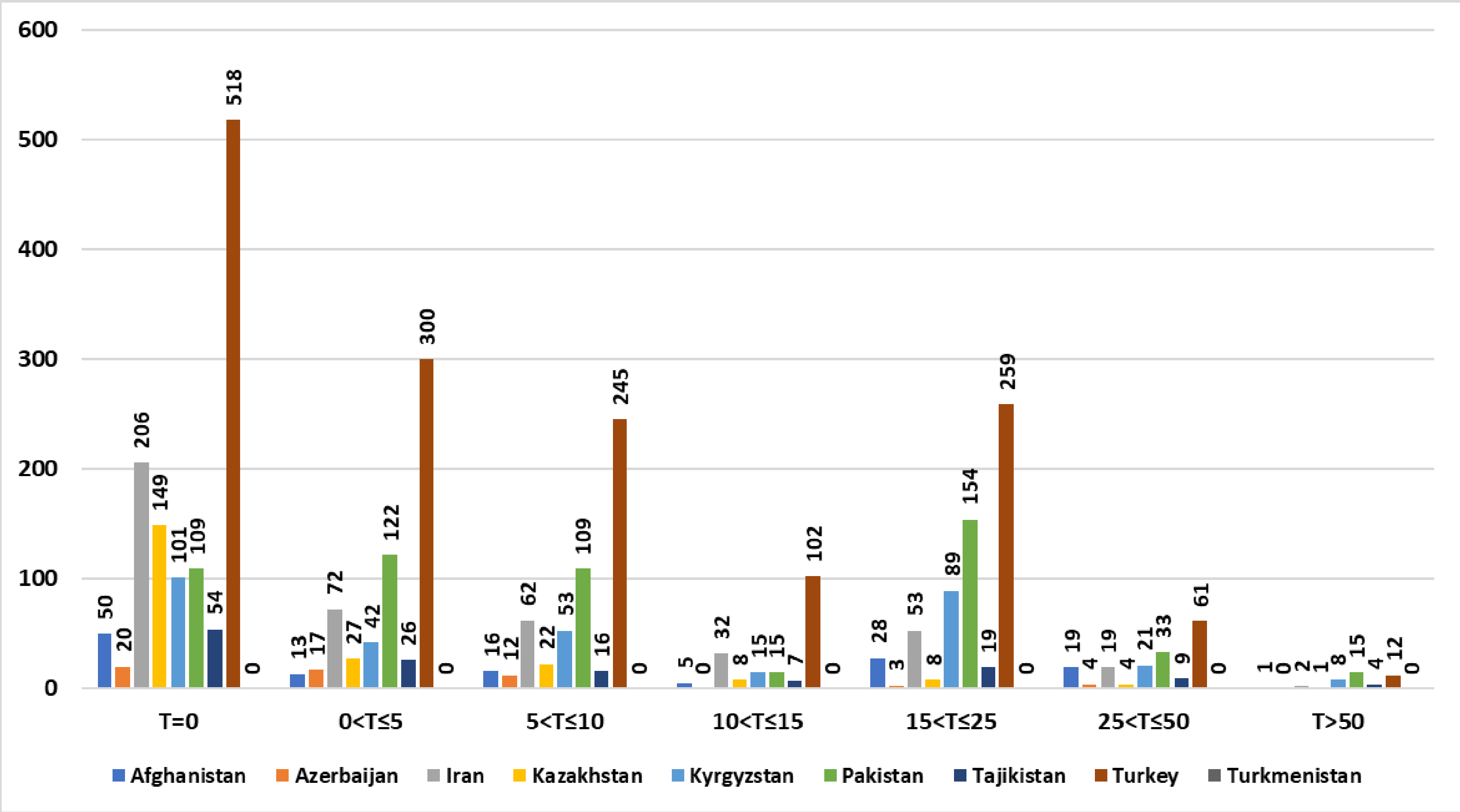
Source: ITC raw data, national trade data and research findings.

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



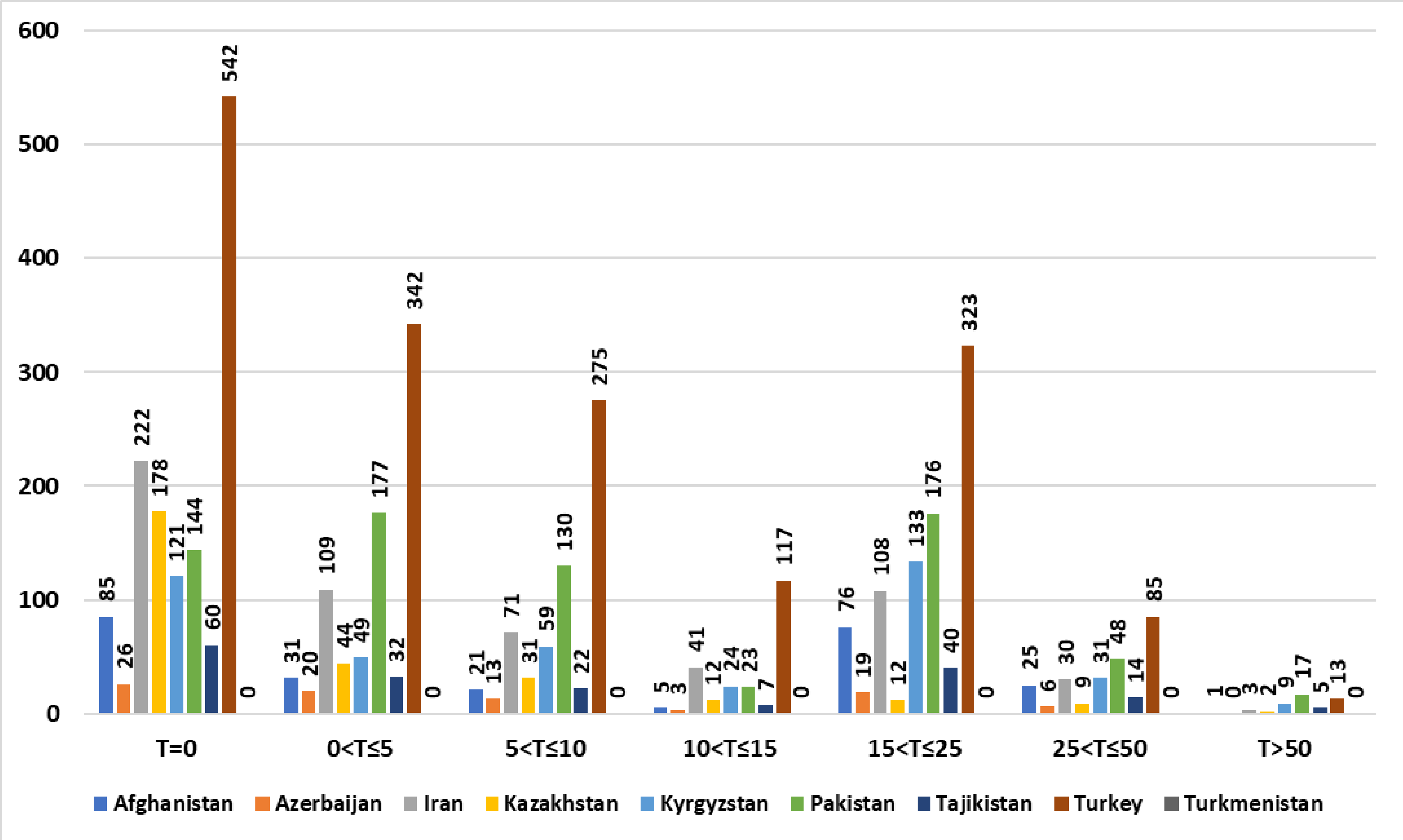
Source: ITC raw data, national trade data and research findings.

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



Source: ITC raw data, national trade 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, national trade data and research findings.

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

Given the status of Uzbekistan's tariff structure as well as the number of products 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, the following analytical results can be inferred:

1) In 2021, Uzbekistan set tariff rates higher than 15 % for about 25.6 % of its agricultural product tariff lines (according to the six-digit HS codes). According to the information in Panel A of Table 16, 60, 58.1 and 56.7 % of the tariff lines with a comparative export advantage of Tajikistan, Azerbaijan and Kyrgyzstan in agricultural sector respectively face tariff barriers of more than 15 % in the Uzbek market. The lowest share with 14.5 % belongs to Kazakhstan. Tariffs between 0 and 5 % and then tariffs between 15 and 25 % have the highest frequency in tariff bands above 15 %. A significant number of agricultural products with comparative advantage of the ECO members fall into tariff range of 15 to 25 % in Uzbekistan. This means that Uzbekistan faces serious risks of reducing tariffs to less than 15 % 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 % in its agricultural sector on the negative list and avoid widespread trade liberalization in this sector.

2) Out of the 4436 non-agricultural product tariff lines (according to six-digit HS codes) that Uzbekistan has imposed tariffs on their imports (2021), about 12.8 % (767 codes) have tariff rates more than 15 %. According to Panel B in Table 16, most products with a comparative export advantage of the ECO members entering the Uzbek market face tariffs of zero and then 0-5 %.

3) Survey results for all products also show that a significant proportion of products with a comparative export advantage of the ECO members face tariffs less than 15 % in Uzbekistan. Türkiye with 421 codes (24.8%), Pakistan with 241 codes (33.7%), Kyrgyzstan with 173 codes (40.6%), Iran with 141 codes (24.1%) and Azerbaijan with 102 codes (41.8%) have the highest variety of products with a comparative export advantage, at the same time facing tariffs more than 15 % for entry into Uzbekistan.

4) The results of the study of the dollar value of products with an export advantage of the ECO member countries in different tariff bands of Uzbekistan show that Pakistan and Afghanistan with 53.9 and 44.6 % respectively face the highest

tariffs above 15 % to enter the Uzbek market. This share is 2.4 % for Iran and 0.9 % for Kazakhstan.

5) As a general conclusion, given the impact of considerable reforms in Uzbekistan to reduce tariff rates in recent years, the Uzbek market, in both agricultural and non-agricultural sectors, has far less tariff barriers than earlier. Given the considerable export potential of the ECO member countries in products belonging to Uzbek tariff bands lower than 15 %, the implementation of the provisions of Article 4 of the ECOTA by Uzbekistan may not be expected to lead to any further liberalization or significant reductions in the country's tariff rates. **At the same time, the country can cover limited risks related to tariffs higher than 15 % through its negative product list and protect itself from increased competition.**

2-4- Reviewing and analyzing the balance of concessions and commitments of the members in market access, assuming the implementation of the current rules of the ECOTA

According to the statistics and information provided in the previous sections of this study, in this section the balance of concessions and commitments of members have been examined, assuming the implementation of the provisions of Article 4 of the ECOTA, and the possible results from the implementation of the Agreement in tariffs in terms of creating market access for each member. A set of country-specific 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 commitments of each member towards other members of the ECO are shown. In order to facilitate the comparison of the status and level of commitments of the members with each of their trade partners, the diagrams of all ECO members are depicted on one board and next to the other. The results of this work are presented in Figures 46, 47 and 48 separately for the agriculture, industry, 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 Member, 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 are respectively related to the frequency of the above-mentioned products in terms of tariff lines with rates less than and more than 15 % (basic criterion of the ECOTA for inclusion or non-inclusion of tariff reduction commitments in the positive list of each member) in the market of host country.

3. The higher columns indicate the greater abundance of products 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 greater than 15 % of the host country in the total tariff lines of products 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 %, on the one hand; and the level of tariff exemption commitments 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 commitments 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 commitments of Article 4 of the ECOTA by the host country for each of the ECO member countries, both the level of tariff protection available to the host country and the absolute frequency of the number of products with comparative export advantage of each ECO member are considered.

8. To identify the most likely beneficiaries of the implementation of the commitments 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 commitments of Article 4 of the ECOTA in the host country, the minimum levels of variables referred to in paragraph 8 above shall be considered.

10- In order to identify the maximum volume of commitments 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 calculated for the ECO member countries by agriculture (Figure 46), industry (Figure 47) and the whole economy (Figure 48) for nine ECO member countries.[27]

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 commitments among the ECO member countries belongs to Türkiye, Iran, Pakistan, Uzbekistan and Afghanistan respectively, assuming that the mentioned countries do not exempt their high tariffs in the agricultural sector from tariff reductions by including them in negative and sensitive lists. However, this does not seem plausible for Pakistan and Iran, because their share of tariffs above 15 % is more than the allowed coverage of the negative list, while it seems more likely for other members.

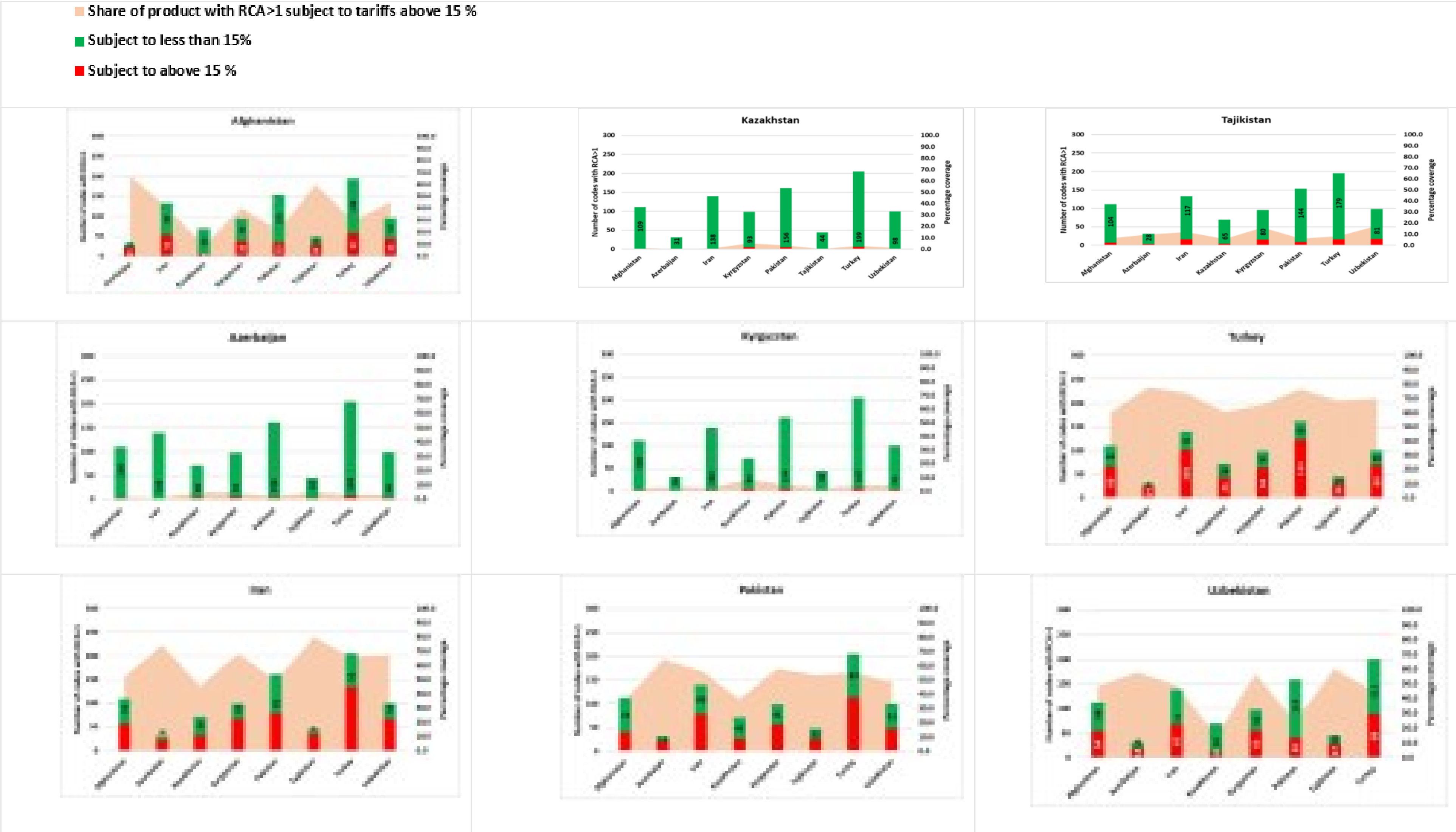
At present, the relatively large 20 % share of total negative (19%) and sensitive (1%) commodities under the terms of the Agreement allows members to cover all of their agricultural products in negative and sensitive lists. For countries with generally low tariffs of less than 15 % in the industrial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

The opposite is true for countries where tariff rates are high in both agriculture and industry, and tariff rates above 15 % are more than 20 % of their total tariff lines (such as Pakistan, Iran and Uzbekistan), and inevitably it will be a difficult task to distribute their protection between agricultural and industrial sectors, and

27 . Please note that Turkmenistan tariff information is not available. Accordingly, this country is not included in the calculations.

of course, up to the negative and sensitive lists' 20 % ceiling. For tariff lines with rates above 15 % that fall outside the negative and sensitive lists, these countries will be required to meet their commitments and reduce the tariff rates to 15 %.

Figure 46: Level of commitments and concessions of each ECO member in the agricultural sector after the implementation of Article 4 of the



Source: ITC raw data, national trade data and research findings.

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

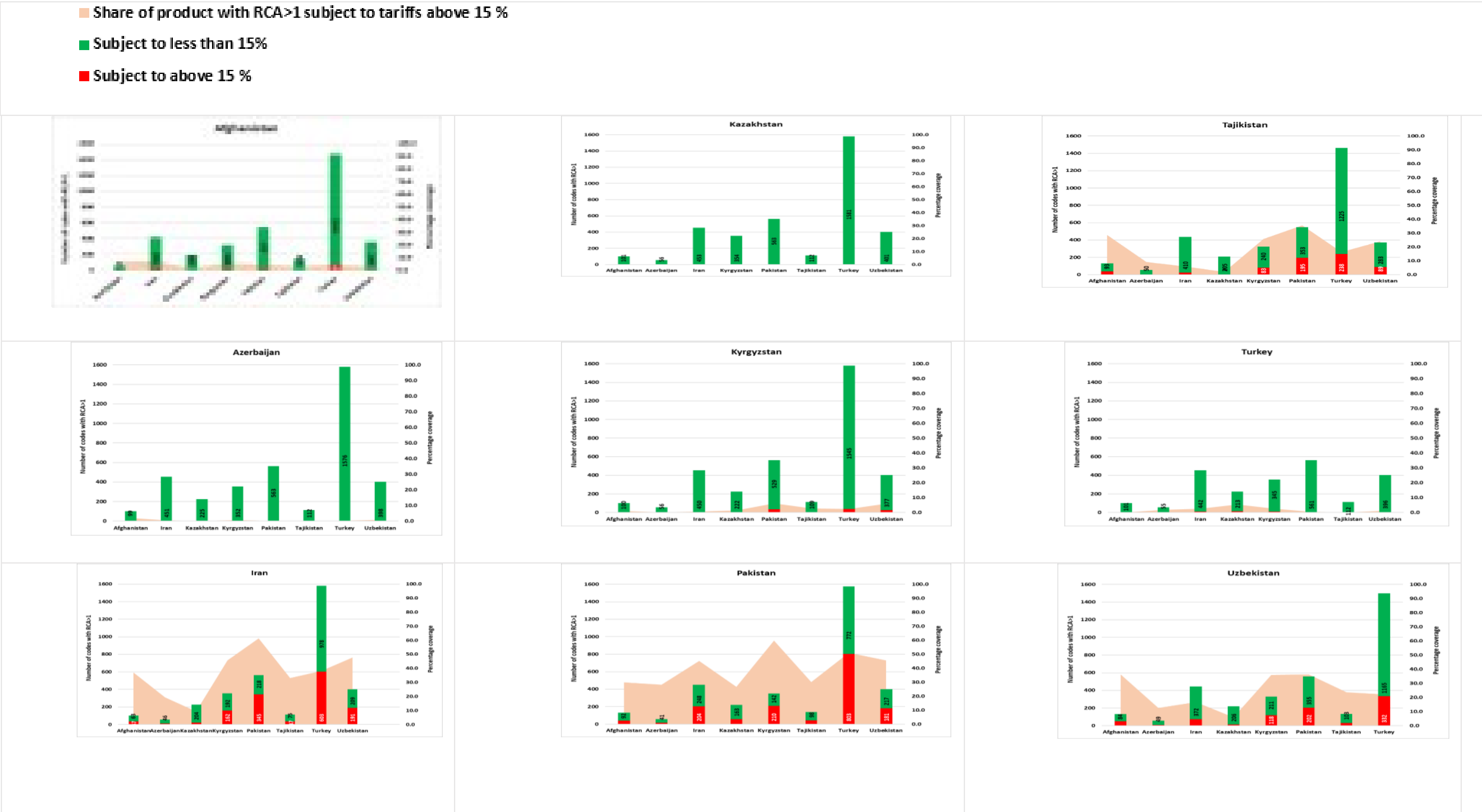
The situation of tariff barriers and products with a comparative advantage in the non-agricultural sector of the ECO member countries (Figure 47) is different from that of the agricultural sector. According to Figure 47, higher tariff barriers above 15 % for products with an export advantage within the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

According to Figure 47, members such as Kazakhstan, Azerbaijan, Kyrgyzstan and Türkiye seem to have the lowest level of market access commitments to other ECO members, while Pakistan and Iran seem to have the most onerous market access commitments. Given the abundance of export products with comparative advantage and the structure of the current deterrent tariffs of 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 Türkiye, while Türkiye's benefit for other ECO member countries is about zero.**[28]

Given the structure of tariffs and the pattern of comparative export advantages of the ECO member countries, implementation of the Agreement in Kazakhstan, Azerbaijan, Kyrgyzstan and Türkiye will also have the least market access for other members in terms of non-agricultural products.

[28] . It is noted that this situation is only true if the baseline scenario is implemented according to Article 4 of the ECOTA, while the situation will be greatly improved in the case of the scenarios proposed in this study in the next chapter.

Figure 47: Level of commitments and concessions of each ECO member in non-agricultural sector after the implementation of Article 4 of the ECOTA



Source: ITC raw data, national trade data and research findings.

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

The comparative status of commitments and concessions of each ECO member after the implementation of Article 4 of the ECOTA and the reduction of tariff rates beyond 15 % to 15 %, 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 % and the total export products having comparative advantage of the ECO member countries indicate that Iran and Pakistan are among the ECO members that, in case of implementation of the provisions of the Agreement and reduction of tariffs above 15 %, will be required to liberalize through tariff reductions on a much broader scale than other members and will face many challenges in this respect.

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

In addition, countries such as Kazakhstan, Azerbaijan, Kyrgyzstan and Türkiye seem largely immune from increased market access that could be gained by other members.

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

Source: ITC raw data, national trade 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 for 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 concessions 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 concessions resulting from the possible implementation of the ECOTA are presented in Table 17. In this 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 is based on the number of products with a comparative export advantage of each member according to tariff lines over 15 % in the opposite country (which is the basis for determining the reduction commitments of tariff rates of each member in the ECOTA). Accordingly, any advantageous export products of country A that face a tariff rate above 15 % in the market of country B is considered a concession for country A. For example, as shown in Table 17, the total concessions received by Türkiye (in the ninth column) from Uzbekistan (tenth row) is 421. This rating means that 421 products (six-digit HS codes) for which Türkiye has an RCA face a tariff rate of more than 15 % in the Uzbek market, which will be reduced to 15 % 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 Türkiye, Tajikistan, Pakistan, Kyrgyzstan, Kazakhstan, Iran, Azerbaijan and Afghanistan are 421, 241, 173, 141, 102, 59, 25 and 23, respectively. In other words, 421, 241, 173, 141, 102, 59, 25 and 23 products of the advantageous export products of those partners respectively face a tariff rate of more than 15 % in the Uzbek market, which will be reduced by the implementation of the Agreement.

As shown in the column for the total awarded concessions index, Pakistan, Iran and Uzbekistan will grant most concessions to their ECO partners, respectively. In contrast, Kazakhstan, Azerbaijan, Kyrgyzstan, Afghanistan, Türkiye and Tajikistan will give least concessions to their ECO partners, respectively. The calculation of the total concessions received by each country from its ECO partners shows that Türkiye, Pakistan and Kyrgyzstan will receive most concessions in the ECO. In contrast, Azerbaijan, Kazakhstan 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 Kazakhstan, Kyrgyzstan, Türkiye and Azerbaijan (with an index greater than 1) are the net recipients of concessions, respectively. In contrast, Tajikistan, Iran, Pakistan, Uzbekistan and Afghanistan (with an index of less than 1) will be the net donors to the ECO, respectively. In terms of the absolute value of net score, which calculated in the last row of Table 17 for each member, Turkey is the biggest winner in gaining new market access with 1952 points, and Iran is the biggest loser in giving new market access to others with minus 1228 points, respectively.

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

ECO Members		Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Türkiye	Uzbekistan	Total awarded concessions
		Exporting countries (concession recipients*)									
Importing countries (concession donors)	Afghanistan	0	25	85	9	58	58	33	124	55	**447**
	Azerbaijan	4	0	3	3	6	3	2	10	6	**37**
	Iran	94	34	0	53	229	424	72	738	258	**1902**
	Kazakhstan	1	0	1	0	5	5	0	6	1	**19**
	Kyrgyzstan	3	1	6	9	0	41	4	44	28	**136**
	Pakistan	79	36	283	85	267	0	67	916	229	**1962**
	Tajikistan	44	8	42	8	98	204	0	254	106	**764**
	Türkiye	66	25	113	55	73	125	30	0	74	**561**
	Uzbekistan	102	25	141	23	173	241	59	421	0	**1185**
Total received concessions		**393**	**154**	**674**	**245**	**909**	**1101**	**267**	**2513**	**757**	**7013**
Score ratio index		**0.9**	**4.2**	**0.4**	**12.9**	**6.7**	**0.56**	**0.35**	**4.5**	**0.64**	**1**
Ranking in received concessions BASED ON 'score ratio index"		**5**	**4**	**8**	**1**	**2**	**7**	**9**	**3**	**6**	-
Net score of each member		**-54**	**117**	**-1228**	**226**	**773**	**-861**	**-497**	**1952**	**-428**	**0**

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

Source: ITC raw data, national trade data and research findings.

2-5- Summarizing the results

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 % within eight years. 19 % 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 % of national tariff lines can also be included in the sensitive list of each country, which will be exempt from all commitments of the ECOTA.

2) The differences between tariff structures of the ECO member countries divide them into two groups of countries according to the rules of the ECOTA:

- The first category includes countries (Afghanistan, Tajikistan and Türkiye) where the share of HS codes with a tariff rate of less than 15 % in their tariff structure is high. These countries are easily able to note all HS codes with a tariff rate greater than 15 % on their negative and sensitive lists according to the 80%-19%-1% rule and avoid providing any new market access for other members and protect themselves completely from the increased market access due to 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 and getting the new access to the market of the other members.
- The second category includes countries (Iran and Pakistan) whose share of HS codes with a tariff rate greater than 15 % 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 greater than 15 % 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.

3) According to Article 4 (ECOTA), the first category of countries 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 their markets for their partners' products of export potential, by maintaining high tariff barriers (tariff rates greater than 15 %) and with the help of the 80%-19%-1% rule in the ECOTA. In contrast, the second group are forced to include at least some of their tariff lines with rates higher than 15 % 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, it can be said that the differences between the tariff structures of the countries and the basic rule contained in the Agreement to reduce all rates beyond 15 % and the possibility of maintaining 20 % 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 commitments 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 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 and sensitive, will be done 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 potential beneficiaries of the Agreement by being in a free-rider 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 the latter group of countries will bear the main burden of implementing the market access provisions of the Agreement. Therefore, it can be construed that the implementation of the terms of the ECOTA on tariff reduction (especially Article 4 thereof) 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 constructive solution to overcome the current stalemate could mainly focus on removing the existing imbalance by amending the criteria set out in the Agreement.

PART 2:

Providing appropriate solutions and scenarios for trade liberalization

Chapter 3- Proposing tariff reduction strategies and scenarios for the implementation of the ECOTA

3-1- 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 Contracting State, the implementation of the Agreement in its current form results in **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 commitments of the ECOTA is the imbalance of its results in terms of benefits and commitments of each Contracting State. 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, the benefit from the implementation of the Agreement is perceived to be insufficient. In practice, this issue has caused the divergence of the positions of Contracting States 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 Contracting States, providing any solutions to break the current impasse does not seem possible, 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 may help to balance the results of the implementation of the Agreement for Contracting States as much as possible, and to encourage them to resolve existing disputes and implement ECOTA as soon as possible.

3-2- Basic elements and assumptions of the proposed tariff reduction scenarios

Due to the different tariff and trade structures of ECO member sataes 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 benefits and commitments of

Contracting States, 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 Parties.

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:

The basic principles and assumptions:

1. Requiring as few changes 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 %;

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

4. Maintaining 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[29] but with the capabilities of the ECO members, while being easily applicable;

6. Enabling easy implementation without operational complexity;

7. Encouraging 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 Contracting States. 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 Contracting States and reducing the

[29] . GATT 1994 is the main agreement of the WTO.

tariffs to a maximum of 15 % in accordance with the provisions of the current Article 4 of the ECOTA. Under this scenario, the tariff rate of 80 % of national tariff lines of each Contracting State is reduced to a maximum of 15 % within 8 years. As noted in previous sections, due to the heterogeneity of the tariff and trade structures among the ECO Contracting States, this scenario, creating imbalanced results, does not serve the interests of all member States.

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, 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 %. 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)[30]. On the other hand, according to our studies on the tariff and trade structures of the ECO Contracting States, it will lead to **unbalanced** results in terms of the level of commitments and market access benefits. 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 also fueled disagreements among members over how to implement tariff reduction commitments and 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 benefits, helping eliminate both above shortcomings to achieve the goal of creating a free trade area within the natural framework of commitments and reduce

[30]. According to the Para 3 of Article 24:5 of Understanding on the interpretation of Article XXIV of GATT 1994, The "reasonable length of time" referred to in paragraph 5(c) of Article XXIV should exceed 10 years only in exceptional cases. In cases where Members parties to an interim agreement believe that 10 years would be insufficient, they shall provide a full explanation to the Council for Trade in Goods of the need for a longer period. For more details please see: WTO (2002), The legal texts, page 27.

the imbalance of the previous approach and encourage members to implement ECOTA as much as possible.[31]

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 %**[32], 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 % (current scenario or baseline scenario), tariff bands of 0-5, 5-10 and 15 -10 % will also be subject to tariff reduction in complementary scenarios.

Therefore, the proposed scenarios for reducing tariffs in addition to current (baseline) scenario are presented in Table 18 below:

Table 18: Tariff reduction scenarios

No.	Scenarios	Coverage of each scenario plus current scenario	Final tariff rate in each scenario	Reference
1	Current Scenario (base)	**T[33] >15**	**15**	Article 4 of the ECOTA
2	Scenario 1	**Current Scenario + 0<T≤5**	**15+ 0**	Proposal out of the research findings
3	Scenario 2	**Scenario 1 + 5<T≤10**	**15+ 0**	Proposal out of the research findings
4	Scenario 3	**Scenario 2 + 10<T≤15**	**15+ 0**	Proposal out of the research findings

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

[31] . In this study, the top-down approach refers to starting tariff reductions from the highest rates (tariff peaks), and the bottom-up approach refers to requiring tariff reductions from low tariff rate levels that also cover a significant volume of intra-group trade among ECO members.

[32] . For more details, refer to the results of the calculations in Table 20 of this report.

[33]. T stands for tariff rate

the increase in imports of countries due to the reduction of tariff rates**, the "trade creation" index** and **"revealed comparative advantage" index** have been used and different scenarios have been compared and evaluated with the help of these indices. Before introducing and evaluating the results of the implementation of each scenario, it is necessary to introduce these indicators and provide the necessary explanations about them, as well as explain the method of their calculation. The **"revealed comparative advantage" index** was previously introduced in Sections 2-3 of this report. Therefore, only the "**trade creation" index is briefly introduced below:**

3-3- Introducing the trade creation index

One of the common approaches in the empirical literature[34] 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.

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:

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

[34]. For example, see the references below:
- Jammes, Olivier & Olarreaga, Marcelo. (2005). Explaining SMART and GSIM. The World Bank
- Suranovic Steve. M (2010). International Trade Theory and Policy. George Washington University. ISBN (Digital): 978-1-4533-2732-6 (online book available here).

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, the share of country B in country A market may increase 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. However, 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 some 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), making conversion of those statistics into each other necessary to compare and evaluate the results of the scenarios.
- There was no tariff elasticity for countries based on a single version of the Harmonized System (HS).
- Tariff information of Turkmenistan was not available for any years.
- Trade information for Pakistan, Türkiye and Iran was received from the ECO Secretariat and other information was extracted from the Trade Map.

- We used the mirror data for Afghanistan.

3-4- Methodology of the proposed scenarios

The methodology used to explain the proposed scenarios has, in principle, been based on the following three main steps:

Step 1. Determination of the list of tariff lines exempted from tariff reductions for each ECO member in accordance with the current provisions of ECOTA (19% negative list and 1% sensitive list), taking into account the rational principles and assumptions, and their exclusion from the calculations to evaluate the results of each scenario.[35]

Step 2. Identification of each member country’s "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 % of tariff lines of countries after extracting and leaving out the negative-list and sensitive-list goods;[36]

Step 3. Evaluation of the effects of the implementation of each scenario according to the tariff and trade structure of each ECO member country, based on both offered concessions and trade creation (increased imports) of each scenario for each ECO member and the ECO as a whole.[37]

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

3-4-1- Examination of the negative lists[38] 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

[35] . Given that the tariff rate of each product is a representative of the degree of sensitivity of the domestic like product to imports, the sensitive and negative lists of each ECO Contracting States are selected from among the highest tariff rates of each of them, respectively.

[36] . It should be noted that given that the production pattern, capacities, and capabilities of each country are different, their lists of sensitive and negative goods are also different from each other, but generally a significant portion of countries' sensitive products belong to the agricultural sector (such as Turkey).

[37] . It is important to note that although the trade creation index is measured based on the increase in imports in each country, this index also includes exports, because each country's imports from each member are actually considered their exports to this country, and vice versa.

[38]. In this report, for convenience, negative list includes 20 % 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.

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 % 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[39],

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 7 tariff bands (hereinafter, referred only to the number of each band for convenience) in Table 19:

Table 19: Tariff bands separated by tariff rates

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	$T>50$

[39] . The number of tariff lines and the share of negative list items of each ECO member in each tariff band are mentioned in Figures 49 to 57.

In this context, the sensitive and negative tariff lines of each ECO member were identified by using the methodology mentioned above at section 3.4.

The comparative results of extracting the negative lists of the ECO members are presented in Figures 49 to 57. This comparison is based on the import value of each ECO member covered by its “negative list[40]”. In these figures;

- the upper part shows the value of imports from the world,
- the lower part shows the value of the respective country's intra-group imports from other ECO members.
- horizontal axis shows the tariff bands of each country, and
- vertical axis measures the value of imports (based on 2023 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.
- Details of the tariff lines and import value by each ECO member from the entire world covered by different tariff bands are provided on the right side of the upper part of figures.
- Details of the tariff lines and import value by each ECO member from the ECO region (intra-trade) covered by different tariff bands are provided on the right side of the lower part of figures.

For instance, Figure 49 on Afghanistan can be reviewed as follows:

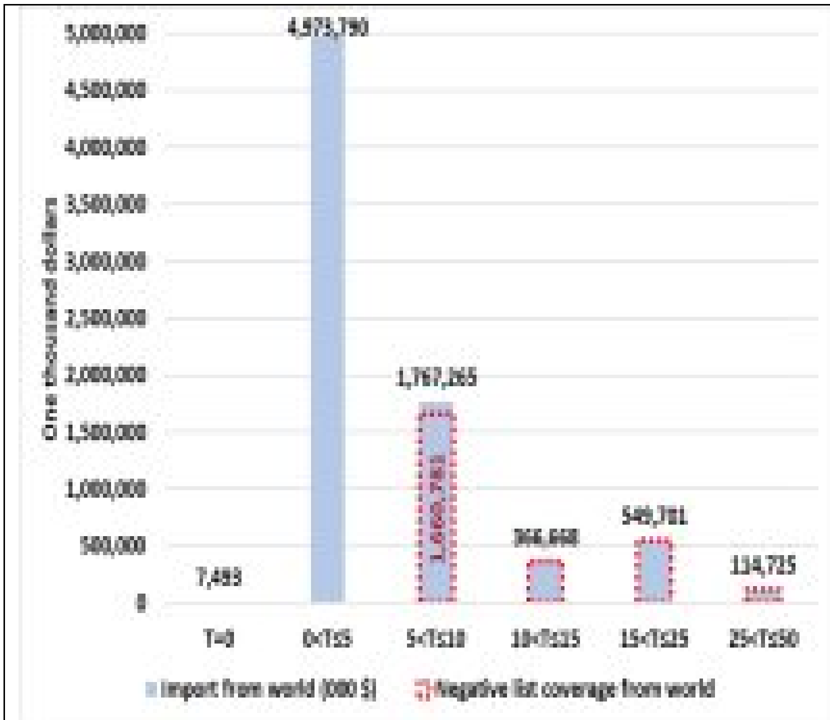
- 100 % of the national tariff lines and value of the country's imports in bands 6, 5 and 4[41] and 52% of the national tariff lines in band 3 can be covered by

[40] Negative product list can be defined as products outside the scope of tariff reduction commitments.
[41] . Each member's negative lists are first selected from the highest tariff band and are extended to lower bands until the 20 percent negative list quota is filled.

its negative list and hence assumed to be exempted from tariff reduction commitments under ECOTA (for tariff rates above 15 %).

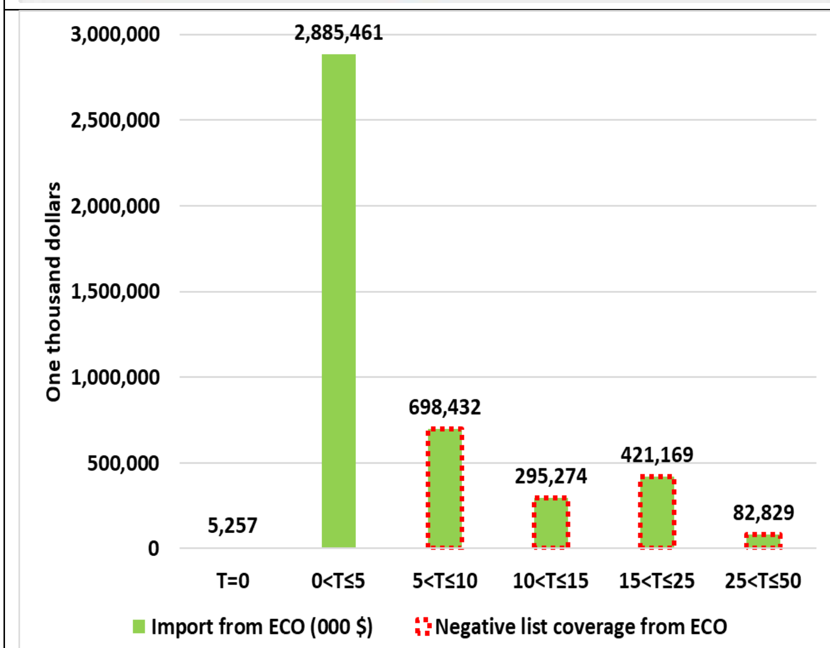
- 100% coverage of third-tier imports has been achieved while only 52% of the tariff lines in this category have the possibility of being included in the country's negative and sensitive list.

Figure 49: The anticipated Coverage of the Negative List of Afghanistan



Afghanistan:

From the entire world: 100 % of the tariff lines and import value of the, 6th, 5th, 4th bands, and 52.1% of the tariff lines of the 3rd band with 94 % coverage of the value of imports from the entire world (equal to $1.6 billion)

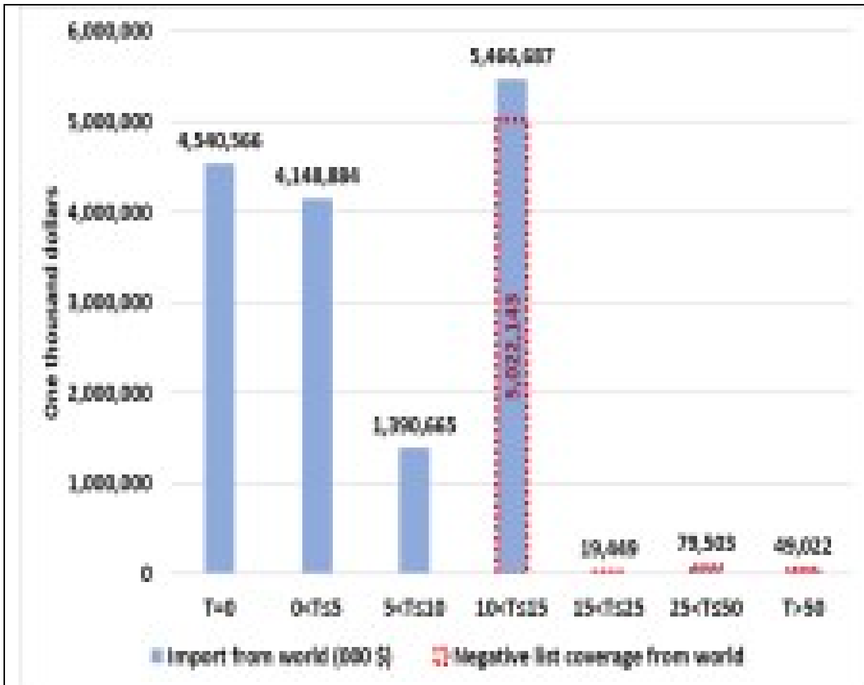


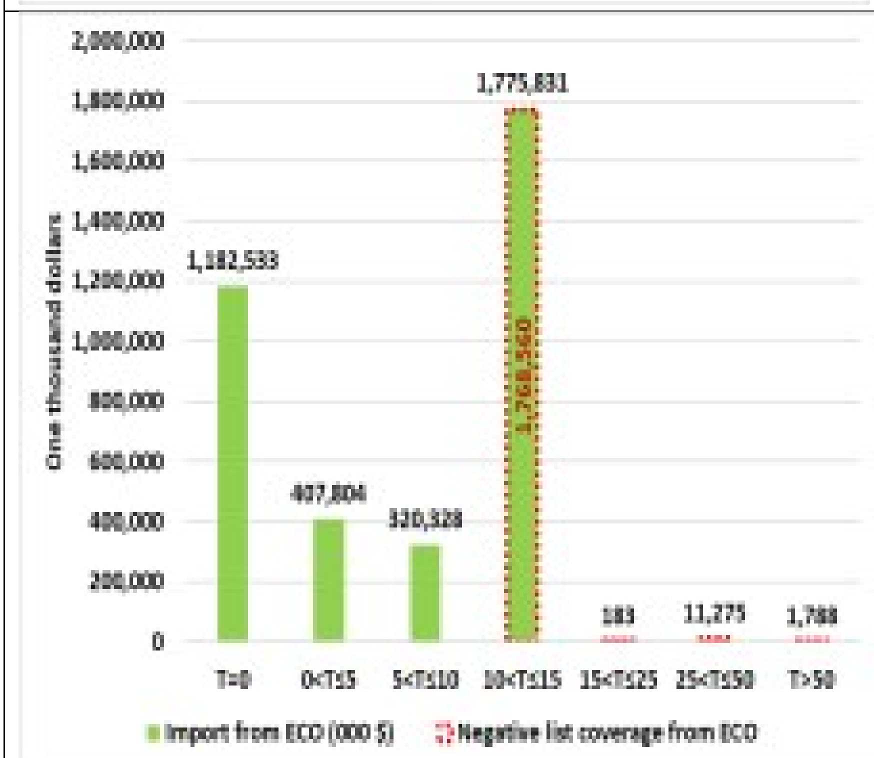
From ECO region:

100 % coverage of the value of intra-group imports (equal to $698 million) within the bands from 3 to 6.

Source: ITC data and national data.

Figure 50: The anticipated Coverage of the negative list of Azerbaijan





Azerbaijan:

From the entire world:

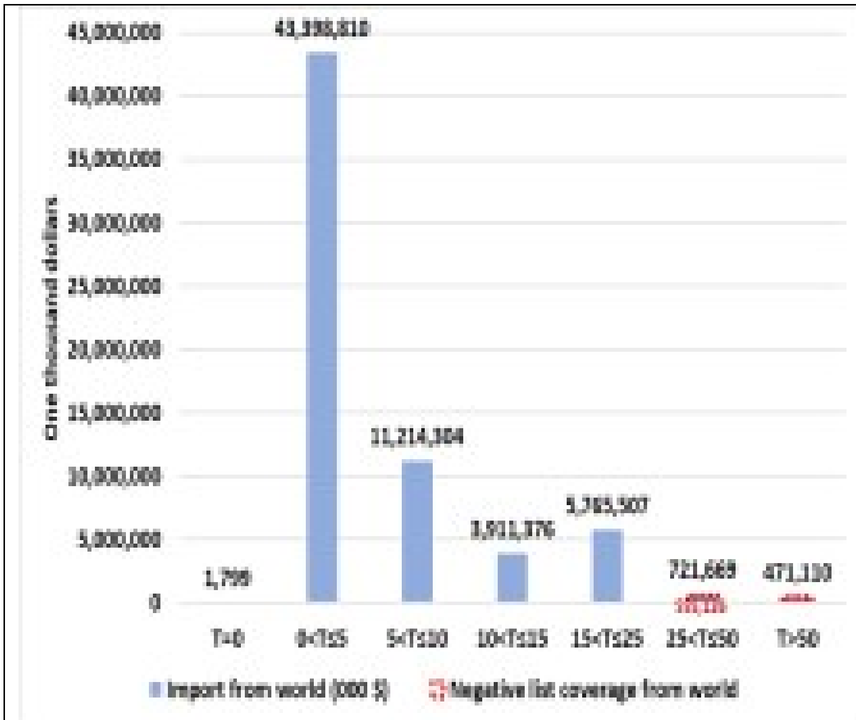
100 % of the tariff lines and import value of the 7th, 6th and 5th bands and 44 % of the tariff lines of the 4th band with 92 % coverage of the value of imports from the entire world (equal to $5 billion).

From ECO region:

100 % coverage of the value of intra-group imports bands 7,6,5 and 99.6 % (equal to $1.7 billion) band 4.

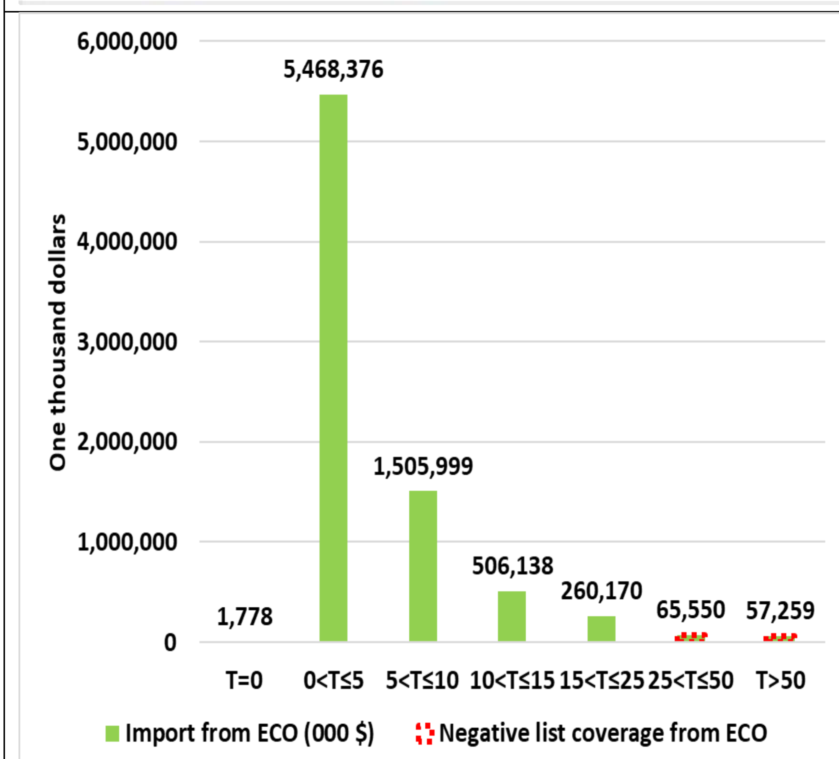
Source: ITC data and national data.

Figure 51: The anticipated Coverage of the negative list of Iran



Iran:

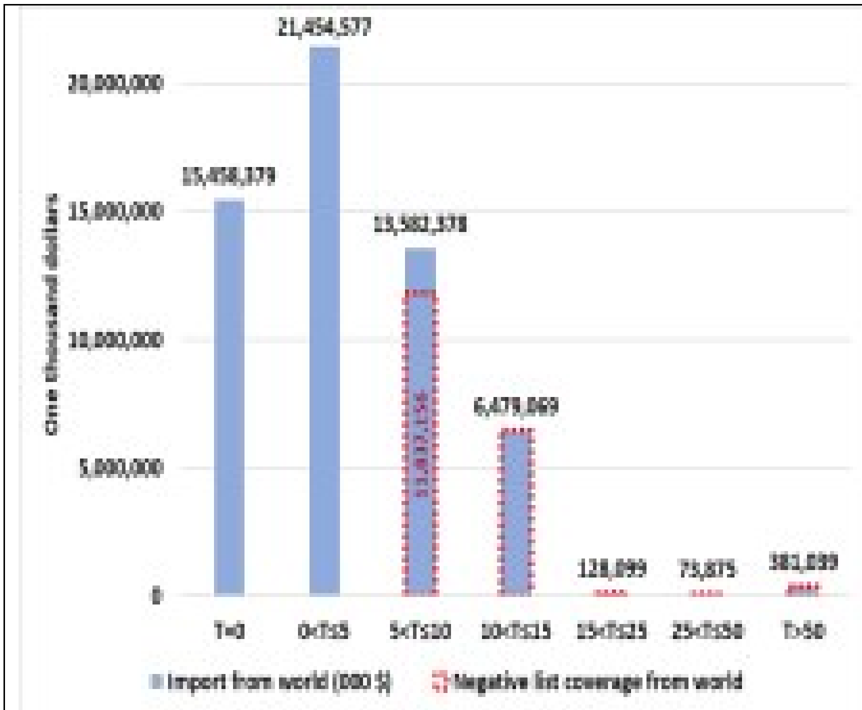
From the entire world: 100 % of the tariff lines and import value of the 7th band and 94 % of the tariff lines of the 6th band with 77 % coverage of the value of imports from the entire world (equal to $555 million)



From ECO region: 100 % coverage of the value of intra-group imports within the 7 and 6 bands.

Source: ECO Secretariat data.

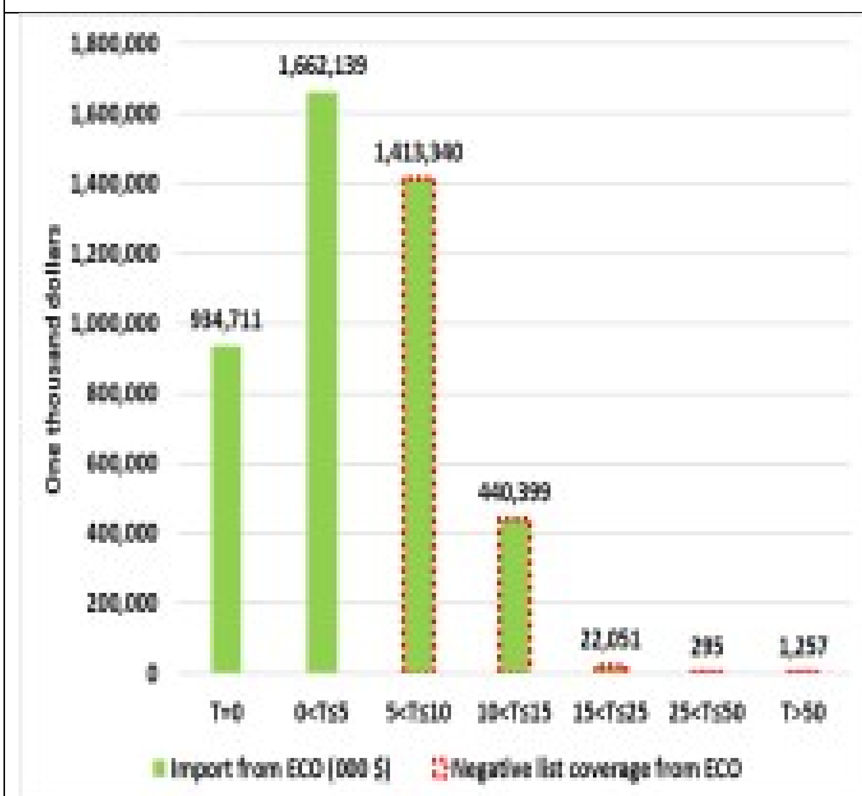
Figure 52: The anticipated Coverage of the negative list of Kazakhstan



Kazakhstan:

From the entire world:

100 % of the tariff lines and import value of the 7th, 6th, 5th and 4th bands and 40 % of the tariff lines of the 3rd band with 87.2 % coverage of the value of imports from the entire world (equal to $11.8 billion).

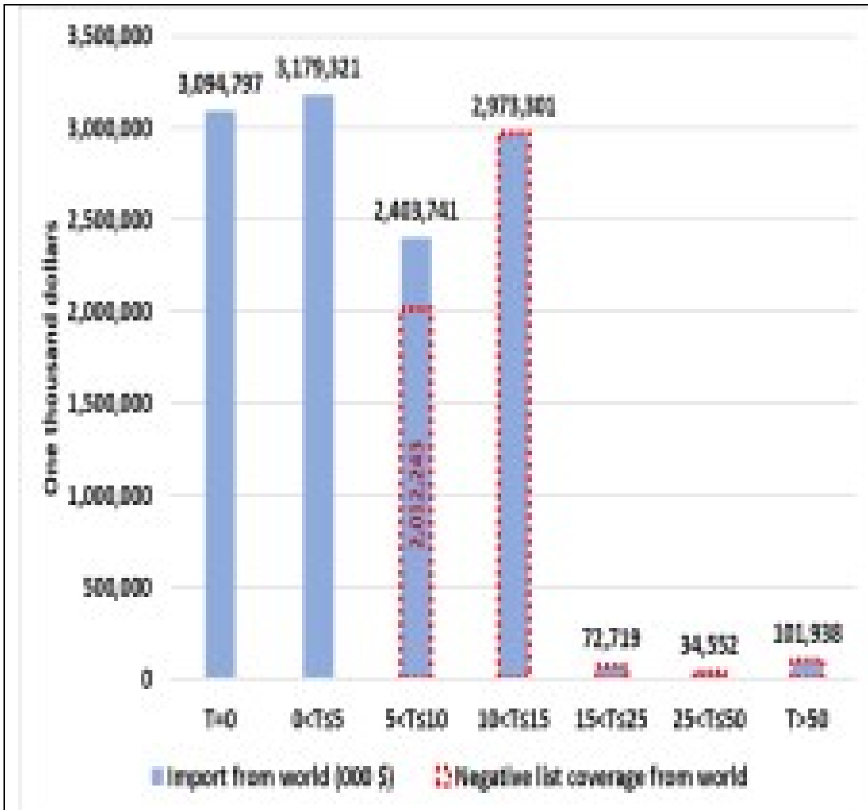


From ECO region:

100 % coverage of the value of intra-group imports within 7 to 3 tariff bands.

Source: ITC data.

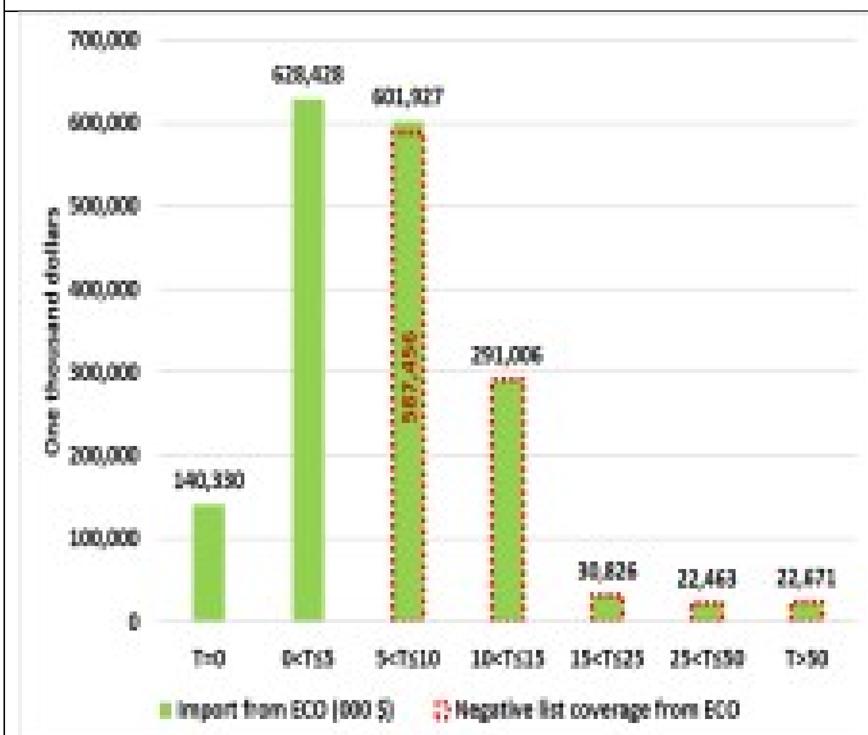
Figure 53: The anticipated Coverage of the negative list of Kyrgyzstan



Kyrgyzstan:

From the entire world:

100 % of the tariff lines and import value of the 7th, 6th, 5th and 4th bands and 15.7 % of the tariff lines of the 3rd band with 83.7 % coverage of the value of imports from the entire world (equal to $2 billion).

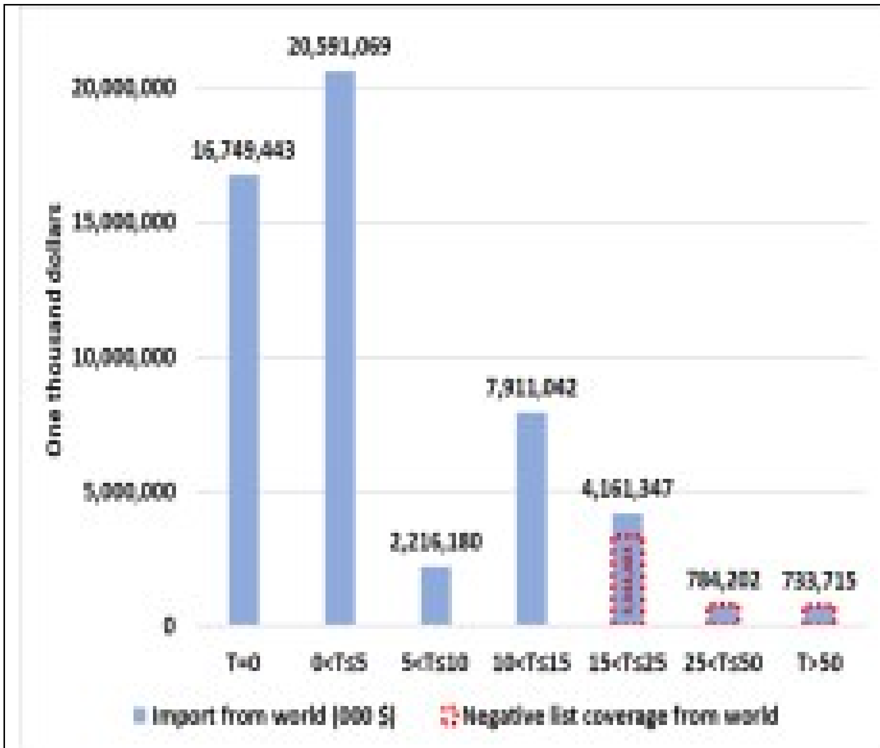


From ECO region:

100 % coverage of the value of intra-group imports within bands 7 to 4 and 97.6 % (equal to $587 million) within the 3rd band.

Source: ITC data.

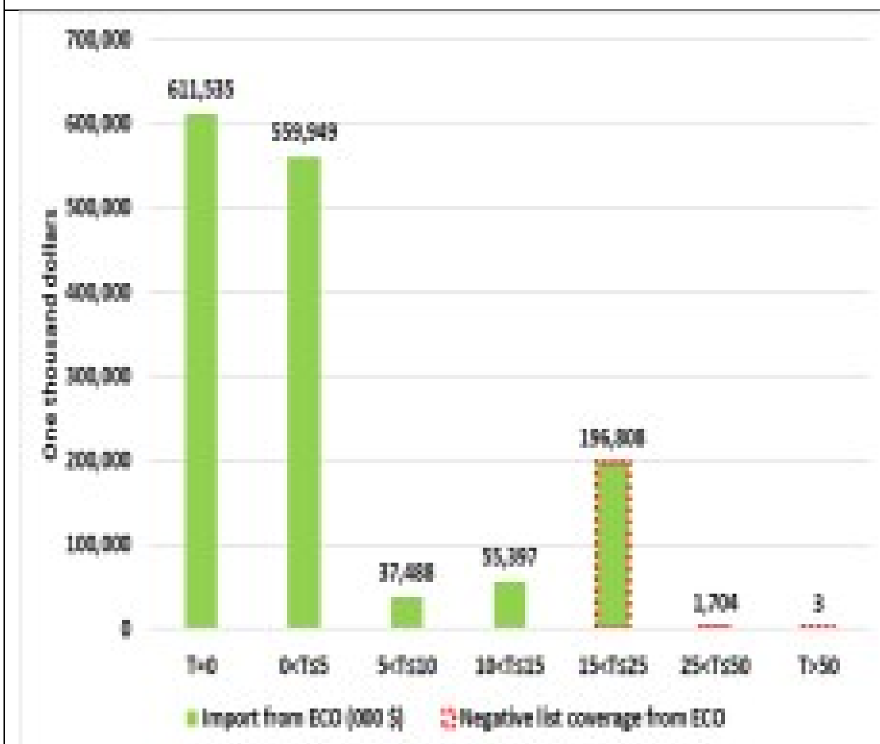
Figure 54: The anticipated Coverage of the negative list of Pakistan



Pakistan:

From the entire world:

100 % of the tariff lines and import value of the 7th and 6th bands and 49.2 % of the tariff lines of the 5th band with 80.4 % coverage of the value of imports from the entire world (equal to $3 billion).

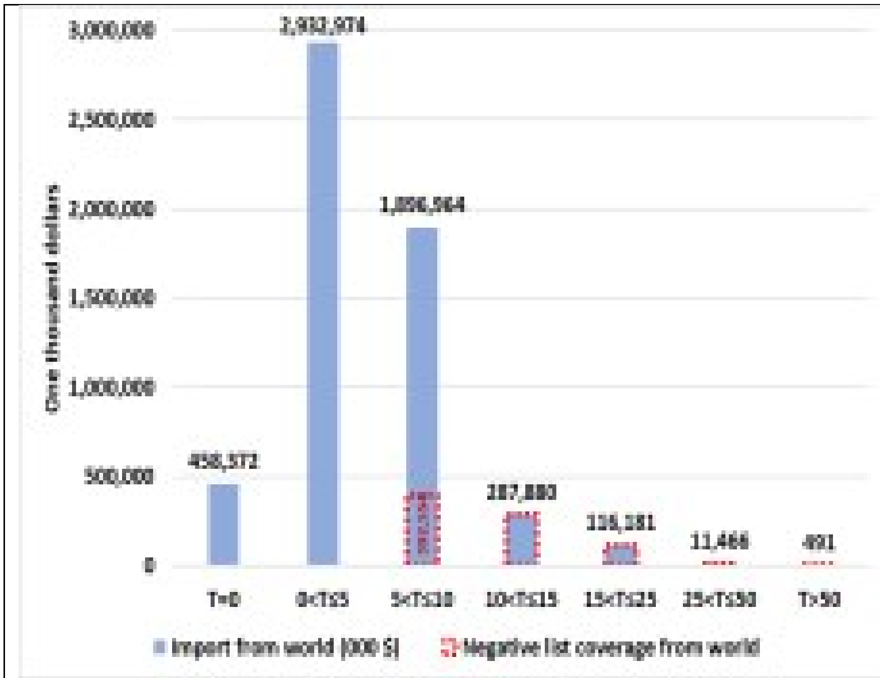


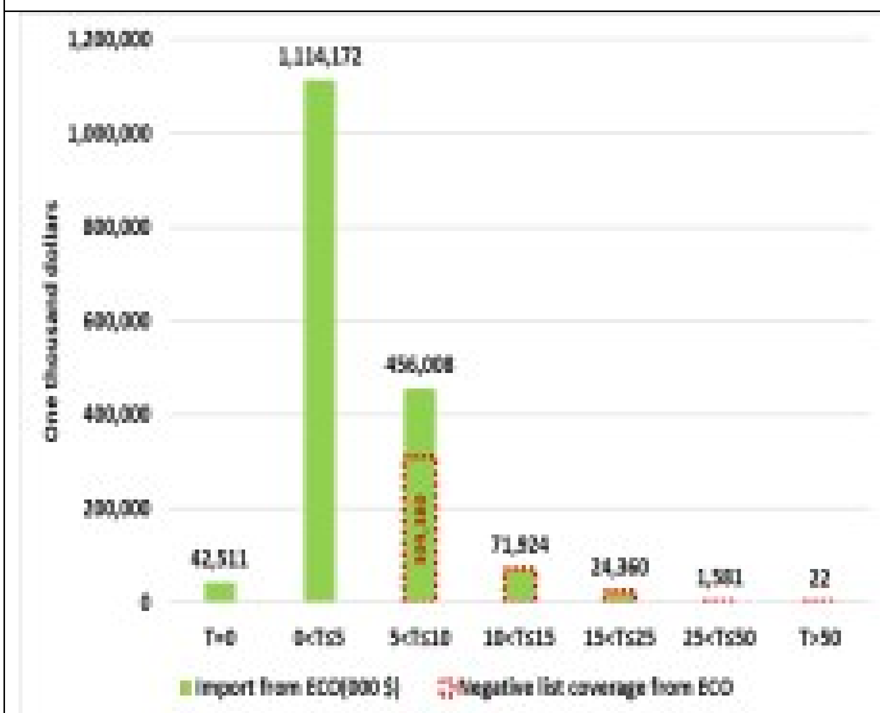
From ECO region:

100 % coverage of the value of intra-group imports within the 7 to 5 of tariff bands.

Source: ECO Secretariat data.

Figure۵۵ : The anticipated Coverage of the negative list of Tajikistan





Tajikistan:

From the entire world:

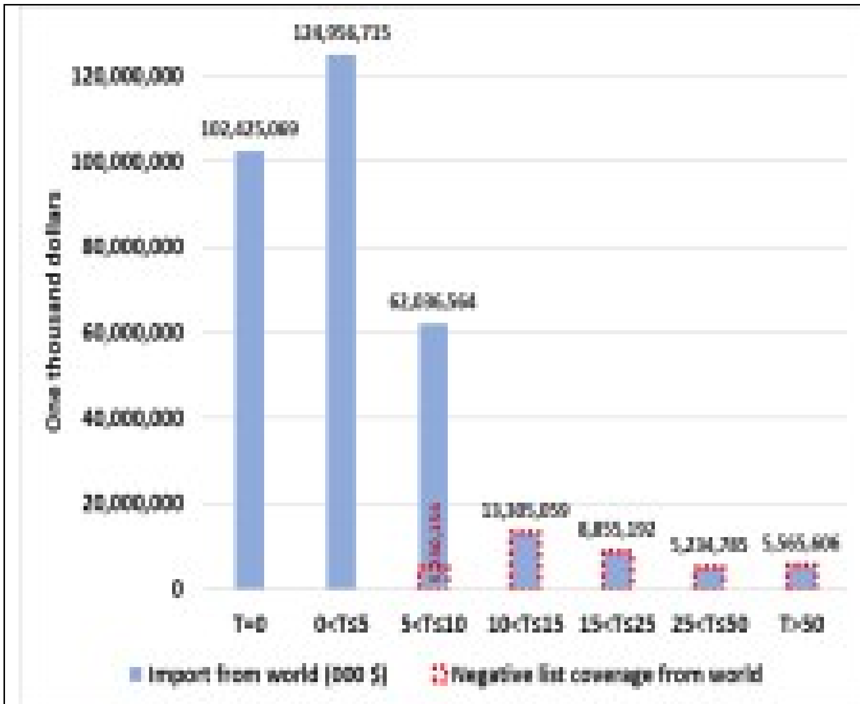
100 % of the tariff lines and import value of the 7th, 6th, 5th and 4th bands and 1.2 % of the tariff lines of the 3rd band with 20.7 % coverage of the value of imports from the entire world (equal to $392 million).

From ECO region:

100 % coverage of the value of intra-group imports within the 7th, 6th, 5th and 4th bands and 67.8 % (equal to $309 million) within the 3rd band.

Source: ITC data.

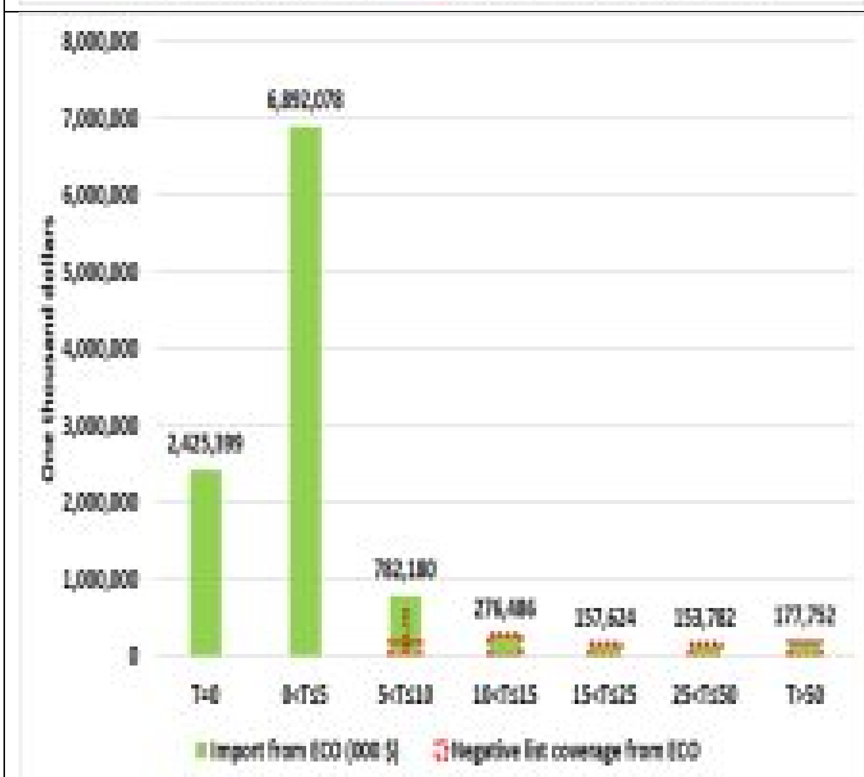
Figure 56: The anticipated Coverage of the negative list of Türkiye



Türkiye:

From the entire world:

100 % of the tariff lines and import value of the 7th, 6th, 5th and 4th bands and 3.7 % of the tariff lines of the 3rd band with 8.4 % coverage of the value of imports from the entire world (equal to $5 billion).

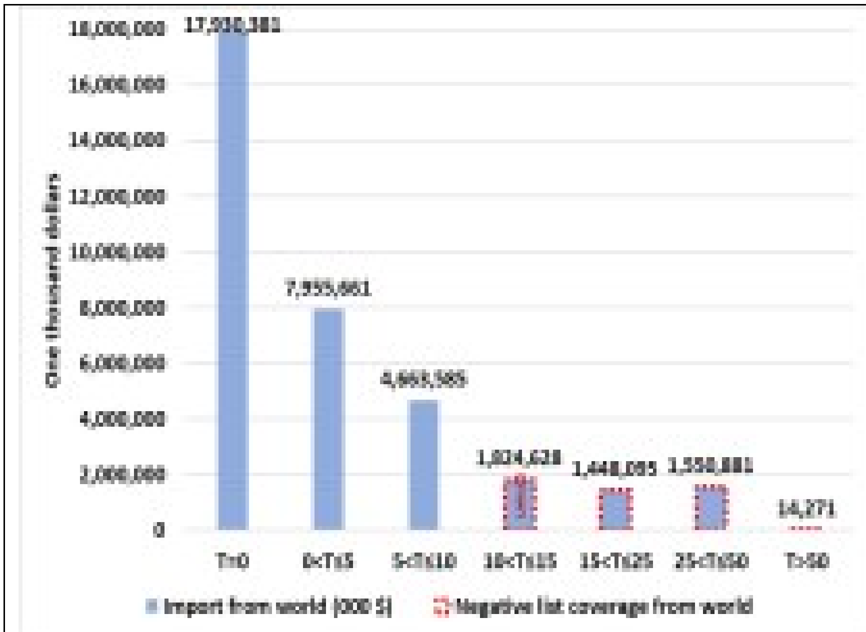


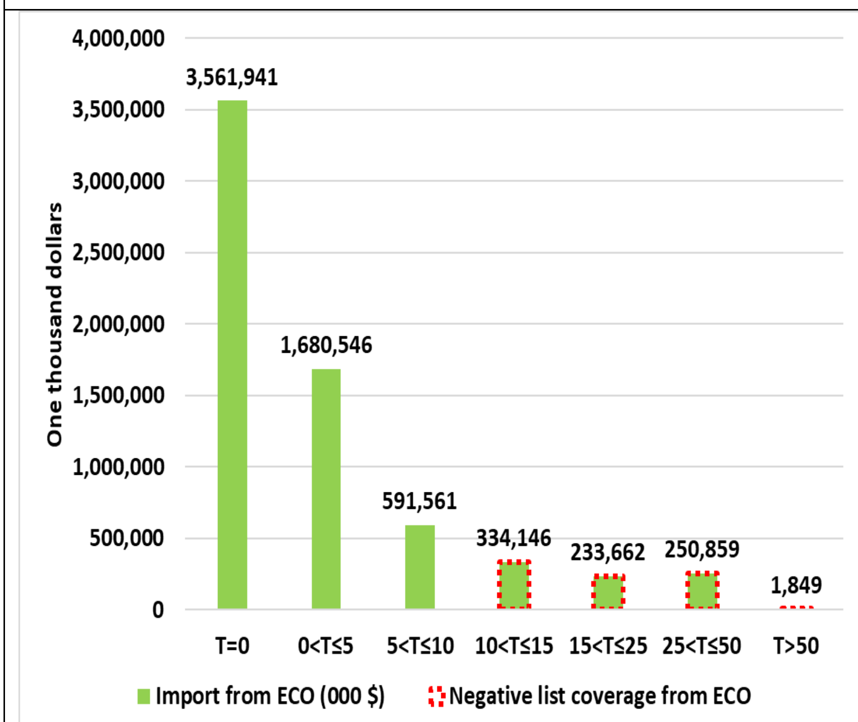
From ECO region:

100 % coverage of the value of intra-group imports within the 7th, 6th, 5th and 4th bands and 23 % (equal to $181 million) within the 3rd band.

Source: ECO Secretariat data.

Figure 57: The anticipated Coverage of the negative list of Uzbekistan





Uzbekistan:

From the entire world:

100 % of the tariff lines and import value of the 7th, 6th and 5th bands and 99.4 % of the tariff lines of the 4th band with 99.1 % coverage of the value of imports from the entire world (equal to $1.8 billion)

From ECO region:

100 % coverage of the value of intra-group imports within the7th, 6th, 5th and 4th bands.

Source: ITC data.

3-4-2- Evaluation of the positive lists[42] 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, firstly, the import structure of the mentioned countries (intra-group imports and total imports from the world) is 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 are presented in separate panels A and B of Table 20 where the US dollar value (millions USD) and the share of intra-group imports of each ECO member by each band are presented.

Table 20 - Panel A suggests that the total intra-group imports among the ECO members in 2023 amounted to $ 42.859 billion, of which

- about $8.9 billion was processed with zero tariff rate, and
- $21.3 billion with tariffs rates between 0 and 5%.

Panel B demonstrates the share of each of these bands in percentages. As Table 20 - Panel B suggests that,

- about 20.8 % of the ECO intra-group imports are processed at zero-tariff rate, while in the cases of Afghanistan and Iran, the shares of intra-group imports in this band are negligible at 0.12 % and 0.02 % respectively.

- The highest shares of imports with zero tariff rate, with 53.53 % and 41.8 %, belong to Uzbekistan and Pakistan respectively.

As shown in Panels A and B of Table 20, among the tariff bands with rates higher than zero, the largest amount of intra-group imports with about $21.3 billion is done in the tariff band with a rate of more than zero to 5 % (band 2) and it accounts for about 50% of the ECO intra-group imports and ranks the first. The value of imports of products with tariff rates more than 5 to 10 % (band 3) is in the second place and accounts for about 15 % of the ECO intra-group imports with about $6.4 billion. Total imports of the ECO members from each other with tariff rates higher than 15 % (including tariff bands 5, 6 and 7 which are subject to the tariff reduction in accordance with the current provision of Article 4

[42]. In this report, positive list includes the remaining 80 % 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 % 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 % which are subject to a standstill commitment.

of the ECOTA Agreement) is calculated for each ECO member as well as the ECO as a whole, and listed in the last column of Table 20.

Given Article 4 of ECOTA to reduce all tariff rates more than 15% to 15%, and considering the value of intra-group imports of each member as distributed by tariff bands, the following results can be inferred:

1. About 94.8 % 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 %, with a significant share. This figure is about $40.6 billion, of which $28.5 billion (70%) belongs to Türkiye, Iran, Uzbekistan and Kazakhstan.

2. The value of intra-group imports of the ECO member countries at tariff rates in excess of 15% is $2.2 billion, which is only about 5.1% 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 %.

3. Of the total intra-group imports of the ECO in tariff bands with rates more than 15 %, which is equivalent to $2.2 billion, $1.9 billion (84.7 percent) belongs to 4 countries, namely, Afghanistan, Iran, Türkiye, and Uzbekistan.

The value of the ECO members' imports from the world in each tariff band along with their shares are also presented in Panels C and D of Table 20. Considering the statistics presented in panels C and D of the table, the following results can be inferred:

1. Approximately 27.9 % (equivalent to $160.7 billion) of the ECO members' imports from the world are processed at a rate of zero percent, of which $102.4 billion belongs to Türkiye.

2. Most imports of the ECO members from the world belong to the second band, i.e. more than zero% and up to a maximum rate of 5%. 40.6% (equivalent to $233.6 billion) of imports of the ECO countries are done in this band, ranking first among the tariff bands in terms of imports value. About $125 billion (53.5 %) and $43 billion (18.6 %) in Turkish and Iran imports belong to this band respectively. For other ECO members, imports in this band range from $2.9 million to about $22 billion.

3. About 93.6 % (equivalent to $538 billion) of the ECO members' imports from the world are made at rates up to 15 %, of which about $303 billion (56

%), \$58.5 billion (11 %), and \$57 billion (10.6 %) belong to Türkiye, Iran and Kazakhstan respectively.

4. Only about 6.4 % (equivalent to \$37 billion) of the ECO imports from the world are made at rates higher than 15 %, of which \$19.6 billion (53.1 %), \$6.9 billion (18.8 %), and \$5.7 billion (15.3) belong to Türkiye, Iran and Pakistan respectively.

In order to examine the structure of imports of ECO Member State individually, the positive lists should firstly be identified for each member state. As explained previously in section 3-4-1, for this purpose, the tariff lines included in the negative lists are removed from the total imports of the mentioned States. Given the 20% negative list of each State, the positive lists of all ECO member States necessarily include the remaining 80 % of their tariff lines.

The value of intra-group imports and their distribution among tariff bands are calculated based on the positive list of each ECO member state. The results are presented in Table 20 / Panel E. Moreover, the coverage of the mentioned imports by the positive list of each member state was calculated and shown in panel F of Table 20. Similarly, the distribution of the value of the ECO member countries' 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 20 respectively. By considering the information presented in Table 20 / Panels E, F, G and H, the following results can be inferred:

1. According to Panel E, the overall value of intra-group imports by the ECO members' positive lists, with more than \$34.2 billion, accounts for about 80 % of the total value of their intra-group imports. The data in this table show that the imports at tariff rates less than 15% include approximately 99.2 % of imported items covered by the positive lists of the ECO member countries. This is interpreted as focusing on the exchange of tariff concessions in the second, third and fourth tariff bands (i.e., tariff rates above zero up to 15 %) may lead to a 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. This coverage varies highly according to the tariff structures of ECO States, so that the coverage of the positive lists of some ECO States 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 instance, the coverage of the positive list of **Afghanistan** in the second tariff band is equal to 99.8% and the remaining 0.18% belongs to the first tariff band (at 0% rate). Meanwhile, the coverage of the positive list of Iran in the 4^{th} and 5^{th} bands is 100%, while the coverage of the positive lists of other countries is limited to the 1^{st} to 4^{th} bands. This is interpreted as more commitments for Iran under the current provisions of Article 4 of the ECOTA to reduce tariffs in higher bands. As shown by Panel F, in the 3^{rd} and higher bands (with tariff rates more than 5 %), the share of Iran's positive list coverage is more than other countries, implying heavier commitments for Iran in those bands.

3. According to the information provided in Panel G, about $493 billion of the ECO States' imports from the world are covered by their positive lists, of which only about $6.7 billion is done with tariff rates in excess of 15%, with a share of less than 2%. This also shows that most of the import needs and exchanges of the ECO member states with the world take place at low tariff rates.

Therefore, trade liberalization and tariff reduction at lower tariff bands is anticipated to generate more positive effects (in respect of both trade creation and trade diversion) on intra-group trade among the ECO States.

4. Furthermore, according to the information in Panel H, in total, only about 1.4% of the imports of the ECO member states covered by their positive lists are in tariff rates above 15%, of which Iran and Pakistan with 9.2% and 1.7%, respectively, have the largest shares of imports with tariff rates of more than 15%, where Pakistan imports 817 million USD, and Iran imports 5.9 billion USD. On the other hand, the share of imports of other ECO member countries is zero within this tariff bands.

5. The share of imports of Iran that is processed with a tariff rate of 15% and above corresponds to about 9% of its total imports. The same figure for Pakistan is less than 2%. This finding confirms the possible concern of Pakistan and in particular Iran, in terms of increased competition for domestic like products due to trade liberalization and tariff reduction in the tariff bands more than 15%, as laid down in Article 4 of the current ECOTA. Given the strong export potential of some ECO member countries, such as Turkey, for greater presence in the domestic markets of these countries, a sharp increase in imports due to reduced tariff rates seems highly likely. This reaffirms the

heavy commitments 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. On the other hand, the insignificant share of other ECO members in imports with tariff rates exceeding 15 percent implies a lack of serious improvement in market access for Iran and Pakistan. This is a clear indication of the reluctance of these two countries to implement the ECOTA Agreement. This once again confirms the heavy obligations of implementing the Article 4 of the ECOTA Agreement for some members and its lack of any effect for some other members, which will create unbalanced results in terms of real market access obligations.

Table 20: The distributive structure of the ECO members' intra-group imports and their imports from the world among tariff bands (2023)

Panel A: The value of the ECO members' intra-group imports by each tariff band (million USD)

ECO Member States	T=0	0<T≤5	5<T≤10	10<T≤15	15<T≤25	25<T≤50	T>50	Total	Imports in tariff Bands > 15%
Afghanistan	5	2,885	698	295	421	83	0	4,388	504
Azerbaijan	1,183	408	320	1,776	0	11	2	3,700	13
Iran	2	5,468	1,506	506	260	66	57	7,865	383
Kazakhstan	935	1,662	1,413	440	22	0	1	4,474	24
Kyrgyzstan	140	628	602	291	31	22	23	1,738	76
Pakistan	612	560	37	55	197	2	0	1,463	199
Tajikistan	43	1,114	456	72	24	2	0	1,711	26
Türkiye	2,425	6,892	782	276	158	154	178	10,865	489
Uzbekistan	3,562	1,681	592	334	234	251	2	6,655	486
Total	8,906	21,299	6,407	4,047	1,347	590	263	42,859	2,200

Panel B: The share of each tariff band in the ECO members' intra-group imports (%)

ECO Member States	T=0	0<T≤5	5<T≤10	10<T≤15	15<T≤25	25<T≤50	T>50	Total	Imports in tariff Bands > 15%
Afghanistan	0.12	65.75	15.92	6.73	9.60	1.89	0.00	100.00	11.48
Azerbaijan	31.96	11.02	8.66	48.00	0.00	0.30	0.05	100.00	0.36
Iran	0.02	69.53	19.15	6.44	3.31	0.83	0.73	100.00	4.87
Kazakhstan	20.89	37.15	31.59	9.84	0.49	0.01	0.03	100.00	0.53
Kyrgyzstan	8.08	36.17	34.64	16.75	1.77	1.29	1.30	100.00	4.37
Pakistan	41.80	38.28	2.56	3.79	13.45	0.12	0.00	100.00	13.57
Tajikistan	2.49	65.13	26.66	4.20	1.42	0.09	0.00	100.00	1.52
Türkiye	22.32	63.43	7.20	2.54	1.45	1.42	1.64	100.00	4.50
Uzbekistan	53.53	25.25	8.89	5.02	3.51	3.77	0.03	100.00	7.31
Total	20.78	49.70	14.95	9.44	3.14	1.38	0.61	100.00	5.13

Panel C: The value of the ECO members' imports from the world by each tariff band									
ECO Member States	**T=0**	**0<T≤5**	**5<T≤10**	**10<T≤15**	**15<T≤25**	**25<T≤50**	**T>50**	**Total**	**Imports in tariff Bands > 15%**
Afghanistan	7	4,974	1,767	367	550	115	0	7,780	664
Azerbaijan	4,541	4,149	1,391	5,467	19	80	49	15,695	148
Iran	2	43,399	11,214	3,911	5,766	722	471	65,485	6,958
Kazakhstan	15,458	21,455	13,582	6,479	128	74	381	57,557	583
Kyrgyzstan	3,095	3,179	2,404	2,973	73	35	102	11,860	209
Pakistan	16,749	20,591	2,216	7,911	4,161	784	734	53,147	5,679
Tajikistan	458	2,933	1,897	288	116	11	0	5,704	128
Türkiye	102,425	124,957	62,037	13,305	8,855	5,235	5,566	322,379	19,656
Uzbekistan	17,930	7,956	4,664	1,825	1,448	1,551	14	35,388	3,013
Total	160,666	233,592	101,172	42,526	21,116	8,606	7,317	574,995	37,039

Panel D: The share of each tariff band in the ECO members' imports from the world (%)									
ECO Member States	**T=0**	**0<T≤5**	**5<T≤10**	**10<T≤15**	**15<T≤25**	**25<T≤50**	**T>50**	**Total**	**Imports in tariff Bands > 15%**
Afghanistan	0.10	63.93	22.72	4.71	7.07	1.47	0.00	100.00	8.54
Azerbaijan	28.93	26.43	8.86	34.83	0.12	0.51	0.31	100.00	0.94
Iran	0.00	66.27	17.13	5.97	8.80	1.10	0.72	100.00	10.63
Kazakhstan	26.86	37.28	23.60	11.26	0.22	0.13	0.66	100.00	1.01
Kyrgyzstan	26.09	26.81	20.27	25.07	0.61	0.29	0.86	100.00	1.76
Pakistan	31.52	38.74	4.17	14.89	7.83	1.48	1.38	100.00	10.69
Tajikistan	8.04	51.42	33.25	5.05	2.04	0.20	0.01	100.00	2.25
Türkiye	31.77	38.76	19.24	4.13	2.75	1.62	1.73	100.00	6.10
Uzbekistan	50.67	22.48	13.18	5.16	4.09	4.38	0.04	100.00	8.52
Total	27.9	40.6	17.6	7.4	3.7	1.5	1.3	100	6.44

Panel E: The value of the ECO members' intra-group imports based on their positive lists (million USD)

ECO Member States	T=0	0<T≤5	5<T≤10	10<T≤15	15<T≤25	25<T≤50	T>50	Total	Imports in tariff Bands > 15%
Afghanistan	5	2,885	0	0	0	0	0	2,891	0
Azerbaijan	1,183	408	320	7	0	0	0	1,918	0
Iran	2	5,468	1,506	506	260	0	0	7,742	260
Kazakhstan	935	1,662	2	0	0	0	0	2,598	0
Kyrgyzstan	140	628	14	0	0	0	0	783	0
Pakistan	612	560	37	55	0	0	0	1,264	0
Tajikistan	43	1,114	147	0	0	0	0	1,303	0
Türkiye	2,425	6,892	600	0	0	0	0	9,918	0
Uzbekistan	3,562	1,681	592	0	0	0	0	5,834	0
Total	8,906	21,299	3,218	569	260	0	0	34,252	260

Panel F: The ECO members' positive list coverage of intra-group imports by each tariff band (%)

ECO Member States	T=0	0<T≤5	5<T≤10	10<T≤15	15<T≤25	25<T≤50	T>50	Total	Imports in tariff Bands > 15%
Afghanistan	0.18	99.82	0.00	0.00	0.00	0.00	0.00	100.00	0.00
Azerbaijan	61.66	21.26	16.70	0.38	0.00	0.00	0.00	100.00	0.00
Iran	0.02	70.63	19.45	6.54	3.36	0.00	0.00	100.00	3.36
Kazakhstan	35.97	63.97	0.06	0.00	0.00	0.00	0.00	100.00	0.00
Kyrgyzstan	17.92	80.24	1.85	0.00	0.00	0.00	0.00	100.00	0.00
Pakistan	48.37	44.29	2.96	4.38	0.00	0.00	0.00	100.00	0.00
Tajikistan	3.26	85.49	11.25	0.00	0.00	0.00	0.00	100.00	0.00
Türkiye	24.45	69.49	6.05	0.00	0.00	0.00	0.00	100.00	0.00
Uzbekistan	61.05	28.81	10.14	0.00	0.00	0.00	0.00	100.00	0.00
Total	26.00	62.18	9.40	1.66	0.76	0.00	0.00	100.00	0.76

Panel G: The value of the ECO members' imports from the world based on their positive lists (million USD)									
ECO Member States	**T=0**	**0<T≤5**	**5<T≤10**	**10<T≤15**	**15<T≤25**	**25<T≤50**	**T>50**	**Total**	**Imports in tariff Bands > 15%**
Afghanistan	7	4,974	106	0	0	0	0	5,088	0
Azerbaijan	4,541	4,149	1,391	445	0	0	0	10,525	0
Iran	2	43,399	11,214	3,911	5,766	167	0	64,458	5,932
Kazakhstan	15,458	21,455	1,745	0	0	0	0	38,658	0
Kyrgyzstan	3,095	3,179	391	0	0	0	0	6,666	0
Pakistan	16,749	20,591	2,216	7,911	817	0	0	48,285	817
Tajikistan	458	2,933	1,504	0	0	0	0	4,896	0
Türkiye	102,425	124,957	56,806	0	0	0	0	284,188	0
Uzbekistan	17,930	7,956	4,664	16	0	0	0	30,565	0
Total	160,666	233,592	80,039	12,283	6,583	167	0	493,329	6,749

Panel H: The ECO members' positive list coverage of their imports from the world by each tariff band (%)									
ECO Member States	**T=0**	**0<T≤5**	**5<T≤10**	**10<T≤15**	**15<T≤25**	**25<T≤50**	**T>50**	**Total**	**Imports in tariff Bands > 15%**
Afghanistan	0.15	97.76	2.09	0.00	0.00	0.00	0.00	100.00	0.00
Azerbaijan	43.14	39.42	13.21	4.22	0.00	0.00	0.00	100.00	0.00
Iran	0.00	67.33	17.40	6.07	8.94	0.26	0.00	100.00	9.20
Kazakhstan	39.99	55.50	4.51	0.00	0.00	0.00	0.00	100.00	0.00
Kyrgyzstan	46.43	47.70	5.87	0.00	0.00	0.00	0.00	100.00	0.00
Pakistan	34.69	42.64	4.59	16.38	1.69	0.00	0.00	100.00	1.69
Tajikistan	9.36	59.91	30.73	0.00	0.00	0.00	0.00	100.00	0.00
Türkiye	36.04	43.97	19.99	0.00	0.00	0.00	0.00	100.00	0.00
Uzbekistan	58.66	26.03	15.26	0.05	0.00	0.00	0.00	100.00	0.00
Total	32.57	47.35	16.22	2.49	1.33	0.03	0.00	100.00	1.37

Source: Research findings and calculations.

3-5- Introducing the tariff reduction scenarios and the analysis of their results

3-5-1 Introduction of Scenarios

As shown in the previous sections, the analysis of the tariff and trade structures of the ECO States shows that their imports are concentrated in the tariff bands less than 15 %. Therefore, tariff reduction scenarios are selected by focusing on the 2nd, 3rd and 4th bands. As shown in Table 18, the selected scenarios are as follows:

> *Current Scenario (Baseline Scenario):* The provisions of the ECOTA are considered, i.e., 20% 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% are reduced to 15%.
>
> *Scenario 1:* In addition to the baseline scenario, tariffs up to 5% will be reduced to zero.
>
> *Scenario 2:* In addition to the baseline scenario, tariffs up to 10% will be reduced to zero.
>
> *Scenario 3:* In addition to the baseline scenario, tariffs up to 15% will be reduced to zero.

As explained in section 3-3, the principal index to examine the expected effects of the scenarios above 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.

The second main index employed is the "revealed comparative advantage" index, which has been already introduced in section 2-3 of this report and we refuse to repeat it again.

3-5-2 Analysis of the Scenarios

The final results based on 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 21, separately for each ECO member and the related tariff bands.

Table 21: Comparative Trade Creation Effects

Tariff reduction scenarios vs. Export potential of the ECO States with respect to 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										
						scenario 0	scenario 1	scenario 2	scenario 3	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Türkiye	Turkmenistan an	Uzbekistan	ECO
Afghanistan	**5028**	**1001**	**20**	**4,388**	**7,780**	**0.0**	**1,496**	**1,496**	**1,496**		**57**	**358**	**227**	**234**	**465**	**122**	**1182**	**62**	**301**	**3008**
T=0	25	0.0	0	5	7	0.0	0.0	0.0	0.0		0	4	1	3	4	2	11	4	2	31
0<T≤5	3407	0.0	0	2,885	4,974	0.0	1,496	1,496	1496		54	339	207	199	395	101	1050	57	273	2675
5<T≤10	1243	648	52	698	1,767	0.0	0.0	0.0	0.0		3	15	19	32	66	19	121	1	26	302
10<T≤15	26	26	100	295	367	0.0	0.0	0.0	0.0		0	0	0	0	0	0	0	0	0	0
15<T≤25	270	270	100	421	550	0.0	0.0	0.0	0.0		0	0	0	0	0	0	0	0	0	0
25<T≤50	57	57	100	83	115	0.0	0.0	0.0	0.0		0	0	0	0	0	0	0	0	0	0
T>50	0	0.0	0	0.0	0.0	0.0	0.0	0.0	0.0		0	0	0	0	0	0	0	0	0	0
Azerbaijan	**5611**	**1122**	**20**	**3,700**	**15,695**	**0.0**	**205**	**390**	**395**	**137**		**381**	**251**	**258**	**449**	**103**	**1122**	**50**	**285**	**3036**
T=0	1787		0	1,183	4,541	0.0	0.0	0.0	0.0	37.0		148	132	77	81	43	390	19	95	1022
0<T≤5	1106		0	408	4,149	0.0	205	205	205	30		110	52	70	136	23	347	7	73	848
5<T≤10	214		0	320	1,391	0.0	0.0	185	185	15		28	16	28	16	7	70	3	26	209
10<T≤15	2464	1082	44	1,776	5,467	0.0	0.0	0.0	4.4	55		95	51	83	216	30	315	21	91	957
15<T≤25	9	9	100	0	19	0.0	0.0	0.0	0.0	0		0	0	0	0	0	0	0	0	0
25<T≤50	16	16	100	11	80	0.0	0.0	0.0	0.0	0		0	0	0	0	0	0	0	0	0
T>50	15	15.0	100	1.8	49.0	0.0	0.0	0.0	0.0	0		0	0	0	0	0	0	0	0	0
Iran	**5624**	**1125**	**20**	**7,865**	**65,485**	**31.0**	**2,575**	**3,415**	**3,731**	**124**	**64**	**0**	**265**	**262**	**442**	**96**	**1298**	**60**	**311**	**2922**
T=0	4		0	2	2	0.0	0.0	0.0	0.0	1.0	1			1	2	1	3			9
0<T≤5	3138		0	5,468	43,399	0.0	2,544	2,544	2,544	95	41		205	165	191	63	714	38	171	1683
5<T≤10	555		0	1,506	11,214	0.0	0.0	840	840	11	11		23	29	78	13	214	9	48	436
10<T≤15	315		0	506	3,911	0.0	0.0	0.0	316.4	9	4		15	28	29	7	117	2	22	233
15<T≤25	467		0	260	5,766	31.0	31.0	31.0	31.0	7	7		17	35	140	12	241	11	68	538
25<T≤50	331	311	94	66	722	0.0	0.0	0.0	0.0	1			5	4	2		9		2	23
T>50	814	814.0	100	57.3	471.1															

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 list of ECO countries										
						scenario 0	scenario 1	scenario 2	scenario 3	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan	ECO
Kazakhstan	**5612**	**1122**	**20**	**4,474**	**57,557**	**0.0**	**842**	**843**	**843**	**170**	**68**	**431**	**0**	**279**	**470**	**108**	**1262**	**45**	**292**	**3125**
T=0	1311		0	935	15,458	0.0	0.0	0.0	0.0	31	13	68		84	73	33	304	10	46	662
0<T≤5	2295		0	1,662	21,455	0.0	842	842	842	115	48	291		156	256	63	698	32	202	1861
5<T≤10	1465	581	40	1,413	13,582	0.0	0.0	1	1	24	7	72		39	141	12	260	3	44	602
10<T≤15	493	493	100	440	6,479	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15<T≤25	22	22	100	22	128	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25<T≤50	22	22	100	0	74	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
T>50	4	4	100	1.3	381.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kyrgyzstan	**5612**	**1122**	**20**	**1,738**	**11,860**	**0.0**	**310**	**318**	**319**	**171**	**68**	**434**	**233**	**0**	**520**	**119**	**1332**	**53**	**330**	**3260**
T=0	719		0	140	3,095	0.0	0.0	0.0	0.0	22	10	36	37		29	29	207	9	37	416
0<T≤5	2398		0	628	3,179	0.0	310	310	310	121	48	293	151		245	66	675	32	199	1830
5<T≤10	1629	256	16	602	2,404	0.0	0.0	8	8	28	10	105	45		246	24	450	12	94	1014
10<T≤15	742	742	100	291	2,973	0.0	0.0	0.0	0.0											0
15<T≤25	73	73	100	31	73	0.0	0.0	0.0	0.0											0
25<T≤50	26	26	100	22	35	0.0	0.0	0.0	0.0											0
T>50	25	25	100	22.7	101.9															
Pakistan	**5687**	**1137**	**20**	**1,463**	**53,147**	**0.0**	**284**	**305**	**338**	**199**	**72**	**423**	**235**	**311**	**0**	**146**	**1226**	**76**	**376**	**3064**
T=0	1793		0	612	16,749	0.0	0.0	0.0	0.0	80	23	142	110	80		76	327	39	95	972
0<T≤5	770		0	560	20,591	0.0	284	284	284	59	11	71	56	57		20	154	10	60	498
5<T≤10	96		0	37	2,216	0.0	0.0	21	21	2	2	6	4	5		5	33		8	65
10<T≤15	880		0	55	7,911	0.0	0.0	0.0	33.0	23	20	89	38	41		19	350	21	105	706
15<T≤25	1991	980	49	197	4,161	0.0	0.0	0.0	0.0	35	16	115	27	128		26	362	6	108	823
25<T≤50	126	126	100	2	784	0.0	0.0	0.0	0.0											0
T>50	31	31	100	0.0	733.7															

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 list of ECO countries										
						scenario 0	scenario 1	scenario 2	scenario 3	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkey	Turkmenistan an	Uzbekistan	ECO
Tajikistan	**5198**	**1040**	**20**	**1,711**	**5,704**	**0.0**	**611**	**693**	**693**	**145**	**54**	**433**	**245**	**244**	**334**	**0**	**1140**	**54**	**247**	**2896**
T=0	535		0	43	458	0.0	0.0	0.0	0.0	5	1	13	11	17	6	0	59	2	12	126
0<T≤5	1547		0	1,114	2,933	0.0	611	611	611	90	27	214	120	102	186	0	479	35	110	1363
5<T≤10	2101	25	1	456	1,897	0.0	0.0	82	82	50	26	206	114	125	142	0	602	17	125	1407
10<T≤15	647	647	100	72	288	0.0	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0
15<T≤25	337	337	100	24	116	0.0	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0
25<T≤50	28	28	100	2	11	0.0	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0
T>50	3	3	100	0.0	0.5					0	0	0	0	0	0	0	0	0	0	0
Türkiye	**5612**	**1122**	**20**	**10,865**	**322,379**	**0.0**	**3,242**	**3,564**	**3,564**	**124**	**61**	**432**	**226**	**283**	**436**	**108**	**0**	**58**	**337**	**2065**
T=0	1278		0	2,425	102,425	0.0	0.0	0.0	0.0	52	18	122	87	75	79	40	0	24	65	562
0<T≤5	1964		0	6,892	124,957	0.0	3,242	3,242	3,242	43	27	182	88	142	169	43	0	24	150	868
5<T≤10	1295	47	4	782	62,037	0.0	0.0	322	322	29	16	128	51	66	188	25	0	10	122	635
10<T≤15	303	303	100	276	13,305	0.0	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0
15<T≤25	177	177	100	158	8,855	0.0	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0
25<T≤50	368	368	100	154	5,235	0.0	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0
T>50	227	227	100	177.8	5565.6					0	0	0	0	0	0	0	0	0	0	0
Uzbekistan	**5377**	**1075**	**20**	**6,655**	**35,388**	**0.0**	**865**	**1,215**	**1,215**	**137**	**137**	**402**	**253**	**229**	**451**	**114**	**1159**	**62**	**0**	**2944**
T=0	2378		0	3,562	17,930	0.0	0.0	0.0	0.0	85	85	222	178	121	144	60	542	37		1474
0<T≤5	1084		0	1,681	7,956	0.0	865	865	865	31	20	109	44	49	177	32	342	0	0	804
5<T≤10	838		0	592	4,664	0.0	0.0	350	350	21	14	71	31	59	130	22	275	25		648
10<T≤15	269	267	99	334	1,825	0.0	0.0	0.0	0.0					1						1
15<T≤25	608	608	100	234	1,448	0.0	0.0	0.0	0.0											0
25<T≤50	174	174	100	251	1,551	0.0	0.0	0.0	0.0											0
T>50	26	26	100	1.8	14.3															0
Total				**42,858**	**574,995**	**31**	**10,431**	**12,239**	**12,593**	**1,207**	**581**	**3,294**	**1,935**	**2,100**	**3,567**	**916**	**9,721**	**520**	**2,479**	**26,320**

Source: Trade Map, ECO Secretariat, research findings

For the sake of brevity, only the results regarding the calculations for Afghanistan shall be explained. The results for other countries can be interpreted in a similar way through the statistical data provided for other ECO States in Table 21.

However, at the end of this section, a separate table is provided to present the comparative results of the scenarios, making it easier to analyze and compare them.

Analysis of the results of Table 21 for Afghanistan (as an example):
Based Table 21, 1001 tariff lines[43] 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 $4.4 billion and its total imports from the world is about $7.8 billion. Thus, Afghanistan's intra-group imports from the ECO members are 1.3 times Afghanistan's extra-group imports in 2023 (the ratio of $4.4 billion in imports from the ECO members to $3.4 billion in imports from the rest of the world).

Columns 7 to 10 of the Table 21 show the amount of trade creation resulting from the implementation of each scenario. Since more than 80% of Afghanistan's tariff lines have rates from zero to 15%, 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.

However, when we consider **the 1st scenario**, it is predicted that with the implementation of the 1st scenario, there will be a significant increase in imports (trade creation) of approximately $1.5 billion in Afghanistan. The main reason is that about 65.8 % of Afghanistan's intra-group imports (about $2.9 billion) take place in this band. Therefore, with the implementation of the 1st scenario, trade creation (as estimated around 34 % of the country's total imports) will occur in the second band ($0 < T \leq 5$).

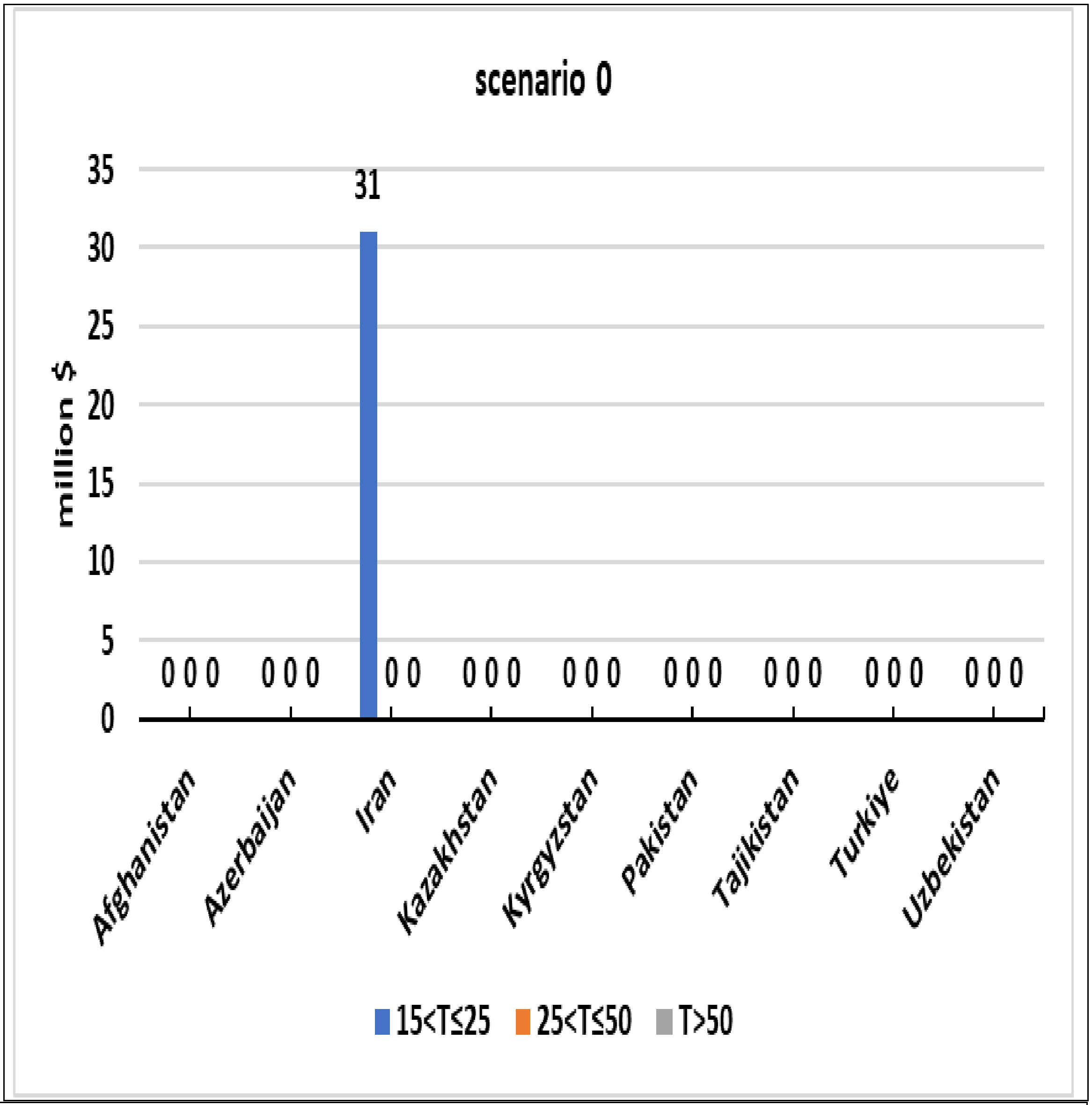
With the implementation of **the 2nd and 3rd scenarios**, due to the zero intra-group imports in the respective bands, there will be no additional trade creation in Afghanistan and the value of trade creation in the 2nd and 3rd scenarios is in fact that of the 1st scenario reflected cumulatively in the 2nd and 3rd 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 indicated in Table 21.

[43] Equivalent to 20% of 5028 six-digit tariff lines of Afghanistan for year 2023,

Thus, the results show that the total trade creation resulting from the implementation of scenarios in Afghanistan belongs only to the 2nd band ($0 < T \leq 5$). Besides, liberalization of tariff rates in the 3rd and 4th bands is expected to create no new trade in the country. The reason is that all the 4th-band tariff codes and some of the codes related to the 3rd band (22% 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 (being part of the positive list). This was previously demonstrated in Figure 49, as well.

With a view to compare the results better, Figures 58 to 61 were designed based on Table 21. Figures 58 to 61 display the results of each scenario for each ECO State 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 intra-group imports in each band.

Figure 58: Comparison of baseline Scenario coverage in terms of the value of intra-group imports affected by tariff reduction in each tariff band and the number of countries involving in trade creation



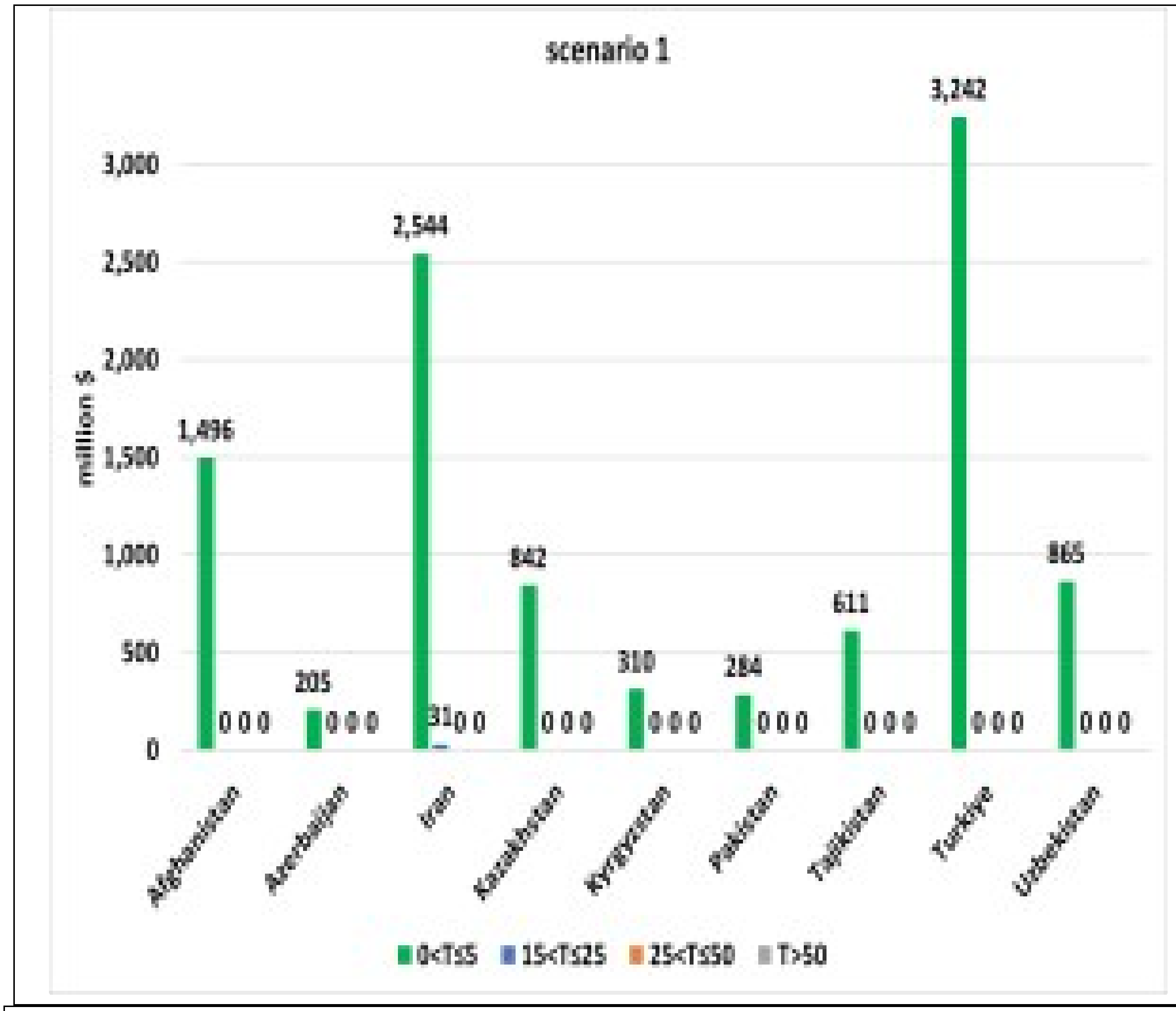
Number of countries involving in trade creation: 1

Data: Based on Trade Map, ECO Secretariat

Figure 58 suggests that, assuming that the baseline scenario is implemented, only Iran will create trade as a result of tariff reductions. Trade will be created through increased imports in fifth tariff band (15<T≤50).

Other ECO countries will not be affected by tariff reductions and will have no share in trade creation. This reveals an imbalance in the results of the implementation of the baseline scenario as laid down in ECOTA.

Figure 59: Comparison of Scenario 1 coverage in terms of the value of intra-group imports affected by tariff reduction in each tariff band and the number of countries involving in trade creation

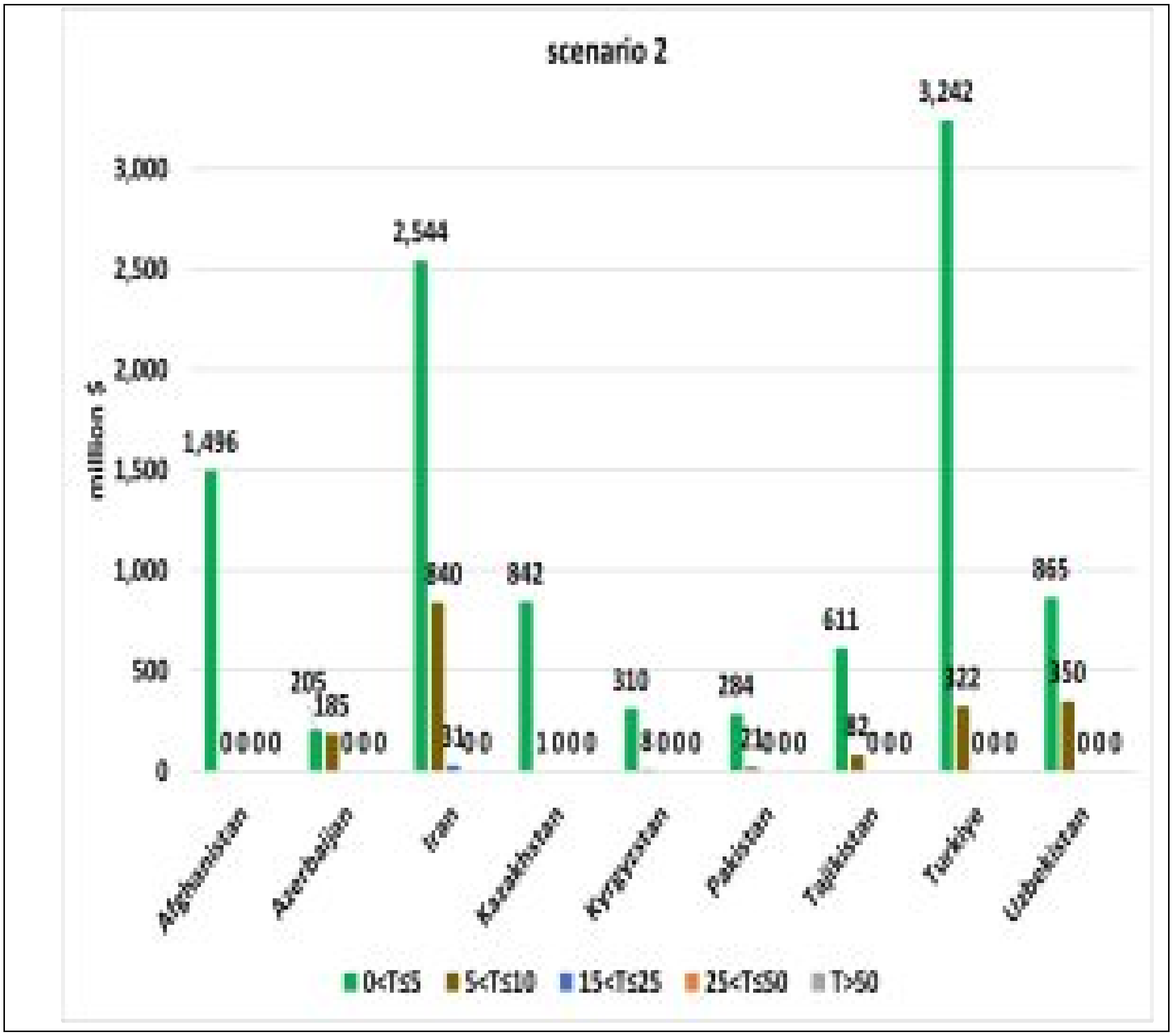


Number of countries involving in trade creation: 9

Data: Based on Trade Map, ECO Secretariat

As Figure 59 suggests the results, when the first scenario is implemented: As a result of the elimination of tariffs up to 5 % (second band), the trade is estimated to be created by all 9 ECO member countries. All countries shall contribute to trade creation, along with creating better market access for each other. Although these commitments are not the same for all, and some members, such as Iran and Türkiye, will bear a greater tariff reduction in this scenario. Iran is the only member that will also have tangible commitments in the 4th band (rates 15 to 25 %), in addition to the tariff reduction commitments in the 2nd band. However, given the involvement of all members in the trade creation, the previous imbalance will be moderated.

Figure 59: Comparison of Scenario 2 coverage in terms of the value of intra-group imports affected by tariff reduction in each tariff band and the number of countries involving in trade creation

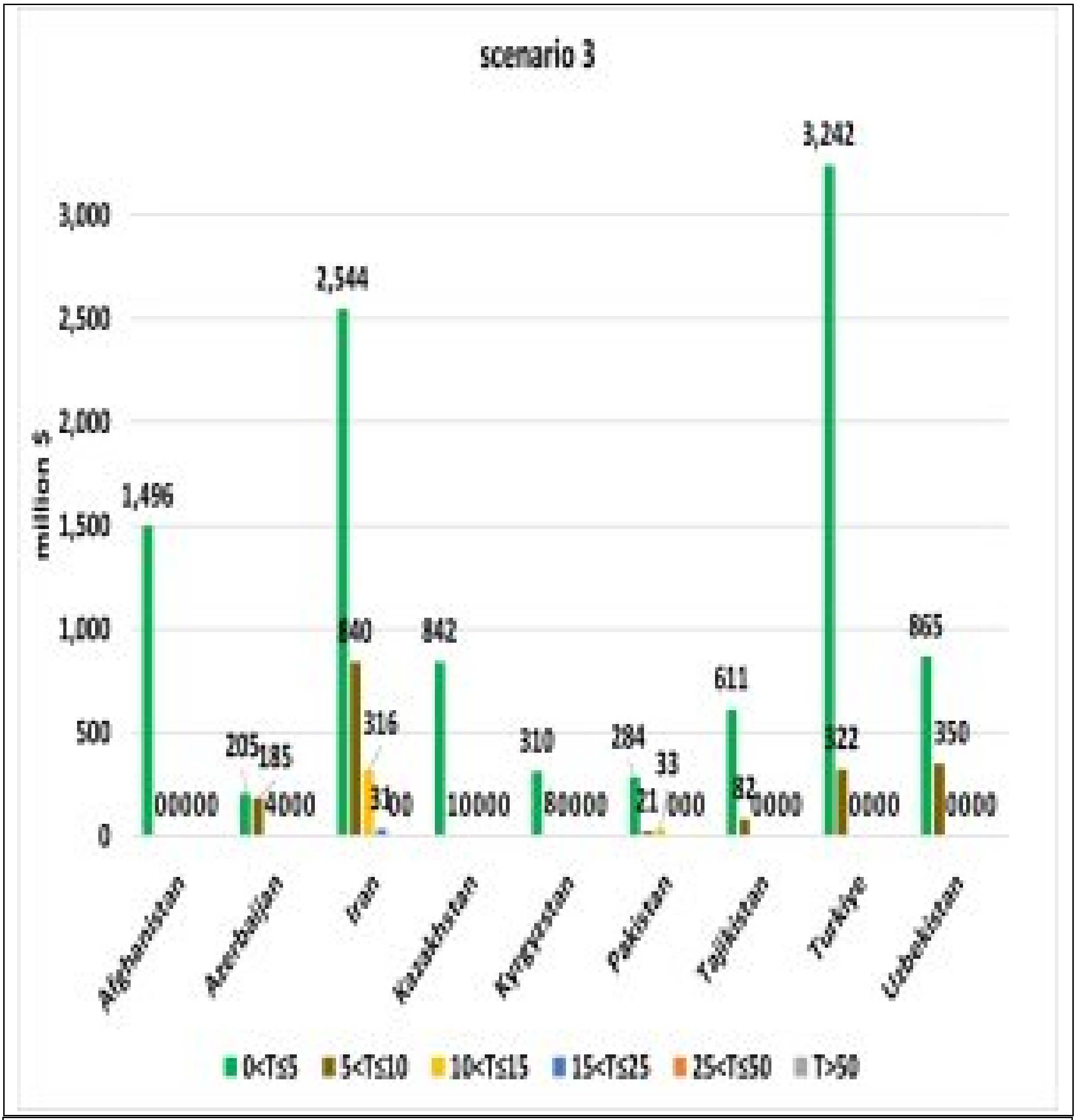


Number of countries involving in trade creation: 9

Data: Trade Map, ECO Secretariat

Examining the effects of tariff reduction under the 2nd scenario in Figure 60 also shows that due to the elimination of tariffs up to 10 %, 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, Iran is the only country that, in addition to reduction commitments in the second and third tariff bands, will also have additional commitments in the fourth band.

Figure 60: Comparison of Scenario 3 coverage in terms of the value of intra-group imports affected by tariff reduction in each tariff band and the number of countries involving in trade creation



Number of countries involving in trade creation: 9

Data: Trade Map, ECO Secretariat

Figure 61 shows that, considering the cumulative effects of each scenario, most effects of tariff reduction seem to be produced by the implementation of the 3rd scenario, in which tariffs below 15 % are eliminated altogether. The main and net part of commitments in the third scenario will be borne by Iran, Türkiye and Uzbekistan.

Generally, by evaluating the results of the implementation of all four scenarios, it is observed that all ECO members in the 1^{st} to 3^{rd} proposed scenarios will be affected by tariff reductions, and their imports will increase. In the baseline scenario only, Iran is expected to create 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 coverage of the scenarios, and since each scenario is based on the implementation of the previous scenario, 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 2^{nd} and 3^{rd} scenarios in general will lead to more trade for the ECO member countries compared to the first scenario, this will not be due to increased imports of all members, however, will only be the result brought about by those members who will have imports in higher tariff bands. Therefore, more balance of concessions and commitments of members do not have a direct correspondence with the higher scenarios, and each requires a separate evaluation. Because depending on the trade and tariff structure of each member, some of them will be subject to tariff reduction commitments in all three scenarios, and others will only have such commitments in one or two of the first and second scenarios.

3-6- 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 lists 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 number 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 number 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, in this section, to facilitate comparison of the net effect of each scenario with others, 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 22. 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 Türkiye (in the tenth column) is equal to 612 scores. This means that a total of 612 tariff lines (six-digit HS codes) of products for which Türkiye has a revealed comparative advantage in their exports, are subject to tariff rates higher than 15 % in the markets of Iran and Pakistan but their tariffs will be reduced to 15 % if the current scenario is implemented, and as a result, Türkiye will have better market access in the said countries. As can be found out from Table 22, these concessions will be obtained through 250 and 362 tariff lines, respectively, only from Iran and Pakistan. However, under current scenario, Türkiye will give no concessions to any of the ECO members. In the 13th column of Table 22, 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 concessions, 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 or decreases) accordingly.

Considering the distribution of scores throughout Table 22, in order to better compare the results of all scenarios at a glance, Table 23, using the data in Table 22, 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 23, 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 of Table 23. Given the coverage of the third scenario, which includes all tariff rates up to 15 %, in fact, the last column of Table 23 shows the cumulative sum of the scores of each scenario up to 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 22 and 23, 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 other countries (including members and non-members of the ECOTA) 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 1367 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 and Pakistan, 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 12195 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 2618 scores, and among other ECO members belong to Kazakhstan with 1829 scores. At the same time, all countries will benefit from the concessions received.

4. Although the "Score Ratio Index" in scenario 1 varies from 0.22 (Afghanistan) to 5.24 (Türkiye), 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.

5. As can be found out from the results of Table 23, 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 better situation 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 brings 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 22 and 23, 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 5238 tariff codes based on the net value of this scenario. In this scenario, Tajikistan and Türkiye will award the most concessions among the members of the ECOTA with 1390 and 625 tariff codes respectively, and Pakistan will give the least concessions with 65 tariff codes. Among other ECO members, Kyrgyzstan and Uzbekistan will give the most concessions to other members with 1002 and 623 tariff codes, respectively, and Azerbaijan will give the least concessions with 206 tariff codes.

7. The net effect of the implementation of the scenario 2 in terms of concessions exchanged with 5238 scores is in the second place after the scenario 1. However, the total net concessions exchanged in scenario 2 are less than 43 % 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. 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 1853 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 685 product codes and Iran with 231 product codes will give the most concessions to others, and among other ECO member states, Azerbaijan with 936 concessions and Uzbekistan with only 1 concession will play a similar role. However, Türkiye will get the most concessions from the implementation of this scenario, winning 781 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.

9. As shown in the last row of Table 23, 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 in its current form for each member.

Table 22: Distribution of concessions awarded and received by each ECO member according to their positive lists in each scenario

Panel A: Net Concessions of Scenario 0 ECO Exporting Countries (concession recipients)											
ECO Importing Countries (concession donors)	**Member States**	**Afghanistan**	**Azerbaijan**	**Iran**	**Kazakhstan**	**Kyrgyzstan**	**Pakistan**	**Tajikistan**	**Türkiye**	**Uzbekistan**	**Total Awarded Concessions**
	Afghanistan	0	0	0	0	0	0	0	0	0	**0**
	Iran	8	7	0	22	39	142	12	250	70	**550**
	Pakistan	35	16	115	27	128	0	26	362	108	**817**
	Tajikistan	0	0	0	0	0	0	0	0	0	**0**
	Türkiye	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	0	0	0	0	0	0	0	0	0	**0**
Total Received Concessions		**43**	**23**	**115**	**49**	**167**	**142**	**38**	**612**	**178**	**1367**
Concessions Ratio index		**Net Received Concessions**	**Net Received Concessions**	**0.21**	**Net Received Concessions**	**Net Received Concessions**	**0.17**	**Net Received Concessions**	**Net Received Concessions**	**Net Received Concessions**	**1.00**

Panel B: Net Concessions of Scenario 1

	Member States	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Türkiye	Uzbekistan	Total Awarded Concessions
		ECO Exporting Countries (concession recipients)									
ECO Importing Countries (concession donors)	Afghanistan	0	54	339	207	199	395	101	1050	273	**2618**
	Iran	95	41	0	205	165	191	63	714	171	**1645**
	Pakistan	59	11	71	56	57	0	20	154	60	**488**
	Tajikistan	90	27	214	120	102	186	0	479	110	**1328**
	Türkiye	43	27	182	88	142	169	43	0	150	**844**
	Azerbaijan	30	0	110	52	70	136	23	347	73	**841**
	Kazakhstan	115	48	291	0	156	256	63	698	202	**1829**
	Kyrgyzstan	121	48	293	151	0	245	66	675	199	**1798**
	Uzbekistan	31	20	109	44	49	177	32	342	0	**804**
Total Received Concessions		**584**	**276**	**1609**	**923**	**940**	**1755**	**411**	**4459**	**1238**	**12195**
Concessions Ratio index		**0.22**	**0.33**	**0.98**	**0.50**	**0.52**	**1.32**	**0.31**	**5.28**	**1.54**	**1.00**

Panel C: Net Concessions of Scenario 2											
		ECO Exporting Countries (concession recipients)									
ECO Importing Countries (concession donors)	**Member States**	**Afghanistan**	**Azerbaijan**	**Iran**	**Kazakhstan**	**Kyrgyzstan**	**Pakistan**	**Tajikistan**	**Türkiye**	**Uzbekistan**	**Total Awarded Concessions**
	Afghanistan	0	3	15	19	32	66	19	121	26	**301**
	Iran	11	11	0	23	29	78	13	214	48	**427**
	Pakistan	2	2	6	4	5	0	5	33	8	**65**
	Tajikistan	50	26	206	114	125	142	0	602	125	**1390**
	Türkiye	29	16	128	51	66	188	25	0	122	**625**
	Azerbaijan	15	0	28	16	28	16	7	70	26	**206**
	Kazakhstan	24	7	72	0	39	141	12	260	44	**599**
	Kyrgyzstan	28	10	105	45	0	246	24	450	94	**1002**
	Uzbekistan	21	14	71	31	59	130	22	275	0	**623**
Total Received Concessions		**180**	**89**	**631**	**303**	**383**	**1007**	**127**	**2025**	**493**	**5238**
Concessions Ratio index		**0.60**	**0.43**	**1.48**	**0.51**	**0.38**	**15.49**	**0.09**	**3.24**	**0.79**	**1.00**

Panel D: Net Concessions of Scenario 3											
		ECO Exporting Countries (concession recipients)									
	Member States	**Afghanistan**	**Azerbaijan**	**Iran**	**Kazakhstan**	**Kyrgyzstan**	**Pakistan**	**Tajikistan**	**Türkiye**	**Uzbekistan**	**Total Awarded Concessions**
ECO Importing Countries (concession donors)	Afghanistan	0	0	0	0	0	0	0	0	0	**0**
	Iran	9	4	0	15	28	29	7	117	22	**231**
	Pakistan	23	20	89	38	41	0	19	350	105	**685**
	Tajikistan	0	0	0	0	0	0	0	0	0	**0**
	Türkiye	0	0	0	0	0	0	0	0	0	**0**
	Azerbaijan	55	0	95	51	83	216	30	315	91	**936**
	Kazakhstan	0	0	0	0	0	0	0	0	0	**0**
	Kyrgyzstan	0	0	0	0	0	0	0	0	0	**0**
	Uzbekistan	0	0	0	0	1	0	0	0	0	**1**
Total Received Concessions		**87**	**24**	**184**	**104**	**153**	**245**	**56**	**782**	**218**	**1853**
Concessions Ratio index		**Net Received Concessions**	**0.03**	**0.80**	**Net Received Concessions**	**Net Received Concessions**	**0.36**	**Net Received Concessions**	**Net Received Concessions**	**218.00**	**1.00**

Source: Research calculations.

Table 23: Sum of concessions awarded and received by the ECO members by each scenario

ECO Members	Type of Concessions	Scenario 0 (Net score)	Scenario 1 (Net score)	Scenario 2 (Net score)	Scenario 3 (Net score)	Total
Panel A: ECOTA Members						
Afghanistan	**Awarded Concessions**	0	2618	301	0	**2919**
	Received Concessions	43	584	180	87	**894**
Iran	**Awarded Concessions**	550	1645	427	231	**2853**
	Received Concessions	115	1609	631	184	**2539**
Pakistan	**Awarded Concessions**	817	488	65	685	**2055**
	Received Concessions	142	1755	1007	245	**3149**
Tajikistan	**Awarded Concessions**	0	1328	1390	0	**2718**
	Received Concessions	38	411	127	56	**632**
Türkiye	**Awarded Concessions**	0	844	625	0	**1469**
	Received Concessions	612	4459	2025	782	**7878**
Sub Total	**Awarded Concessions**	**1367**	**6923**	**2808**	**916**	**12014**
	Received Concessions	**950**	**8818**	**3970**	**1354**	**15092**
Panel B: Other ECO Members						
Azerbaijan	**Awarded Concessions**	0	841	206	936	**1983**
	Received Concessions	23	276	89	24	**412**
Kazakhstan	**Awarded Concessions**	0	1829	599	0	**2428**
	Received Concessions	49	923	303	104	**1379**
Kyrgyzstan	**Awarded Concessions**	0	1798	1002	0	**2800**
	Received Concessions	167	940	383	153	**1643**
Uzbekistan	**Awarded Concessions**	0	804	623	1	**1428**
	Received Concessions	178	1238	493	218	**2127**
Sub Total	**Awarded Concessions**	**0**	**5272**	**2430**	**937**	**8639**
	Received Concessions	**417**	**3377**	**1268**	**499**	**5561**
Grand Total	**Awarded Concessions**	**1367**	**12195**	**5238**	**1853**	**20653**
	Received Concessions	**1367**	**12195**	**5238**	**1853**	**20653**

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 21, the results of which are presented in Table 24 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 24 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 21 and 24, 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 24, 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 $31 million, which only concerns the imports of Iran. 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 % 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 % 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 $31 million which will come from Iran 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 Iran.

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 $10.4 billion (trade increase), of which $8.2 billion belongs to the ECOTA members and the remaining

$2.2 billion belongs to other ECO members. Türkiye, Iran and Afghanistan will account for the largest share of trade creation with $3242 million, $2544 million, and $1496 million, respectively, and Pakistan will continue to play the smallest role with an $284 million increase in imports.

4. The first scenario with $10.4 billion has the highest value of added trade creation and ranks first among all the scenarios. The second scenario with $1.8 billion and the third scenario with $355 million added trade creation are in second and third place, respectively. The current (base) scenario with $31 million added trade creation has the least effect.

5. In terms of the extent of added trade creation value among countries, the first, second and third scenarios are in the highest rank each with 9, 8 and 4 countries respectively, while the current scenario is in the lowest rank with the participation of one country.

6. With the implementation of the second scenario, another $1809 million will be added to the value of trade creation, of which $1265 million belongs to the ECOTA members and the remaining $544 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 first scenario, but the imports of other ECOTA members will increase.

7. From among the proposed scenarios 1 to 3, scenario 1 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 net trade creation, the Base(zero) and third scenarios have the least effect among all scenarios and with the creation of $31 million and $355 million added trade, they are in the last (fourth and third) ranks.

9. The third scenario is in the third place in terms of the extent of distribution of trade creation among countries with the participation of four 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 $316 million and Pakistan with $33 million. Other countries will have virtually no positive role to play, because of including most tariff codes with rates above 10 % on their negative lists. Among other ECO members, Azerbaijan with $5 million and Kyrgyzstan with

a small amount of $1 million are involved in trade creation under this scenario, and other countries are absent from the scene.

10. In the last column of Table 24, 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 $12.6 million in trade, of which $9.8 million belongs to the ECOTA members and $2.8 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, Iran, Türkiye and Afghanistan with $3.8, 3.6 and 1.5 billion trade creation respectively, with a large distance from other members, will play the main role in trade creation. Iran, Türkiye and Afghanistan will account for more than 37.9, 36.2 and 15.2 % of the total trade creation in the ECOTA members respectively, implying that the three countries will account for about 90 % 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, Pakistan will made the least trade creation (increase in imports), with $338 million or a share of less than 3.5 %. In terms of the lowest share of participation and trade creation, Pakistan's share is even less than Tajikistan's with $693 million and 7 %.

13. Assuming full implementation of the scenarios (scenario 3), among other ECO members, out of a total trade creation of about $2.8 billion, Uzbekistan will have the largest share of trade creation if it accedes to the ECOTA, with $1215 million and a share of about 44%. The next rank with $843 million belongs to Kazakhstan. Azerbaijan and Kyrgyzstan will have the lowest ranks in terms of trade creation, with $395 and $319 million respectively.

14. Reflection on the cumulative effect of scenarios as shown in Table 24 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, these differences, in a gradual and forward-looking process up to the second scenario, will be relatively reduced, and

members' contributions to the achievements of the implementation of the ECOTA Agreement will become more balanced.

Table 24: The value of trade creation in the positive lists by each scenario

ECO Members	Trade creation value in each scenario (million $)						
	Scenario 0	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	1,496	1,496	0	1,496	0	1,496
Iran	31	2,544	2,606	840	3,415	316	3,731
Pakistan	0	284	284	21	305	33	338
Tajikistan	0	611	611	82	693	0	693
Türkiye	0	3,242	3,242	322	3,564	0	3,564
Sub-total	31	8,177	8,208	1,265	9,473	349	9,822
Panel B: Trade creation in other ECO members							
Azerbaijan	0	205	205	185	390	5	395
Kazakhstan	0	842	842	1	843	0	843
Kyrgyzstan	0	310	310	8	318	1	319
Uzbekistan	0	865	865	350	1,215	0	1,215
Sub-total	0	2,222	2,222	544	2,766	6	2,772
Total of ECO	31	10,399	10,430	1,809	12,239	355	12,594

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 information received from the ECO Secretariat and the 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 Türkiye (current members of the ACOTA Agreement) with the highest value of exports to the world in 2023 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 25 to 29 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 Iran's top twenty export products with about $650 million, of which more than $368 million will affect the Turkish market. Due to the self-expressiveness of the tables, further explanation of the results is avoided.

Table 25: Estimated trade-creation value for the top twenty items of Afghanistan's exports to the world in 2023

(In thousand US dollars)

HS code	Total ECOTA				Iran				Pakistan				Tajikistan				Türkiye			
	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
130190	0	7	7	7	0	7	7	7	0	0	0	0	0	0	0	0	0	0	0	0
520100	0	368	368	368	0	300	300	300	0	0	0	0	0	0	0	0	0	68	68	68
270119	0	29,845	29,845	29,845	0	0	0	0	0	29,623	29,623	29,623	0	218	218	218	0	4	4	4
270112	0	21,026	21,026	21,026	0	0	0	0	0	21,005	21,005	21,005	0	0	0	0	0	21	21	21
071339	0	9,926	9,926	9,926	0	0	0	0	0	9,926	9,926	9,926	0	0	0	0	0	0	0	0
121190	0	3,086	3,086	3,086	0	1,758	1,758	1,758	0	1,105	1,105	1,105	0	0	0	0	0	222	222	222
252610	0	3,947	3,947	3,947	0	391	391	391	0	1,847	1,847	1,847	0	0	0	0	0	1,708	1,708	1,708
071333	0	6,442	6,442	6,442	0	573	573	573	0	5,869	5,869	5,869	0	0	0	0	0	0	0	0
271119	0	2,354	2,354	2,354	0	0	0	0	0	2,354	2,354	2,354	0	0	0	0	0	0	0	0
780110	0	4,196	4,196	4,196	0	2,215	2,215	2,215	0	1,964	1,964	1,964	0	0	0	0	0	17	17	17
090931	0	0	5,664	5,664	0		0	0	0		5,395	5,395	0		0	0	0		269	269
071390	0	137	137	137	0	0	0	0	0	137	137	137	0	0	0	0	0	0	0	0
121299	0	358	358	358	0	33	33	33	0	0	0	0	0	9	9	9	0	315	315	315
761510	0	178	178	178	0	0	0	0	0	0	0	0	0	0	0	0	0	178	178	178
090411	0	701	701	701	0	680	680	680	0	21	21	21	0	0	0	0	0	0	0	0
071310	0	4,024	4,024	4,024	0	0	0	0	0	4,013	4,013	4,013	0	11	11	11	0	0	0	0
120740	0	2,779	2,779	2,779	0	802	802	802	0	0	0	0	0	0	0	0	0	1,978	1,978	1,978
261000	0	169	169	169	0	0	0	0	0	169	169	169	0	0	0	0	0	0	0	0
710391	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
120999	0	13	13	13	0	0	0	0	0	13	13	13	0	0	0	0	0	0	0	0
Total	**0**	**89,556**	**95,220**	**95,220**	**0**	**6,759**	**6,759**	**6,759**	**0**	**78,046**	**83,441**	**83,441**	**0**	**238**	**238**	**238**	**0**	**4,513**	**4,782**	**4,782**

Source: Research calculations and findings.

Table 26: Estimated trade-creation value for the top twenty items of Iran's exports to the world in 2023

(In thousand US dollars)

HS code	Total ECOTA				Afghanistan				Pakistan				Tajikistan				Türkiye			
	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
271111	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0	0	0	0.0	0.0	0.0	0.0	0.0	0	0	0
271112	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0	0	0	0.0	0.0	0.0	0.0	0.0	0	0	0
271320	0	19,352	19,352	19,352	0.0	0.0	0.0	0.0	0.0	19,118	19,118	19,118	0.0	0.0	0.0	0.0	0.0	233	233	233
290511	0	335	335	335	0.0	0.0	0.0	0.0	0.0	335	335	335	0.0	0.0	0.0	0.0	0.0	0	0	0
271113	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0	0	0	0.0	0.0	0.0	0.0	0.0	0	0	0
720610	0	29	29	29	0.0	0.0	0.0	0.0	0.0	0	0	0	0.0	0.0	0.0	0.0	0.0	29	29	29
310210	0	12,362	12,362	12,362	0.0	0.0	0.0	0.0	0.0	0	0	0	0.0	0.0	0.0	0.0	0.0	12,362	12,362	12,362
390120	0	85,812	85,812	85,812	0.0	0.0	0.0	0.0	0.0	2,767	2,767	2,767	0.0	0.0	0.0	0.0	0.0	83,045	83,045	83,045
390110	0	53,300	53,300	53,300	0.0	0.0	0.0	0.0	0.0	4,014	4,014	4,014	0.0	0.0	0.0	0.0	0.0	49,286	49,286	49,286
720712	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0	0	0	0.0	0.0	0.0	0.0	0.0	0	0	0
271119	0	254,721	254,721	254,721	0.0	0.0	0.0	0.0	0.0	254,709	254,709	254,709	0.0	0.0	0.0	0.0	0.0	11	11	11
721420	0	0	0	21,952	0.0	0.0	0.0	0.0	0.0		0	0	0.0	0.0	0.0	0.0	0.0		0	21,952
271019	0	0	4,879	4,879	0.0	0.0	0.0	0.0	0.0		21	21	0.0	0.0	0.0	0.0	0.0		4,858	4,858
260112	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0	0	0	0.0	0.0	0.0	0.0	0.0	0	0	0
740311	0	37,287	37,287	37,287	0.0	0.0	0.0	0.0	0.0	0	0	0	0.0	0.0	0.0	0.0	0.0	37,287	37,287	37,287
271012	0	1,977	1,977	1,977	0.0	0.0	0.0	0.0	0.0	1,872	1,872	1,872	0.0	0.0	0.0	0.0	0.0	105	105	105
260111	0	88	88	88	0.0	0.0	0.0	0.0	0.0	88	88	88	0.0	0.0	0.0	0.0	0.0	0	0	0
760110	0	185,270	185,270	185,270	0.0	0.0	0.0	0.0	0.0	0	0	0	0.0	0.0	0.0	0.0	0.0	185,270	185,270	185,270
290531	0	1,271	1,271	1,271	0.0	0.0	0.0	0.0	0.0	361	361	361	0.0	0.0	0.0	0.0	0.0	909	909	909
720719	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0	0	0	0.0	0.0	0.0	0.0	0.0	0	0	0
Total	**0.0**	**651,803**	**656,682**	**678,634**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**283,265**	**283,285**	**283,285**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**368,538**	**373,396**	**395,349**

Source: Research calculations and findings.

Table 27: Estimated trade-creation value for the top twenty items of Pakistan's exports to the world in 2023

(In thousand US dollars)

HS code	Total ECOTA				Afghanistan				Iran				Tajikistan				Türkiye			
	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
100630	0.0	0.0	0.0	353719.0				67,978	0.0			283,961				8.6				1,771
740319	0.0	0.0	0.0	0.0					0.0											
100640	0.0	0.0	0.0	72927.4				72,752	0.0			175				0.0				0
520512	0.0	0.0	0.0	1360.4				0	0.0			0				0.0				1,360
520942	0.0	0.0	0.0	42310.7				0	0.0			269				0.0				42,042
901890	0.0	1495.5	1495.5	1495.5		0.0	0.0	0	0.0	76	76	76		12.5	12.5	12.5		1,407	1,407	1,407
630231	226.7	226.7	226.7	226.7	0.0	0.0	0.0	0	0.0	0	0	0	9.2	9.2	9.2	9.2	217.5	218	218	218
100590	0.0	0.0	0.0	2549.6				2,550	0.0			0				0.0				0
120740	0.0	33296.9	33296.9	33296.9		913.1	913.1	913	0.0	18,958	18,958	18,958		64.3	64.3	64.3		13,361	13,361	13,361
610349	1.0	1.0	1.0	2.4	0.0	0.0	0.0	0	0.0	0	0	0	0.4	0.4	0.4	1.1	0.5	1	1	1
630239	11.2	11.2	11.2	27.0	0.0	0.0	0.0	0	0.0	0	0	0	11.1	11.1	11.1	26.8	0.1	0	0	0
630231	226.7	226.7	226.7	226.7	0.0	0.0	0.0	0	0.0	0	0	0	9.2	9.2	9.2	9.2	217.5	218	218	218
020110	0.0	1430.4	1430.4	1430.4		0.0	0.0	0	0.0	1,430	1,430	1,430		0.0	0.0	0.0		0	0	0
100620	0.0	0.0	0.0	2104.7				3	0.0			0				2102.1				0
630231	226.7	226.7	226.7	226.7	0.0	0.0	0.0	0	0.0	0	0	0	9.2	9.2	9.2	9.2	217.5	218	218	218
271019	0.0	0.0	0.0	481.4				473	0.0			0				8.5				0
610990	11.8	11.8	11.8	11.8	0.0	0.0	0.0	0	0.0	0	0	0	0.0	0.0	0.0	0.0	11.8	12	12	12
630900	0.0	880.0	880.0	880.0		737.5	737.5	737	0.0	0	0	0		141.8	141.8	141.8		1	1	1
520511	0.0	0.0	0.0	0.0				0	0.0			0				0.0				0
950662	1198.3	1198.3	432.6	176.9	5.8	5.8	5.8	1	0.0	0	0	0	1.5	1.5	1.5	0.2	1191.1	1,191	425	176
Total	**1,902.3**	**39,005**	**38,239**	**513,454**	**6**	**1,656**	**1,656**	**145,407**	**0**	**20,465**	**20,465**	**304,870**	**40**	**259**	**259**	**2,393**	**1,856**	**16,625**	**15,859**	**60,784**

Source: Research calculations and findings.

Table 28: Estimated trade-creation value for the top twenty items of Tajikistan's exports to the world in 2023

(In thousand US dollars)

HS code	Total ECOTA				Afghanistan				Iran				Pakistan				Türkiye			
	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
271019	0	2,581	2,581	2,581	0	1	1	1	0	2,579	2,579	2,579	0	0	0	0	0	0	0	0
100199	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
271012	0	1,328	1,328	1,328	0	1,328	1,328	1,328	0	0	0	0	0	0	0	0	0	0	0	0
870323	0	0	1	1	0		1	1	0		0	0	0	0	0	0	0	0	0	0
721420	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
271112	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
170199	0	28	28	28	0	28	28	28	0	0	0	0	0	0	0	0	0	0	0	0
880240	0	0	0	0	0				0				0	0	0	0	0	0	0	0
854231	0	0	0	0	0				0				0	0	0	0	0	0	0	0
300490	0	34	34	34	0	34	34	34	0	0	0	0	0	0	0	0	0	0	0	0
854239	0	0	0	0	0				0				0	0	0	0	0	0	0	0
271113	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
842952	0	0	0	0	0				0				0	0	0	0	0	0	0	0
230400	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
271121	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
854232	0	0	0	0	0				0				0	0	0	0	0	0	0	0
230990	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
870324	0	0	2	2	0		2	2			0	0					0			
180690	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**3,971**	**3,974**	**3,974**	**0**	**1,392**	**1,395**	**1,395**	**0**	**2,579**	**2,579**	**2,579**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Source: Research calculations and findings.

Table 29: Estimated trade-creation value for the top twenty items of Türkiye's exports to the world in 2023

(In thousand US dollars)

HS code	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
271019	0	3,407	3,407	3,407	0	133	133	133	0	2,462	2,462	2,462	0	10	10	10	0	802	802	802
711319	0	3,569	3,569	3,569	0	3,569	3,569	3,569	0	0	0	0	0	0	0	0	0	0	0	0
870340	0	0	249	249	0		0	0	0		46	46	0		0	0	0		202	202
710812	0	0	0	0	0				0				0				0			
870321	0	0	0	0	0		0	0	0		0	0	0		0	0	0		0	0
854449	0	2,551	2,551	2,551	0	363	363	363	0	818	818	818	0	1	1	1	0	1,369	1,369	1,369
570242	0	0	4,095	4,095	0		3,744	3,744	0		0	0	0		342	342	0		9	9
870899	0	1,445	1,445	1,445	0	67	67	67	0	393	393	393	0	0	0	0	0	984	984	984
271012	0	102	102	102	0	0	0	0	0	102	102	102	0	0	0	0	0	0	0	0
730890	0	0	0	0	0				0				0				0			
840999	0	7,438	7,438	7,438	0	657	657	657	0	6,508	6,508	6,508	0	152	152	152	0	120	120	120
283620	0	0	368	368	0		0	0	0		1	1	0		346	346	0		21	21
870829	0	12,766	12,766	12,766	0	11	11	11	0	12,701	12,701	12,701	0	4	4	4	0	49	49	49
760429	0	0	284	284	0		160	160	0		46	46	0		2	2	0		77	77
870870	0	1,937	1,937	1,937	0	47	47	47	0	1,885	1,885	1,885	0	0	0	0	0	5	5	5
270750	0	9	9	9	0	0	0	0	0	9	9	9	0	0	0	0	0	0	0	0
851660	0	1,279	1,279	1,279	0	46	46	46	0	396	396	396	0	8	8	8	0	829	829	829
300490	0	0	0	0	0				0				0				0			
870332	0	0	1	1	0		0	0			0	0	0		0	0	0		1	1
732690	0	2,190	2,190	2,190	0	66	66	66	0	1,201	1,201	1,201	0	0	0	0	0	923	923	923
Total	**0**	**36,694**	**41,692**	**41,692**	**0**	**4,959**	**8,863**	**8,863**	**0**	**26,476**	**26,569**	**26,569**	**0**	**176**	**866**	**866**	**0**	**5,082**	**5,393**	**5,393**

Source: Research calculations and findings.

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 % 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 % coverage of the negative list, the coverage of the positive list of each member is 80 % 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 (2023). 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 30 below, and, due to the clarity of the results or findings, and for the sake of brevity, 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, the key objective of this study, which is to find possible solutions to overcome the existing impasse, make it 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 and achieve the highest net increase in intra-group trade creation will be scenario 1 as the first phase of the implementation of the Agreement, 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. Also, the extra amount of intra-group trade creation in scenario 1 will be more than

5 times that of scenario 2, and the extra amount of intra-group trade creation in scenario 2 will be more than 5 times that of scenario 3. In other words, the implementation of scenarios 1, 2 and 3 has priority over each other respectively in terms of the amount of trade creation.

At the same time, considering the objective of the ECO Vision document to create a free trade area, in addition to the first scenario, the implementation of scenarios 2 and 3 is also necessary to achieve this objective. Therefore, it is recommended to implement the scenarios in a phased manner, the details of which will be presented in the next section.

Table 30: Comparative evaluation of scenarios

Countries and tariff bands	Number of tariff lines (6 digit)	Share of total tariff lines (%)	Number of negative list items	Negative list coverage (%)	Positive list coverage (%)	Import value in 2023 (million $)		Trade creation (million $)						
						Total imports from ECO	Total imports from world	Current scenario	scenario 1		scenario 2		scenario 3	
									Net	Total	Net	Total	Net	Total
Afghanistan	**5028**	**100.00**	**1001**	**20**	**80**	**4,388**	**7780.0**	**0**	**1,496**	**1,496**	**0**	**1,496**	**0**	**1,496**
T=0	25	0.50	0.0	0	100	5	7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0<T≤5	3407	67.76	0.0	0	100	2,885	4,974	0.0	1,496	1,496	0.0	1,496	0.0	1,496
5<T≤10	1243	24.72	648	52	48	698	1,767	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10<T≤15	26	0.52	26	100	0	295	367	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T>15	327	6.50	327	100	0	504	664	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Azerbaijan	**5611**	**100.00**	**1122**	**20**	**80**	**3,699**	**15,695**	**0.0**	**205**	**205**	**185**	**390**	**4**	**395**
T=0	1787	31.85		0	100	1,183	4,541	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0<T≤5	1106	19.71		0	100	408	4,149	0	205	205	0	205	0	205
5<T≤10	214	3.81		0	100	320	1,391	0.0	0.0	0.0	185	185	0.0	185
10<T≤15	2464	43.91	1082	44	56	1,776	5,467	0.0	0.0	0.0	0.0	0.0	4.4	4.4
T>15	40	0.71	40	100	0	13	148	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Iran	**5624**	**100.00**	**1125**	**20**	**80**	**7,865**	**65,484**	**31.0**	**2,544**	**2,575**	**840**	**3,415**	**316**	**3,731**
T=0	4	0.07		0	100	2	2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0<T≤5	3138	55.80		0	100	5,468	43,399	0.0	2,544	2,544	0	2,544	0	2544
5<T≤10	555	9.87		0	100	1,506	11,214	0.0	0.0	0.0	840	840	0	840
10<T≤15	315	5.60		0	100	506	3,911	0.0	0.0	0.0	0.0	0.0	316.4	316.4
T>15	1612	28.66	1125	70	30	383	6,958	31.0	0.0	31.0	0.0	31.0	0.0	31.0

Countries and tariff bands	Number of tariff lines (6 digit)	Share of total tariff lines (%)	Number of negative list items	Negative list coverage (%)	Positive list coverage (%)	Import value in 2023 (million $)		Trade creation (million $)						
						Total imports from ECO	Total imports from world	Current scenario	scenario 1		scenario 2		scenario 3	
									Net	Total	Net	Total	Net	Total
Kazakhstan	**5612**	**100.00**	**1122**	**20**	**80**	**4,475**	**57,557**	**0.0**	**842**	**842**	**0.0**	**843**	**0.0**	**843**
T=0	1311	23.36		0	100	935	15,458	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0<T≤5	2295	40.89		0	100	1,662	21,455	0.0	842	842	0.0	842	0.0	842
5<T≤10	1465	26.10	581	40	60	1,413	13,582	0.0	0.0	0.0	0.0	1	0.0	1
10<T≤15	493	8.78	493	100	0	440	6,479	0	0	0	0.0	0	0.0	0
T>15	48	0.86	48	100	0	24	583	0	0	0	0.0	0	0.0	0
Kyrgyzstan	**5612**	**100.00**	**1122**	**20**	**80**	**1,738**	**11,860**	**0**	**310**	**310**	**8**	**318**	**0.3**	**319**
T=0	719	12.81		0	100	140	3,095	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0<T≤5	2398	42.73		0	100	628	3,179	0	310	310	0	310	0	310
5<T≤10	1629	29.03	256	16	84	602	2,404	0.0	0.0	0.0	8.1	8	0	8.4
10<T≤15	742	13.22	742	100	0	291	2,973	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T>15	124	2.21	124	100	0	76	209	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pakistan	**5687**	**100.00**	**1137**	**20**	**80**	**1,463**	**53,147**	**0.0**	**284**	**284**	**21**	**305**	**33**	**338**
T=0	1793	31.53		0	100	612	16,749	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0<T≤5	770	13.54		0	100	560	20,591	0.0	284	284	0	284	0	284
5<T≤10	96	1.69		0	100	37	2,216	0.0	0.0	0.0	20.6	21	0.0	21
10<T≤15	880	15.47		0	100	55	7,911	0.0	0.0	0.0	0.0	0.0	33.0	33.0
T>15	2148	37.77	1137	53	47	199	5,679	0.0	0.0	0.0	0.0	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 items	Negative list coverage (%)	Positive list coverage (%)	Import value in 2023 (million $)		Trade creation (million $)						
						Total imports from ECO	Total imports from world	Current scenario	scenario 1		scenario 2		scenario 3	
									Net	Total	Net	Total	Net	Total
Tajikistan	**5198**	**100.00**	**1040**	**20**	**80**	**1,711**	**5,704**	**0.0**	**611**	**611**	**82**	**693**	**0**	**693**
T=0	535	10.29		0	100	43	458	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0<T≤5	1547	29.76		0	100	1,114	2,933	0.0	611	611	0	611	0	611
5<T≤10	2101	40.42	25	1	99	456	1,897	0.0	0.0	0.0	81.5	82	0.0	81.5
10<T≤15	647	12.45	647	100	0	72	288	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T>15	368	7.08	368	100	0	26	128	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Türkiye	**5612**	**100.00**	**1122**	**20**	**80**	**10,865**	**322,379**	**0.0**	**3,242**	**3,242**	**322**	**3,564**	**0.0**	**3,564**
T=0	1278	22.77		0	100	2,425	102,425	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0<T≤5	1964	35.00		0	100	6,892	124,957	0.0	3,242	3,242	0.0	3,242	0.0	3,242
5<T≤10	1295	23.08	47	4	96	782	62,037	0.0	0.0	0.0	322.0	322.0	0.0	322.0
10<T≤15	303	5.40	303	100	0	276	13,305	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T>15	772	13.76	772	100	0	489	19,656	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Uzbekistan	**5377**	**100.00**	**1075**	**20**	**80**	**6,654**	**35,387**	**0.0**	**865**	**865**	**350**	**1,215**	**0**	**1,215**
T=0	2378	44.23		0	100	3,562	17,930	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0<T≤5	1084	20.16		0	100	1,681	7,956	0.0	865	865	0	865	0.0	865
5<T≤10	838	15.58		0	100	592	4,664	0.0	0.0	0.0	349.9	350	0.0	349.9
10<T≤15	269	5.00	267	99	1	334	1,825	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T>15	808	15.03	808	100	0	486	3,013	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grand Total						**42,858**	**574,994**	**31**	**10,400**	**10,431**	**1,807**	**12,239**	**354**	**12,593**

Source: Research calculations and findings.

3-7- Devising a step-by-step roadmap of implementation of the 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 some proposed options.

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 % to 15 % 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 be 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 % of the tariff lines. The reduction of positive list tariff rates should continue gradually until the maximum rate of 15 % is reached and should not be less than 10 % 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 % 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 % 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 two countries of Iran and Pakistan, 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 in a phased manner, 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 conservative, moderate and ambitious approaches in a phased manner:

- ❖ *1)Phase 1 (conservative approach)*: Scenario 1 + simultaneous implementation of the current (baseline) scenario (according to Article 4 of the ECOTA);

- ❖ *2)Phase 2 (moderate approach)*: Scenario 2 + simultaneous implementation of the current (baseline) scenario (according to the provisions of Article 4 of the ECOTA); and

- ❖ *3)Phase 3 (ambitious approach)*: Scenario 3 + simultaneous implementation of the 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 time frame 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 with the current (baseline) scenario in a phased manner, so that all members will participate in tariff reduction commitments and reciprocal market access and step-by-step implementation of the scenarios will bring the ECOTA Agreement to the status of a free trade area at the end of the third phase.

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 time frame set out in the ECOTA Agreement for the full implementation of tariff reduction commitments (implementation of the current scenario + step-by-step implementation of the scenarios 1, 2 and 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 implementation time frame and 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.

3-7-1- Implementation phasing of scenarios 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, which is the current year, the implementation period is considered one year for the conservative approach (scenario 1) in the first phase, four years for the moderate approach (scenario 2) in the second phase, and eight years for the ambitious approach (scenario 3) in the third phase. In this modality, in the third phase, 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. By implementing scenario 3 in the third phase, the ECOTA Agreement will effectively reach the stage of establishing a free trade area by covering 80 percent of each member's national tariff lines under the four scenarios, reducing international tariff peaks over 15% covered by the base scenario, and reducing tariff rates covered by scenarios 1 to 3 to zero percent.

Details regarding the phasing of implementation of tariff reduction commitments under each scenario and the coverage of commitments and proposed timing for each member (based on the 2024 tariff structure) are provided in Table 31 below:

Table 31: Implementation phasing of scenarios with a fixed time frame

Timeline → / Commitments ↓	Phase 1				Phase 2		Phase 3	
ECO Member	Scenario 0 (basic)		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 Scenario 0 (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 frame (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Fixed time frame (years)
Afghanistan	0	15 (void)	67.8	2	79.5	8	79.5	8
Azerbaijan	0	8 (void)	19.7	1	23.5	4	48.2	8
Iran	8.7	8	55.8	1	65.7	4	71.3	8
Kazakhstan	0	8 (void)	40.9	1	56.7	4	56.7	8
Kyrgyzstan	0	8 (void)	42.7	1	67.1	4	67.1	8
Pakistan	17.8	8	13.5	1	15.2	4	30.7	8
Tajikistan	0	8 (void)	29.8	1	69.7	4	69.7	8
Türkiye	0	8 (void)	35	1	57.3	4	57.3	8
Uzbekistan	0	8 (void)	20.2	1	35.8	4	35.8	8

Source: Research calculations.

As Table 31 shows, in the first phase with the implementation of the current (baseline) scenario, 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%), in practice, considering that all tariffs over 15 % of Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan and Türkiye 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 and only Iran and Pakistan need such an 8-year timeline to implement their commitments under the baseline scenario.

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

Given that the tariff lines covered by the scenario 1 are the lowest tariff rates (second band including tariff rates of more than zero up to 5 %), 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 the scenario 1 are very close to the nuisance and low tariffs of the members, and given that the deadline of the ECO Vision 2025 has come now and it is appropriate to realize it in the shortest possible time, the estimated time for implementation of the first scenario is 1 year and it will be implemented within a maximum of one year after the members agree on its implementation. It is worth noting that, as shown in Chapters 1 and 2, since the bulk of intra-group trade between members takes place at low tariff rates of zero to 5 %, choosing the scenario 1 and implementing it in a short period of one year is actually an expeditious measure to compensate for the lost previous years in achieving the ECO Vision 2025and it can largely make up for this lag and put the ECO region on the verge of a free trade area within an appropriate time. Furthermore, given the level of development of Afghanistan and its almost double time frame set in the current scenario (according to Article 4 of the ECOTA), the deadline for the implementation of the scenario 1 commitments for this country is twice the deadline for other members, i.e., 2 years.

On the other hand, considering the different levels of coverage of the positive lists of members in the scenario 1 and the 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 the second phase of the implementation of tariff reduction commitments, the time required to fulfill the commitments of the positive lists of the members under scenario 2, which is a moderate scenario, is 4 years, of which 1 year has been used in scenario 1 and the remaining commitments will be implemented in 3 equal annual phases. This deadline is 8 years for Afghanistan (2 years for scenario 1 and 6 years for scenario 2). The time required to implement scenario 2 is longer and is considered to be halfway through the full implementation of scenario 3 and within a time frame of 4 years, given its more difficult implementation and the possible concerns of the members about protecting domestic like products.

In the third phase of the implementation of tariff reduction commitments, the time required to fulfill the commitments of the positive lists of members under scenario 3, which is considered an ambitious scenario, is 8 years, of which 4 years will be spent for scenarios 1 and 2 and the remaining commitments will be implemented in 4 equal annual 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. In fact, Afghanistan will implement scenarios 2 and 3 together and within an 8-year time frame. 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 with a broad scope in which 80 % of tariffs are subject to reduction to zero (due to the consecutive implementation of the commitments of scenarios 1, 2 and 3) and in some cases to a maximum of 15 % (due to the implementation of the commitments of the baseline scenario).

3-7-2- Implementation phasing of scenarios with a variable time frame

Although setting a fixed and equal deadline for all members has the advantage of simplicity in implementation, 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, considering the different tariff structures of members and their different burden in fulfilling their commitments to reduce tariffs. 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, implementation phasing of scenarios by 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. In other words, in each scenario (scenarios 1, 2 and 3), members with greater commitments in terms of the level of coverage of tariff lines subject to reduction will have proportionately more time to implement their commitments. Accordingly, in the modality with a variable time frame, without harming the objectives and level of tariff liberalization in each scenario, more flexibility has been provided in the implementation of members' commitments in proportion to the level of commitments of each of them. This is considered a strength of this modality and can help attract favorable attention from members who have greater tariff reduction commitments based on their current tariff structure.

The phases of the implementation of the scenarios and the details of this modality and the time frame of the implementation of members' tariff reduction commitments in each scenario are presented in Table 32 below.

Table 32: Implementation phasing of scenarios with a variable time frame

Timeline → / Commitments ↓	Phase 1				Phase 2		Phase 3	
ECO Member	Scenario 0 (basic)		Scenario 1 (conservative)		Scenario 2 (moderate)		Scenario 3 (ambitious)	
	Coverage of tariff lines to be reduced to 15 excluding negative list (percentage)	Time frame already determined for scenario 0 (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Variable time frame (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Variable time frame (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Variable time frame (years)
Afghanistan	0	15 (void)	67.8	7	79.5	8	79.5	8
Azerbaijan	0	8 (void)	19.7	2	23.5	2	48.2	5
Iran	8.7	8	55.8	6	65.7	7	71.3	7
Kazakhstan	0	8 (void)	40.9	4	56.7	6	56.7	6
Kyrgyzstan	0	8 (void)	42.7	4	67.1	7	67.1	7
Pakistan	17.8	8	13.5	1	15.2	2	30.7	3
Tajikistan	0	8 (void)	29.8	3	69.7	7	69.7	7
Türkiye	0	8 (void)	35	3	57.3	6	57.3	6
Uzbekistan	0	8 (void)	20.2	2	35.8	4	35.8	4

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 % 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 instance, in scenario 1, if the hypothetical country A have 50 % 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 % of its tariff lines every year. Obviously, for the hypothetical country B, whose positive list covers, for example, 20 % of its tariff lines, the period will be only 2 years (10 % for the first year and another 10 % 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 or below the border points are rounded up or down. For instance, in scenario 2, although about 23.5 % of Azerbaijan's tariffs are subject to reduction, the time required for its implementation is considered 2 full 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 % of its national tariff lines, full implementation of tariff reduction commitments under each scenario has been achieved (taking into account the 20 % 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 they will also 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 modality with a variable time frame, considering its strengths in balancing the level of members' commitments, is more appropriate and is recommended in this study.

On this basis, in order to identify the time required to implement tariff reduction commitments in each scenario (scenarios 1, 2 and 3 and the modality with a variable time frame), the new scope of coverage of the tariff reduction commitments in each scenario compared to the previous scenario was considered and the time required to implement the new commitments was calculated, the results of which are presented in Table 33. As Table 33 shows, for instance, the duration of the implementation period of tariff reduction commitments in scenario 1 for Afghanistan is 7 years, while this period is only 1 year for Pakistan, given the small share of this country's current tariffs in this scenario.[44] The situation is the opposite in the case of scenario 3, and while no additional time has been considered for Afghanistan to implement scenario 3 compared to scenario 2 (because there is no additional coverage of tariff lines for this country compared to scenario 2), for Azerbaijan, as an example, a 3-year implementation period has been set.

[44]. Iimplementation periods are rounded based on the share of tariff lines covered by each scenario.

Table 33: Time required to

Implement tariff reduction commitments in each scenario based on the modality with a variable time frame

ECO Member	Scenario 0 (basic)		Scenario 1 (conservative)		Scenario 2 (moderate)				Scenario 3 (ambitious)			
	Coverage of tariff lines to be reduced to 15 excluding negative list (percentage)	Time frame already determined for scenario 0 (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	Time frame provided for annual 10 percent coverage (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	New coverage of tariff lines to be reduced to zero (%)	Extra time for reduction of new coverage (years)	Time frame provided for annual 10 percent coverage (years)	Coverage of tariff lines to be reduced to 0 excluding negative list (percentage)	New coverage of tariff lines to be reduced to zero (%)	Extra time for reduction of new coverage (years)	Time frame provided for annual 10 percent coverage (years)
Afghanistan	0	15 (void)	67.8	7	79.5	11.7	1	8	79.5	0	0	8
Azerbaijan	0	8 (void)	19.7	2	23.5	3.8	0	2	48.2	24.7	3	5
Iran	8.7	8	55.8	6	65.7	9.9	1	7	71.3	5.6	0	7
Kazakhstan	0	8 (void)	40.9	4	56.7	15.8	2	6	56.7	0	0	6
Kyrgyzstan	0	8 (void)	42.7	4	67.1	24.4	3	7	67.1	0	0	7
Pakistan	17.8	8	13.5	1	15.2	1.7	1	2	30.7	15.5	1	3
Tajikistan	0	8 (void)	29.8	3	69.7	39.9	4	7	69.7	0	0	7
Türkiye	0	8 (void)	35	3	57.3	22.3	3	6	57.3	0	0	6
Uzbekistan	0	8 (void)	20.2	2	35.8	15.6	2	4	35.8	0	0	4

Source: Research calculations.

Now, if we want to determine the time schedule of the implementation of each scenario and the duration of the tariff reduction period for each member, we can determine it using the information in Table 33. The results of these calculations are presented in Table 34 below.

As Table 34 shows, apart from the current (baseline) scenario, which is the same for all members and is considered to be 8 years, pursuant to Article 4 of the ECOTA Agreement (although, as previously shown, only two countries, i.e. Iran and Pakistan, require this implementation period, and other members, given their full coverage of the 20 % negative list, will be able to exclude tariff rates higher than 15 %), in scenarios 1, 2 and 3, the duration of the implementation period of tariff reduction commitments varies in proportion to the coverage of their current tariffs in each scenario and is not the same.

For instance, Iran has a 6-year timeline to implement its tariff reduction commitments under scenario 1, starting immediately from the first year and ending in the sixth year. In other words, Iran must implement its tariff reduction commitments for about 56 percent of the tariffs covered in this scenario in 6 annual steps with a minimum of 10 percent increase in the range of tariff lines covered each year. However, Iran has only a 1-year deadline for implementing scenario 2, which begins in the seventh year and ends at the end of the same year. In contrast, while the implementation period of Türkiye's commitments is 3 years for scenario 1 (3 years shorter than Iran's period), this country has another 3-year time frame for scenario 2 (2 years longer than Iran's period) that starts immediately from the fourth year and ends in the sixth year.

Thus, as can be seen, considering the necessary time flexibility for implementing the scenarios at each phase in proportion to the level of tariff reduction commitments of each member, a relative and overall balance will be established at the end of the scheduled implementation period of all scenarios (scenario 3), which will strengthen the incentive of members to participate in these arrangements.

Table 34: Implementation time schedule of each tariff reduction scenario for each member based on the modality with a variable time frame

Timeline → / Commitments ↓	Phase 1				Phase 2				Phase 3			
ECO Member	Scenario 0 (basic)		New coverage of scenario 1 (conservative)		New coverage of scenario 2 (moderate)				New coverage of scenario 3 (ambitious)			
	Year of commencement of tariff reduction implementation	Maximum time for end of tariff reduction implementation	Year of commencement of tariff reduction implementation	Year of end of tariff reduction implementation	Extra time for reduction of new coverage (years)	Year of commencement of tariff reduction implementation	Year of end of tariff reduction implementation	Time frame provided for annual 10 percent coverage (years)	Extra time for reduction of new coverage (years)	Year of commencement of tariff reduction implementation	Year of end of tariff reduction implementation	Time frame provided for annual 10 percent coverage (years)
Afghanistan	1st year	8th year	1st year	7th year	1	8th year	8th year	8	0	8th year	8th year	8
Azerbaijan	1st year	8th year	1st year	2nd year	0	2nd year	2nd year	2	3	3rd year	5th year	5
Iran	1st year	8th year	1st year	6th year	1	7th year	7th year	7	0	7th year	7th year	7
Kazakhstan	1st year	8th year	1st year	4th year	2	5th year	6th year	6	0	5th year	6th year	6
Kyrgyzstan	1st year	8th year	1st year	4th year	3	5th year	7th year	7	0	5th year	7th year	7
Pakistan	1st year	8th year	1st year	1st year	1	2nd year	2nd year	2	1	3rd year	3rd year	3
Tajikistan	1st year	8th year	1st year	3rd year	4	4th year	7th year	7	0	4th year	7th year	7
Türkiye	1st year	8th year	1st year	3rd year	3	4th year	6th year	6	0	4th year	6th year	6
Uzbekistan	1st year	8th year	1st year	2nd year	2	3rd year	4th year	4	0	3rd year	4th year	4

Source: Research findings.

3-8- Proposed negotiation strategy and roadmap for amending the ECOTA Agreement

Now, after presenting the proposed scenarios for tariff reductions and the phased roadmap for implementing the scenarios until achieving a free trade area, which will be put on the agenda within a period of 8 to 10 years after agreement on the amendments to the Agreement, it is necessary to pay attention to the necessary preparations and processes for completing the formalities of amending the Agreement itself until its entry into force. It is also necessary to choose appropriate negotiation strategies that achieve this goal and lead to the desired results within a reasonable time frame.

In view of the resolution of the 9th Meeting of the ECOTA Cooperation Council, which recognized the necessity of amending the Agreement and tasked the Secretariat with following up and adopting the necessary measures, including presenting a roadmap and appropriate negotiation strategies for amending the Agreement, in this part of the report, taking into account the reviews and pathology that were conducted on the status of the ECOTA Agreement and the solutions that were presented in previous chapters to overcome the current impasse, an attempt has been made to provide appropriate negotiation strategies to bring the negotiations to fruition and reach an agreement, as well as to conduct all the essential steps necessary for the entry into force of the ECOTA Agreement within a reasonable and short time frame, in the form of a proposed roadmap and negotiation strategies, which are presented below.

Considering the lag in achieving the goals of the ECO Vision 2025 document on establishing a free trade area and taking into account the resolution of the 9th Meeting of the ECOTA Cooperation Council on the need to amend the Agreement, the most appropriate negotiation strategy for implementing the ECOTA Agreement as soon as possible is one that requires minimal textual amendments to the Agreement and is also fast enough in determining the lists of products subject to preferences and avoid falling into the abyss of bargaining and lengthy negotiations. Therefore, the most appropriate negotiation strategy to achieve these goals is to set a minimum timeline for negotiations on necessary amendments to some of the articles of the Agreement. In determining the lists of products subject to tariff reduction, the approach used in designing precise criteria and appropriate formulas to calculate the coverage of each scenario should have accuracy, uniformity, comprehensiveness and proportionality, while avoiding the need for lengthy bilateral and multilateral negotiations between member states. This is a point that was given due attention in designing the scenarios and the criteria for each of them, and its details were examined in Chapter 3.

Given the above considerations, an appropriate negotiating strategy for amending the ECOTA Agreement involves the following two basic approaches:

1. A multilateral negotiation approach to agree on the necessary amendments to the Agreement; and

2. A unilateral approach to determine the lists of products subject to tariff reduction in each scenario.

Obviously, conducting this process to the final amendment of the ECOTA Agreement requires having a clear roadmap and appropriate negotiation strategies for making amendments to the ECOTA Agreement.

In other words, the process of amending the ECOTA Agreement requires the completion of two main paths to determine and agree on the key articles of the Agreement which require amendment and to select tariff reduction modalities. Details regarding the amendment of the Agreement are provided in Chapter 1 of this report, which focuses primarily on the amendment of Article 4 of the ECOTA Agreement. Details of tariff reduction modalities are also presented in the form of four scenarios (baseline scenario + scenarios 1 to 3) in Chapter 3 of this report. In this approach, members only need to agree on the selection of the appropriate scenario, but determining the lists of products covered by each scenario does not require negotiation and will be determined unilaterally by each member in accordance with the requirements and criteria set out in the scenarios and announced to the ECO Secretariat. This approach will save the Secretariat from engaging in lengthy processes of holding bilateral and multilateral negotiations and enable members to implement the ECOTA Agreement as soon as possible. Therefore, the Contracting Parties to the ECOTA Agreement will finalize the amendment of the articles of the Agreement through multilateral negotiations and pursue the determination of product lists unilaterally and by notification of each member to the Secretariat. Of course, the aforementioned measures must be implemented within specific and predetermined time frames, and the Secretariat will take an active role in this regard.

For this purpose, the proposed roadmap and appropriate negotiation strategies for amending the ECOTA Agreement, including the objectives, scope of measures, timing, responsible body, and main outputs that the ECO Secretariat should seek to finalize the process by the time the ECOTA Agreement enters into force, are presented in Table 35 below.

Table 35: Roadmap and appropriate negotiation strategies for amending the ECOTA

No.	Target		Main scope	Negotiation strategy	Timing	Responsible body	Main output
1	Necessary amendments to the articles of the ECOTA		Article 4 and other related articles of the ECOTA	multilateral	Within 4 months from the date of the fifth meeting of the ECO Council of Ministers of Commerce and Trade	Technical Trade Negotiations Committee (TNC)	Revised text of the ECOTA
2	Determination of tariff reduction modalities		Choosing a tariff reduction scenario	unilateral	Within 2 months from the date of approval of amendments to the Agreement by the Trade Negotiations Committee (TNC)	ECO Secretariat	Product lists annexed to the ECOTA for tariff reduction subject to the selected scenario for each Contracting Party
3	Final approval of amendments to the Agreement		Agreement text + product annexes	-	Within 1 month after receipt of the product lists of the Contracting Parties	ECO Secretariat	Ministerial Resolution (Revised text of the ECOTA + tariff preferences Annexes)
4	Starting the process of ratification of amendment to the ECOTA by member states		Amended Agreement	-	From the beginning of 2026	ECO Secretariat	Reaching the required quorum for the ECOTA to enter into force

Finally, it is important to note that the implementation of the proposed roadmap and the advancement of the negotiation program for the amendment of the ECOTA Agreement should be followed by designing an appropriate action plan by the Secretariat, in which the measures and activities that need to be taken sequentially until the roadmap is fully implemented, are identified and their time sequence is properly determined. Obviously, these activities and measures must be conducted within the framework of the working procedures of the ECO Secretariat and based on the structures foreseen in the relevant agreements.

3-9- Summary and evaluation of the results of Chapter 3

The key objective of Chapter 3 was to present solutions to overcome the deadlock and obstacles to the implementation of the ECOTA Agreement. As shown in Chapter 2, the root of these problems lies in the imbalance in the commitments and concessions resulting from the implementation of the Agreement for some member, so any solution to overcome the current deadlock has to aim at resolving the problem of imbalance resulting from the implementation of Article 4 of the ECOTA Agreement in its current form. Therefore, the solutions and scenarios examined and proposed in this chapter, in addition to contribute to achieving the goals of the ECO Vision 2025 and doubling intra-group trade of the ECO members, are based on finding solutions and options that help to balance the results of the implementation of the Agreement for members as much as possible, with a view to strengthen the motivation of members and encourage them to resolve existing disputes and implement the ECOTA Agreement as quickly as possible. It should be mentioned that due to the different tariff and trade structures of the ECO member states 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 concessions and commitments of Contracting States, 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 Parties.

For this purpose, four scenarios for tariff reductions were considered. In addition to the base (or zero) scenario for reducing tariff rates above 15 % to 15 %, three other scenarios in three different tariff bands with rates equal to or less than 5, 10 and 15 % were also considered for reducing tariffs to zero percent. The effects of reducing tariff rates in each scenario were examined and evaluated by indices such as the "trade creation" index and the "revealed comparative advantage" index.

The results of the surveys showed that about 94.8 % 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 %, with a significant share. The value of intra-group imports of the ECO member countries at tariff rates in excess of 15% is $2.2 billion, which is only about 5.2% of members' intra-group imports. The overall value of intra-group imports covered by the ECO members' positive lists, with more than $34.2 billion, accounts for about 80 % of the total value of their intra-group imports and the value of imports at tariff rates less than 15% include approximately 99.2 % of imported items covered by the positive lists of the ECO member states. In total, only about 1.4% of the imports of the ECO member states covered by their positive lists are in tariff rates above 15%. This means that focusing on the exchange of tariff concessions in the second, third and fourth tariff bands (i.e. tariff rates above zero to 15 %) will lead to significant increase in intra-group trade among the ECO members.

The results of the assessment also showed that the baseline scenario would result in the least trade creation and at the same time the most unbalanced outcomes. By implementing the base scenario (the current scenario according to the current provisions of Article 4 of the ECOTA Agreement), the total trade creation for the ECOTA member states is relatively insignificant and amounts to $31 million. This is due to the inclusion of all or a significant portion of the tariff lines above 15 % 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 tariff rates less than 15 % on the other hand.

With the implementation of scenario 1, almost all ECO members will enter the game and a new trade will be created in the amount of $10.4 billion (trade increase), of which $8.2 billion belongs to the ECOTA members and the remaining $2.2 billion belongs to other ECO members.

Scenario 1 with $10.4 billion has the highest value of added trade creation and ranks first among all the scenarios. Scenario 2 with $1.8 billion and scenario 3 with $355 million added trade creation are in second and third place respectively.

The current (base) scenario with $31 million added trade creation has the least effect.

In terms of scope and number of members participating in creating extra trade, scenarios 1, 2 and 3 are in the highest rank each with 9, 8 and 4 member states respectively, while the current scenario is in the lowest rank with the participation of only one member state. Furthermore, from among the proposed scenarios 1 to 3, scenario 1 will make the largest increase in imports (trade creation) among the ECO members outside the ECOTA if they accede to this Agreement.

In general, full implementation of all scenarios (equivalent to the cumulative effect of scenario 3) would create about $12.6 million in trade, of which $9.8 million belongs to the ECOTA members and less than $2.8 trillion belongs to other ECO members if they join the ECOTA.

Considering the results of this study and the key objectives of the ECO Agreement and Vision 2025 document, namely the establishment of a free trade area, in addition to scenario 1, the implementation of scenarios 2 and 3 is also necessary to achieve the said goal. Therefore, the gradual and phased implementation of scenarios in a continuous manner can have significant consequences for trade expansion and increase in intra-group trade among the ECO member states. As a result, it is recommended to implement the scenarios in a phased manner over an 8-year period with a variable time frame for each member according to their level of commitments in each scenario. In other words, in the method of implementing tariff reductions with a variable time frame, in each scenario (scenarios 1, 2 and 3), members with higher commitments in terms of coverage of tariff lines subject to reduction will have correspondingly more time to implement their commitments. Therefore, in the modality with a variable time frame, without harming the objectives and level of tariff liberalization in each scenario, more flexibility is considered in the implementation of members' commitments in proportion to the level of commitments of each of them, which is considered a strength of this modality and can help attracting the favorable attention of members who have greater tariff reduction commitments based on their current tariff structure.

PART 3:

Determining all the necessary textual amendments to the ECOTA and drafting them

Chapter 4- Determining all the necessary amendments to the text of the ECOTA and drafting them

Considering the results of this study and taking into account the proposed scenarios in chapter 3, in this chapter the necessary amendments to Article 4 of the ECOTA Agreement are proposed for each scenario, based on the modality with a variable time frame. The draft proposed amendments are as follows:

4-1- Drafting an amendment to the ECOTA in line with Article 38 thereof

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.

4-1-1- Proposal for amending Article 4 of the 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 in the following four subparagraphs may replace subparagraphs (a) to (d) of Article 4.4 of the ECOTA:

“a. All tariff lines of 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 % in the base year, shall be reduced to 15 % within 8 years in eight equal phases.

d. Tariff lines included in the positive list of each Contracting Party which have rates above zero up to 5 / 10 / 15 % in the base year, shall be reduced to zero. Each 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 will reach zero, 10 % of the total tariff lines of that Contracting Party shall be subject to reduction to zero per annum."

4-1-2- Proposal for amending other articles of the 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.

4-2- Other proposals for encouraging the ECO members to join the ECOTA for its implementation

As described in the section on pathology of the ECOTA and the obstacles to its implementation, the most important 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 % and overlooking tariff rates below 15 %, 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 in terms of time, because this scenario is more attractive to members outside the ECOTA. For example, in scenario 1, while Azerbaijan and Uzbekistan, upon joining the ECOTA, can benefit from the broad access that other members provide by reducing their tariffs of zero to 5 %, these countries (not Pakistan) will have least tariff reduction commitments in this band, because the share of tariffs subject to the countries’ reduction commitments in scenario 1 is only about 20 %. In addition, these two countries have no commitment in the current scenario and all their tariff lines here are excluded under their negative lists.

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 members' commitments and concessions, it gives more time to countries with heavier commitments to reduce tariffs. For instance, the time frame of the implementation of tariff reduction commitments of scenario 1 for Kazakhstan and Kyrgyzstan is 4 years, which is longer than time frame for most of the current members of the ECOTA.

Finally, as an additional incentive to encourage members that have not yet joined the ECOTA Agreement, it is proposed that after the adoption of the tariff reduction scenarios, members that join the ECOTA Agreement will have a 2-year grace period after completing their tariff reduction commitments under scenario 1 in the first phase (as per Tables 31 and 34) to implement their commitments under scenarios 2 and 3 in the subsequent phases. In other words, these countries will have an extra time to implement their commitments in scenarios 2 and 3. For instance, according to Table 34, Kyrgyzstan, instead of starting the implementation of its tariff reduction commitments under scenario 2 in the fifth year, will start implementing these commitments after a 2-year break in the seventh year. Therefore, the duration of full implementation of the commitments of the 4 scenarios for these countries will increase from 8 years to 10 years.

Concluding remarks

Following the decisions of the 9th Meeting of the ECOTA Cooperation Council to update the previous study entitled: ***The Impediments to the implementation of the ECO Trade Agreement and measures to resolve***;

Considering the Secretariat's obligation to prepare a draft negotiation strategy and roadmap for the implementation of ECOTA along with a report on the subject (after receiving the comments of the members) to the 5th Meeting of Ministers of Trade of the ECO member countries, which will be held in Türkiye at the proposal of this country in the first half of 2025 and will decide on the initiation of the process of amending the ECO Trade Agreement (ECOTA) and the formation of a trade negotiation committee;

In view of the updated results of this study and the solutions and scenarios proposed therein to resolve the impasse in the implementation of the Agreement;

Taking into account that the removal of existing obstacles will only be achieved through some necessary amendments to some articles of the Agreement;

Considering the above points as the bottom line of the results of this study, it is necessary to highlight the following key points with the aim of facilitating ministerial decision-making in this regard, determining the right path forward, and taking appropriate next steps:

1. In selecting each option and solution, its compliance with the long-term objectives and the ECO summit's recommendations reflecting the serious will of the members to develop economic and trade relations through trade liberalization and the dismantling and reduction of existing trade barriers with the aim of doubling trade between members and achieving a suitable condition for establishing a free trade area within a reasonable period of time should be considered. Considering that we are in the final year of the Vision 2025 document and some of the objectives set in the document have not yet been achieved due to the failure to implement the ECOTA, if these objectives are maintained in the new Vision 2035 document, providing the necessary conditions for the expeditious implementation of the ECOTA will be inevitable and must be the pivot of the efforts and actions of the various ECO bodies, and appropriate measures must be adopted.

2. In view of the fact that in the preparation of the new document for the ECO Vision 2035, any downgrade from the previously set trade objectives would be considered a clear retreat from the previously announced policies as approved by the summits, which would be a negative political signal, it is necessary to at least maintain the previous objectives in the new document, and therefore, implementing the ECOTA as soon as possible will continue to be among the top priorities.

3. In deciding on the measures and the scope of the required amendments to the ECOTA and the processes required for its amendment and entry into force, "time" is a key factor that should not be overlooked. Obviously, the longer these processes take, the more delayed the achievement of the Vision objectives will be, and even it is more likely that previous failures are repeated and the set objectives are not achieved.

4. In selecting tariff reduction scenarios and their implementation modalities, two basic elements should be given primary attention: "relative balance" between members' commitments and concessions and "flexibility" in the implementation of each member's commitments based on the current status of that country's tariff structure. This is a very key point, the lack of sufficient attention to which in the current Agreement has led to disagreements among members and the failure to implement the Agreement so far.

5. The requirement of free trade agreements or preferential trade agreements with a broad scope is to choose formula approaches in implementing tariff reductions, so as to save members from entering into difficult and lengthy bilateral and multilateral negotiations on determining the lists of products subject to tariff reductions and to avoid the high costs of holding various negotiation meetings. Obviously, the importance of this issue highly increases as the number of members of an agreement increases, due to the need to hold numerous bilateral and multilateral negotiations between the members until a final agreement is reached. This is an important point that in the case of the ECO region with 10 members and 5 Contracting Parties of the ECOTA with its broad coverage of tariff reductions of up to 80 percent of each Contracting Party's national tariff lines, is of particular interest and creates much more difficulty.

6. In formula approaches to tariff reductions, negotiations between members take place only on the formula for the reductions and the scope and depth of preferences and their implementation arrangements, the details of which are carefully included in the agreement; however, the determination of the lists of products subject to tariff reduction commitments is made unilaterally by the members, based on the criteria set out in the agreement. The current terms of the ECOTA for tariff reduction are also based on a formula approach and are not subject to negotiation, but of course the compliance with the principle of transparency and official notification to other members through the Secretariat is required. Although this issue has seemingly become a source of disagreement between members and an excuse for not implementing the Agreement, the real reason for this disagreement is the imbalance resulting from the implementation of the provisions of Article 4 of the Agreement in its current form. Therefore, preserving the Agreement's strength of adopting a formula approach that speeds up the process of amending the Agreement and saves members from lengthy and costly negotiations can continue to be a priority, but in order to establish a balance between the commitments and concessions of members and remove the current impasse, it is necessary to amend the provisions of Article 4 and revise the scope of tariff reductions.

7. The scenarios and modalities designed and recommended in this report have been presented taking into account the above considerations and with the aim of achieving a relative balance between the commitments and concessions of members, while at the same time committing to the objectives and recommendations of the ECO Summit statements, and taking into account the possibility of reaching an agreement in a short time.

8. Accordingly, as explained in Chapter 1 of this report, given that the ECOTA Agreement has a broad and sufficient scope to include trade liberalization and, in addition to tariff reductions covering up to 80 percent of each member's total tariff lines, also provides for the elimination of para-tariffs and non-tariff barriers, by making minimal amendments to the text of the Agreement, it has the necessary capacity to achieve the anticipated objectives, and there is no need for a fundamental revision of the Agreement or the design of a new agreement, which would entail ignoring previous achievements and duplicating and spending a long time. At the

center of the necessary amendments to the ECOTA lies Article 4 and the details of the proposed amendments consistent with the chosen scenario are presented in this report.

9. Taking into account the objectives and considerations mentioned in the paragraphs above, the final recommendation arising from the results of this report is the scheduled implementation of scenarios 1 to 3 with a variable time frame modality that will be carried out simultaneously with the implementation of the base scenario (reducing tariff rates beyond 15% to 15%). Of course, if we were to choose only one scenario from the recommended scenarios, it would undoubtedly be Scenario 1, which starts the tariff reduction process from the lowest tariff band (rates between zero and 5%). It is considered a top priority both because of the much wider coverage of actual trade of members in this band and its effect of creating more trade, and because of the least sensitivity of members about protecting like domestic products in this band and, as a result, their greater readiness to implement their commitments.

10. The final point to note is that there are other possible options and scenarios for the path forward or for amending the Agreement. Among them are the revision of the scope of tariff reductions in the Agreement from 80% to much lower amounts and the selection of a request-offer approach to determine product lists (including negative or positive lists) through bilateral and multilateral negotiations between members instead of a formula approach. Of course, none of these are consistent with the achievement of the objectives and recommendations specified in the higher ECO documents in this regard, and it is inevitable that the aforementioned objectives are first revised. If this option is considered by the members, the expiration of the Vision 2025 document this year and the need to replace it with the Vision 2035 document have provided the best opportunity for this revision, and it is possible to accommodate a lower level of objectives and achievements in designing the Vision 2035 document and adopt a corrective approach accordingly.

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