

IN THE NAME OF GOD

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

March 2021

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Executive summary

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

At present, with a population of 460 million, an area of 8 million square kilometers and nearly \$800 billion in world trade, of which only about 8 percent is between the ECO member countries, these countries have great potential to increase intra-group trade. According to the vision document approved by the 13th ECO Summit held in 2017 in Islamabad, Pakistan, the volume of intra-group trade should at least double by 2025.¹

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

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

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

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

This report is organized into the following three main parts:

- 1) Examining the status quo and pathology of the impediments to implementation of the ECOTA Agreement in view of the structure of the Agreement and the trade and tariff structures of the ECO members;
- 2) Providing appropriate solutions and scenarios for trade liberalization; and
- 3) Determining all the necessary textual amendments to the ECOTA and drafting them.

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

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

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

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

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

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

The fact that the preparation of commodity lists by each member, whether positive, negative or sensitive, will be done and adjusted in a completely unilateral manner without consulting or negotiating with other members, can make such a gap very significant. In fact, in the absence of the usual bilateral mechanisms such as the offer-request approach in setting up these lists, and

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

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

proposed are aimed at finding solutions and options that help to balance the results of the implementation of the Agreement for member countries as much as possible and encouraging them to resolve existing disputes and implement the ECOTA Agreement as soon as possible.

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

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

1. Requiring as little change as possible in the text of the Agreement;
2. Maintaining the previous achievements of the Agreement and the prior agreement of members on various issues, in particular on the reduction of tariff peaks to a maximum of 15 percent;
3. Effectively contributing to the achievement of targets outlined and approved by the ECO leaders in the Vision 2025 to double the volume of intra-group trade of the ECO members;
4. Realizing the long-term objective of the Economic Cooperation Organization (ECO) to establish a free trade area between the ECO member countries within a reasonable time frame and being consistent therewith;
5. Using criteria complying not only with the international principles and standards governing free trade agreements in accordance with the GATT 1994 but with the capabilities of the ECO members, while being easily applicable;
6. Enabling easy implementation without operational complexity;
7. Encourage the participation of as many as five ECO member states that have not yet acceded to the ECOTA.

For this purpose, and taking into account the above principles and assumptions, four different scenarios have been considered to reduce tariff rates. Current scenario is the same as the basic scenario of the ECOTA, which is based on eliminating tariff peaks of the member countries and reducing the tariffs to a maximum of 15 percent in accordance with the provisions of the current Article 4 of the ECOTA. Under this scenario, 80 percent of national tariff rates of each

country is reduced to a maximum of 15 percent within 8 years. Due to the severe heterogeneity of the tariff and trade structures of the ECO member countries, this scenario, creating imbalanced results, does not serve the interests of all member countries.

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

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

For this purpose, in the designed scenarios, in addition to tariff lines with rates over 15 percent (current scenario or baseline scenario), tariff bands of 0-5, 5-0 and 15-10 percent will also be subject to tariff reduction in the form of

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

Tariff reduction scenarios

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

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

1. Determination of the list of tariff lines exempted from tariff reductions for each ECO member in accordance with the current provisions of the ECOTA (19% negative list and 1% sensitive list), taking into account a series of basic assumptions, and their exclusion from the calculations to evaluate the results of each scenario;
2. Identification of the "positive list" of tariff lines that fall within the scope of the Agreement commitments (whether in terms of tariff reduction or standstill at the time of entry into force of the Agreement), which includes 80 percent of tariff lines of countries after extracting and leaving out the negative-list and sensitive-list goods; and
3. Evaluation of the effects of the implementation of each scenario according to the tariff and trade structure of each ECO member, based on both offered concessions and trade creation (increased imports) of each scenario for each ECO member and the ECO as a whole.

³. T stands for tariff rate

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

1. First stage (first priority): selecting the negative list from among the highest tariff rates of each country;
2. Second stage (second priority): selecting the negative list from among the tariff lines with the highest value of intra-group imports; and
3. Third stage: selecting the negative list from among the tariff lines with the highest value of imports from the world.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In the proposed modality for the implementation of tariff reduction commitments with a fixed time frame, along with the implementation of current scenario within an 8-years period, the time allotted to the implementation of each scenario is the same for all members (except Afghanistan). Also, the implementation period of each of the three proposed scenarios (scenarios 1, 2

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

Fixed time period modality

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

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

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

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

In scenario 3, which is considered an ambitious scenario, the time required to fulfill the commitments of the positive lists of members is 8 years, divided into 8 equal phases. Due to the difficulty of fulfilling all the commitments of the scenario 3 and the more concerns of the members about protecting domestic like products, the timing of the implementation of scenario 3 commitments for all members is twice that of scenario 2. Given that the tariff structure of Afghanistan is such that

the third scenario will not create any additional commitment for the country compared to the second scenario, its implementation does not require a longer deadline and therefore the implementation period for Afghanistan is similar to that of other members, i.e. 8 years. It should be noted that, due to the concurrence of the implementation of the third scenario with the current scenario during 8 years, the status of the Agreement in the final year of implementation of the commitments of all members (eighth year) will be very close to the condition of creating a free trade area, which is one of the important objectives of the ECO.

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

Variable time period modality

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

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

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

In this modality, countries that, due to their tariff structures, accept more liberalization commitments and tariff reductions, enjoy more flexibility in scheduling the implementation of commitments, and this plays an important role in balancing the relative commitments of members vis-a-vis each other. In effect, through this modality, not only a significant amount of trade liberalization will be

achieved each year for each member, but also they will be given sufficient implementation time in proportion to the burden of their commitments. Obviously, this method is more consistent with the aim of balancing the concessions and commitments of the members and seems more equitable. Therefore, from among the two mentioned modalities, the second modality is more appropriate and is recommended in this study.