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Abstract

The preferential trade agreement between the Eurasian Economic Union (EAEU) and Iran on mutual trade entered into force in October 2019. In this report we estimate its expected impact at aggregate and sectoral levels using the gravity model of trade based on the global sample of bilateral trade flows at the HS 6-digit level. The analysis suggests that the implementation of the agreement will boost mutual trade for both trading partners, with relatively greater gains expected for the EAEU's exports to Iran. On aggregate, the total gains in mutual trade are estimated to reach almost USD 46 million, with exports from the EAEU to Iran expected to increase by 9.7%, compared with a rise in exports from Iran to the EAEU of up to 4%. The difference in the impact will also be significant across the five EAEU countries as well as across sectors, with the major export gains expected to accrue in the chemicals and agri-food sectors, especially trade in miscellaneous fruits and vegetables, as well as in the textile, polymer production and metals sectors.

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1. Introduction

The trade agreement between the Eurasian Economic Union (EAEU) and Iran was implemented on 27 October 2019. Although it is at times called a free trade agreement, de facto it is a preferential trade agreement, as its scope is limited to a selection of product lines for which mutual import tariffs are reduced or eliminated. Nevertheless, the agreement has sufficient depth and covers the main product categories traded between Iran and the EAEU (Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia). The EAEU framework, among other foreign trade regulations, enforces a common customs territory and imposes a common external tariff (CET) against non-bloc trading partners (for details see Adarov, 2018). Therefore, free trade agreements or preferential trade agreements facilitate access to a rather large, joint market of the five EAEU member states.

The EAEU-Iran preferential trade agreement (PTA) covers about 55% of the total mutual trade between the partners and focuses on a range of agricultural and selected manufacturing products. On the one hand, in line with the agreement, Iran grants preferential treatment for meat and other selected agri-food products, metals, electronics and other items. The average import tariff applied by Iran to imports from the EAEU in line with the agreement decreases from 22.4% to 15.4% for manufactured goods and from 32.2% to 13.2% for agricultural products. Overall, 360 product lines are affected. On the other hand, Iran receives preferential treatment for its exports of fruits and vegetables, metal products, construction materials, and selected other items such as tableware and carpets. The average import tariff applied by the EAEU against Iran is to decline for agricultural products from 9.6 to 4.6% and for manufactured goods from 8% to 4.7%. Overall, 502 product lines are affected by the preferential treatment (a more detailed review of the tariff changes associated with the PTA is given in Section 3.1).

Although the import tariff reductions are not comprehensive in scope, they are nevertheless significant and cover a large share of traded products. This makes the agreement important particularly for Iranian exports, as the EAEU market is much larger than Iran's – as of 2019 Iran's GDP constituted only about 24% of the aggregate EAEU GDP, although it is still a relatively large market in the regional context. The preferential trade agreement is based on World Trade Organisation (WTO) rules. In this context it is important to note that four of the EAEU economies are already members of the WTO; the exception is Belarus, which does, however, have to comply indirectly with the WTO regulations via the common EAEU framework (see Adarov, 2019). However, Iran is not yet a WTO member, mainly because of its strained political relations with the United States. The implementation of the agreement will thus indirectly facilitate longer-run mutual cooperation consistent with the WTO rules. In fact, the current PTA is a fixed-term agreement (currently fixed for three years), but over the course of this period the parties agree to consider a possible transition to a more comprehensive and deeper free trade agreement.

It is expected that the trade agreement will thus bring benefits to both parties. However, to date there has been no robust empirical analysis of the PTA for both parties, and the present paper aims to fill this gap. In particular, we use the gravity model of trade estimated for the detailed product data at the Harmonised System (HS) 6-digit level to examine the ex-ante effects of the implementation of the agreement at aggregate and sectoral levels. Our analysis suggests that the implementation of the

agreement will boost mutual trade for both the EAEU and Iran, albeit with a number of asymmetries in terms of the beneficiary countries and sectors. On aggregate, the total gains in mutual trade are estimated to reach almost USD 46 million, with exports from the EAEU to Iran expected to increase by 9.7% and exports from Iran to the EAEU by up to 4%. The impact also differs significantly across sectors. The results suggest that the major increases in exports will accrue to the chemicals and the agri-food sectors, as well as to rubbers/plastics (polymers), textiles and metals. The gains in exports from the EAEU to Iran are larger and more diversified across sectors. Iran, by contrast, will see most gains in its exports of fruits and vegetables, as well as foodstuffs. In terms of the expected increase in exports, both in absolute values and in percentage terms relative to the pre-PTA levels, exports from the EAEU to Iran appear to benefit more than exports from Iran to the EAEU, despite the fact that the EAEU market is much larger compared with that of Iran. This is, however, perfectly consistent with the much greater import tariff liberalisation introduced by the EAEU-Iran PTA on imports to Iran, while Iran maintained a much more restrictive trade regime prior to the PTA implementation in comparison with the EAEU (it should also be noted that the average import tariff imposed by Iran after the entry into force of the PTA is still much higher than the tariff applied by the EAEU).

The rest of the paper is structured as follows. Section 2 outlines the methodology and the data. Section 3 presents stylised descriptive facts related to the trade agreement and mutual trade, as well as reviews the results of the econometric analysis and their policy implications. Section 4 concludes.

2. Methodology and data

2.1. GRAVITY MODEL SPECIFICATION

In order to measure how much the import tariff reductions envisioned by the agreement stimulate trade between Iran and the EAEU members, an estimate of the elasticity of trade values with respect to tariffs is needed for the affected products. Following the literature on the gravity framework, we estimate the elasticity of tariffs to trade value at the 6-digit level of the HS. The gravity framework was initially proposed by Tinbergen (1962) for studying bilateral trade flows. Akin to Newton's physical law of gravity, this model in its basic form estimates bilateral trade values as a function of the size of the two partner economies and the geographical distance between them. The model was further developed by other scholars (see Anderson and Wincoop, 2003; Head and Mayer, 2014) to analyse the impact of trade policy measures and other economic factors on bilateral trade flows.

As we are interested in the elasticity of trade to tariffs and tariff data are not available for Iran from conventional publicly available sources at the needed level of detail, we are using the tariff schedules published in the text of the PTA agreement, reporting both pre-PTA and post-PTA tariff schedules; the former are consistent with the tariffs applied in 2017. Thus, our estimation is based only on the cross-section of worldwide bilateral trade flows for the HS 6-digit level products included in the PTA for the year 2017. The traditional gravity equation to be estimated is as follows:

$$M_{ijh} = e^{[\alpha_1 + \alpha_2 \ln(T_{ijh}+1) + \alpha_3 Y_i + \alpha_4 Y_j + \alpha_5 D_{ij} + \alpha_6 X_i + \alpha_7 X_j + \alpha_8 X_{ij} + \omega_h]} . \varepsilon_{ijt} \qquad (1)$$

where M_{ijh} is the imports value of HS 6-digit product h from exporting country j to importing country i in 2017; $\ln(T_{ijh} + 1)$ is the effectively applied tariff rate imposed by country i on the imports of product h from country j in logarithmic form; Y_i, and Y_j are the GDP values of the importing and exporting countries, respectively, in logarithmic form; D_{ij} is the matrix of bilateral variables measuring the geographical distance, common language, contiguity, and colonial history between the two countries; X_i and X_j are the matrices of three dummy variables for importing and exporting countries indicating whether the country is a member of the EAEU, the WTO, or the European Union (EU) in 2017; X_{ij} is the matrix of three dummy variables indicating whether *both* trading partners are members of the EAEU, the WTO or the EU; ω_h is the product-fixed effects (FE) term to control for heterogeneity across products; and ε_{ijt} is the standard error of the model robust against heteroscedasticity.

Since trade values include many zeros and after taking logarithm those flows would drop out of the estimation sample if a log-specification is used, the gravity literature instead applies the Poisson Pseudo-Maximum Likelihood (PPML) estimator proposed by Silva and Tenreyro (2006). The estimator better accounts for zero values in the dependent variable and also yields estimates robust in the presence of heteroscedasticity. Since import tariffs may take the value of zero for some products, we add unity to the tariff rate and express it in the logarithmic form, consistent with the literature. Thus, in this specification, α_2 shows the elasticity of trade with respect to tariffs and is the main parameter of interest in our analysis.

While the explanatory variables in the model described above are adopted from the traditional gravity models, the omitted variable bias problem could still remain, as GDP and other country-specific variables may not completely account for all relevant factors affecting trade flows at the product level. Moreover, there could be additional country-pair characteristics that are not fully captured by conventional gravity country-pair variables (such as the bilateral distance or the common colonial history), for instance, relevant to the question under consideration, the lasting Iran-US animosity affecting trade dynamics and not captured by other variables. Therefore, we include country-pair fixed effects that account for all these potential sources of the omitted variable bias and estimate the following specification as the benchmark model (the conventional gravity model is also estimated for additional inference):

$$M_{ijh} = e^{[\alpha_1 + \alpha_2 \ln(T_{ijh}+1) + \omega_h + \omega_{ij}]} . \epsilon_{ijt} \tag{2}$$

where ω_{ij} is the country-pair fixed effects vector; ϵ_{ijt} is the new standard error that is robust against the omitted variable bias mentioned above; and other variables are defined as above. The goodness of fit of equation (2) will be compared with that of equation (1) using the R-square and Akaike Information Criteria (AIC).

Table 2.1 / Sectoral classification used in sector-by-sector estimations

No	Description	From HS section	To HS section
1	Animal & Animal Products	01	05
2	Vegetable and Fruit Products	06	15
3	Foodstuffs	16	24
4	Mineral Products	25	27
5	Chemicals & Allied Industries	28	38
6	Plastics / Rubbers	39	40
7	Raw Hides, Skins, Leather, & Furs	41	43
8	Wood & Wood Products	44	49
9	Textiles	50	63
10	Footwear / Headgear	64	67
11	Stone / Glass	68	71
12	Metals	72	83
13	Machinery / Electrical	84	85
14	Transportation	86	89
15	Miscellaneous	90	97

Finally, in order to allow for heterogeneity of import tariff effects across sectors we also run estimations individually for broader sectoral groups. To this end we aggregate the respective HS 6-digit products to the fifteen sectors as outlined in Table 2.1 (the corresponding HS 2-digit level section codes are listed). Among the sectors listed, only sector 7 (Raw Hides, Skins, Leather, & Furs) and sector 10 (Footwear / Headgear) are not covered by the EAEU-Iran PTA and thus are omitted from the analysis.

After obtaining the estimates, the growth in trade values between Iran and the EAEU members after the tariff reductions envisioned in the PTA are calculated as follows:

$$d_{ijh}^{M_{PTA}} = \frac{\widehat{M_{ijh}^{T_{PTA}}} - \widehat{M_{ijh}^{T_{2017}}}}{\widehat{M_{ijh}^{T_{2017}}}} \tag{3}$$

where $\widehat{M_{ijh}^{T_{2017}}}$ is the fitted trade value of imports from equation (2) using bilateral and product FE with the effective applied import tariff rates *before* the PTA implementation (the year 2017) and $\widehat{M_{ijh}^{T_1}}$ is the fitted trade value from equation (2) with the preferential tariffs *after* the PTA implementation. Thus, d_{ijh}^{M} indicates how much trade would increase as a result of the import tariff reductions envisioned in the trade agreement.

2.2. DATA

Bilateral product-level trade data are collected from the UN COMTRADE database through the World Bank's World Integrated Trade Solution (WITS) software. Tariffs are compiled as ad valorem equivalents (AVEs) of simple average tariffs at HS 6-digit level estimated by the UNCTAD methodology. The data on tariffs, provided by the UNCTAD Trade Analysis Information System (TRAINS), are also collected through WITS. However, since there are some missing values, the data from the WTO Integrated Data Base (IDB) are also collected to complement. Effectively applied tariff rates are constructed in their ad-valorem equivalents. Preferential tariff rates are used in the cases where there is a free trade agreement between the trading countries. Whenever preferential tariff rates are not applicable, most-favoured nation (MFN) tariffs are used. If both are not applicable, the applied tariff rates are used to augment the data. The data on GDP are collected from the World Development Indicators (WDI) of the World Bank. The data on distance and other bilateral variables are obtained from the CEPII geo-distance database. The data on the import tariffs of Iran and the EAEU associated with the PTA are obtained from the Eurasian Economic Commission. Table 2.2 presents the summary statistics for the variables used in the econometric analysis.

It is important to note that, as mentioned, zero trade values are also included in our estimations. In addition, there exists a large number of zero import tariffs imposed on a range of products in the global sample, which makes the average log tariffs close to zero in Table 2.2. All variables except imports and dummy variables are in logarithmic forms. The average global bilateral trade value of products covered in the PTA is about USD 486,000, while the maximum traded value is about USD 22 billion.

The mean of the contiguity variable indicates that about 2.5% of the bilateral product flows in the sample crosses only one border. About 15% of trade flows in the sample is between countries sharing the same language, about 2% is between countries sharing colonial history. The average log distance in the sample indicates that the distance between countries in the sample of bilateral trade flows is about 5,461 kilometres.

Only 3.6% of importing countries in the sample are EAEU members, while 2.6% of exporting countries in the sample are members of the EAEU. The reason is that the number of exporting countries is larger than the number of importing countries in the sample: 195 compared with 238. About 90% of countries in the sample are members of the WTO, and about 20% of them are members of the EU.

Table 2.2 / Summary statistics for the variables used in the econometric analysis

Variable	Observations	Mean	Std. Dev.	Minimum	Maximum
M_{ijh}	6,471,892	485,743	26,500,000	0	21,800,000,000
$ln(T_{ijh}+1)$	6,471,892	0.07	0.10	0	3.43
Y_i	6,471,892	25.35	2.17	19.48	30.6
Y_j	6,471,892	25.10	2.18	17.52	30.6
$Contiguity_{ij}$	6,471,892	0.03	0.16	0	1
$Language_{ij}$	6,471,892	0.15	0.35	0	1
$Colony_{ij}$	6,471,892	0.02	0.14	0	1
$Distance_{ij}$	6,471,892	8.61	0.86	4.09	9.90
$EAEU_i$	6,471,892	0.04	0.19	0	1
$EAEU_j$	6,471,892	0.03	0.16	0	1
$EAEU_{ij}$	6,471,892	0.00	0.03	0	1
WTO_i	6,471,892	0.94	0.24	0	1
WTO_j	6,471,892	0.89	0.31	0	1
WTO_{ij}	6,471,892	0.84	0.37	0	1
EU_i	6,471,892	0.23	0.42	0	1
EU_j	6,471,892	0.21	0.41	0	1
EU_{ij}	6,471,892	0.04	0.20	0	1

3. Results

3.1. STYLISED FACTS ABOUT EAEU-IRAN TRADE

First, we provide a few key facts about the foreign trade dynamics and the composition of trade between the EAEU and Iran. Figure 3.1 shows the dynamics of the mutual trade between the EAEU countries and Iran (the total of the five EAEU countries is included also for the pre-2015 period, i.e. the period before the inception of the EAEU). As Iran reports only fragmented data for its foreign trade to the UN COMTRADE, we use instead the mirror data (imports to the EAEU from Iran reported by its trading partners).[1] As can be seen, the level of exports from the EAEU to Iran is much higher than the other way around. This is despite the fact that Iran's market size is less than a quarter of the EAEU's aggregate market size as measured, for instance, by purchasing power parity-adjusted GDP. However, in the post-crisis period exports from the EAEU to Iran have been declining, whereas exports from Iran to the EAEU have been increasing, thereby gradually reducing the trade asymmetry.

Figure 3.1 / EAEU-Iran trade dynamics, USD million
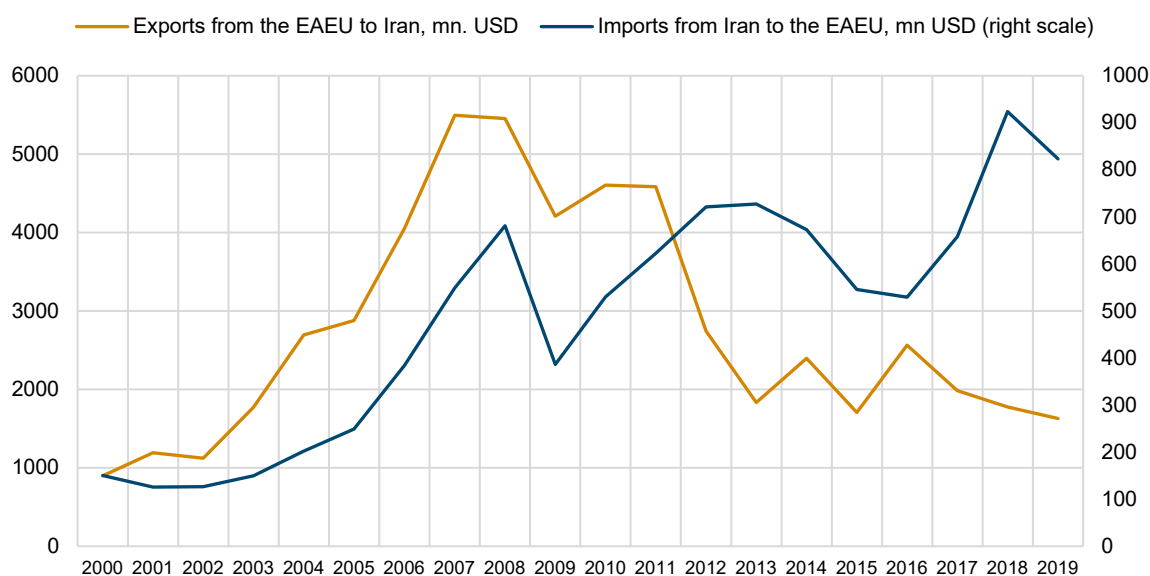
Sources: UN Comtrade; Eurasian Economic Commission.

This export growth was not smooth, however, and suffered major declines triggered by three key episodes over the period. First, exports declined owing to the global financial crisis in 2008. The second fall in imports from Iran took place between 2013 and 2016, which coincided with the intensification of sanctions by the international community over Iran's nuclear programme, which also led to a recession in Iran (see Ghodsi et al., 2018). The third decline took place in 2019, after the US withdrew from the

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[1]　The data are also cross-checked for general consistency with the data reported by Iran for the available years, as well as with the data obtained from the Eurasian Economic Commission.

Iran nuclear deal, the Joint Comprehensive Plan of Action, and secondary US sanctions were imposed to prohibit third countries from doing business with Iran.[2]

Importantly, trade with Iran is also unequally distributed among the EAEU countries (Figure 3.2). Most of Iran's trade with the bloc takes place with Russia (both exports and imports), which is not surprising, given that the Russian market comprises over 80% of the aggregate EAEU market. Armenia is also a very important export destination for Iran, accounting for almost 40% of Iran's exports to the EAEU in 2019 (based on its exports of electricity).[3] Among the EAEU's exporters, Kazakhstan is the second-largest exporter to Iran after Russia, accounting for 18% of the bloc's exports to Iran.

Figure 3.2 / Composition of the EAEU-Iran trade by EAEU countries, 2019

Share of total imports from Iran to the EAEU, %   **Share of total exports from the EAEU to Iran, %**
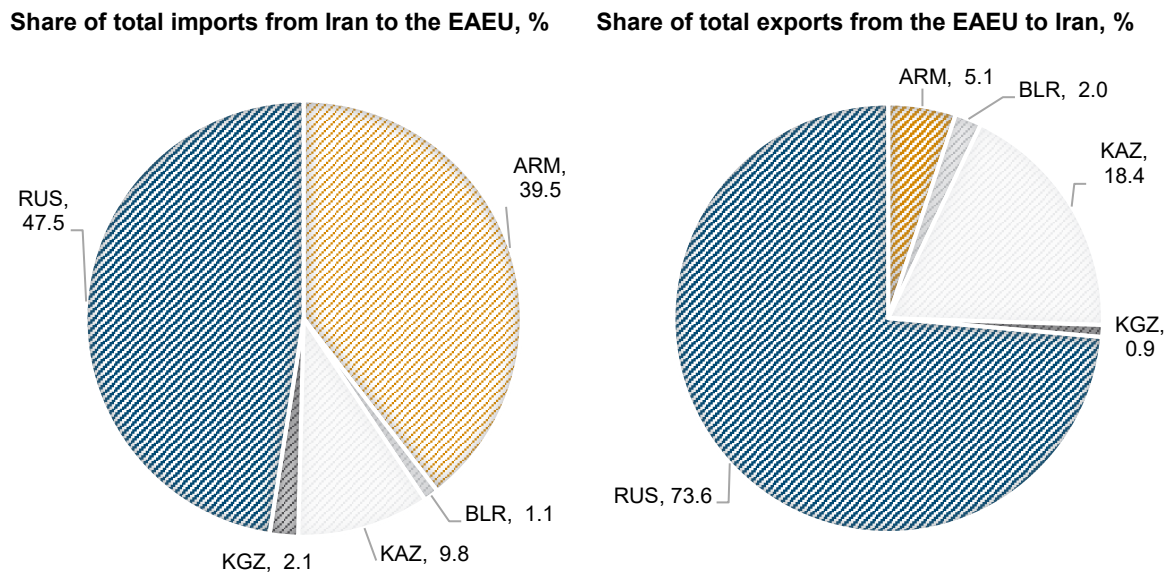
Source: Eurasian Economic Commission

The analysis of the sectoral composition of trade at the 4-digit HS level based on 2019 data (see Tables A1 and A2 in the Appendix for a list of the 30 most significant products traded) suggests that both exports to Iran from the EAEU and from the EAEU to Iran are dominated by agri-food products. The most significant export items from the EAEU to Iran are barley, sunflower products and corn, which by far surpass other exports in total annual value (for these products the export value exceeds USD 300 million as of 2019). Sunflower products and corn are exported predominantly from Russia, while barley is exported from both Kazakhstan (61.5%) and Russia (38.5%). Other important exports from the EAEU to Iran are wood, electrical energy, meat, vegetables and fruits, and to a smaller extent selected electronic and machinery equipment.

Exports from Iran to the EAEU are dominated by petroleum products, nuts, cement and miscellaneous fruits and vegetables. The market composition of Iranian exports also differs significantly across sectors:

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2   https://wiiw.ac.at/iran-new-sanctions-starting-to-bite-n-357.html

3   It is important to note that Iran is importing gas and electricity from some neighbouring countries, such as Armenia and Turkmenistan. The reason is that Iran's area is vast and the infrastructure to supply energy to the northern parts of Iran is insufficient, while its oil and gas fields are mostly located in the south-west of the country, necessitating energy imports.

petroleum products are exported almost exclusively to Armenia, while Russia is the main market for Iranian fruits and vegetables.

In this respect, the reduction of tariffs focusing predominantly on the agri-food sector and other products sizeable in bilateral trade is fully justified and is likely to bring further improvements in mutual trade. Table 3.1 provides a broad overview of the import tariffs on the products affected by the PTA, showing the import tariff levels before and after the PTA as well as the reduction of tariff protection in percentage terms (only the products that are included in the PTA are taken into account in the analysis). For brevity, we report the averages by broad 15-sector classification as outlined in the methodology section.

As already mentioned, the EAEU-Iran agreement covers about 55% of the total mutual trade. In line with the agreement, Iran grants preferential treatment for meat and other selected agri-food products, metals, electronics and other items. The average import tariff applied by Iran to imports from the EAEU decreases from 22.4% to 15.4% for manufacturing products and from 32.2% to 13.2% for agricultural products. Overall, 360 product lines are affected. On the other hand, Iran receives preferential treatment for its exports of fruits and vegetables, metal products, construction materials, and selected other items like tableware and carpets. The average import tariff applied by the EAEU against Iran is to decline for agricultural products from 9.6% to 4.6% and for manufacturing products from 8% to 4.7%. Overall, 502 product lines are affected by the preferential treatment.

The PTA covers a sizeable share of mutually traded products, and the magnitude of the reduction of tariff protection is significant but asymmetric, as Iran had a more restrictive trade regime before the implementation relative to the EAEU's CET and after the PTA also maintains a much higher average import tariff in comparison with the EAEU. At the same time, the market of the EAEU is much larger, which implies that the impact of (smaller) import tariff reductions in the EAEU will have a greater positive impact on Iranian exports in absolute values. In this respect, it is important to take into account the market size, as well as control for other important macroeconomic characteristics in order to identify the net impact of PTA implementation, which we do next using the gravity model framework.

Table 3.1 / Import tariffs imposed by the EAEU and Iran against each other before and after the PTA, in percent

No	Sectors	EAEU's import tariffs			Iran's import tariffs		
		Before	After	Percentage change	Before	After	Percentage change
1	Animal & Animal Products	5.86	1.45	-75%	17.61	13.09	-26%
2	Vegetable and Fruit Products	5.81	2.33	-60%	21.55	13.48	-37%
3	Foodstuffs	3.86	1.43	-63%	32.48	12.15	-63%
4	Mineral Products	4.41	2.39	-46%	5.00	5.00	0%
5	Chemicals & Allied Industries	3.21	0.47	-85%	21.52	15.02	-30%
6	Plastics / Rubbers	6.14	2.75	-55%	8.33	8.00	-4%
8	Wood & Wood Products	-	-	-	12.57	11.13	-11%
9	Textiles	0.95	0.21	-78%	41.47	29.82	-28%
11	Stone / Glass	11.58	6.32	-45%	12.50	12.50	0%
12	Metals	9.26	5.49	-41%	17.79	11.46	-36%
13	Machinery / Electrical	5.39	3.27	-39%	9.72	8.23	-15%
14	Transportation	3.95	0.00	-100%	5.63	5.08	-10%
15	Miscellaneous	-	-	-	23.33	17.83	-24%

Source: own computations based on the EAEU-Iran PTA.

3.2. EVIDENCE FROM THE GRAVITY MODEL

Table 3.2 presents the PPML estimation results of the gravity model based on the cross-section of worldwide bilateral trade values in 2017 of all product categories (6-digit HS level) that are included in the EAEU-Iran trade agreement. In the table, model 1 and model 2 correspond to the estimation results based on equation (1), and model 3 labels the estimation results corresponding to the equation (2) described in the methodology section above.

In order to facilitate the comparability of the estimates and the goodness of fit statistics, all models are estimated using the same sample. Yet, as can be seen, model 3 has a much smaller number of observations than model 1 as due to the inclusion of bilateral fixed effects observations that had no variation within each country-pair are dropped out. Based on the R-squared values one can see that model 3 based on equation (2) with bilateral fixed effects has a better goodness of fit. Moreover, although model 2 is more parsimonious compared with model 3, with 17,366 additional bilateral country-pair fixed effects the AIC statistic for model 3 is much smaller than the AIC associated with model 2. Therefore, according to the model selection criteria, model 3 based on equation (2) is confirmed to be the most appropriate model for the estimation of trade elasticity with respect to tariffs (in addition to benefits it provides in addressing omitted variable bias and heteroscedasticity discussed previously). In particular, due to the omitted variable bias model 2 may overestimate the magnitude of the import tariff effects in comparison with model 3. Thus, we use the results from model 3 as the benchmark results to draw inference on the effects of the PTA at aggregate as well as sectoral levels.

According to model 3, a 1% reduction in import tariffs stimulates global trade in the affected products (i.e. the products covered in the PTA agreement) on average by 2.27%. The coefficient for tariffs is statistically significant at the 1% level. Given the statistical and economic significance of the estimate, we use this information to compute the impact of the PTA on the EAEU-Iran mutual trade flows (discussed in the next section).

Although our main interest is in the import tariff elasticity from the fixed-effects model, it is still instructive to review the results for continuous gravity model variables from conventional gravity models (models 1 and 2). In line with the gravity literature, the economic size of both trading partners has a positive impact on trade. The estimated elasticity of GDP to trade values is smaller than unity, which confirms the Engel's law phenomenon, i.e. when a country's income grows by 1%, its traded (imported or exported) value in these products grows by less than 1%. Trade between countries with a common border and sharing the same language tends to be larger than bilateral trade between geographically more distant countries. However, sharing a colonial history is only weakly significant.

Notably, a negative and statistically significant coefficient of the EAEU dummy variable for *importing* countries points to a negative impact of the EAEU on imports outside the bloc that is consistent with the expectations for trade-diverting customs unions. The coefficient of the EAEU dummy variable for *exporting* countries is statistically insignificant. However, the very positive and highly significant coefficient of the EAEU dummy for *both* trading partner suggests a strong trade creation effect of the EAEU (the results pointing at non-trivial trade diversion and trade creation effects of the EAEU in this regard are in line with the evidence reported in Adarov, 2018, based on the synthetic control and the gravity model for the full sample of products at higher levels of aggregation). This indicates that the

EAEU members are trading in these products among themselves roughly about 1.5 times more than they do with the countries outside the bloc.

Table 3.2 / Gravity estimation results using the PPML with all products included in the EAEU-Iran PTA

Dependent variable: M_{ijh}	Model 1	Model 2	Model 3
$ln(T_{ijh} + 1)$	-4.35***	-3.92***	-2.27***
	(0.39)	(0.37)	(0.38)
Y_i	0.73***	0.69***	
	(0.012)	(0.012)	
Y_j	0.84***	0.83***	
	(0.011)	(0.011)	
$Contiguity_{ij}$	0.47***	0.47***	
	(0.065)	(0.065)	
$Language_{ij}$	0.35***	0.33***	
	(0.055)	(0.054)	
$Colony_{ij}$	0.10	0.11*	
	(0.064)	(0.063)	
$Distance_{ij}$	-0.58***	-0.58***	
	(0.028)	(0.028)	
$EAEU_i$	-0.31***	-0.40***	
	(0.089)	(0.089)	
$EAEU_j$	0.18	0.16	
	(0.15)	(0.15)	
$EAEU_{ij}$	1.49***	1.46***	
	(0.21)	(0.21)	
WTO_i	-0.12	-0.15	
	(0.19)	(0.20)	
WTO_j	0.86***	0.76***	
	(0.25)	(0.25)	
WTO_{ij}	-0.037	-0.0050	
	(0.28)	(0.28)	
EU_i	-0.46***	-0.53***	
	(0.059)	(0.059)	
EU_j	0.0072	-0.031	
	(0.061)	(0.061)	
EU_{ij}	0.68***	0.72***	
	(0.095)	(0.093)	
Constant	-23.1***	-21.7***	17.6***
	(0.58)	(0.59)	(0.022)
Observations	11741574	6471892	6471892
Pseudo R-squared	0.704	0.681	0.749
AIC	1.216e+13	1.191e+13	9.360e+12
Product FE - ω_h	Yes	Yes	Yes
Bilateral FE - ω_{ij}	No	No	Yes

Robust standard errors in parentheses, * p<0.1; ** p<0.05; *** p<0.01.
PPMLHDFE package developed by Correia et al. (2019) is applied.

Similarly, the estimates for the EU dummy variables indicate a higher degree of mutual trade at statistically significant levels when both trading partners are EU members, while the EU framework has a negative impact on imports from non-EU countries. The magnitudes of the trade creation and the trade diversion effects are rather similar to those of the EAEU. Finally, our results suggest that countries which are both members of the WTO enjoy higher levels of mutual trade in these products, signifying an important role of the WTO framework for facilitating global trade.

Next, using the estimates from the benchmark model we compute the expected effects of the EAEU-Iran agreement on mutual trade flows for each country in the agreement, followed by an analysis at the sectoral level.

3.3. TRADE IMPLICATIONS OF THE AGREEMENT

First, we compute the effects of the EAEU-Iran agreement at the aggregate level for each pair of countries in the agreement before and after the PTA implementation. The expected trade values are based on model 3 estimated via PPML as outlined in Table 3.2 in the previous section. Table 3.3 reports the fitted pre- and post-PTA bilateral aggregate trade values, as well as the change in trade in absolute and relative terms. As noted previously, the fitted values convey the total expected trade for the products included in the PTA agreement and not the total aggregate trade between the countries, which would include other products not affected by the agreement.

Table 3.3 / The estimated impact of the EAEU-Iran PTA implementation on aggregate trade

Exporter	Importer	Pre-PTA trade, USD $\widehat{M_{ijh}^{T_{2017}}}$	Post-PTA trade, USD $\widehat{M_{ijh}^{T_{PTA}}}$	Increase, % $d_{ijh}^{M_{PTA}}$ %	Increase, USD $d_{ijh}^{M_{PTA}}$ USD
IRN	ARM	31,429,141	32,556,441	3.60%	1,127,300
IRN	BLR	3,319,100	3,450,379	4.00%	131,279
IRN	KAZ	39,836,823	41,347,943	3.80%	1,511,120
IRN	KGZ	5,434,562	5,646,467	3.90%	211,905
IRN	RUS	260,750,879	271,186,817	4.00%	10,435,938
ARM	IRN	19,798,350	21,723,190	9.70%	1,924,840
BLR	IRN	10,468,309	11,486,061	9.70%	1,017,752
KAZ	IRN	30,499,727	33,464,978	9.70%	2,965,251
KGZ	IRN	5,964,733	6,544,637	9.70%	579,904
RUS	IRN	267,587,238	293,602,663	9.70%	26,015,425

Note The table shows the aggregate fitted trade value for the products in the PTA for the pre-PTA and the post-PTA periods: $\widehat{M_{ijh}^{T_{2017}}}$ is the pre-PTA fitted trade value, $\widehat{M_{ijh}^{T_{PTA}}}$ is the post-PTA fitted trade value, $d_{ijh}^{M_{PTA}}$ shows the difference between the pre-and post-PTA values in USD and in percentage change.

As can be seen from the results, the impact of the PTA implementation is asymmetric in several ways. In terms of percentage gains in exports, the EAEU countries stand to benefit more than Iran, which is to be expected, since Iran maintained a more restrictive foreign trade policy stance with much higher average import tariffs compared with the EAEU CET before the PTA and because the PTA-induced tariff reductions were also greater. The aggregate trade in the affected products is expected to increase by 9.7% for exports from the EAEU to Iran and by up to 4% for Iranian exports to the EAEU (3.6-4%). In absolute US dollar values, the largest gains are projected for trade between Russia and Iran in both exports and imports: an increase in exports from Russia to Iran by over USD 26 million and from Iran to

Russia by over USD 10 million. This result is also consistent with our expectations, as the size of the Russian economy by far exceeds that of its EAEU partners and Iran. Summarising the impact across all five EAEU countries and Iran, the total gains in mutual trade are estimated to reach almost USD 46 million.

One of the drawbacks of the aggregate approach pooling all sectors in a single estimation framework is that it does not allow for the heterogeneity of the effects across sectors, among others, with respect to the elasticity of the import tariff. Hence, by construction this approach yields the same estimated percentage gain in exports for all EAEU countries (9.7%). Therefore, as also discussed earlier, for extra robustness and for additional inference concerning the effects for different sectors, we next estimate the benchmark model on a sector-by-sector basis in line with the sectoral classification introduced in the methodology section (15 sectors, 13 of which are covered by the PTA). The approach pools HS 6-digit products only within the corresponding sector group for the global sample of countries, and the estimation proceeds again via the fixed-effects PPML specification. Based on the sectoral estimation results, we then compute the expected impact of the PTA implementation for specific sectors.

Figure 3.3 shows the estimates for the import tariff elasticity by broad sector groups (sectors 7 and 10 are not affected by the PTA), also indicating their statistical significance. For most of the sectors the import tariff enters negatively and statistically significantly (at least at the 10% level and in most cases at the 1% level of statistical significance). The only exceptions are sectors 4 (Mineral products), 11 (Stone/Glass) and 15 (Miscellaneous other products). Among the statistically significant tariff elasticities, the highest magnitude in absolute value is identified for sector 4 (Textiles) and the lowest for sector 3 (Foodstuffs).

Using the estimated elasticities, we again compute the pre-PTA and post-PTA fitted trade values, as well as the PTA-induced trade impact by sectors for each pair of countries in the agreement. The detailed results of this exercise are listed in Table A3 in the Appendix. Figure 3.4 shows the results only for the largest sectors (those with the value of exports exceeding USD 100,000), for which the estimated gains were also notable in relative terms (trade estimated to increase by more than 3% after the PTA). In this analysis for robustness we only consider sectors for which the tariff estimates are statistically significant at least at the 10% level.

The estimations for individual sectors point to significant differences in the effects of the agreement across both sectors and countries. Reviewing the sectoral results in Table A3, in terms of the percentage change in trade induced by the PTA, the largest gains are projected for exports to Iran from Armenia, Russia and Belarus in sector 5 (Chemicals & Allied Industries), with an increase of 41.5%. Among these, however, only exports from Russia to Iran are sizeable in terms of the actual recent absolute trade values (see also Figure 3.4). Similarly, gains above 30% are estimated for exports to Iran of Animal & Animal Products (sector 1) and Foodstuffs (sector 3) from Russia, Kyrgyzstan, Armenia and Kazakhstan. In addition, in the case of exports from Russia to Iran and exports from Belarus to Iran, a notable growth in exports is estimated for the Textiles sector (over 18%).[4]

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[4]   In a related matter, as shown in Figure 3.3, the Textiles sector has the largest estimated (negative) trade elasticity of tariffs with a point estimate of -7.97. However, it should be noted that de facto the PTA implementation did not dramatically change the trade regime in the textiles sector on either the EAEU or the Iranian side: on the one hand, the EAEU prior to the PTA already maintained a very low import tariff (0.95%), which decreased slightly further after the

Figure 3.3 / Import elasticity of tariffs by sector
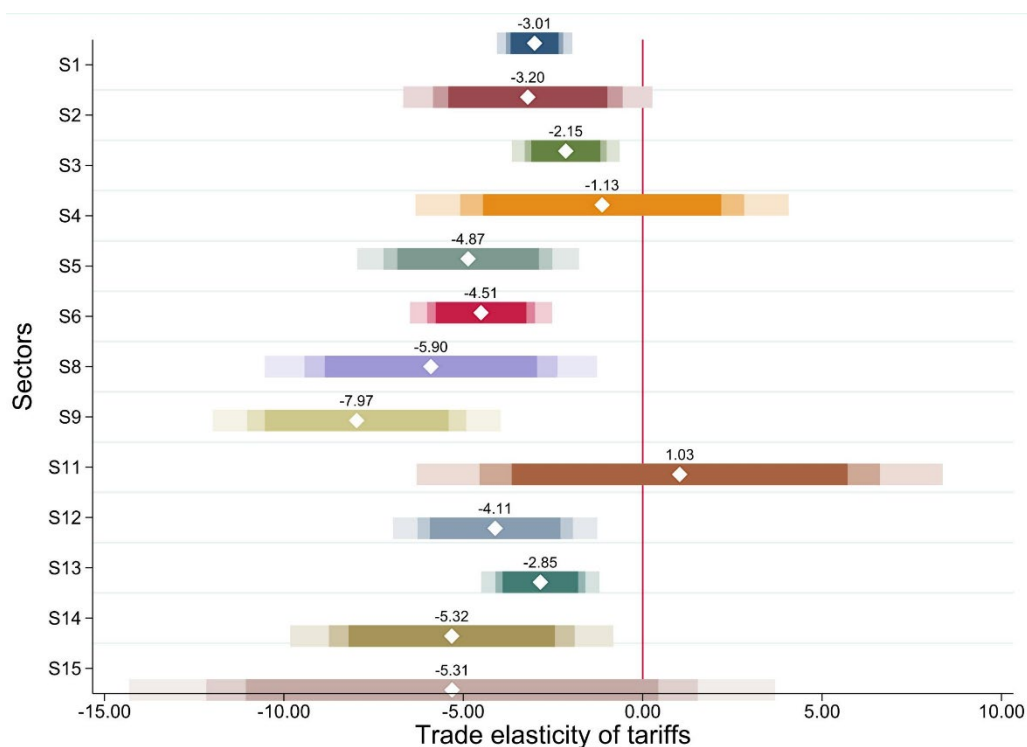
Note: The diamonds show the point estimates of the import elasticity of tariffs (the estimates are also labelled) for each of the sectors as outlined in the methodology section. The associated bars with the varying colour intensity indicate the 90% (darker), 95% and 99% (lighter) confidence intervals based on the estimated standard errors.
Source: Own estimates.

Gains in exports from Iran to the EAEU countries are particularly high in the Plastics/Rubbers sector, with exports rising by more than 18-20% to each member of the EAEU.[5] Exports in the Metals sector are projected to gain in both directions, with exports from the EAEU to Iran expected to increase by 15% and from Iran to the EAEU by 8%. Compared with the agri-food and the commodities sectors, the expected improvements in trade in more advanced sectors are modest, with exports of Machinery / Electrical from the EAEU countries to Iran increasing by about 4%.

However, as already noted, trade in some of the sectors with the highest gains in relative percentage terms is rather small in absolute values (measured in US dollars), and when looking at the largest gainers only among the bigger sectors in terms of the current trade flow values, the highest gains are expected for the agri-food sectors, and especially in the trade (both exports and imports) between Russia and Iran in the Vegetable and Fruit Products (sector 2). This sector is already the largest in terms of the trade value among all sectors traded between the EAEU and Iran. Another large sector with the highest estimated gains is the Animal and Animal Products sector (sector 1), for which we estimate an increase in the exports from Armenia, Kazakhstan and Russia to Iran by 35%, ceteris paribus.

PTA implementation; on the other hand, Iran maintains a very high level of protection for textile products even after the PTA implementation, with an average import tariff of 29.82%.

[5]   The major traded item in this sector is polymer production.

Figure 3.4 / Sectors with the largest estimated export gains
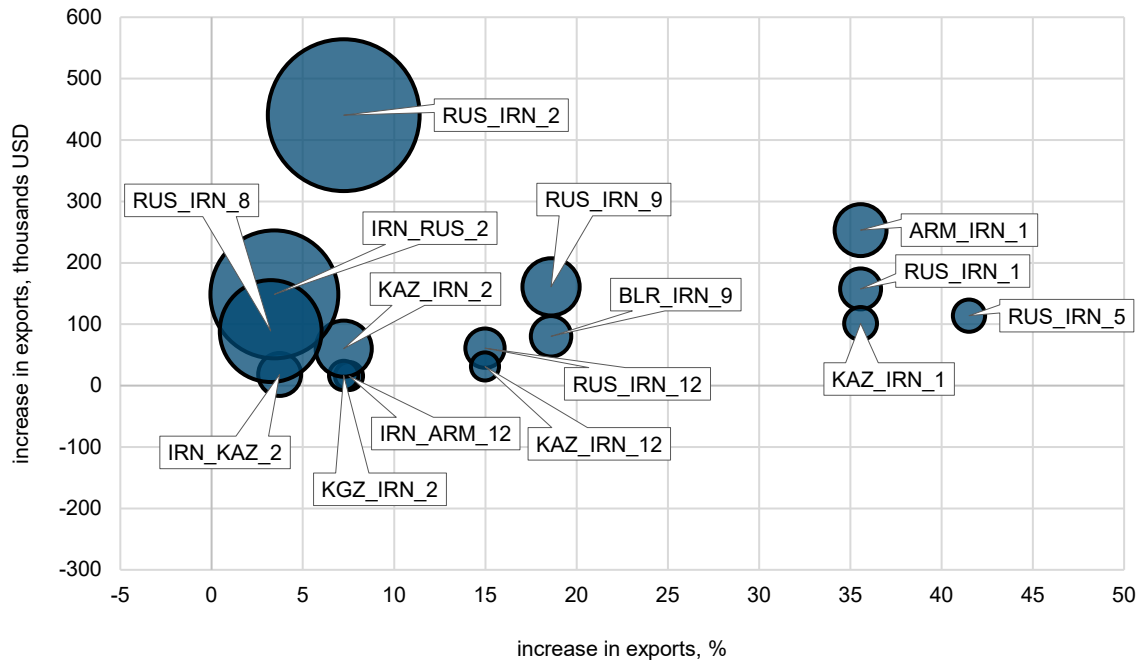
Note: The figure shows the sectors with the highest expected gains in the value of exports (the labels indicate exporter_importer_sector, with the sector numeric codes in line with the classification introduced in the methodology section). The vertical axis indicates the export gains in thousands USD, the horizontal axis shows the percentage increase. For clarity only sectors with the export value above USD 100,000 and percentage gains of above 3% are shown (detailed results are listed in Table A3 in the appendix). The size of the circle is proportional to the trade value.
Source: Own estimates.

Applying a slightly different perspective to these results and summarising across countries, the largest improvements in exports in terms of percentage gains will occur in the exports from the EAEU countries to Iran (above 30% in Chemicals, Animal products and Foodstuffs sectors). As for the exports from Iran to the EAEU, the gains are more modest, and the highest percentage increase (above 18%) is estimated for the Plastics/Rubbers sector on account of Iran's polymer production. Similarly, in terms of absolute gains in exports rather than percentage gains, the highest increases are expected in the exports from the EAEU countries to Iran. This is consistent with the aggregate country-level results reported earlier and is expected given the asymmetric import tariff changes induced by the EAEU-Iran PTA, with much greater import tariff reductions envisioned for Iran (which had a more restrictive import policy vis-à-vis the EAEU before the PTA), while the EAEU CET had already been at moderate levels prior to the agreement, and the reduction of tariffs as a result of the PTA was therefore less dramatic. One should also take into account that these results are computed as expected levels of trade conditional on other macroeconomic factors. In particular, in line with the gravity modelling framework, we net out the impacts of such relevant macroeconomic factors as the business cycle dynamics picked up by the GDP variables. Therefore, for instance, a drop in the GDP of the EAEU or Iran as a result of an economic crisis would result in less intensive mutual trade or even a decline despite the PTA implementation.

4. Concluding remarks

In this paper we estimate the impact of the 2019 EAEU-Iran trade agreement on mutual trade between the EAEU countries and Iran at the aggregate and sectoral levels. The analysis suggests that the reduction of tariffs along the lines of the agreement will bring benefits to both trading partners. As expected, the major gains will accrue to the exported products in which the bilateral trade had already been quite intensive in recent years, before the implementation of the PTA, particularly in the agri-food sectors. At the same time one should take into account that the EAEU-Iran PTA implies only a partial reduction of import tariffs for selected products, which means that a further intensification of integration (e.g. the full elimination of tariffs on the products already included in the PTA or the inclusion of additional products in the preferential trade agreement) is likely to bring greater benefits to mutual trade.

It is also important to note that any greater integration efforts should focus not only on the reduction of import tariffs but also on the elimination of non-tariff barriers to trade. Nowadays non-tariff barriers to trade generally constitute a more important impediment to trade than import duties and are particularly important in the case of Iran, given that it is not a WTO member and has only been an observer since 2005. In this regard the implementation of the PTA and a further deepening of its cooperation with the EAEU could be beneficial to Iran, as it may indirectly facilitate its transition to international standards, which would be conducive to its foreign trade in general. As a large share of the mutually traded products is in the agri-food sectors, it also makes sense to facilitate faster cross-border transit of the products and automatisation/digitalisation of the customs procedures to avoid delays and administrative burdens at the border.

For the EAEU, with its much larger market size relative to Iran, the direct economic benefits of trade with Iran expected for some sectors may not be essential, and the geopolitical gains associated with a deeper partnership may not be as important as they are for Iran. However, for Iran improved access to the EAEU market represents a matter of strategic importance and a means to mitigate at least to some extent the adverse macroeconomic impacts associated to date with the wide-ranging US sanctions, which are also an impediment to Iran's trade relations with the West in general.

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Appendix

Table A1 / Top 30 exports from the EAEU to Iran, 2019

Rank	HS code	Product name	USD million	share in total trade, %				
				ARM	BLR	KAZ	KGZ	RUS
1	1003	Barley	432.78	-	-	61.5	-	38.5
2	1512	Sun-flower seed, safflower or cotton-seed oil and their fractions; whether or not refined, but not chemically modified	384.07	0.0	-	-	-	100.0
3	1005	Maize (corn)	301.43	-	-	-	-	100.0
4	4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6mm	70.31	0.2	3.5	-	-	96.3
5	2716	Electrical energy	62.53	100.0	-	-	-	-
6	0204	Meat of sheep or goats; fresh, chilled or frozen	58.54	13.9	-	10.1	7.0	69.0
7	1507	Soya-bean oil and its fractions; whether or not refined, but not chemically modified	43.96	-	-	-	-	100.0
8	0713	Vegetables, leguminous; shelled, whether or not skinned or split, dried	22.53	-	-	19.5	42.9	37.6
9	8517	Telephone sets, including telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data (including wired/wireless networks), excluding items of 8443, 8525, 8527, or 8528	19.13	1.2	0.0	-	-	98.8
10	8705	Special purpose motor vehicles; not those for the transport of persons or goods (e.g. breakdown lorries, road sweeper lorries, spraying lorries, mobile workshops, mobile radiological units etc)	12.33	-	-	-	-	100.0
11	1001	Wheat and meslin	12.11	-	-	9.4	-	90.6
12	1205	Rape or colza seeds; whether or not broken	10.97	-	-	81.2	-	18.8
13	2843	Colloidal precious metals; inorganic or organic compounds of precious metals, whether or not chemically defined; amalgams of precious metals	9.75	-	-	-	-	100.0
14	8901	Cruise ships, excursion boats, ferry-boats, cargo ships, barges and similar vessels for the transport of persons or goods	8.26	-	-	-	-	100.0
15	4011	New pneumatic tyres, of rubber	8.10	-	92.5	-	-	7.5
16	4801	Newsprint, in rolls or sheets	7.04	-	37.8	-	-	62.2
17	8529	Transmission apparatus; parts suitable for use solely or principally with the apparatus of heading no. 8525 to 8528	6.42	-	-	-	-	100.0
18	4703	Chemical wood pulp, soda or sulphate, other than dissolving grades	6.38	-	-	-	-	100.0
19	0201	Meat of bovine animals; fresh or chilled	6.32	-	1.0	97.6	-	1.4
20	8406	Turbines; steam and other vapour turbines	4.16	-	-	-	-	100.0
21	5402	Synthetic filament yarn (other than sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex	4.05	-	-	-	-	100.0
22	8548	Waste and scrap of primary cells, primary batteries and electric accumulators; spent primary cells, spent primary batteries and spent electric accumulators; electrical parts of machinery or apparatus, n.e.c. or included elsewhere in chapter 85	3.40	100.0	-	-	-	-
23	9031	Measuring or checking instruments, appliances and machines, n.e.c. or included in this chapter; profile projectors	3.34	-	0.1	-	-	99.9
24	5601	Wadding of textile materials and articles thereof; textile fibres, not exceeding 5 mm in length (flock), textile dust and mill neps	3.33	-	-	-	-	100.0
25	8606	Railway or tramway goods vans and wagons; not self-propelled	3.20	-	-	-	-	100.0
26	7204	Ferrous waste and scrap; remelting scrap ingots of iron or steel	3.18	61.0	-	38.6	0.5	-
27	2922	Oxygen-function amino-compounds	3.15	-	0.0	-	-	100.0
28	2930	Organo-sulphur compounds	3.11	-	-	-	-	100.0
29	7326	Iron or steel; articles, n.e.c. in chapter 73	3.05	0.3	0.4	0.2	-	99.1
30	4804	Uncoated kraft paper and paperboard, in rolls or sheets, other than that of heading no. 4802 or 4803	3.04	-	-	-	-	100.0

Table A2 / Top 30 imports to the EAEU from Iran, 2019

Rank	HS code	Product name	USD million	share in total trade, %				
				ARM	BLR	KAZ	KGZ	RUS
1	2711	Petroleum gases and other gaseous hydrocarbons	66.32	99.0	-	-	-	1.0
2	0802	Nuts (excluding coconuts, Brazils and cashew nuts); fresh or dried, whether or not shelled or peeled	54.20	3.2	0.3	9.8	3.7	83.0
3	0810	Fruit, fresh; n.e.c. in chapter 08	47.93	6.8	0.3	0.8	0.4	91.7
4	2523	Portland cement, aluminous cement (ciment fondu), slag cement, supersulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	47.58	56.6	-	29.7	0.0	13.7
5	0709	Vegetables; n.e.c. in chapter 07, fresh or chilled	35.54	3.1	0.1	1.8	0.0	95.0
6	0702	Tomatoes; fresh or chilled	34.53	2.2	0.4	1.6	-	95.8
7	2710	Petroleum oils and oils from bituminous minerals, not crude; preparations n.e.c, containing by weight 70% or more of petroleum oils or oils from bituminous minerals; these being the basic constituents of the preparations; waste oils	33.49	100.0	-	-	0.0	-
8	0707	Cucumbers and gherkins; fresh or chilled	26.52	4.8	2.9	4.8	0.3	87.2
9	0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens; fresh or dried	23.83	4.1	4.3	51.7	4.6	35.3
10	0809	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh	23.78	0.2	0.2	0.1	-	99.5
11	0806	Grapes; fresh or dried	22.46	6.0	3.5	18.4	0.2	71.9
12	2713	Petroleum coke, petroleum bitumen; other residues of petroleum oils or oils obtained from bituminous minerals	22.30	99.8	-	-	0.2	-
13	3901	Polymers of ethylene, in primary forms	21.74	69.4	-	13.3	7.1	10.2
14	0704	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas; fresh or chilled	17.14	3.2	0.2	0.2	-	96.4
15	0401	Milk and cream; not concentrated, not containing added sugar or other sweetening matter	16.95	0.9	-	0.4	0.1	98.6
16	7202	Ferro-alloys	13.89	40.6	-	-	-	59.4
17	3002	Human blood; animal blood for therapeutic, prophylactic or diagnostic uses; antisera, other blood fractions, immunological products, modified or obtained by biotechnological processes; vaccines, toxins, cultures of micro-organisms (excluding yeasts) etc	13.20	-	-	1.8	-	98.2
18	6907	Ceramic flags and paving, hearth or wall tiles; ceramic mosaic cubes and the like, whether or not on a backing; finishing ceramics	11.70	62.3	0.1	10.6	1.5	25.5
19	0703	Onions, shallots, garlic, leeks and other alliaceous vegetables; fresh or chilled	11.49	3.1	-	8.5	0.3	88.1
20	7210	Iron or non-alloy steel; flat-rolled products, width 600mm or more, clad, plated or coated	11.16	100.0	-	-	-	-
21	0705	Lettuce (lactuca sativa) and chicory (cichorium spp.) fresh or chilled	11.01	0.6	-	0.0	-	99.4
22	7214	Iron or non-alloy steel; bars and rods, not further worked than forged, hot-rolled, hot drawn or hot-extruded, but including those twisted after rolling	10.90	89.9	-	0.3	-	9.8
23	3903	Polymers of styrene, in primary forms	10.76	14.8	-	7.0	0.5	77.7
24	0807	Melons (including watermelons) and papaws (papayas); fresh	10.36	12.1	1.6	0.6	0.2	85.5
25	6802	Monumental or building stone, worked (except slate) and articles thereof (not of heading no. 6801) mosaic cubes etc., of natural stone including slate; artificially coloured granules of natural stone	8.20	15.3	0.4	39.2	9.1	36.0
26	7306	Iron or steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), n.e.c. in chapter 73	7.81	99.9	-	0.0	-	0.1
27	7013	Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes (other than of heading no. 7010 or 7018)	7.16	10.4	2.7	39.6	27.6	19.7
28	2830	Sulphides; polysulphides whether or not chemically defined	6.56	81.5	-	1.7	0.2	16.6
29	5503	Synthetic staple fibres, not carded, combed or otherwise processed for spinning	6.09	12.3	-	1.4	1.7	84.6
30	3902	Polymers of propylene or of other olefins, in primary forms	5.87	66.1	-	33.7	0.1	0.1

Table A3 / Estimated effects of the EAEU-Iran PTA agreement by sectors

Exporter	Importer	Sector	Sector name	Trade value, USD		Change in trade	
				Before PTA	After PTA	USD	%
ARM	IRN	1	Animal & Animal Products	712,091.50	965,341.90	253,250.40	35.56
ARM	IRN	2	Vegetable Products	10,783.86	11,564.18	780.32	7.24
ARM	IRN	3	Foodstuffs	3,747.65	4,939.03	1,191.37	31.79
ARM	IRN	5	Chemicals & Allied Industries	26,834.86	37,972.32	11,137.46	41.50
ARM	IRN	12	Metals	87,280.92	10,0357.70	13,076.74	14.98
ARM	IRN	13	Machinery / Electrical	11,971.39	12,484.07	512.67	4.28
BLR	IRN	5	Chemicals & Allied Industries	22,992.86	32,535.75	9,542.88	41.50
BLR	IRN	8	Wood & Wood Products	71,232.23	73,540.91	2,308.68	3.24
BLR	IRN	9	Textiles	431,871.50	512,195.70	80,324.13	18.60
BLR	IRN	12	Metals	127.12	146.17	19.05	14.99
BLR	IRN	13	Machinery / Electrical	6,578.89	6,860.63	281.74	4.28
BLR	IRN	14	Transportation	473.63	481.53	7.90	1.67
IRN	ARM	2	Vegetable Products	140,702.10	146,379.30	5,677.28	4.03
IRN	ARM	3	Foodstuffs	50,138.46	50,933.54	795.07	1.59
IRN	ARM	5	Chemicals & Allied Industries	88,869.76	89,276.72	406.96	0.46
IRN	ARM	6	Plastics / Rubbers	58,098.29	68,607.55	10,509.26	18.09
IRN	ARM	8	Wood & Wood Products	15,608.65	15,608.65	0.00	0.00
IRN	ARM	9	Textiles	7,481.88	7,738.93	257.06	3.44
IRN	ARM	12	Metals	207,799.80	223,455.00	15,655.25	7.53
IRN	ARM	13	Machinery / Electrical	10,603.43	10,837.80	234.37	2.21
IRN	ARM	14	Transportation	2,369.39	2,465.76	96.36	4.07
IRN	BLR	2	Vegetable Products	49,972.22	51,723.74	1,751.52	3.50
IRN	BLR	3	Foodstuffs	1,390.00	1,407.84	17.84	1.28
IRN	BLR	6	Plastics / Rubbers	328.57	387.21	58.64	17.85
IRN	BLR	9	Textiles	6,497.50	6,763.55	266.05	4.09
IRN	BLR	12	Metals	102.56	110.89	8.33	8.12
IRN	BLR	13	Machinery / Electrical	1,083.78	1,108.44	24.66	2.28
IRN	KAZ	1	Animal & Animal Products	137.58	138.18	0.60	0.44
IRN	KAZ	2	Vegetable Products	487,100.50	505,283.90	18,183.41	3.73
IRN	KAZ	3	Foodstuffs	19,337.23	19,615.23	278.00	1.44
IRN	KAZ	5	Chemicals & Allied Industries	180,354.50	187,087.80	6,733.36	3.73
IRN	KAZ	6	Plastics / Rubbers	54,383.39	64,785.70	10,402.31	19.13
IRN	KAZ	8	Wood & Wood Products	14,421.00	14,421.00	0.00	0.00
IRN	KAZ	9	Textiles	6,339.30	6,597.30	258.00	4.07
IRN	KAZ	12	Metals	14,227.38	15,377.04	1,149.66	8.08
IRN	KAZ	13	Machinery / Electrical	22,053.57	22,443.40	389.83	1.77
IRN	KAZ	14	Transportation	837.00	871.35	34.35	4.10
IRN	KGZ	2	Vegetable Products	36,657.70	37,921.75	1,264.05	3.45
IRN	KGZ	3	Foodstuffs	3,701.83	3,749.38	47.55	1.28
IRN	KGZ	5	Chemicals & Allied Industries	57,729.10	59,319.09	1,589.99	2.75
IRN	KGZ	6	Plastics / Rubbers	19,885.29	23,780.82	3,895.54	19.59
IRN	KGZ	8	Wood & Wood Products	927.47	927.47	0.00	0.00
IRN	KGZ	9	Textiles	2,964.90	3,086.38	121.48	4.10
IRN	KGZ	12	Metals	1,290.13	1,393.48	103.35	8.01
IRN	KGZ	13	Machinery / Electrical	156.65	160.21	3.56	2.27
IRN	RUS	1	Animal & Animal Products	37,981.73	38,783.63	801.90	2.11
IRN	RUS	2	Vegetable Products	4,322,330.00	4,470,931.00	148,601.50	3.44
IRN	RUS	3	Foodstuffs	601,329.10	609,060.40	7,731.31	1.29
IRN	RUS	5	Chemicals & Allied Industries	10,175.00	10,585.23	410.23	4.03
IRN	RUS	6	Plastics / Rubbers	10,529.82	12,592.62	2,062.80	19.59
IRN	RUS	8	Wood & Wood Products	70.15	70.15	0.00	0.00
IRN	RUS	9	Textiles	8,459.33	8,806.94	347.62	4.11
IRN	RUS	12	Metals	14,581.69	15,762.88	1,181.18	8.10
IRN	RUS	13	Machinery / Electrical	11,518.05	11,780.12	262.06	2.28
IRN	RUS	14	Transportation	50,639.18	52,716.37	2,077.19	4.10
KAZ	IRN	1	Animal & Animal Products	284,692.30	385,941.10	101,248.80	35.56
KAZ	IRN	2	Vegetable Products	831,742.90	891,927.90	60,185.00	7.24
KAZ	IRN	3	Foodstuffs	55,555.26	73,216.21	17,660.95	31.79
KAZ	IRN	12	Metals	208,297.20	239,505.10	31,207.84	14.98
KGZ	IRN	1	Animal & Animal Products	51,142.87	69,331.47	18,188.60	35.56
KGZ	IRN	2	Vegetable Products	228,021.30	244,520.90	16,499.64	7.24
RUS	IRN	1	Animal & Animal Products	442,835.30	600,326.50	157,491.30	35.56
RUS	IRN	2	Vegetable Products	6,087,185.00	6,527,655.00	440,469.50	7.24
RUS	IRN	3	Foodstuffs	27,986.70	36,883.63	8,896.94	31.79
RUS	IRN	5	Chemicals & Allied Industries	274,490.90	388,414.70	11,923.80	41.50
RUS	IRN	6	Plastics / Rubbers	927,763.60	943,592.30	15,828.69	1.71
RUS	IRN	8	Wood & Wood Products	2,741,143.00	2,829,985.00	8,842.00	3.24
RUS	IRN	9	Textiles	864,762.40	1,025,600.00	160,837.90	18.60
RUS	IRN	12	Metals	407,415.30	468,455.80	61,040.47	14.98
RUS	IRN	13	Machinery / Electrical	39,523.75	41,216.35	1,692.60	4.28
RUS	IRN	14	Transportation	37,711.75	38,341.05	629.30	1.67

Note: the estimated trade effects are reported only for the sectors with the statistical significance of the estimated tariff elasticity of at least 10%.