

The 11th Council of Ministers

Report of Secretary General on the ECO Activities

(Dushanbe, 04 May, 2001)

Annex-IV

*Mr. Chairman,
Honourable Heads of Delegation,
Excellencies,
Distinguished Delegates,
Ladies and Gentlemen,*

It is a great privilege for me to address the honourable Ministers/Heads of delegation from the ECO Member States on the auspicious occasion of the 11th Council of Ministers meeting being held today in Dushanbe. Let me first take the opportunity to join in the unanimous expression of felicitation to the Honourable Minister of Foreign Affairs of the Republic of Tajikistan on his assumption as the chairperson of the 11th COM meeting. I am confident that under his sagacious leadership and rich experience, our Organization would continue its march towards realization of its objectives and goals. I would also like to express my heartfelt thanks to the Government of the Republic of Tajikistan for the excellent arrangements and the warm hospitality extended to all the delegations since their arrival in Dushanbe.

2. Our sincerest gratitude goes to Honourable Minister of Foreign Affairs of the Islamic Republic of Iran, Dr. Kamal Kharrazi, for the valuable guidance and contribution made during his tenure as chairman. In particular, I would like to express our thanks to His Excellency Dr. Syed Mohammad Hossein Adeli, Deputy Minister of Foreign Affairs for Economic Affairs of the Islamic Republic of Iran and his colleagues for their continued cooperation and support.

3. Since the 10th COM meeting held in Tehran on 8 June 2000, ECO has been able to consolidate itself further as a regional organization. While ECO has made tangible progress, in some important areas like health, agriculture, environment, industry and minerals it could not live up to the level of our expectations. A detailed report including important achievements and developments in priority areas was submitted to the 11th Session of the RPC. An updated version focusing on the latest developments and future projects since the 11th meeting of the RPC has also been circulated. Therefore, I would like to keep my today's statement very brief

4. In the 10th COM meeting, as you would recall, Azerbaijan, Turkey and Kyrgyzstan had asked for ratification of Framework Agreement on ECO Trade Cooperation (FAT). Azerbaijan and Kyrgyzstan had strongly called for removal of tariff and non-tariff barriers. Turkey then had felt that the Framework Agreement on ECO Trade Cooperation (FAT) could effectively replace the existing restrictive trading measures. Azerbaijan together with Turkey had proposed an enhanced role for private sector in ECO programmes. Since then the ECO Secretariat, with the support of the Member States, has been making sincere endeavours to promote a trading regime, which can effectively address these concerns.

5. The region continues to be extremely diverse despite great deal of progress in liberalizing respective economies. Virtually all Member States are committed to establishing stable and deeper links among them. But the fact remains that many of us still require a good deal of reforms to implement the ECO trade agenda. FAT envisages, inter alia, preparation of an ECO Trade Agreement (ECOTA) calling for elimination of non-tariff barriers as well as gradual reduction of tariff in the region. The high level expert group (HLEG) on tariff and non-tariff barriers entrusted with the formulation of ECOTA will meet this year in Baku and Tehran. In this regard, I do call upon the Member States to furnish their proposals concerning ECOTA so that the Secretariat will be in a position to integrate them into one draft document. In my view ECOTA, which is expected to be signed during the 2nd ECO Ministerial Meeting on Foreign Trade/Commerce, scheduled to be held in 2002, will be productive and hopefully outward looking.

6. It is gratifying to note that the Member States are fully conscious of the need to create a free trade environment in the region. The 11th RPC has tasked the HLEG to consider in its deliberations the possibility of establishment of an ECO free trade area. We have seen the experiences of other regional organizations in this respect. Formulation of positive lists or identification of selective goods for trading has made marginal differences. Only across the board approach has worked. In this context, I would like the Member States to attach top priority to creating free trade practices in the region.

7. Cooperation among the custom administrations in the Member States is developing satisfactorily. ECO Chamber of Commerce and Industries unfortunately has been dormant for some time now. It is desirable that the national chambers of commerce of the founding members should help their counterparts in Azerbaijan and Central Asian Member States to activate this important vehicle of trade.

8. I am convinced that we stand a fair chance for reasonable growth in the intra ECO trade, if we are able to enhance participation of the private sector in the ECO programmes. An early establishment of ECO Trade and Development Bank will, no doubt, provide the requisite platform to initiate some concrete steps. At the same time, ECO will need to focus on its relations with outside world to promote its overall trading capacity. This is essential as the scope for growth in the ECO intra trade is somehow limited. For instance, even if the present percentage of intra ECO trade (6%) were doubled in next five years, though very difficult to achieve this target, still 88% of the total trade of ECO countries would be with the outside world.

Excellencies,

9. Now I would like to focus on developments in the fields of Transport and Communications. ECO Member States continue to attach high degree of seriousness to the projects and activities in this vital area. During the last COM meeting, the Member States had described the development of this sector as a must for ensuring economic

development and prosperity in the region and emphasized the need to develop the necessary infrastructure and, in particular, asked for building the missing road and rail links. The Member States had also advocated early implementation of the Quetta Plan of Action (1993), Almaty Outline Plan and the Programme of Action for the ECO decade of Transport and Communications (1998-2007).

10. During the recently held 11th RPC, it was again pointed out that the development of this sector is of paramount importance to the ECO Member States. While some Member States urged that TRACECA should be constituted as the line for future development of transport system of ECO Member States, other suggested that priority should be given to the present projects before adopting new ones and urged early progress in completing the missing road and rail links within the ECO region.

11. Activities in this field have been comparatively intense. However, much more is required to be done to benefit from the achievements so far made. In particular, we need to get the Transit Transport Framework Agreement (TTFA) ratified at an early date. In this connection, I would like to address an appeal to Afghanistan, Iran, Kazakhstan, Kyrgyzstan, Turkey and Turkmenistan to accelerate the domestic legal procedures necessary to ratify the said Agreement and its Annexes.

12. This year we have planned to launch a passenger train from Almaty via Tashkent-Tehran to Istanbul. The successful launching of this train will demonstrate the collective ECO resolve to work for a free flow of rail links, integrating the region with the global transport infrastructure. I believe that this train will also stimulate intra ECO trade, tourism and people to people contact. Now, I would like to appeal to the only remaining Member Country to cooperate and join other ECO Member States in this project, so that the proposed passenger train could be launched.

13. Apart from land and rail infrastructure, we have to remain watchful about the finalization of an agreement on cooperation in the field of air transport. After the abandoning of ECO Air Project, it is incumbent upon the Member States to double their efforts to improve their air services in the region.

14. Our performance in some important sectors such as agriculture, industry and health has remained below our expectations. The 11th RPC meeting noted the need for prioritization and strengthening of the ongoing activities in all these sectors. Moreover, the 11th RPC meeting welcomed the offer of the Islamic Republic of Pakistan and the Islamic Republic of Iran to hold the 1st Ministerial Meetings on Agriculture and Industry in Islamabad and in Tehran sometime in November/December, 2001 respectively. Needless to say, full participation of Member States in these important meetings will promote further cooperation in the field of agriculture and industry.

15. The importance of regional cooperation in the field of energy was highlighted in the Tehran Declaration (June 2000). IDB has decided to provide substantial technical assistance (US\$ 400,000) for conducting a feasibility study of the interconnection of the

ECO countries power systems. It is expected that an agreement between IDB and ECO will be signed soon, paving the way for implementation of this important project.

16. The first ECO Ministerial Meeting on Energy/Petroleum was held in Islamabad on November 8, 2000. At the end of the meeting, a Joint Statement together with a Plan of Action was approved. I am confident that the outcome of the Ministerial meeting will pave the way for enhancing the regional cooperation. I, therefore, appeal to the Member States to extend their full support to the implementation of the approved Plan of Action.

17. In the fields of minerals and environment, we need to strengthen our activities as well. Some useful events are now planned in these fields to stimulate progress. Higher-level participation will ensure concrete results.

18. After successful completion of Phase I of the drug control project, the document of the suggested activities for Phase II, jointly prepared by UNDCP Tehran-Office and the Secretariat has been forwarded to the Member States for their views and comments.

19. ECO external relations are progressing at a reasonable pace. We are strengthening and expanding our existing relations with other international/regional organizations/institutions. I strongly believe that the ongoing cooperation with relevant international bodies will help us in overcoming the existing difficulties in carrying out our projects and programmes. We have used these growing relations not only to enhance the prestige of ECO as a respectable regional organization but also to secure technical as well as financial assistance to further our goals and objectives. In this respect, I am particularly grateful to IDB, UNDP, UNESCAP, WTO, ITC, FAO and UNCTAD.

20. I would now like to make a few general comments. Despite its achievements, ECO has a long way to go before it can be developed as an effective instrument of regional cooperation. We need to focus on the vastness of this challenge. Strong political will, accompanied by supportive actions, can alone yield the desired results.

21. I hope the principle of collective partnership and cooperation will be followed to ensure a balanced and sustainable development in the ECO region. International projects such as global transport corridors, gas/oil pipelines will henceforth involve as many Member States as possible, without damaging the economic prospects of the projects. Also, political will and support for ECO will be reflected in extending practical support to early establishment of various ECO institutions such as ECO Trade and Development Bank, ECO Science Foundation, ECO Insurance Company and effective operationalization of ECO Shipping Company. Early ratification of various agreements, conventions, and MOUs signed within the ECO system is required. Non-ratification has slowed down the pace of economic integration within the region.

22. Since my assumption of the post of the Secretary General, I have focused on raising the work standard in the ECO Secretariat. I have asked my directing staff to shift

priorities from mere exchange of information to critical appraisal of the ECO workplan. Old habits die slowly. There remains some room for improvement. Presently, the ECO Secretariat, on its own, has been dealing with 11 consultancies under the UNDP capacity building project and a few projects with IDB/ESCAP/UNDP assistance. The successful handling of these projects (consultancies/workshops) will certainly contribute to the work programme of the Organization. The professional expertise at the Secretariat can further be enhanced through conversion of some existing posts, without creating any additional financial burden on the Organization.

23. Also, I would like to reflect on the low public awareness about the rationale and utility of ECO in the Member States. I would propose regular ECO festivals or ECO days, or workshops in Member States. I am confident that the Member States would allocate additional funds for this essential activity.

*Excellencies,
Distinguished Delegates,*

24. Please allow me also to say a few words about the financial strength of the Organization. Four months have passed since the beginning of the current year and yet, unfortunately, only one Member State has paid a part of its budgetary contribution. Therefore, in order not to face any difficulty in running the organization and carrying out its scheduled activities, I would like to earnestly appeal to all Member States to take action on their budgetary contributions.

25. Before I conclude, I would like to reiterate that if today we do not push strongly for deeper regional cooperation, the integration achieved so far is likely to decline. To avoid this, there is an urgent need to integrate ECO approach in the economic planning and development strategies of the Member States.

Thank you.

TRANSPORT AND COMMUNICATIONS

26. In this field, the Member States in cooperation with the Secretariat are undertaking necessary measures to remove physical, procedural and administrative impediments to ensure free flowing road, rail and air transport. The implementation of the Almaty Outline Plan, the Programme of Action for the ECO decade of Transport and Communications (1998-2007) and subsequent ratification of the Transit Transport Framework Agreement (TTFA) are under way. The TTFA has been ratified by Azerbaijan, Pakistan and Tajikistan. For entering into force, this Agreement required ratification by other signatory Member States. The Annexes of TTFA comprise agreed technical characteristics of roads, railway lines, and technical requirements of road vehicles to ensure smooth flow of traffic on the international routes throughout the territories of contracting parties.

27. In pursuance of the provisions of Istanbul Declaration and the Almaty Outline Plan, the Government of the Islamic Republic of Iran published the first edition of the ECO Railway and Road Network Maps. The second and the final version has been under consideration of the Member States.

28. The third Expert Group meeting to study and formulate a flexible tariff policy for economical and efficient organization of railway transport in the ECO was held on 16-21 April, 2001 in Bishkek (Kyrgyzstan).

29. The Expert Group on Trans-Asia-Europe Fiber Optical Cable System (TAEFOS) after holding two meetings in 2000, inter alia, called for coordination on management and maintenance systems of TAEFOS among the Member States. Also, it asked for establishment of a "hot-line" between operators of TAEFOS of the Member States.

30. The 5th meeting of the Heads of ECO Railway Authorities was held on 19-21 September last year in Almaty. In pursuance of its decisions, a Task Force was established which has produced substantive draft of an MOU on the opening of international passenger traffic on the proposed route, agreed on the schedule of payments for transportation of passengers, cargo and change of boogies.

31. This year an international passenger train "Trans-Asian Express" on Almaty-Tashkent-Tehran-Istanbul route consisting of passenger coaches of the railways of Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Iran and Turkey will be launched. Launching a demonstration container train on the route of Trans-Asian Railway and adoption of an agreed railway tariff policy in the ECO region will be other major event this year.

TRADE AND INVESTMENT

32. "The first ECO Ministerial Meeting on Commerce/Foreign Trade" held in Tehran on 4-6 March 2000 reviewed the present level of ECO trade cooperation and formulated new policy guidelines for boosting cooperation among the Member States. The Framework Agreement on ECO Trade Cooperation (FAT), which was signed with the aim of expending intra-regional trade, has been approved/ratified by Iran, Kyrgyzstan, Pakistan and Turkey.

33. This year the High Level Experts Group (HLEG) on Tariff and Non-Tariff Barriers (TTB), entrusted to prepare a draft legal document on gradual removal of tariff and non-tariff barriers in the ECO region, will hold its 4th meeting in Baku (Azerbaijan) in June, 2001.

34. With regard to the implementation of the ECO Transit Trade Agreement (TTA) in various ECO meetings on Trade, the Member States were urged to finalize the pending issues such as nomination of Guaranteeing Associations.

35. The meetings of the Heads of Customs Administration of ECO Member States are being held on regular basis. The Heads of ECO Customs Administration will convene under the new name of Council of Heads of Customs Administration (CHCA) in September, 2001 in Turkey, to review regional customs policy issues including transit issues. The report of the consultancy service to address both implementation of ECO TTA and TTFA, which will be undertaken late April, 2001, will be submitted to the CHCA for consideration.

36. Actions are being taken to establish networking system facilitating exchange of information on trade and investment opportunities and promote an enabling environment for expansion of trade in the region.

37. The activities of the ECO Chamber of Commerce & Industry (ECO-CCI) have remained stagnant for the last two consecutive years. The ECO-CCI should play a more active role in promoting trade among the Member States if the National Chambers of the Founding Members could help their counterparts in Azerbaijan and Central Asian Member States (ACAMS) to strengthen their capacities in this regard.

38. The first Product Selection Workshop under the joint ECO/ITC project titled "Expanding Intra-Regional Trade" was held on 13-15 March, 2001 at the ECO Secretariat. The participants mostly from national chambers of the Member States short-listed five product groups having higher potential of regional trade. Moreover, it was decided to hold the Buyers/Sellers meeting in Textile and Clothing in Turkey and Agro-Business & Food Products in Pakistan respectively.

39. The 3rd Trade and Investment Information Networking and 4th ECO/WTO Seminar on "Regionalism" will be held in Pakistan and Turkey (or Kyrgyzstan) respectively.

ENERGY

40. The first ECO Ministerial meeting on Energy/Petroleum was held in Islamabad on 8 November 2000 preceded by the Senior Officials' Meeting (6-7 November). The meeting adopted the Joint Statement on Cooperation in Energy/Petroleum in the ECO Region and the Plan of Action for Energy/Petroleum Cooperation in the ECO Region (2001-2005).

41. Work continued on the project on Interconnection and Parallel Functioning of the Power Systems of the ECO Countries after the 4th Specialized Experts Task Group (SETG) meeting was held on 6-7 May 2000 in Tehran, which determined the coordination function for the ECO Secretariat for the feasibility study of the project. The draft Agreement on Technical Assistance from IDB amounting to 400,000 US\$ to be utilized for this project is going to be finalized shortly.

42. The ECO and Energy Charter Secretariat (ECS) Coordination Workshop was held in Ankara on 15-16 January 2001. The workshop provided an opportunity for the

Member States to assess the Energy Charter Treaty related activities, particularly in the field of energy transit and identify possible areas of cooperation with the ECS.

MINERALS

43. The ECO Mineral Experts Meeting on Enhancement of Regional Co-operation in Mineral sector and drafting a Plan of Action for co-operation among the ECO countries, in the field of minerals is scheduled to be held this year in Tehran.

ENVIRONMENT

44. According to the Plan of Action on Environment a Draft Memorandum of Understanding on ECO-UNEP Co-operation was signed by the ECO Secretary General and sent to the UNEP for a similar action.

45. The RPC approved the proposal of holding, during the course of the year 2001, a Ministerial meeting on the subject of Environment and two environment-related Workshops.

AGRICULTURE

46. ECO cooperation in agriculture, industry & health has rather remained unsatisfactory. However, the Secretariat now endeavours to adopt a more focused approach in strengthening the cooperation in these fields. In this regard, the Directorate is working on promoting cooperation among the Member States in the area of dwarf fruit trees. Consultancy will be conducted by an International Consultant on food security of the region. Workshops will be arranged on Sand Due Fixation, Diagnosis of Livestock Disease and Food Mouth Disease. Training Course on Prevention of Crop Losses will also be conducted this year. Furthermore, the first Ministerial meeting of Agriculture is scheduled to be held in Pakistan this year. A project on ECO Cooperation in Agriculture, to be sponsored by Joint Mission of ECO/FAO/IDB, is being prepared.

INDUSTRY

47. The IDB may provide financial and technical support to ECO for holding seminars/workshops in privatization. The First ECO Ministerial meeting on Industry is scheduled to be held in Tehran this year. The Training Course on "Technology Management and Technology Transfer Negotiations" will be organized jointly by UNIDO/ ECO in Tehran with the technical and financial assistance of UNIDO and hospitality provided by the IR of Iran.

HEALTH

48. A joint ECO-UNFPA Conference on Expanding Contraceptive Choice and Improving the Quality of Reproductive Health Programmes was held in May, 2001 in

Turkey. The Royal International Fertility Seminar is scheduled to be held in Iran this year.

ECONOMIC RESEARCH AND STATISTICS

49. The third annual meeting of the National Focal Points (NFPs) on Economic Research & Statistics was held in Tehran last year. The Directorate of Economic Research & Statistics (DERS), in collaboration with the NFPs, initiated actions to design and implement an ECO Joint Economic Research Programme. The second edition of ECO Guide Book was published and disseminated among the Member States. The ECO Annual Economic Report and ECO Statistical Year Book for 2000 will be distributed to the Member States during the current year. DERS has also designed ECO Business Guide Book to be published in serial on the Member States. DERS developed essential sectoral databases according to the latest requirements of the ECO Secretariat. Within the framework of ECO-ESCAP cooperation, DERS will organize a two-week sub-regional Training Workshop on Environment Statistics in Tehran this year. The 4th meeting of NFPs is scheduled to be held on non-hospitality basis in Tehran this year.

PROJECT RESEARCH

50. The Directorate of Project Research (DPR) prepared a list of ECO Projects on thematic principle i.e. as per the sectoral division of the ECO Secretariat with possible funding sources. As per the decision of the 1st Working Group on Senior Officials (WGSO) held on 5-6 February, 2001, the DPR prepared a comprehensive list of ECO Projects under various stages of implementation to be evaluated by the Member States in line with their national priorities. CPR's approval for use of \$50,000 out of the feasibility fund for the joint ECO-ITC project for promotion of intra-trade has been arranged. DPR will make arrangements for utilization of Special Support Fund for some priority events for 2001. Within the framework of cooperation with the ECO Consultancy and Engineering Company (ECO-CEC) on preparation of pre-feasibility and full feasibility studies of ECO priority projects, the DPR held a meeting with the Company early this year to discuss ways and means of cooperation with the Company. The DPR is conducting day-to-day activities, as a focal point for implementation of UNDP Capacity Building Project and informing the Member States regularly of the progress. DPR has started preparing publications entitled ECO Projects and rationale for funding, Roster of Leading Experts and Consultants and Directory of Training Institutions of ECO Member States.

REGIONAL INSTITUTIONS, SPECIALIZED AGENCIES AND EXTERNAL RELATIONS OF ECO

51. The Agreement on establishment of ECO Trade & Development Bank and ECO Reinsurance Company has been ratified by Pakistan and Turkey. Soon after, ratification by the IR of Iran, the procedural requirements for operationalization of both the institutions will begin. The ECO Shipping Company has been in operation since

March, 1996. The signatory Member States, except IR of Iran and Pakistan, are required to fulfill their obligations, including payment of their shares to the capital of the Company.

52. The 1st Meeting of the ECO Civil Aviation Authorities and Heads of National Airlines, held in Karachi in February this year, has unanimously concluded that further development of ECO Air Project is not feasible.

53. In accordance with the first meeting of the Board of Trustees, the ECO Cultural Institute has prepared a three-year Plan of Action. The first meeting of the Board of Trustees of the ECO Science Foundation needs to be held as soon as possible. The Member States are requested to ratify the charter of the ECO Educational Institute for entering into force.

54. Within the Framework of ECO Plan of Action on Drug Control, the document on activities envisaged for Phase-II of Drug Control Coordination Unit (DCCU) were jointly prepared by UNDCP and the Secretariat. The project document, after the approval of the CPR, will be signed by UNDCP and ECO Secretariat.

55. The ECO Secretariat is strengthening and expanding its existing relations with other international/regional organizations/institutions to secure technical as well as financial assistance.

56. In addition to MOUs signed with FAO, ICARDA and UNCTAD during the last three years, more MOUs/Agreements for cooperation are in the pipeline. For instance, signing of MOUs with Organization for Cooperation of Railways (OSZHD), United Nations Environment Programme (UNEP) and International Trade Center (ITC).

57. The ITC and ESCAP have agreed to assist the ECO Secretariat in devising a Plan of Action for developing the "ECO Trade Net" Project. Moreover, ITC has agreed, in principle, to provide assistance to the ECO Secretariat in building its capacity with regard to trade information networking. We expect to receive modest funding from the IDB for various projects in the field of Transport, Trade, Agriculture and Energy. The World Bank have specified the areas of common interest namely Power System Inter-connection, Trade facilitation and indicated its readiness to cooperate. With regard to the relations between ECO and WTO, a Seminar on Trade Negotiations Simulation was organized in late 2000. Another WTO seminar on "Regionalism" will be jointly organized this year.

58. The cooperation with the UN Specialized Organizations i.e. UNDP, UNESCAP, UNFPA, UNCTAD is being strengthened. The draft Resolution on Cooperation between UN and ECO was adopted last year by consensus, like every year, by the UN General Assembly. The Secretary General attended the Millennium Session of the General Assembly last year and drew the attention of the World community to the potentials of this rich region.

59. The possibility and expediency of establishing cooperative links with some regional organizations like ASEAN, BSEC and (Persian) GCC are being studied now.