

## The 6<sup>th</sup> Council of Ministers

### Report of ECO Secretary General

( Ashgabat, 11 May, 1996 )

*Annex-IV*  
No. COM-6/96/RS

*Mr Chairman,  
Hon'able Ministers,  
Excellencies,  
Ladies & Gentlemen,*

It is my proud privilege to present my annual Report on the Activities of ECO for the year 1995-96 to the Sixth Meeting of the Council of Ministers. Allow me to begin by extending to you, Mr. Chairman, my sincere felicitations on your re-election to preside over this Council. During the previous year, under your chairmanship, our Organization witnessed a historic pace of activities. I am confident that in the coming year too, ECO will benefit, in full measure, from Your Excellency's wisdom and dynamic leadership. I would also like to express our gratitude to the Government of Turkmenistan for making such elaborate arrangements to host this meeting with a profound touch of traditional Turkmen hospitality.

2. As this is my fourth and last annual report to the Council of Ministers, I wish to place on record my deep gratitude to all members of this esteemed Council for the support and understanding that they and their Governments extended to me in the performance of my responsibilities over the past four years. This has been a period of transition and transformation. In this process, I have done my utmost to infuse a new spirit and a new dynamism in our Organization. To what extent I acquitted myself to the satisfaction of the member Governments, only time will tell but what I wish to tell the distinguished members of this Council today is that without your wise counsel and encouragement I would not have been able to put ECO on the international centre-stage where it is today recognized and treated as a major inter-governmental Organization devoted to the socio-economic well-being of an important region. I now hope and pray that ECO will continue to consolidate itself as an effective instrument of regional cooperation in our part of the world.

3. During the year under review, 27 activities took place against 39 planned. Some of these activities have certainly taken us a step- forward in promoting regional cooperation amongst our ten countries under the auspices of ECO. A detailed resume of all ECO activities during the past year has been thoroughly discussed by the Regional Planning Council which met in Tehran in March and whose report will be one of the items of agenda of this Council. I would wish to dwell upon only those activities of our Organization which in my view merit special attention of this Council.

#### Follow-up of the decisions taken at the 3rd ECO Summit meeting

4. The honourable Ministers would recall that on the eve of ,the 3rd ECO Summit meeting in Islamabad, documents pertaining to six ECO Institutions and two regional

Agreements were signed. These included: ECO Trade & Development Bank, ECO Reinsurance Company, ECO Shipping Company, ECO Air, ECO Cultural Institute and ECO Science Foundation. The two Agreements were: ECO Transit Trade Agreement and Agreement on the Simplification of Visa Procedures for the Businessmen of ECO countries.

5. Needless to emphasize that the foremost requirement at this stage is for the Member Governments to expeditiously approve and wherever applicable ratify, the documents pertaining to these institutions and the two regional agreements. It goes without saying that only after this first step, can these institutions and projects be established and the agreements put into effect. An Interim Committee established under the agreement on ECO Trade & Development Bank has been meeting to prepare for the establishment of the Bank and the Reinsurance Company. The Reinsurance Pool has since shifted to Karachi with effect from 1st January this year and the Constitution of the Reinsurance Company has been revised in pursuance of the MOU signed on the establishment of the ECO Reinsurance Company. The signatory parties are now required to complete all necessary arrangements including finalization of the draft Constitution which Pakistan, for the sake of uniformity with other ECO institutions, proposes to re-title as "Articles of Agreement of the Reinsurance Company" for simultaneous establishment of the Bank and the Reinsurance Company. I would strongly recommend that the esteemed Ministers of the signatory Member States may take charge of this matter lest it gets bogged down with bureaucratic red-tapism or technocratic obstructionism.

6. You will be pleased to know that the ECO Shipping Company has been launched on 9th March, 1996 in an impressive ceremony at Bandar Abbas after expeditious completion of pre-launching formalities by the Iranian authorities for which they certainly need to be commended. Likewise, for the establishment of the ECO Air, necessary formalities are being completed with utmost priority by the host Government in consultation with the shareholders.

7. For ECO Science Foundation, the Government of Pakistan, and for ECO Cultural Institute, the Government of Iran need to play a leading role to help early establishment of these institutions. For the ECO Transit Trade Agreement and the Visa Agreement to enter into force, the signatory Member Governments need to expeditiously ratify these agreements.

8. All ECO Member Governments are not signatory to all of these regional institutions. However, the ECO spirit demands that all ECO members including those who are not signatory to some of these institutions should facilitate the smooth and efficient operation of these ECO institutions by providing requisite assistance and cooperation in terms of preferential or at least equitable operational facilities. These projects, irrespective of their scope or dimension, will be beneficial to the entire region.

Transport & Communications:

9. Transport and Communications sector remains on top of the agenda of ECO in accordance with the priorities established by our Organization. Our main priorities in this sector have been determined in the Almaty Outline Plan of 1993. To review the implementation of Almaty Outline Plan, a high-level expert Group met in July 1995. However, the Group did not specifically address itself to the core issues spelled out in its mandate. The RPC has now recommended that the Committee on Transport & Communications should itself assume the mandate of the Group for the implementation of the Almaty Outline Plan and at its next meeting may explore the possibility of a sectoral ministerial meeting in the field of transport for a high-level review of progress and reiteration of commitment to early implementation of the projects envisaged in the Almaty Outline Plan.

10. The RPC has further directed the Committee on Transport to prepare a realistic and techno-economically viable strategy for the implementation of the agreed projects, to the extent possible, through their inclusion in the national development plans of the concerned Member States or in cases of large-scale projects, through external financing in the form of credits or consortium funding by international financing and credit institutions.

11 One of the proposals under consideration in this sector which is worth mentioning is the preparation of a map of ECO road network. There is another proposal to carry out a study on the multimodal transport with a view to making a comprehensive trade and transport regulatory framework for an efficient regime on multimodal transport in the ECO region. For this, we have co-opted the cooperation of IDB, ESCAP and UNCTAD which are currently examining the project proposal.

*Excellencies,*

12. Three experts provided by the IDB for feasibility study in the fields of road, railways and multimodal transport and communications have since completed their work. Their basic job was to study the potential of each ECO Member State in these fields and identify the complementarities and the areas where regional cooperation in these fields would be most effective. Their reports would now constitute an important reference material for the work of Committee on Transport. Another important development that took place last year was that the proposed ECO Fibre Optic System (ECOFOS) is now a part of Trans.-Asian European Fibre Optic System (TAEFOS) to which Afghanistan and Pakistan would also be linked. ECO was granted an observer status in TAEFOS which held its last meeting in Tehran.

13. The completion of Tejen-Seraks railway line marks an important step forward for the development of this region. For the first time, we can now have an uninterrupted flow of goods through railways from Central Asia to Iran and the rest of the world. On this remarkable achievement, the Governments of Islamic Republic of Iran and Turkmenistan deserve our whole-hearted felicitations. While we have every right to take joyful pride, I wish to submit that at the same time we must take steps to exploit the full potential of this vital link by instituting such procedures at border crossings which are

efficient and smooth enough to facilitate the flow of goods. Any lack of home work on this front can deprive us of the full benefits of this golden opportunity

14. No doubt, similar priority attention needs to be given to other vital road and railway links envisaged in the Almaty Outline Plan in order to provide access to the sea ports in the Indian Ocean for the Central Asian Republics. The full trade potential of our region will be harnessed only when the remaining road and railway links are completed, especially those linking the Central Asian Republics with the ports of Karachi and Gawadar in Pakistan through Afghanistan.

#### Trade:

15. Trade, rightly regarded as the engine of economic growth, figures prominently in all policy documents of ECO. The two agreements signed on the eve of the 3rd ECO Summit meeting would certainly facilitate promotion of intra-regional trade amongst ECO Member States. The signatory Member States should, therefore, expedite their ratification of these agreements. Already a great deal of transit trade is finding its way through the territories of Iran and also partly Afghanistan and Pakistan. With the ratification of these agreements, the on-going commercial transactions and transit trade can be established on sustainable basis through institutionalized procedures.

16. The implementation of ECO Protocol on Preferential Tariffs does not appear to be moving at a satisfactory pace. At the global level also, the system of preferential tariffs is losing its applicability particularly in the wake of several important developments, such as completion of Uruguay Round of Multilateral Trade Negotiations (MTNs) and the evolution of World Trade Organization (WTO). There is now a greater trend towards regional free trade areas as manifested in the emergence of NAFTA and AFTA representing two important economic blocs in the world. ECO region also needs to determine whether its intra-regional trade can be promoted through a gradual free trade area regime. During the 3rd ECO Summit meeting, the leaders had particularly desired that we should carry out an evaluation of the implications of Uruguay Round of MTNs and WTO for the ECO region.

17. The RPC having noted the outcome of the work of the ECO's Committee on Preferential Tariffs and my own submission in this regard has agreed that a comprehensive study be undertaken to suggest measures for promotion of intra-regional trade taking into account the present tri-partite arrangement on protocol on preferential tariffs, the global trend of forming free trade areas, impact of Turkey's participation in EU Customs Union and inconsistencies among the foreign trade regimes of the Member States as well as the implications of Uruguay Round agreements. Accordingly, an inter-governmental activity has been included in ECO's annual programme of work for this year to undertake this important assignment.

18. The RPC has emphasized the need for strengthening at the same time ECO's existing regional trade arrangements i.e. the Protocol on Preferential Tariffs by enhancing its scope and applicability in terms of accession of other Member states to it,

further negotiations in tariff reduction from current rate of 10%, elimination of non-tariff barriers and a realistic appraisal of agreed list of commodities being traded under this protocol taking into account other international obligations of the Member States. These lists of commodities are to be finalized in the next meeting of the Preferential Tariffs Committee.

19. I further wish to inform this Council that ECO and ASEAN have jointly requested the UN ESCAP to undertake a study on promoting trade and investment between ECO and ASEAN regions taking into account ASEAN experience of establishing the ASEAN Free Trade Area and ECO's experience of limited preferential tariffs. This study, which is likely to be completed soon, shall be submitted to the Member Governments as and when received

#### Other Fields of Cooperation:

20. During the year under review, several useful economic activities took place. In pursuance of a directive of the leaders issued on the eve of the 3rd ECO Summit meeting, the first exhibition of ECO products was held in Tehran immediately following the Tehran International Trade Fair. The event was quite successful and certainly inspires us to move further in this direction. ECO Chamber of Commerce and Industry held its general assembly in Tehran last August to promote interaction and dialogue of the private sector and business communities of ECO countries. Senior officials and experts of Member States met in Istanbul last September for a Seminar on Privatization which was co-sponsored by IDB. The Seminar focused on problems and issues pertaining to the process of privatization in the Central Asian Republics and Azerbaijan with a view to creating a better understanding for the participants of the objectives of privatization and of the reforms needed to support the privatization process. These and several other events have contributed to the inventory of ECO's focused and action-oriented events.

21. In its last session in Ashgabat in January 1995, the Council had approved an ECO Plan on Drug Control. Basic steps are now being initiated to implement the Plan. The Experts Group which met in Tehran in November 1995 recommended that ECO Plan on Drug Control be implemented through a Drug Control Coordination Unit to be established within the ECO Secretariat. On the basis of my perceptions of our Organization, I have found it difficult to support this proposal. ECO is purely an economic organization and if we create a high-profile drug control coordination unit as part of its Secretariat, it is bound to divert the thrust of our Organization and adversely affect its economic credentials which we have built up with so much of effort over the past four years. In any case, the overall structure of the ECO Secretariat has been reviewed for re-organization by a high-level Eminent Persons Group and an appropriate provision has already been made in the proposed new structure for an overall coordination wing in the Secretariat which will encompass all the areas of ECO's work including regional drug control activities and coordination with international organizations. I had recommended to the RPC that it was neither advisable nor feasible to establish an exclusive coordination unit in the ECO Secretariat devoted to one area

of activity alone which is not even economic in nature. If ECO has to flourish as a major regional economic cooperation organization, we have to guard and protect its economic image and credentials and not allow it to be reduced into a predominantly narcotics control agency. The Regional Planning Council having taken note of the deliberations of the meeting, left the size and level of the drug control unit to be decided by the Council of Ministers in line with the overall re-organization of ECO being considered by EPG. The Council may, therefore, agree to the drug control coordination to remain a part of the overall "Coordination Mechanism" of the Secretariat as proposed by the Eminent Persons Group.

22. As for seeking international assistance to implement this plan, there have been two developments -- first was a proposal by the European Commission to extend their assistance which involved placement in the Unit, and thereby in the Secretariat, of a Technical Adviser from the EU. On this matter, I had taken the liberty of addressing a communication to the esteemed members of this Council and have since received replies from some Foreign Ministers most of whom supported me. Of course, I would be guided by this Council about the direction in which ECO has to move in today's dramatically changed world where economic dynamics, more than any other, are propelling the process of regional growth and prosperity. The other development has been a one-year project outline being prepared by the United Nations Drug Control Programme (UNDCP) involving their technical assistance in the development of a regional mechanism for the implementation of ECO's Plan on Drug Control. We had been in touch with the UNDCP and the operative parts of this project outline received by the Secretariat for preliminary review have since been circulated to the Member Governments for information and comments. In light of the views of the Member States, we would request the UNDCP to finalize the project and to send us a formal offer on the subject for consideration.

23. With UNFPA, we have had a successful round of three joint events during the year under review. The first was a Conference on Women's Status and Health held in Tehran in August 1995 which reviewed the role and status of women in the ECO region, identified areas of common concern and took a coordinated position for consideration at the Fourth World Conference on Women. The second was a Conference on Reproductive Health and Family Planning held in Islamabad in April which underlined the right of all individuals to complete physical, mental and social well-being in all matters relating to reproductive system and to its functions and processes. The third joint activity was a Conference in Almaty again in April on a broader agenda of population and development in the form of a review of the implementation status of the Programme of Action of International Conference on population and Development.

#### Annual Economic Report:

24. Under the provisions of the Treaty of Izmir, ECO should have every year an annual economic report analyzing the economic trends of the region. This is a mandated responsibility given to RPC. To facilitate RPC's task, the Secretariat developed a format containing information available from international sources. The

RPC requested the Member States to provide updated information and data for inclusion in this economic report. The need for having such an economic report on an annual basis for use by economists, researchers and policy makers can hardly be over-emphasized. May I request the Member Governments through this esteemed Council to extend their full cooperation by providing updated information and data on their respective countries.

#### Annual Programme of Work and Calendar of Events:

25. During the year under review, 27 events were held including 4 additional activities. However, several events had to be postponed, rescheduled or canceled for the want of quorum or lack of timely confirmation for participation or inability of the host Government to hold the event. This year, in line with the directive of the Council of Ministers, an attempt has been made to keep the number of meetings as minimum as possible and make the calendar of ECO events more realistic and project-oriented. At the same time, we have attempted to evolve a system which can ensure a continuous follow-up at the ECO Secretariat, the expeditious implementation of ECO's approved programmes and projects and preparation by the Secretariat of substantive and well-considered working papers. Keeping all this in view, the RPC has finalized the "Annual Programme of Work and Calendar of Events for 1996-97" which proposes 14 meetings to be held in the Member States, 13 meetings in the Secretariat including meetings of all Technical Committees on no hospitality basis and activities to be pursued at the Secretariat in consultation with the Member Governments through their representatives based in Tehran. These 49 activities are strictly follow-up activities and are not subject to the rules of procedure of ECO. Maintaining such a close liaison with the Member Governments would not only keep the member Governments regularly informed of the progress of implementation of ECO's programmes but also facilitate the work of the Secretariat in the preparation of various drafts, working papers, reports etc.

26. The hon'ble Ministers would kindly recall that this subject was also discussed in their Informal Meeting in New York in September last year. It was only after a very encouraging response from the Ministers that we have been able to come up with this new approach containing a slight departure from our regular pattern of formulating calendar of events. The new approach essentially aims at streamlining continuous follow-up of ECO's programmes and activities at the Secretariat with continual involvement of the Member States through their Missions in Tehran. This also takes into account the directives of the Council of Ministers to keep the number of ECO meetings as minimum as possible and to use the Secretariat as a regular venue of all ECO meetings except those which a Member Government volunteers to host. I assure you, Excellencies, that this consolidated Programme of Work and Calendar of Events would facilitate a healthy change from a meeting-oriented to a project-oriented approach in our work at different levels of ECO meetings.

#### Relations with International Organizations:

27. During the past one year we continued to build our image as an important regional organization capable of interacting with other international organizations in a meaningful manner for mutual benefit. ECO has already acquired observer status with the United Nations and more. Last year it secured further prominence when the General Assembly at its 50th session adopted unanimously a resolution on "ECO-UN Cooperation". I was also privileged to represent our Organization at the 50th anniversary commemorative session of the UN General Assembly. ECO is now the focus of interest among major UN agencies which are offering to sponsor important projects and activities for the benefit of our region. These include UN ESCAP, UNICEF, UNFPA, UNDP, UNDCP, UNESCO and UNIDO with whom MOUs on mutual cooperation have already been signed

28. Our collaboration with the UN agencies covers concrete areas. UNDP for instance had earlier provided us the services of a Consultant who prepared a study on the re-organizational aspects of ECO. This study was an important reference material for the Eminent Persons Group (EPG) on enhancing the effectiveness of ECO. The UNDP has now offered to carry out a comprehensive study of the economies of ECO countries which would be made available to us shortly. With ESCAP's help, we organized a Seminar in Tehran on international transport conventions and are working on a number of other proposals including the finalization of a transit treaty framework for the ECO region in collaboration with the Islamic Development Bank. ESCAP has also offered us to benefit from its regional advisory services in the form of short-term experts on specific subjects. The UN ESCAP is also conducting a study for promotion of trade and investment between ECO and ASEAN regions. The request for such a study was made jointly by ECO and ASEAN following the visit of ASEAN Secretary-General to Tehran in early 1995.

29. With UNICEF, ECO has held four Workshops, one in Ashgabat on IDD, two in Ankara on Breast-feeding and ORT and the fourth in Tashkent on Immunization. We are now in the process of working out a programme for future joint activities. Similarly, our programme of cooperation with UNFPA has begun well with three jointly sponsored events. The first of these namely, a Conference on Women's Status & Health was convened in Tehran in August, the second on Reproductive Health has been held in Islamabad last month and the third on Implementation of ICPD Programme of Action in Almaty again held last month.

30. ECO has also been continuously interacting with OIC to benefit from its economic development programmes particularly through COMCEC. We are also receiving significant support from the IDB in carrying out our activities --the latest being the deputation of three Experts funded by the Bank to carry out pre-feasibility studies in the fields of roads, railway and multimodal transport and telecommunications. IDB is also sponsoring some of ECO activities including a Seminar on Privatization which was held in Istanbul last year.

31. Likewise, our Organization's contacts with the European Union and ASEAN have yielded promising results having identified with both organizations the areas of common



interest. We are now awaiting a response from European Union on our proposal for a comprehensive relationship covering main areas of our interest rather than a limited exclusive cooperative arrangement in the field of drug control. In case of ASEAN, I invited Secretary General Dato' Ajit Singh to Tehran last year and we were able to hold useful exchange of views on ECO-ASEAN cooperation. The Ministers would recall that subsequently we had a very encouraging meeting of ECO-ASEAN Foreign Ministers in New York on the eve of the UN General Assembly session last October. Fresh initiatives are now required to take this process forward.

32. I had mentioned this to the Regional Planning Council and would also wish to submit to this Council that in my view ECO's relationships with international organizations can be best utilized only if we are able to carry out an adequate home work. We must now evolve well-considered and comprehensive project proposals. If we do so, it is not difficult to find sponsors and financial assistance within the framework of institutionalized relationships that we have developed with these organizations during the past four years. I hope that a re-organized and re-structured ECO will have fully operational technical wing in the Secretariat to facilitate preparation of the requisite comprehensive project proposals.

*Excellencies,*

33. You will be pleased to know that ECO is also part of a process , coordinated by UN ESCAP to promote cooperation amongst Asia's Sub-Regional Organizations viz; ASEAN, ECO, ESCAP, SAARC and South Pacific Forum. Two consultative meetings of the executive heads of these organizations have been held in Bangkok and Jakarta with the third to be hosted by me in Tehran in June this year. ECO also figures prominently in the annual meetings of the Crans-Montana Forum which shows the growing interest of the world community in our Organization and its regional cooperation activities.

#### Future Outlook

34. Mr. Chairman, as we are all aware, ECO, in the past four years, has comprehensively defined its long-term perspectives and sectoral priorities in the form of the Quetta Plan of Action, the Istanbul Declaration and the Almaty Outline Plan. These documents represent a blueprint of our overall socio-economic development strategy. With the process of planning now well in its place, we are poised to move towards the phase of implementation of our shared goals. The first few steps taken in this direction were manifested in the agreements and basic documents signed on the occasion of the Islamabad Summit last year. We now need to follow- up on this process not only by expediting the establishment of the envisaged projects and regional arrangements but also by evolving realistic programmes and projects for our future regional cooperation. Excellencies, I am sure, you will agree that we need to focus our efforts only on those areas, programmes and projects which are absolutely essential in terms of their urgency, pragmatic in terms of their feasibility and productive in terms of their capacity to deliver. We have had enough planning. Now is the time for consolidation rather than proliferation of proposals or projects. We need to remove our organizational and

operational deficiencies by professionalization of the Secretariat, rationalization of our priorities, maximization of political commitment to regionalism and greater availability of requisite resources.

#### Re-organization and Re-structuring of ECO:

35. In this connection, I am pleased to report that in pursuance of your decision last year, the Eminent Persons Group has completed its task and submitted its Final Report with related 11-documents for consideration of the Council of Ministers. These documents include a revised version of the Treaty of Izmir and other regulatory, organizational and functional frameworks as well as a new more focused Economic Cooperation Strategy. The EPG's recommendations as modified by the member Governments on the basis of their legal and technical vetting will be placed before this august Council for approval in an extraordinary session immediately after this regular meeting. With the adoption and signing of these documents and implementation of the revised operational and organizational systems, ECO should be able to meet the challenges of today's dramatically changed world.

36. I as Secretary General of ECO, feel deeply privileged to have been associated with this important exercise of re-organization and re-structuring of ECO. I have tried to render full assistance for the successful completion of this process. I have personally participated in all EPG meetings, provided them background information in the form of voluminous documents and also prepared the basic drafts of all documents that were considered by them. I am happy that the Group has very generously acknowledged my contribution and that of my staff in very kind words as given in the Final Report of EPG, for which I am grateful to them.

37. Finally, I once again thank all esteemed members of this Council for their support and cooperation extended to me throughout my tenure as the Secretary General. I have learnt a great deal from all of you and will always cherish my association with this Organization, to whose goals and objectives I shall always remain committed and for whose bright future I shall always pray.

I thank you, *Excellencies*