



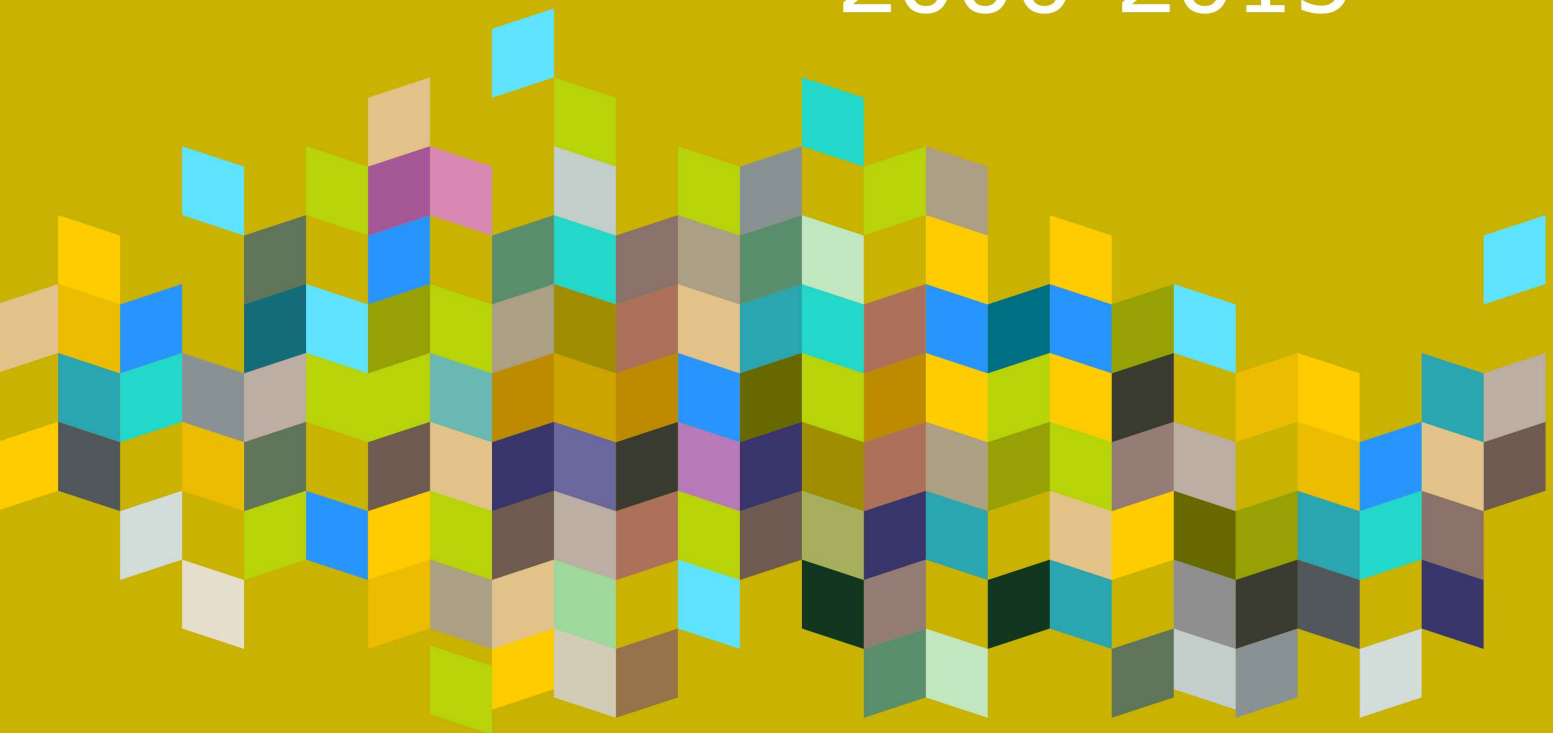
# ECO



Economic Cooperation Organization



## Fifteen Years of Economic Cooperation and Development 2000-2015



ECO Economic Review

February 2017



## **Economic Cooperation Organization: Fifteen Years of Cooperation and Development (2000-2015)**



**ECO Economic Review  
February 2017**

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**"Economic Cooperation Organization: Fifteen Years of Cooperation and Development (2000-2015), ECO Economic Review, February 2017"**

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## Abbreviations/Acronyms

<b>ASEAN</b>	Association of South East Asian Nations
<b>ECO</b>	Economic Cooperation Organization
<b>EDBI</b>	Ease of Doing Business Index
<b>EU</b>	European Union
<b>FDI</b>	Foreign Direct Investment
<b>GCI</b>	Global Competitiveness Index
<b>GDP</b>	Gross Domestic Product
<b>GNI</b>	Gross National Income
<b>HDI</b>	Human Development Index
<b>HDR</b>	Human Development Report
<b>HDV</b>	Human Development Value
<b>HIC</b>	High Income Countries
<b>IMF</b>	International Monetary Fund
<b>ITC</b>	International Trade Centre
<b>LCU</b>	Local Currency Unit
<b>LIC</b>	Low Income Countries
<b>MERCOSUR</b>	Common Market of South American Countries
<b>MIC</b>	Medium Income Countries
<b>MS</b>	Member State
<b>PPP</b>	Purchasing Power Parity
<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNDP</b>	United Nations Development Program
<b>WB</b>	World Bank
<b>WEF</b>	World Economic Forum
<b>WLD</b>	World

**Country Abbreviations**

<b>AFG</b>	Islamic Republic of Afghanistan
<b>AZE</b>	Republic of Azerbaijan
<b>IRN</b>	Islamic Republic of Iran
<b>KZK</b>	Republic of Kazakhstan
<b>KGZ</b>	Kyrgyz Republic
<b>PAK</b>	Islamic Republic of Pakistan
<b>TJK</b>	Republic of Tajikistan
<b>TUR</b>	Republic of Turkey
<b>TKM</b>	Turkmenistan
<b>UZB</b>	Republic of Uzbekistan

## Foreword

It is a great pleasure to launch this document titled “Economic Cooperation Organization: Fifteen Years of Cooperation and Development (2000-2015), Economic Review 2017” along with Annual Economic Report 2015 which is the flagship publication of the organization. The Review contains macro-economic performance of the ten member states and the ECO region for the period 2000-2015. The publication has special significance as it is the first ever document in the organization’s annals detailing performance and progress through economic review covering fifteen years period of collaboration of the member states to achieve its primary goals. Its importance further enhances due to the fact that the ECO is finalizing the ten years ‘ECO Vision 2025’ to set the goals and devise the ways to achieve its core objectives for ten years. The forthcoming 13<sup>th</sup> ECO Summit Meeting has further added to its meaningfulness to help Head of the States, make the informed decisions on the basis of present realities and performance made in last fifteen years.



The over-arching result of the Review is that the region has made significant advances in combined GDP by attaining about US\$2 trillion in 2015 from US\$ 1 trillion in 2000 by exhibiting substantial real growth rate of 4.49 per cent per annum. The performance is commendable in relation to the world’s average of 2.78 per cent per annum during this period. On account of per capita income, the region has advanced by 2.61 percent which is appreciative considering the population increase of the region by 1.8 per cent per annum. Performance is notable to the increase in the total trade and FDI inflows to the region which edged up by 9.54 percent 17.84 percent respectively, accelerating the economic activity in the region. As a result of this performance, the region increased its share in the world GDP from 2.06 percent in 2000 to 2.63 percent in 2015 along with region’s trade share to the total world trade increasing to 2.10 percent in 2015 compared with 1.41 percent in 2000. However, the paths of individual countries were marked by fluctuations and ‘diverse trends and patterns’, resulting in sectoral changes in the economies. All these developments need to be evaluated considering the fact that the Region faced economic and political challenges during the reference period.

ECO region has recorded decent progress in popular international indices as well; in Ease of Doing Business Index which is prepared and reported on annual basis, seven of the ten ECO member countries have improved their positions substantially. Global Competitiveness Index (GCI), which gives an assessment of competitiveness of the countries, five out of seven ECO economies have increased their competitiveness (GCI index reported on seven out of ten ECO Countries). A comparison of ECO with the two multilateral organization of the region; ASEAN and SAARC over the period 2000-2015 also yields a good performance report card for ECO. All these developments are a good news for the member countries as well as the region, nonetheless, further improvements in strengthening economies through diversification and decreasing dependence on resource sector, policies for absorption of labor in industry and service sectors can help in strengthening the economies and to make them resistant from economic fluctuations.

It needs to be underlined that to prepare such a review was a challenging task due to the fact that the member states have wide differences in terms of sizes of the economies and their structures leading to distinct trends and patterns of the economic indicators discussed in the document. The other challenge was dearth of key economic data. The review made in the document may be further improved with availability of more data on other vital socio-economic indicators and at advanced level. It is imperative to reiterate that future performance of the region tremendously depends upon the macroeconomic stability and certainty at global level, Region’s interaction with the world economy and, ‘strong inter-regional economic collaboration and partnership’. Last but not the least increased intra-regional cooperation among the member states in priority areas of cooperation will be mutually beneficial for social-economic sustainable development and prosperity of the member countries. Finally, support of the Member States is profoundly appreciated as without their cooperation, publication of this document would not have been possible.

**Ambassador Halil Ibrahim Akca**  
**Secretary General**



## Acknowledgments

ECO Annual Economic Report is the flagship publication of the ECO and the same is prepared/ compiled by the Secretariat on the basis of contribution of the member states in the form of country reports on economic performance along with supportive set of national data on socio-economic indicators by National Statistical Offices or Ministries of Finance of the member states. Due to special significance of upcoming Summit Meeting in Pakistan and ECO Vision 2025 under preparation, the ECO Secretariat decided to launch the document reviewing the economic performance of the region in the expanded period 2000-2015 and region's achievements through cooperation amongst the member states. Accordingly, "Economic Cooperation Organization: Fifteen Years of Cooperation and Development (2000-2015), Economic Review 2017" along with Annual Economic Report 2015 has been prepared which is the premier publication of the organization.

The Review contains macro-economic performance of the ECO region and its ten member states for the reference period. The Review has two main parts; the first part one analyzes economic performance of fifteen years on the basis of secondary data of selected vital economic variables which explain the developments and advances made by the organization and member states. Apart from standard variables, three additional indicators have been added to the analysis; factor of oil prices, exchange rate and dependence on natural resources due to particular importance for the resource rich- region. The progress of member states in some international indices has been added to complement the analysis. Recognizing the fact that the regionalism has gained prominence in recent times, comparison of the ECO region has been made with other comparable economic blocs to assess the ECO performance vis-a-vis these blocs for benchmarking and contextualization. Part two of the Review encompasses Annual Economic Report 2015 to examine the region's performance with regard to the previous year i.e. 2014 which is regular publication of the organization without Country Reports 2015 which are in process of sharing by the member states.

Data from reliable international sources like the World Bank Group, UN system such as UNCTAD, etc has been used for analyzing macro-economic performance of the region and the member states. In some cases where requisite data was not available, latest available data has been utilized to complete the picture. For popular global Indices, data has been extracted from international organizations like WB, UNDP, WEF, etc. Profound acknowledgement is due to the World Bank for making data available on its website. Besides, Country Reports of the World Bank Group, International Monetary Fund (IMF), websites of ASEAN and SAARC etc have been consulted to avoid any major variation in reporting the value of economic indicators /statistics and make report accurate to the extent possible. Details have been provided in a separate note on data available in the concluding part of the document along with definitions of economic indicators.

Special gratitude is due to Mr. Muhammad Safdar, Research Officer, who in addition to his own responsibilities in the Directorate of Trade and Investment accepted the challenging task and worked relentlessly not only to complete this flagship publication, specially as this report entailed detailed analysis for an extended 15 years period and thus required special dedication. He has made efforts to add value to it through his ingenuity and analytical skills. It is needless to say that without him this publication would not have been possible. Lastly, it would be fair to also acknowledge Mr. Akim Urmantayev, Director PERS who was always available for his generous support and advice and creating conducive atmosphere in the Directorate to complete this task. While preparing this document, discussions with Mr. Memduh Unal, Director (AIT) have been invaluable, beneficial and rewarding.

In the end, we deeply appreciate ECO member states for their continuous cooperation in furtherance of goals of the organization, their active participation, valuable contributions in ECO activities and commitment to advance the objectives enshrined in the principal document of the organization. This report is available on the ECO webpage ([www.eco.int](http://www.eco.int)). Inquiries about the content of the publication may be forwarded to the Directorate for Projects, Economic Research and Statistics at the following electronic address: [Director.PERS@eco.int](mailto:Director.PERS@eco.int).

**Ahsan Ali Mangi**  
**Deputy Secretary General**





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**Economic Cooperation Organization (ECO)-Key Statistics  
(A Comparison: 2000 and 2015)**

Indicator	2000	2015	Remarks
<b>About Organization</b>			
Member States (Number)	10	10	-
Area (million km <sup>2</sup> )	8 (approx.)	8 (approx.)	-
Population (millions)	350	458	1.8 percent per annum (p.a.)
• Share in World Area (%)			
• Share in World Population (%)	5.73	6.23	0.50 per cent increase in share
• Share in World GDP (%)	2.06	2.63	0.57 per cent increase in share
• Share in World Trade(%)	1.41	2.10	0.69 percent gain
<b>Economic Indicators</b>			
<b>GDP</b>			
• Current US\$ (Nominal), million	495,033	1,795,266	8.97 percent increase p.a.
• (Constant 2010 US\$)	1,018,710	1,968,910	4.49 per cent increase p.a.
• ( PPP Int. US\$)	2,401,581	4,604,084	4.43 per cent increase p.a.
<b>GDP per Capita</b>			
• Current US\$ (Nominal)	1,414	3,924	7.04 percent increase p.a.
• (Constant 2010 US\$)	2,909	4,303	2.61 percent increase p.a.
• ( PPP Int. US\$)	6,858	10,117	2.99 per cent increase p.a.
<b>Sectoral Shares in GDP (%)</b>			
• Agriculture	13.92	11.47	2.45 per cent decrease
• Industry	32.49	30.22	2.28 percent decrease
• Services	53.58	58.31	4.73 per cent increase
<b>External Sector (US\$, million)</b>			
• Exports	82,849	319,343	9.41 per cent growth p.a.
• Imports	92,365	368,345	9.66 percent growth p.a.
Total Trade (TT)	175,214	687,688	9.54 percent growth p.a.
Balance of Trade (BOT)	-9,516	-49,003	-
Foreign Direct Investment (Million US\$)	3,211	37,680	Peak inflows noted in 2008 amounting US\$ 50,861 million
<b>Rent of total Natural Resources (as % of GDP)*</b>			
• Azerbaijan	55.16	28.68	48 per cent decrease
• Iran	38.46	29.76	23 per cent decrease
• Kazakhstan	44.75	27.48	39 per cent decrease
• Turkmenistan	41.40	20.56	50 per cent decrease
• Uzbekistan	50.82	13.71	73 per cent decrease
Global Oil Prices (US\$/barrel)	27.06	49.49	Peak oil price US\$109.45/ barrel noted in 2012

Note: \* For Afghanistan earliest available data is for 2002, used for 2000. Latest available for Iran is for 2014 used as a proxy for 2015 and for Turkmenistan data on sectoral share is not available for 2015, hence previous years data has been used in its place

\*\* Sectoral share latest data available on this indicator is for 2014

Source: World Bank, UNCTAD/ITC for trade



<b>About Member States</b>				
<b>Member State</b>	<b>Income Group Classification<sup>1</sup></b>	<b>Share in ECO Real GDP in 2015</b>	<b>Human Development Index (HDI) Classification</b>	<b>WTO Membership</b>
<b>Afghanistan</b>	Low Income	1.02	Low	Yes
<b>Azerbaijan</b>	Upper Middle Income	3.00	High	No
<b>Iran</b>	Upper Middle Income	23.96	High	No
<b>Kazakhstan</b>	Upper Middle Income	9.46	High	Yes
<b>Kyrgyz Republic</b>	Lower Middle Income	0.31	Medium	Yes
<b>Pakistan</b>	Lower Middle Income	10.97	Low	Yes
<b>Tajikistan</b>	Lower Middle Income	0.40	Medium	Yes
<b>Turkey</b>	Upper Middle Income	46.04	High	Yes
<b>Turkmenistan</b>	Upper Middle Income	1.89	Medium	No
<b>Uzbekistan</b>	Lower Middle Income	2.95	Medium	No
<ul style="list-style-type: none"> <li>• Five member states belong to Upper Middle Income group, four Lower Middle Income Group whereas one country in the ECO region is lower Income Group.</li> <li>• Four Member States have high HDI, Four Medium HDI and two Low HDI</li> <li>• Six Member States have completed WTO membership.</li> </ul>				
<b>General Characteristics of the ECO Region</b>				
<ul style="list-style-type: none"> <li>• The Region is natural resource rich especially in oil, gas and minerals.</li> <li>• Good industrial base of textile, petro-chemical, household appliances, automobile, etc.</li> <li>• Better Human Resource Development and moving towards knowledge based economies</li> <li>• Geographically contiguous bloc as ECO Member States are a natural link between Asia and Europe through South Asian, Central Asian and Western Asian Member States</li> <li>• Member states have strong historical and cultural linkages and are a part of old Silk Route; revival thereof can enhance trade and economic activity among member states</li> </ul>				

Note: Average growth rate has been calculated over the period by using Compound Annual Growth Rate (CAGR) formula =  $[(Y_n/Y_o)^{(1/n)} - 1] * 100$ , where  $Y_n$ : Last year value,  $Y_o$ : First year value,  $n$ : number of Years.

<sup>1 1</sup> As per World Bank classification, as of 1 July 2016, low-income economies are defined as those with a GNI per capita, calculated using the [World Bank Atlas method](#), of \$1,025 or less in 2015; lower middle-income economies are those with a GNI per capita between \$1,026 and \$4,035; upper middle-income economies are those with a GNI per capita between \$4,036 and \$12,475; high-income economies are those with a GNI per capita of \$12,476 or more. (<http://blogs.worldbank.org/opendata/new-country-classifications-2016>)

## Introduction

The ECO Region has achieved significant progress since 2000 as the combined real GDP almost doubled in 2015 with US\$ 1.97 trillion, posting 4.49 per cent per annum growth over 2000 while the per capita GDP of the region increased from US\$2,909 to US\$4,303 in 2015 reflecting 2.61 per cent growth per annum, all this is a commendable achievement and show of resilience of the ECO region economies in the wake of challenges of global economic slowdown in post-2008 period, tumbling oil prices in global markets and global market uncertainties due to economic slowdown in major world economies including EU and China as well as increasingly serious security situation in the areas surrounding the region.

During this period, the region's share in world GDP increased from 2.06 per cent to 2.63 against region's population share of 5.73 to 6.23 percent. Likewise, ECO region's share in world trade edged up to 2.10 percent in 2015 compared with 1.14 in 2000. The regional economic architecture has undergone major change and the growth paths of individual economies have not been even as manifested from various economic indicators, its trend and patterns stemming from global influences and regional-cum national factors. Thus, the region exhibited mixed performance during this period. Highlights of the progress are outlined as under:

- i. The ECO region's average real GDP growth rate 4.49 per cent, exceeded the world average of 2.78 percent in most of the years and followed the similar pattern with an exception in 2012 when sanctions on Iran resulted in huge decline in the economic growth of the country and effected the growth rate of ECO region signifying that the region's economy is synchronized and integrated with the world economy, benefiting from surge in global growth and at the same vulnerable to shocks from it. The healthy growth rates resulted in an increase in the share of ECO GDP to the world GDP reflecting the strength of fundamentals of the ECO economies.
- ii. The growth trajectories of natural resource rich economies were marked by wide fluctuations ( minus 6.61 per cent for Iran in 2012 to envious 34.50 percent for Azerbaijan in 2006) mainly due to heavy dependence on revenues from oil and gas which has seen its peak price (US\$109.49/barrel) in 2012 and dip (US\$49.49/barrel) in 2015. Though there have been striking similarities in growth patterns of natural resource rich economies; however, growth trajectories have unique features. Average growth rate of other economies turned out to be moderate and relatively stable in most of the period.
- iii. By and large, production structure of the region underwent transformation manifesting appreciable expansion in services sector from increasing its hare from 53.58 per cent to 58.31 percent, during the period, thus gaining on other sectors (Agriculture and Industry) of economy, invariably in all economies. Conversely, percentage share of agriculture sector came down by 2.45 per cent (from 13.92 to 11.47 per cent) while industry's share declined by 2.28 per cent (from 32.49 percent to 30.22 per cent). The pronounced change was more pronounced in resource based economies.
- iv. Per capita GDP (real) recorded an average growth of 2.61 percent while per capita GDP PPP terms showed almost the same average of 2.99 percent along with improvement in ranking of some member states particularly resource rich economies.

- v. Population growth rates of the member states have been generally low to moderate, except Afghanistan with 3.40 percent, in the range of 1.10 percent for Kazakhstan to 2.13 per cent for Tajikistan. Population growth rates for Azerbaijan, Iran, and Turkmenistan have been low whereas Pakistan which has 41.29 percent of region's population witnessed 2.10 percent, partially translating growth performance into peoples' lives.
- vi. Though economic growth rates have signs of improvements after the global economic slowdown but high unemployment especially of female labour force persists despite heavy investment inflows and economic activity in the region. Labour force growth rate exceeds population growth rate in all member states. The unemployment rates, coupled with , low labour participation and absorption rates, though differing widely among economies, have not seen any appreciable improvement over the period.
- vii. Inflation rate in general receded in all countries over the reference period, except some deviations especially Iran. Inflation rate in oil importing economies soared till 2012 followed by declining trend. Iran witnessed double digit inflation which is coming down in slow manner.
- viii. Natural resources, human resources, exports, manufacturing and agriculture sectors have been major drivers of economic growth in the region through FDI inflows (from US\$3.2 billion to 37.7 billion, 11 times increase) during the reference period. Most countries have liberalized their foreign direct investment (FDI) regimes and pursued investment-friendly economic policies and provided enabling environment to attract investment which to large extent remained successful. As a result, there have also been turn around in individual economies.
- ix. During 2000-2015, volume of trade expanded from US\$175 billion to US\$688 billion and share in the global trade increased from 1.7 percent to 2.10 percent. Exports rose from US\$83 billion to US\$319 billion while imports registered growth from US\$92 billion to US\$368 billion (both increased almost three times). Trade deficit persisted during 2000-2015 and increased steadily up to US\$49 billion in 2015. Intra regional trade reached 8.7 percent which is low vis-à-vis growth in exports and imports.
- x. The composition of exports as well as imports to the region and to the world and the trading partners has seen little change. The only major change is the increased share of China in the imports and exports of the ECO countries largely replacing the EU, USA, Russia and Japan products. ECO region exports remain dependent on natural resource products, its by-products and agriculture products such as petroleum, gas, coal, minerals etc. and cotton and cereals. In case of imports, the region's major imports include energy as well as vehicles and machinery.
- xi. Intra-regional trade is below the potential at 8.7 percent of the total trade even lower than the peer economic blocs namely ASEAN, NAFTA, etc. This may have emanated from the non-implementation of ECO Trade Agreement (ECOTA) and weak transport and communication linkages among the member states.
- xii. External debt posed at US\$668 billion by 2015, representing an annual increase by 9.80 percent as compared to US\$183 billion in 2000. External debt stock of most of the member states is either low as percentage of national income or within the manageable limits.

- xiii. Three Central Asian economies i.e. Kyrgyz Republic, Tajikistan and Uzbekistan have noticeable dependence on foreign remittances as source of revenues and foreign exchange. Pakistan is also one of the countries which receive substantial remittances, US\$ 20 billion annually, though not substantial in terms of percentage of its GDP.
- xiv. Foreign reserves increased many fold in all economies especially Azerbaijan (17.16 percent per annum), Kazakhstan (18.82 percent per annum), Pakistan (16.27 percent per annum) and Turkey by (10.86 per cent per annum) indicating bright prospects and a climate of optimism. Thus, increase in foreign exchange reserves buffered exchange rate for certain period; remittances registered marked increase whereas the region saw historical heights of FDI impacting positively on all other indicators.
- xv. Economic activity and government revenues in natural resource-rich economies, namely, Azerbaijan, Iran, Kazakhstan, Turkmenistan and Uzbekistan depend substantively on oil, gas and minerals' revenues and therefore remain volatile which is evident from trend of major economic indicators such as economic growth rates, composition of GDP/production structure, FDI inflows, international reserves.
- xvi. ECO region has recorded respectable progress in popular international indices; four member states are in high and medium category each while two member states are in low category. Four countries have improved rankings in the human development index but Human Index Value (HDV) of all member states has increased. Four ECO member states with high HDI have value better than the average of high human development HDI figure of 0.744 at global level whereas eight member states value of HDI stands greater than HDI average value (0.66) of developing countries. Six member states out of 7 (for which ranking is available) have been substantially upgraded by in Global Competitiveness Index (GCI). Seven countries out of nine (for which ranking is available) moved up convincingly in ranking of Ease of Doing Business Index.
- xvii. The region's per capita GDP registered respectable growth compared with other regional economic blocs such as ASEAN and SAARC and remained higher than the peer regional economic groupings throughout the period under reference.

The countries, however, need greater and sustained effort to buffer their economies from dwindling international prices of natural resources especially oil and gas and continue the process of diversification of economies already under way. Regional integration needs to be assigned priority. Still-difficult economic environment in some member states require not losing sight of long term fundamentals for the sake of short term exigencies. There are impressive achievements notwithstanding policy makers in these economies will continue to face number of challenges. Further, the economies are aware of the need for sustained and sustainable development in the region; however, inclusive development in the region will further improve the people's lives.



## **PART ONE**

### **ECO Economic Review 2000-2015**

#### **A. Macro-economic Performance of the ECO Region during 2000-2015**



## A.1 Demographic Profile

Demographic factors play significant role in determining sustainable development of economies as well as regions. The inter-related factors like population size, its growth rate, population structures/pyramid, etc affect economic growth and resultantly living standards of the people. The link between population growth and development is shaped by a host of socio-economic factors. For this reason, economic strategies and rates of population growth need to be in line with economic objectives over the long term and geared to augment human capital formation through favorable conditions to contribute to human development.

"Our population and our use of the finite resources of planet Earth are growing exponentially, along with our technical ability to change the environment for good or ill."  
Stephen Hawking

**Table A.1.1: Population and its Growth Profile of ECO Member States and the Region, 2000-2015**

Member State	(Population in thousands)				Growth Profile in Percentage	
	Year				Population Growth during 2000-2015	Annual Average Growth Rate during 2000-2015
	2000	2005	2010	2015		
Afghanistan	19,702	24,400	27,962	32,527	65.09	3.40
Azerbaijan	8,049	8,392	9,054	9,651	19.91	1.22
Iran	65,850	70,122	74,253	79,109	20.14	1.23
Kazakhstan	14,884	15,147	16,322	17,544	17.88	1.10
Kyrgyz Republic	4,898	5,163	5,448	5,957	21.61	1.31
Pakistan	138,250	153,356	170,044	188,925	36.65	2.10
Tajikistan	6,186	6,806	7,582	8,482	37.11	2.13
Turkey	63,240	67,861	72,310	78,666	24.39	1.47
Turkmenistan	4,501	4,748	5,042	5,374	19.37	1.19
Uzbekistan	24,650	26,167	28,562	31,300	26.97	1.60
<b>ECO Region</b>	350,211	382,161	416,580	457,534	30.65	1.80
<b>Change (%)</b>	-	9.12	9.00	9.83	---	--
<b>World Population</b>	6,115,444	6,513,960	6,923,684	7,346,633	20.13	1.23
<b>ECO Share in World Population (%)</b>	5.73	5.87	6.02	6.23	--	--

Source: Based on the World Bank data

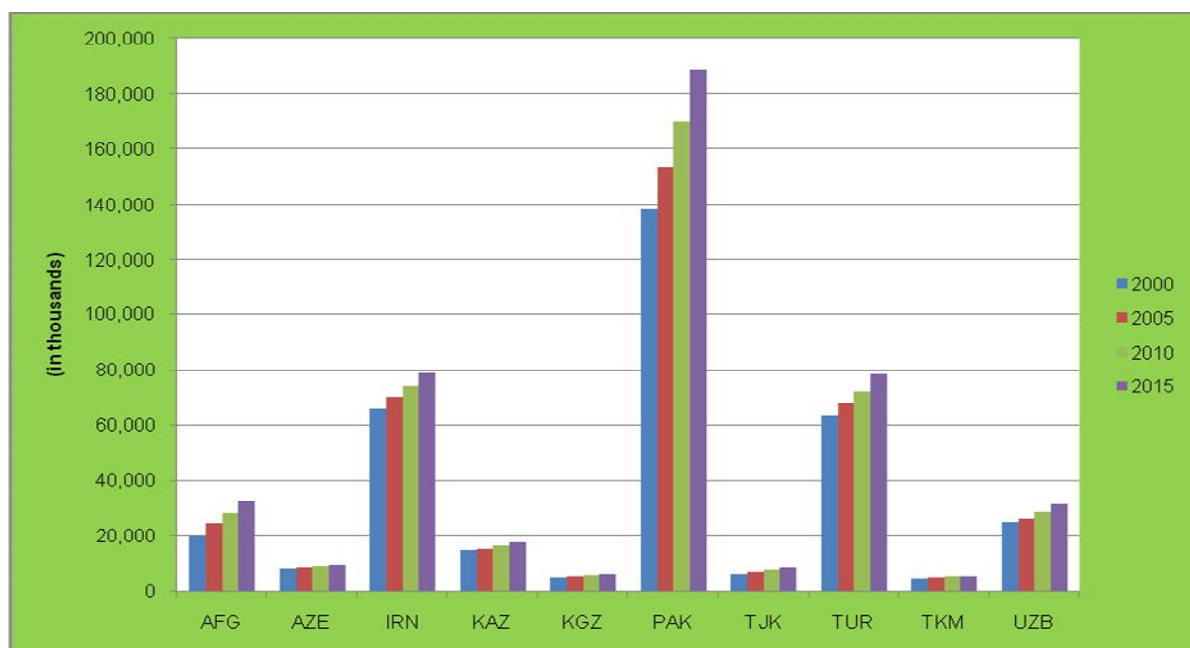
The population of the ECO region during 15 year period (2000-2015) increased from 350 million in 2000 to 458 million in 2015, up by 108 million, indicating 30.65 percent addition in population with an average population growth of 1.80 percent per annum which seems moderate compared with the world average of 1.23 percent; more precisely with 3.38 percent corresponding rate of Low Income Countries (LIC), 1.31 percent of Middle Income Countries (MIC), 0.70 of High Income Countries (HIC).

Furthermore, the population increase during 2000-2005, 2005-2010 and 2010-2015 was noted at 9.12, 9.0 and 9.83 percent respectively implying that the last sub-period 2010-15 was more pronounced in terms of population increase. Accordingly, the share of ECO Region's population in total



world population witnessed an increase from 5.73 percent in 2000 to 6.23 percent in 2015 in a consistent manner without any single drop in share over this period. Inter-temporal comparison shows that the corresponding share in 2000, 2005, 2010 and 2015 have been computed at 5.73, 5.87, 6.02 and 6.23 percent respectively, showing consistent rise of ECO population share in global population.

**Figure A.1.1: Population of ECO Member States, 2000-2015**

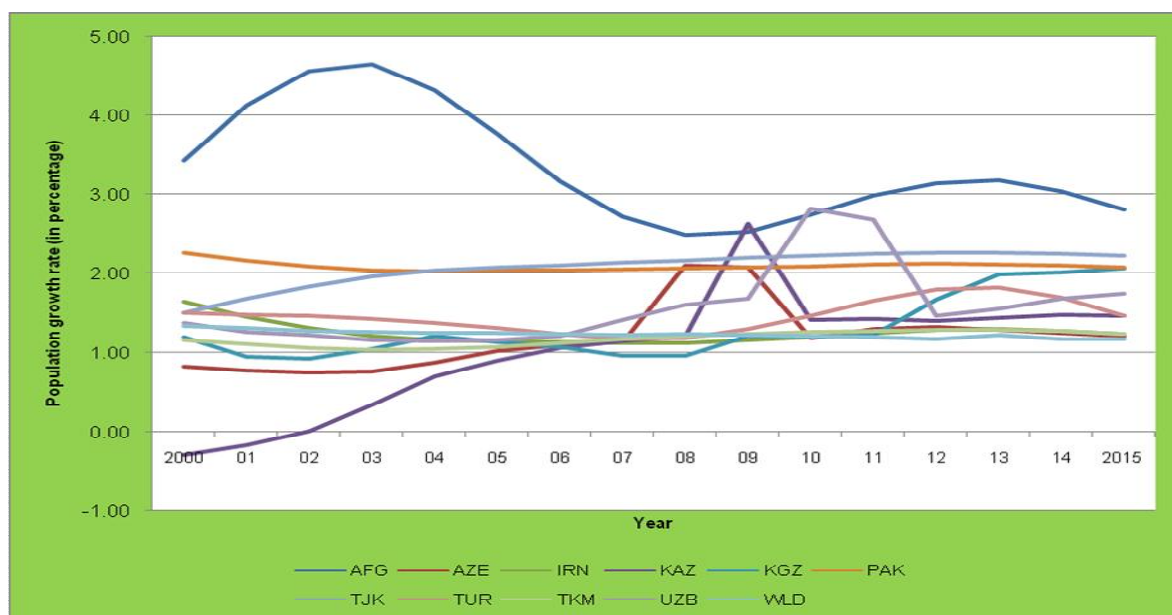


Source: Based on the World Bank data

However, the population growth rates of the member states have shown substantial variation from the lowest rate of 1.10 percent per annum in Kazakhstan to the highest rate of 3.40 percent per annum in Afghanistan which has risen by 65.09 percent during 2000-2015, in substantive part due to return of Afghans living as refugees in neighbouring countries due to improvements in the security situation in the country. Pakistan and Tajikistan also witnessed big increase by over 2 percent per annum, precisely 2.10 and 2.13 percent respectively whereas in rest of seven member states population growth rate remained between 1-2 percent.

**Table A.1.1** and **Figure A.1.1** reflect that there has been marked change in the population profile of Member States from 2000 to 2015 but in terms of percentage shares little variation has been recorded. The upshot is that only three member states Afghanistan, Pakistan and Tajikistan have gained share in region's population in 2015 over 2000 whereas the other member states lost their shares with varying magnitudes. As regards the population size in 2015, Pakistan is the most populous country in the ECO Region with over 188.93 million people and has a share of 41.29 percent in the total population of ECO region. The second highest populous country in the region is Iran with population of 79.11 million and with 17.29 percent share (**Figure A.1.3**).

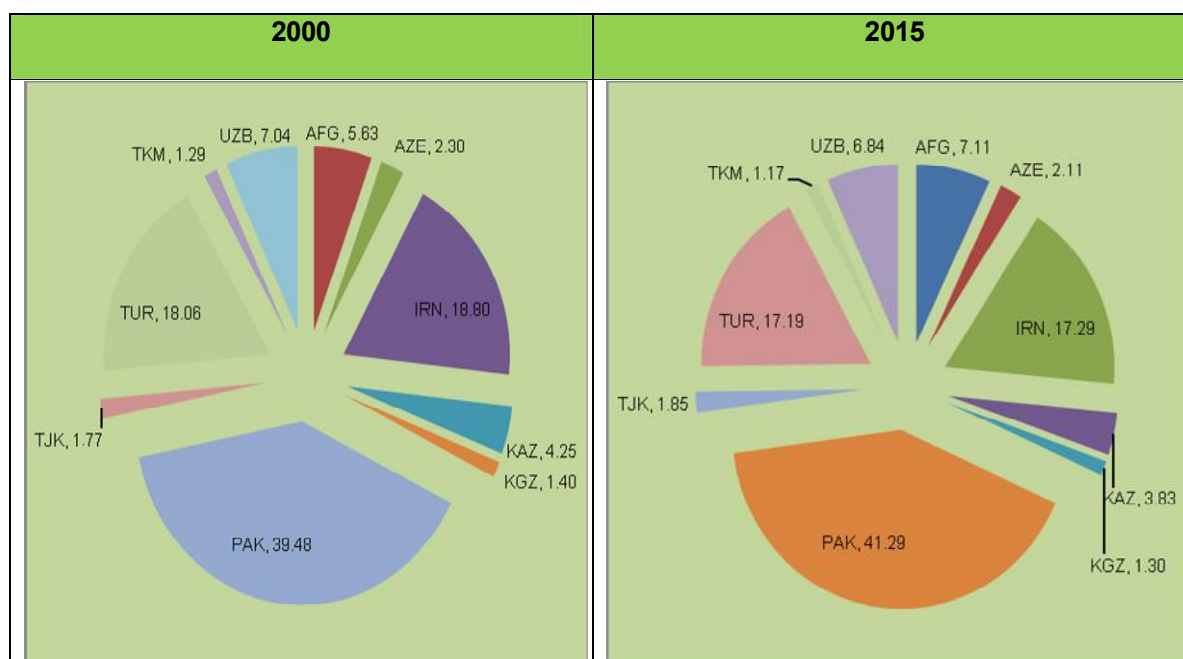
Figure A.1.2: Population Growth Profile of ECO Member States, 2000-2015



Source: Calculations based on the World Bank data

In the same manner, Turkey has 78.67 million of population having share of 17.19 percent of the total population of the Region. These three countries' have an aggregated share of 75.63 percent in total population of the Region in 2015, marginally down from 76.34 percent in 2000. Further to note that these three countries were the largest three countries in the ECO Region in 2000 as well and with the same descending order in terms of size of population.

Figure A.1.3: Member States' Population Share in ECO Region's Population, 2000 and 2015



Source: Calculations based on the World Bank data

Furthermore, Pakistan has gained lead share in 2015 with 41.29 percent compared with 39.48 percent in 2000. Iran and Turkey both have lost their shares from 18.80 to 17.29 percent and 18.06 to 17.19 percent respectively. Afghanistan gained 1.48 percent share in the region's population from 5.63 in 2000 to 7.11 in 2015 as a result of highest population growth rate of 3.40 in the region.

**Table A.1.2: Member States' Population Growth Rates and Related Measures, 2000 and 2015**

Member State	Population Growth Rates (in percentage)				
	Minimum	Maximum	Range =Maximum – Minimum	Average of annual growth rates	Standard Deviation/ a measure of fluctuations
Afghanistan	2.49	4.64	2.15	3.40	0.71
Azerbaijan	0.75	2.10	1.35	1.22	0.41
Iran	1.12	1.64	0.52	1.23	0.14
Kazakhstan	-0.30	2.64	2.94	1.10	0.75
Kyrgyz Republic	0.92	2.06	1.14	1.31	0.40
Pakistan	2.03	2.26	0.23	2.10	0.06
Tajikistan	1.50	2.26	0.76	2.13	0.23
Turkey	1.17	1.82	0.65	1.47	0.20
Turkmenistan	1.04	1.29	0.25	1.19	0.09
Uzbekistan	1.15	2.82	1.67	1.60	0.50
<b>World</b>	<b>1.18</b>	<b>1.33</b>	<b>0.16</b>	<b>1.23</b>	<b>0.04</b>

Source: Calculations based on World Bank data

On the other extreme, Turkmenistan is the least populated country in the ECO Region with a population of 5.37 million and percent share of 1.17 in the population of the region as illustrated in **Figure A.1.3**. Other member states with low share are Kyrgyz Republic, Tajikistan, Azerbaijan and Kazakhstan with their corresponding shares of 1.30, 1.85, 2.11 and 3.83 percent in the population of the region respectively. Population growth rate in Kazakhstan has been the most fluctuating one with minimum of -0.30 in 2000 whereas maximum of 2.64 in 2009 with an average rate of 1.10 percent and Standard Deviation of 0.75 (highest among all member states) during the period under consideration.

Conversely, Pakistan had the least fluctuating country in this respect with minimum rate of 2.03 in 2004 and maximum rate of 2.26 in 2012 with an average of 2.10 and Standard Deviation of 0.06. Thus, the ECO Region is heterogeneous in terms of population size of ECO member countries, their growth rates, shares and resultantly their structures with specific implications for the economies of the member states.

## A.2: Thematic Areas of the Economy

In order to assess macro-economic performance of the ECO member states, some key economic variables, monetary and real, are discussed in this segment. These economic indicators are critical for appraisal of the state of the economy of the ECO Region as well as economies of the member states in 2015 in relation with 2000. To make the review more intuitive, comparative analysis has also been made at different points of time such as 2000, 2005, 2010 and 2015 of the data-set, 2000-2015. Further, inter-country and the inter-temporal analysis have been conducted to further highlight the performance of economies.

### A.2.1: Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is one of the key and most widely used indicators for measuring the health of a country's economy. In reality, it is a measure of economic activity in a country or a region. It represents the total dollar value of all goods and services produced over a specific time period. Notwithstanding the debate on GDP as the sole indicator of economic situation of the country, it indicates living standards of the people and typically it is a summary measure of the wealth of the economies as well. In order to gain complete and meaningful picture of the economies of the member states, three measures of GDP, namely, Real GDP, GDP PPP and nominal GDP are reported in the following segment.

**Table A.2.1.1: GDP at Constant Prices (2010 US\$) of the Member States and the Region, 2000-2015**

Member State	(in million US\$)				Real GDP Growth	
	Year				(in percentage)	
	2000	2005	2010	2015	Change in 2015 over 2000	Average Per Annum Growth Rate
Afghanistan*	8,013	9,763	15,937	20,294	153.26	6.39
Azerbaijan	13,147	24,751	52,903	59,025	348.98	10.53
Iran*	281,928	368,530	467,790	471,789	67.34	3.49
Kazakhstan	66,851	109,482	148,047	185,031	176.78	7.02
Kyrgyz Republic	3,205	3,859	4,794	6,059	89.05	4.34
Pakistan	117,555	149,991	177,407	217,668	85.16	4.19
Tajikistan	2,571	4,101	5,642	7,779	202.55	7.66
Turkey	500,192	624,924	731,168	906,585	81.25	4.04
Turkmenistan	10,754	13,789	22,583	37,254	246.43	8.64
Uzbekistan	20,046	26,085	39,333	58,114	189.91	7.35
<b>ECO Region</b>	<b>1,018,710</b>	<b>1,335,277</b>	<b>1,665,604</b>	<b>1,968,910</b>	<b>93.27</b>	<b>4.49</b>
<b>Change (in Percentage)</b>	-	<b>31.08</b>	<b>24.74</b>	<b>18.21</b>	-	-

\* Data for Afghanistan was not available for 2000; hence the earliest available, 2002, has been used for 2000. Also data for Iran is not available for 2015. Proxy for 2015 has been used by multiplying GDP of 2014 with estimated growth rate 1.7 percent recorded in report available at <http://pubdocs.worldbank.org/en/206581475460660337/Iran-MEM-Fall-2016-ENG.pdf> and <http://www.worldbank.org/en/country/iran/overview>. Average growth rate (AGR) has been calculated over the period by using Compound Annual Growth Rate (CAGR) formula =  $[(Y_n/Y_0)^{1/n} - 1] * 100$ , where  $Y_n$ : Last year value,  $Y_0$ : First year value,  $n$ : number of Years.

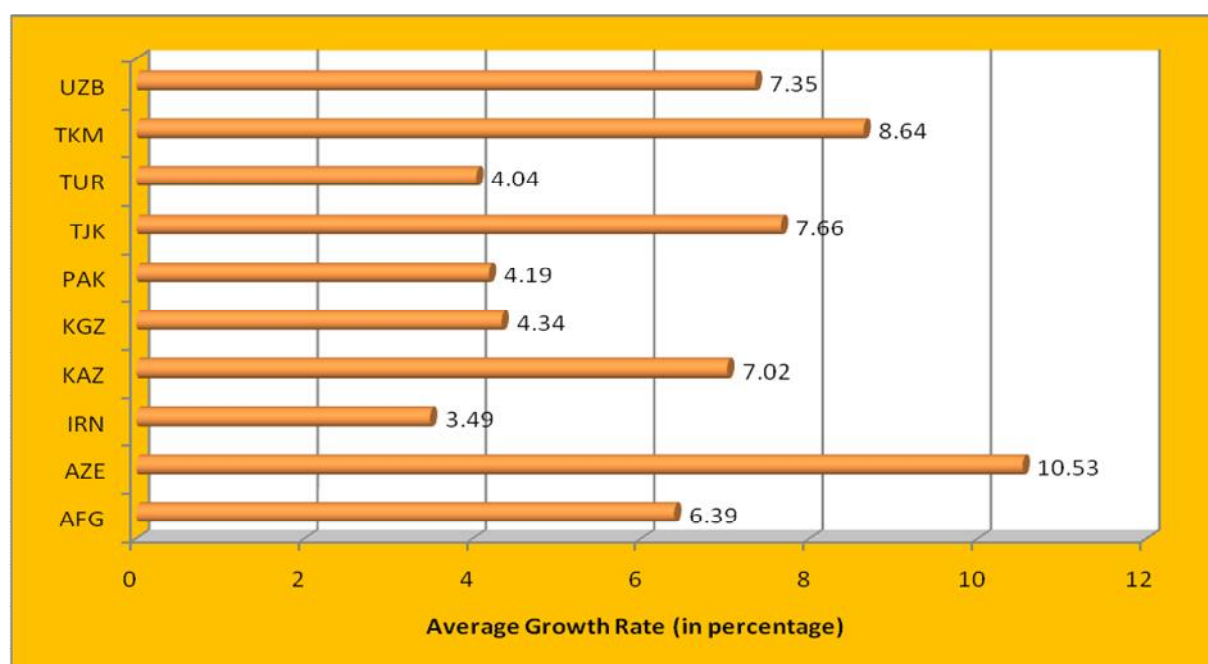
Source: Based on the World Bank data

Firstly, real GDP is measured by GDP at constant prices (2010 US\$) and factors in the price level in the economies and thus an inflation-adjusted term. It is worked out by dividing the nominal GDP by the GDP deflator. It is a potent measure for inter-temporal analysis of a country as price level is a critical variable in economic analysis and also an integral part of this measure through GDP deflator. Secondly, GDP-PPP (Purchasing Power Parity) factors in price as well as exchange rate fluctuations in the calculation and is more practical and useful for cross-spatial and inter-temporal analysis especially over a longer period. Thirdly, nominal GDP provides current picture of the countries and is often used in doing regular analysis and evaluation of performance of economies.

The combined real GDP of the ECO Region has been worked out for the period 2000-2015 by aggregating GDP at constant prices (2010 US\$) of the ten member states of the Region. In 2015, the real GDP amounts to US\$1,963 billion compared with US\$1,024 billion in the threshold year 2000, up by 93.27 percent during 2000-2015 period indicating 4.49 percent average growth per annum. The data further manifests that the average real GDP growth rates of all member states are positive during 2000-2015 with varying magnitudes ranging from 3.49 percent for Iran, the lowest, to 10.53 percent, the highest, observed for Azerbaijan.

The ECO economies can be grouped in three broad categories from the real growth rate perspective; low growth rate from 0 to 5 percent, moderate growth rate from 5-10 percent and high growth rate above 10 percent. Four member states, namely, Iran (3.49 percent), Kyrgyz Republic (4.34 percent), Pakistan (4.19 percent) and Turkey (4.04 percent) can be placed in low growth category. Similarly, in the medium growth rate category there are five member states i.e. Afghanistan (6.39 percent), Kazakhstan (7.02 percent), Tajikistan (7.66 percent), Turkmenistan (8.64 percent) and Uzbekistan (7.35 percent) percent growth rates. One country falls in the category of high GDP growth rate; Azerbaijan with 10.53 percent, also the highest per annum GDP growth performer in the region followed by Turkmenistan with appreciable 8.64 percent GDP growth rate (**Figure A.2.1.1**).

Figure A.2.1.1: Real Per Annum GDP Growth Rates of Member States, 2000-2015

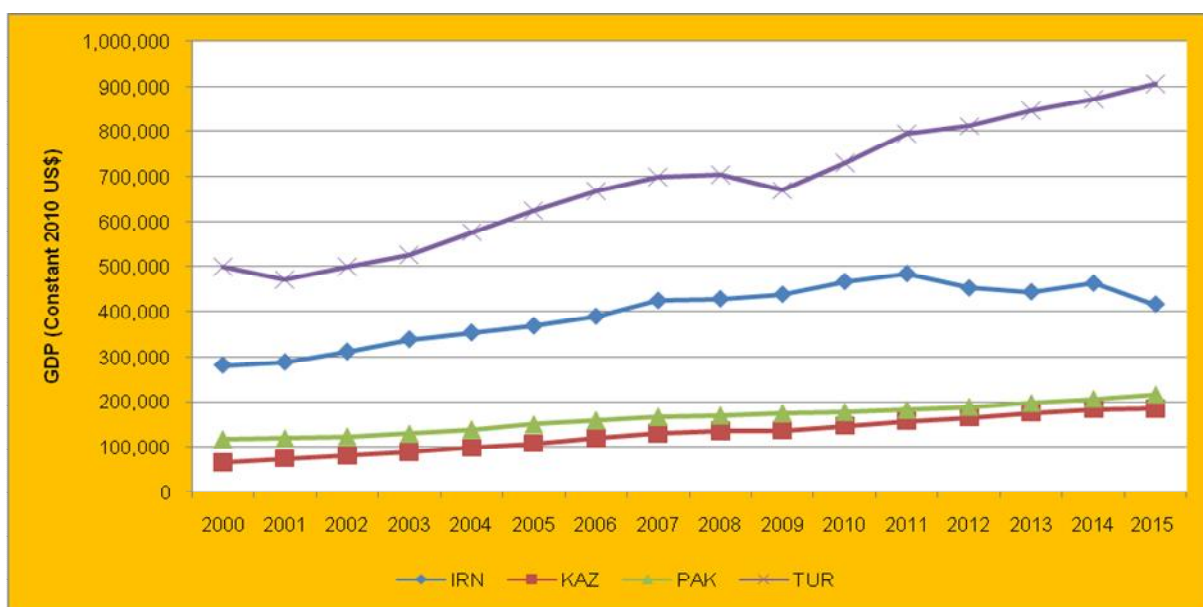


Source: Based on the World Bank data

The factors contributing to the considerable increase in the regional GDP are, among others, impressive rise in the industrial base of some member states namely, Turkey and Azerbaijan high prices of the natural resources such as oil, gas, minerals transforming and benefitting oil, gas and mineral exporting member states like Azerbaijan, Iran, Kazakhstan, Turkmenistan, economic reforms in the region, rise in the inflow foreign remittances especially in Kyrgyz Republic, Tajikistan and Uzbekistan economies in particular especially during 2000-2010. It merits mentioning that after the drop in oil, gas and minerals prices in the international market, natural resource-dependent economies were adversely affected, nevertheless, domestic sectors in these economies performed well mitigating the effects of external economic shocks. In addition to this, international sanctions on Iran till 2015 and sanctions on the Russian Federation in 2012 had substantial effect especially on the Central Asian member states slowing down the growth potential of these economies.

For the sake of clarity, GDP of member states have been presented in two separate graphs; for large economies and the small economies of the region. **Figure A.2.1.2** reflects real GDP of four big economies of the region i.e. Iran, Kazakhstan, Pakistan and Turkey which collectively constitute over 90 percent of the region's GDP (each over 10 percent of regional GDP). This visualization suggests that there have more fluctuations in the GDP of Turkey with upward trend/note while Iran's GDP sluggishly rising till 2011 followed by decline in slow manner. Pakistan's economy poses relatively stable path with moderate growth whereas Kazakhstan's curve is marked by fluctuations,

**Figure A.2.1.2: Real GDP of Member States (Large Economies), 2000-2015**

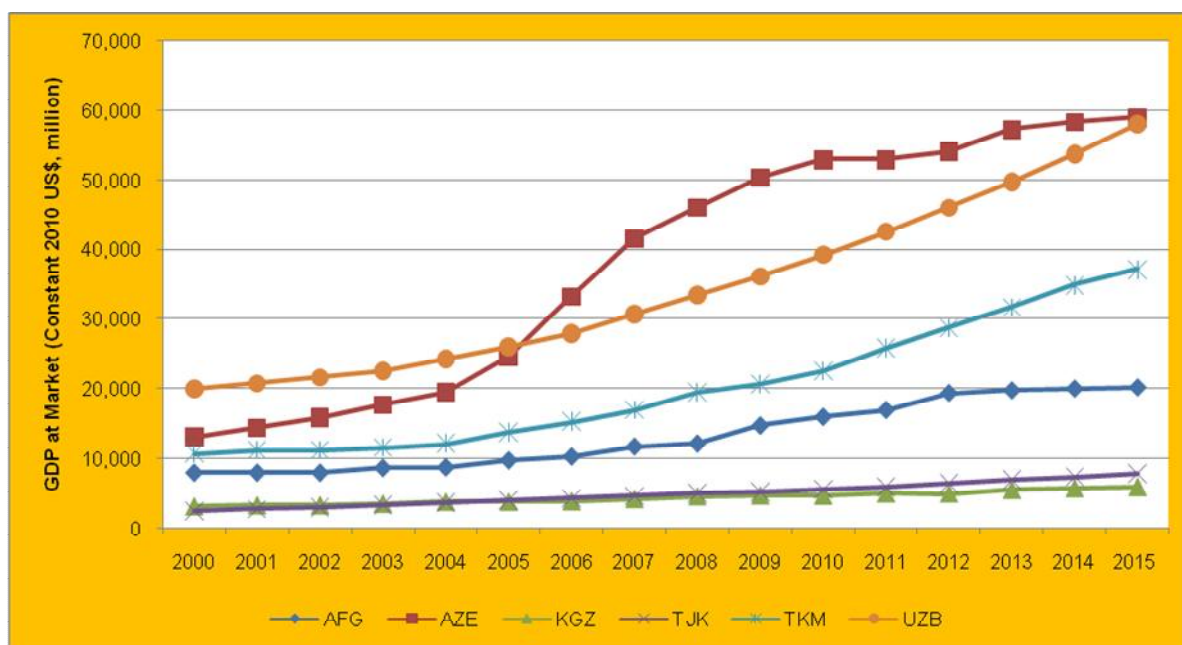


Source: Based on World Bank data

The graph of small economies of the region, namely, Afghanistan, Azerbaijan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan manifest pronounced movements and wide fluctuation (**Figure A.2.1.3**) especially for other natural resource rich economies in the ECO Region like Azerbaijan and Turkmenistan. It can be gathered from the curves representing Kyrgyz Republic, Tajikistan and Uzbekistan that the GDP paths of these economies were stable and relatively smooth compared with natural resource economies which largely rely on prices of oil, gas and other natural resources and are subject to more fluctuations. Afghanistan's growth trajectory is peculiar as during 2000-2005, quite slow movement is witnessed followed by a rise in growth till year 2012. After 2013, again a flat part begins indicating slowdown in the economy, possibly due to change in security scenario in the country.



Figure A.2.1.3: Real GDP of Member States (Small Economies), 2000-2015



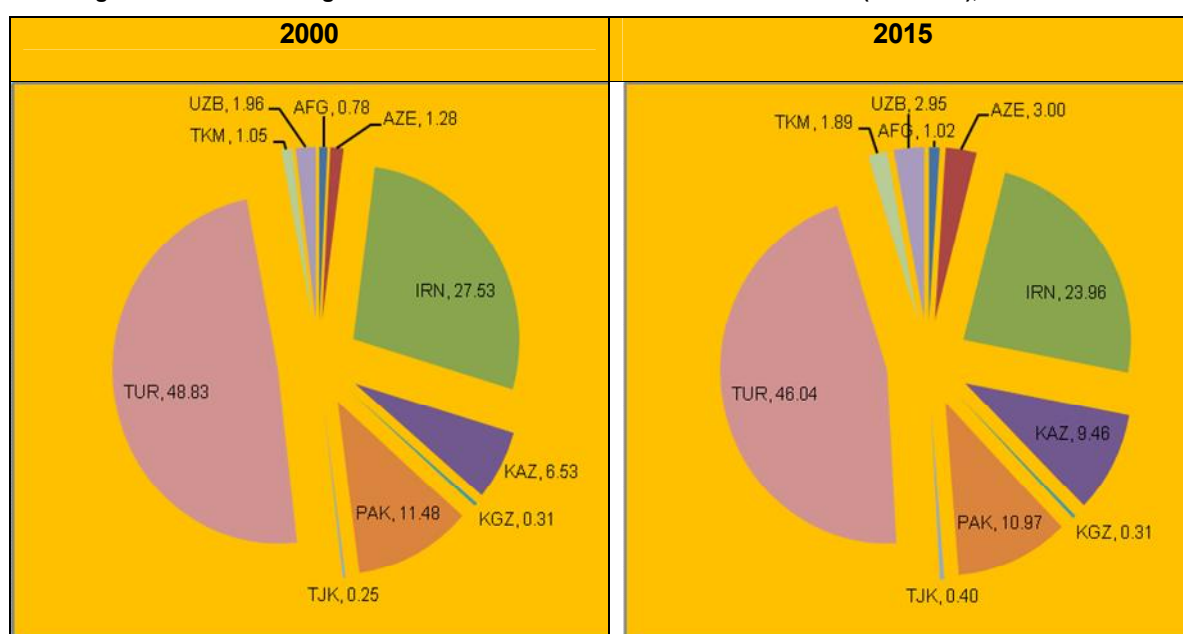
Source: Based on the World Bank data

Comparative picture of ECO member states economies in years 2000 and 2015 in terms of percentage shares is portrayed in **Figure A.2.1.4**. It may be noted that the size of the economies of the member states of the ECO Region measured by the country's GDP vary enormously and their pattern of growth and performance, therefore, have deep effect on the combined GDP of the Region as well. In 2000, Turkey's contribution of 48.83 percent is the highest followed by Iran, Pakistan and Kazakhstan by 27.52, 11.48 and 6.53 percent shares respectively. In 2015, Turkey is again the largest contributor to the region with 46.04 percent, though its share has marginally declined compared with year 2000. The other lead contributors to the ECO region's GDP are same; Iran, Pakistan and Kazakhstan with 23.96, 10.97, and 9.46 percent shares respectively.

From this comparison, it is discernable that Turkey's economy is the biggest in the region, nearly twice the size of Iran's economy and almost four times the size of Pakistan and Kazakhstan economies each as per 2015 figures. In 2000, the said four major economies constituted 94.34 percent of the ECO region's GDP at constant prices (2010 US\$). The remaining six (06) countries are the producers of 5.66 percent of regional GDP. Afghanistan, Kyrgyz Republic and Tajikistan are the member states which have the GDP on the lower side in the region in terms of the size of the economies and consequentially their shares in the ECO Region's GDP are 0.78, 0.31 and 0.25 percent respectively. In comparison with 2000, the aggregated share of four major economies reduced by 9.57 percent in 2015 which was gained by the other six economies which is an encouraging phenomenon as smaller economies of the region have grown to capture more share in the region's GDP.

In 2015, Iran, Pakistan and Turkey, three major contributors to region's GDP, lost in terms of share in the GDP of the ECO region. Iran has lost the maximum share by 3.97 percent, from 27.52 percent in 2000 to 23.96 percent in 2015; Pakistan by 0.51 from 11.48 in 2000 to 10.97 percent and Turkey by 2.79 percent from 48.83 percent to 46.04 percent.

Figure A.2.1.4: Percentage Share of Member States in ECO's GDP at Current (2010 US\$), 2000 and 2015



Source: Based on World Bank data

On the gain side, Kazakhstan had the maximum gain in percentage share by 2.93 percent from 6.53 percent in 2000 to 9.46 percent in 2015. Azerbaijan has gained share by 1.72 percent from 1.28 percent in 2000 to 3.00 percent in 2015, Uzbekistan' share increased by 0.99 percent from 1.96 to 2.95 percent whereas Turkmenistan share increased by 0.84 percent from 1.05 to 1.89 percent during the same period. Afghanistan gained fractional share of 0.24 percent and Tajikistan made imperceptible gain by 0.05. Incidentally, Kyrgyz Republic retained its share with 0.31 in both the years 2000 and 2015.

Table A.2.1.2: GDP, PPP\* (Constant 2011 int. \$) of the Member States and the ECO Region, 2000-2015

Member State	Year (in millions US\$)				Percentage Change in 2015 over 2000	Average Per Annum Growth Rate
	2000	2005	2010	2015		
Afghanistan	23,379	28,484	46,496	58,812	151.56	6.34
Azerbaijan	35,889	67,568	144,419	161,133	348.98	10.53
Iran	783,923	1,024,729	1,300,728	1,300,728	65.93	3.43
Kazakhstan	148,115	242,569	328,013	412,678	178.62	7.07
Kyrgyz Republic	10,162	12,236	15,201	19,211	89.05	4.34
Pakistan	484,127	617,705	730,613	889,115	83.65	4.14
Tajikistan	7,334	11,699	16,096	22,573	207.79	7.78
Turkey	822,851	1,028,044	1,202,823	1,491,211	81.22	4.04
Turkmenistan	24,085	30,883	50,579	83,437	246.43	8.64
Uzbekistan	61,716	80,310	121,096	178,920	189.91	7.35
<b>ECO Region</b>	<b>2,401,581</b>	<b>3,144,227</b>	<b>3,956,064</b>	<b>4,604,084</b>	<b>93.75</b>	<b>4.43</b>
<b>Change in percentage</b>		<b>30.92</b>	<b>25.82</b>	<b>16.38</b>	-	-

\* PPP: Purchasing Power Parity, Source: Based on the World Bank data



These numbers are a sign that certain smaller economies have grown faster than the big three economies, most of them on the back of revenues generated from increase in volumes as well as unit prices of oil and gas resources, which was used in efforts to diversify economies; building petrochemical based industries, expanding service sectors and improving efficiencies and productivity.

Data illustrates that GDP PPP also registered a sustained rise for the ECO Region, from US\$2,401 billion in 2000 to US\$4,604 billion in 2015; it almost doubled (93.75 percent) the level of the of 2000 similar as in case of real GDP figures (93.27 percent) reported in the foregoing discussion. In term of average GDP growth of region, it may be of note that average real GDP growth rate has been noted as 4.49 whereas GDP PPP increased by 4.43 percent for the period under reference. A look at the magnitude of real GDP (constant 2010 US\$) or nominal GDP (current US\$), the picture is not distinctly different. Nonetheless, the global ranking of member states stands different when the three measures of GDP are applied. The ECO region's nominal growth rate is substantially high (8.97 percent) compared with real GDP growth rate (4.49) and GDP PPP growth rate (4.43), largely due to the fact that it includes price factor.

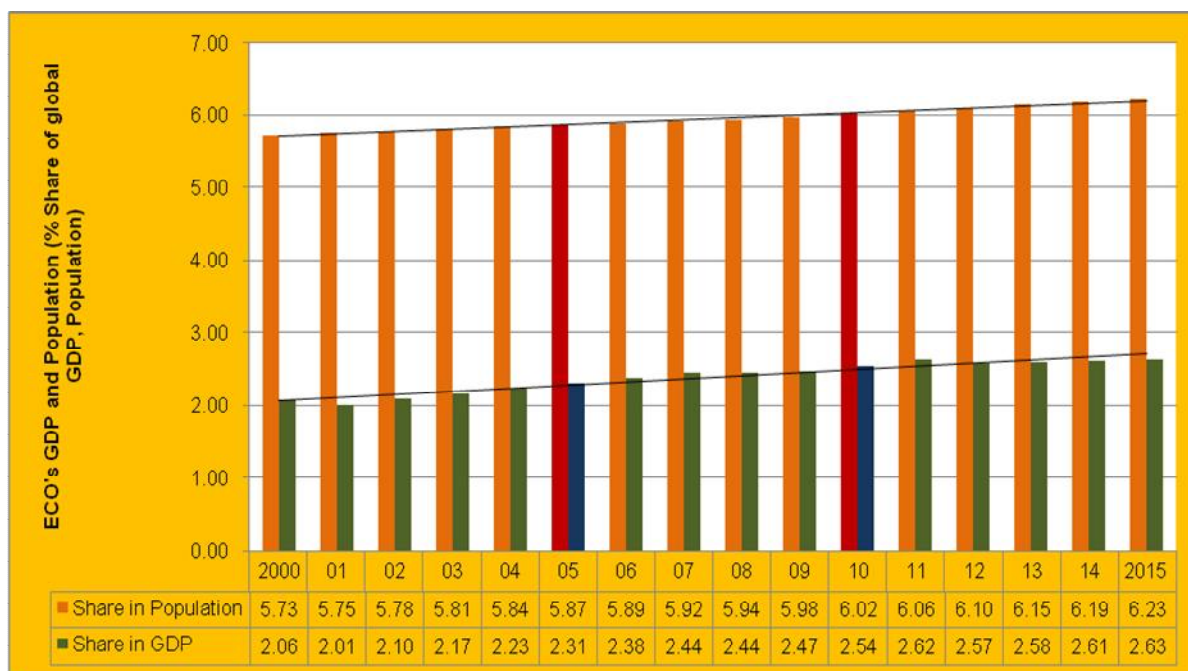
**Table A.2.1.3: GDP of the Member States and the ECO Region at Current Prices, 2000-2015**

Member State	(in million US\$)				Nominal GDP Growth (in percentage)	
	Year				Percentage Change in 2015 over 2000	Average Per Annum Growth Rate
	2000	2005	2010	2015		
Afghanistan	2,462	6,275	15,937	19,331	685.17	14.73
Azerbaijan	5,273	13,245	52,903	53,047	906.01	16.64
Iran	109,592	219,846	467,790	432,557	294.70	9.58
Kazakhstan	18,292	57,124	148,047	184,388	908.03	16.65
Kyrgyz Republic	1,370	2,460	4,794	6,572	379.71	11.02
Pakistan	73,952	109,502	177,407	271,050	266.52	9.04
Tajikistan	861	2,312	5,642	7,853	812.08	15.88
Turkey	266,568	482,980	731,145	717,880	169.30	6.83
Turkmenistan	2,905	8,104	22,583	35,855	1134.25	18.24
Uzbekistan	13,760	14,308	39,333	66,733	384.98	11.10
<b>ECO Region</b>	<b>495,033</b>	<b>916,157</b>	<b>1,665,581</b>	<b>1,795,266</b>	<b>262.66</b>	<b>8.97</b>
<b>Change (in Percentage)</b>	<b>-</b>	<b>85.06</b>	<b>81.80</b>	<b>07.79</b>	<b>-</b>	<b>-</b>

Source: Based on the World Bank data

**Figure A.2.1.5** reports population of ECO region's to world population as well as ECO GDP share to total world GDP. The most distinct feature of the data is that both indicators have slow and steady trend lines. The distance between both indicators stands almost the same; the share of ECO's population has increased in absolute terms from 5.73 percent to 6.23 percent, up by 0.50 percent in 2000-2015. The share of ECO's GDP to world GDP also rose from 2.06 to 2.63 percent, up by 0.57 percent during the same period.

Figure A.2.1.5: Share of ECO's GDP and Population in the World, 2000-2015



Source: Based on the World Bank data

Comparison reveals that from 2000 to 2005, the share of the respective indicator witnessed a rise from 2.06 to 2.31 whereas from 2005 to 2010, it rose from 2.31 to 2.54, marginally less than first sub-period, 2000-2005. The percentage share has been slow in the last sub-period, 2010-2015, from 2.54 to 2.63 percent mainly stemming from the global economic slowdown. One encouraging aspect is that the share of the subject indicator has consistently increased with different proportions/varying magnitude except in three years i.e. 2001, 2008 and 2012. In 2001, it decreased from 2.06 to 2.01 in 2000 whereas in 2008, the share remained same as in 2007. However in 2012, the percentage share of ECO-GDP declined to 2.57 percent from 2.62 percent in 2011. Thus, these deviations from the trend line had reasons such as global slowdown in 2001 and 2008-09.

The trend line is an indicative of persistent rise ECO region's share in population and world GDP share although in some years, there has been a slight drift from the the average trend. Maximum increase in share per year has been by 0.09 percent in 2002, from 2.10 percent to 2.01 in 2001. Likewise, there was most pronounced increase in 2011 at 2.62 from 2.54 percent in 2010. It may be of note that during 2000-2015, ECO region has gained 0.036 percent share per annum.

Data illustrates that there has been persistent rise in the real GDP of the region notwithstanding the fact that the share of the ECO- GDP marginally declined in two years 2001 and 2012. The proximate cause behind the sustained increase of the ECO-GDP has been the fact that the slowdown in GDP of other major global economies was profound having greater effect in drop of the total world GDP in comparison with the GDP of the ECO economies. This needs to be kept in view that the major economies of the region in particular the ones which are resource economies were adversely effected/hit due to economic sanctions, tumbling oil, gas and commodity prices; however, the overall GDP was outweighed by other member states economies of the region, thus capturing share in world GDP with indiscernible/slow pace.

## A.2.2: GDP Per Capita

GDP per capita is the national income per head/person implying the share of national income generated or goods and services produced by one person during a specific period conventionally over a year. It is a direct measure of productivity and a proxy (equivalent) measure of living standards of the people. Like GDP, this measure too has certain limitations especially when wide variations exist within economies or in the Region, however, in vogue as an effective tool for making comparative analysis of economies or regions and determining living standards of the people. Ceteris paribus, the living standard tends to rise when GDP per capita rises. Accordingly, GDP per capita (real) of member states and the region has been worked out by dividing total GDP market (constant 2010 US\$) by country/region's population over a period of 2000-2015 and reported hereunder:

**Table A.2.2.1: GDP per Capita (constant 2010 US\$) of the ECO Member States and the Region, 2000-2015**

Member State	(in US\$)				Change in 2015 over 2000 (%)	Per Annum percentage Change
	Year					
	2000	2005	2010	2015		
Afghanistan	373	400	570	620	66.15	3.45
Azerbaijan	1,633	2,949	5,843	6,116	274.42	9.20
Iran	4,281	5,256	6,300	5,937	38.67	2.20
Kazakhstan	4,492	7,228	9,071	10,617	136.37	5.90
Kyrgyz Republic	654	748	880	1017	55.45	2.99
Pakistan	850	978	1043	1143	34.39	1.99
Tajikistan	416	603	744	933	124.48	5.53
Turkey	7,909	9,209	10,111	11,523	45.69	2.54
Turkmenistan	2,389	2,904	4,479	6,933	190.20	7.36
Uzbekistan	813	997	1,377	1,857	128.32	5.66
<b>Region's Per Capita GDP</b>	<b>2,925</b>	<b>3,494</b>	<b>3,998</b>	<b>4,303</b>	<b>47.11</b>	<b>2.61</b>
<b>Percentage Change</b>	<b>-</b>	<b>19.45</b>	<b>14.42</b>	<b>7.09</b>	<b>-</b>	<b>-</b>

Source: Based on the World Bank data

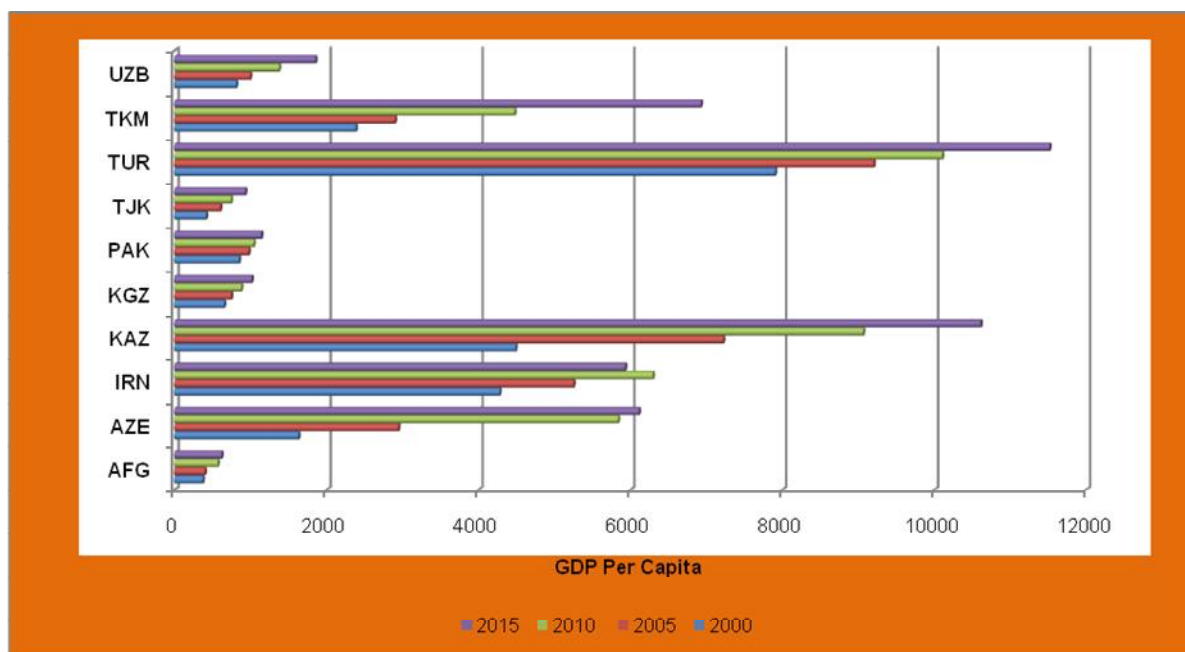
Per Capita GDP of the ECO Region is US\$ 4,303 in 2015 compared with that of US\$2,925 in 2000 showing 47.11 percent change in 15 years and 2.61 percent growth per annum. Turkey has the highest per capita GDP of US\$11,523 in 2015 followed by Kazakhstan, Turkmenistan, Azerbaijan and Iran with US\$10,617, US\$6,933, US\$6,116 and US\$5,937 respectively. Thus, GDP per capita of Turkey and Kazakhstan are higher than the world average of US\$10,194 while the other aforesaid three countries have less than the world's average GDP per capita.

The other five member states, namely, Afghanistan, Kyrgyz Republic, Pakistan, Tajikistan and Uzbekistan are on the lower side of the average. Afghanistan has the lowest per capita GDP of US\$ 620 in 2015. There is ample dispersion in magnitude in ECO region which is well-reflected from this fact that in 2015 Turkey has the highest per capita GDP of US\$11,523 in the ECO region whereas Afghanistan's per capita GDP is the lowest in the region with US\$ 620 per annum.

Data reveals that in 2000, three member states namely, Iran, Kazakhstan and Turkey had higher GDP per capita than the region's average of US\$2,925 while seven member states GDP per capita was below the region's average GDP per capita. In the same manner, in 2015, five member states have per capita GDP higher than the region's average.

Economies of the member states can be classified into three broad groups; below US\$1000, between US\$1000-5000 and above US\$ 5000. Data manifests that in year 2000, per capita GDP of five member states, namely, Afghanistan (US\$ 373), Tajikistan (US\$ 416), Kyrgyz Republic(US\$ 654), Uzbekistan (US\$ 813) and Pakistan (US\$ 850), from lowest to largest, is below US\$1,000 whereas four member states i.e. Azerbaijan (US\$ 1,633), Turkmenistan (US\$ 2,389), Iran (US\$4,281) and Kazakhstan (US\$4,492) can be placed between US\$ 1001-5000. One member state i.e. Turkey had the highest GDP per capita at US\$7,909.

Figure A.2.2.1: GDP Per Capita (Constant 2010 US\$) of the ECO Member States, 2000-2015



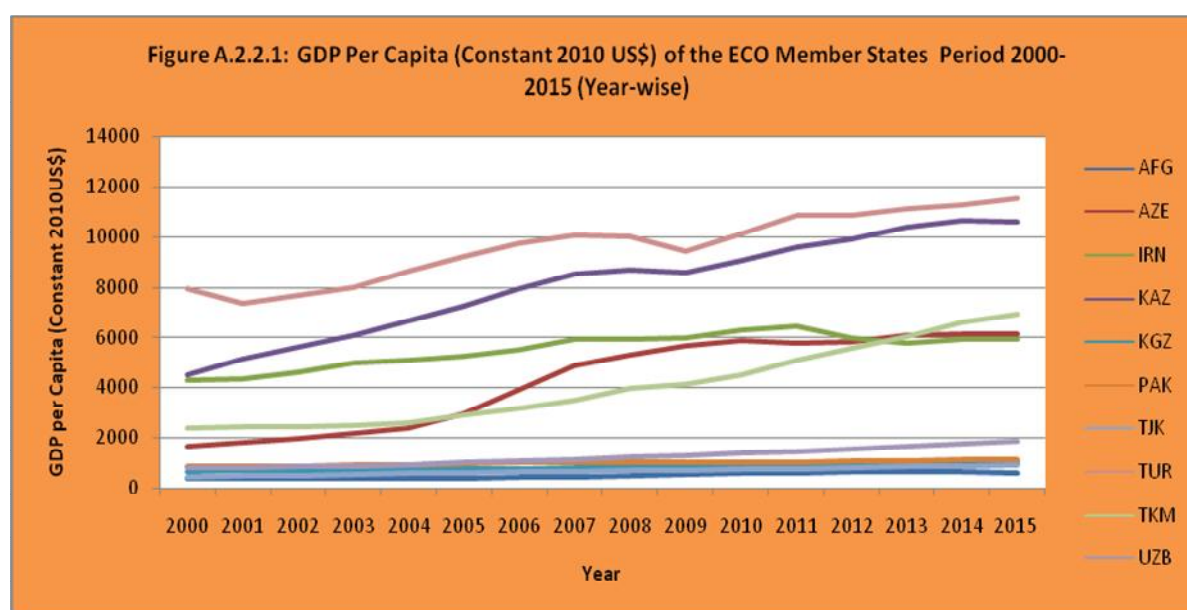
Source: Based on the World Bank data

In 2015, per capita GDP of two member states, namely, Afghanistan (US\$620) and Tajikistan (US\$ 933) are in the bracket of below US\$ 1,000 compared to five member states in the year 2000 meaning thereby that three member states have moved to higher category. There are three member states i.e. Kyrgyz Republic (US\$ 1,017), Pakistan (US\$ 1,143) and Uzbekistan (US\$ 1857) in the group of US\$1000-5000 from five member states in 2000. Five member states, Azerbaijan (US\$6,116), Iran (US\$5,937), Kazakhstan (US\$10,617), Turkey (US\$11,523) and Turkmenistan (US\$6,933) have graduated from the middle category to the highest one which is an encouraging development.

It is interesting to note that after 15 years period, the three countries with lowest per capita GDP i.e. Afghanistan, Kyrgyz Republic, Tajikistan and the two countries, namely, Kazakhstan and Turkey with highest per capita GDP remain the same in terms of ranks in the ECO region. Position of Pakistan and Uzbekistan interchanged from 5th position in 2000 to 6th in 2015 and for Uzbekistan and vice versa. Turkmenistan and Azerbaijan improved from 4th and 5th positions to 3rd and 4th whereas Iran lost 3rd position to 5th position in the region in 2015. It is underlined that due to fluctuations in the international and regional level, the peak values of per capita achieved by countries were in different years than the reference points for this review i.e. 2005, 2010 and 2015

as shown in the figure below; the peak value of per capita for Afghanistan at US\$ 651 was in 2012, Azerbaijan at US\$ 6,123 in 2014, Iran at US\$6455 in 2011 and Kazakhstan at 10,645 in 2014.

Figure A.2.2.2: GDP Per Capita (Constant 2010 US\$) of the ECO Member States and the Region 2000-2015



Source: Based on the World Bank data

Disaggregated analysis of the period 2000-2015 shows that GDP per capita of the ECO Region increased from US\$2,925 in 2000 to US\$3,494 in 2005 indicating an increase by 19.45 percent in five years. The other sub-periods 2005-2010 and 2010-2015 show that if the former sub-period, it rose from US\$3,494 to US\$3,998, up by 14.42 percent while in the latter period, it registered increase from US\$3998 to 4303 manifesting by 7.09 per cent increase. Among the three sub-periods, 2000-2005 indicated the highest growth while, during 2010-2015, it reflected the lowest growth mainly because of slow rise in the GDP of the region. It is highlighted that slow rise in Iran's GDP, being the second largest economy in the region, during the period has been, amongst others, a contributing factor behind slow rise in the overall GDP of the region thereby affecting the GDP per capita of the region as well.

As clear from the figures that GDP per capita has increased by 47.11 percent in 15 years period, up by 2.61 percent per annum. A comparison with real GDP indicates that this increase is comparatively low in relation to GDP rise of about 97.27 during 15-years period and per annum growth of 4.49 percent implying that almost half of GDP growth has been translated into GDP per capita while high population growth in the region has lowered this prime indicator.

From perspective of annual growth of per capita GDP at constant prices, five economies', Afghanistan (3.45 per cent), Iran (2.20 per cent), Kyrgyz Republic (2.99 per cent), Pakistan (1.99 per cent) and Turkey (2.54 per cent), growth rate has been below 5 percent, while the growth rate of this indicator for three economies namely, Kazakhstan (5.90 per cent), Tajikistan (5.53 per cent) and Uzbekistan (5.66 per cent) has been worked out between 5-8 percent. Economies of two member states i.e. Azerbaijan and Turkmenistan average per capita GDP growth rate emerged above 8 percent; Azerbaijan with 9.20 percent per capita GDP growth outperformed the region followed by Turkmenistan with 7.36 per cent per annum.

Table A.2.2.2: GDP per Capita PPP (constant 2011 US\$) of the ECO Member States and the Region, 2000-2015

Member State	(in US\$)				Percentage Change in 2015 over 2000	Per Annum percentage Change
	Year					
	2000	2005	2010	2015		
Afghanistan	1,088	1,167	1,663	1,808	66.19	3.44
Azerbaijan	4,459	8,052	15,950	16,695	274.42	9.20
Iran	11,905	14,613	17,517	16,507	38.66	2.20
Kazakhstan	9,952	16,014	20,097	23,522	136.37	5.90
Kyrgyz Republic	2,075	2,370	2,790	3,225	55.45	2.98
Pakistan	3,502	4,028	4,297	4,706	34.39	1.99
Tajikistan	1,186	1,719	2,123	2,661	124.48	5.53
Turkey	13,012	15,149	16,634	18,956	45.69	2.54
Turkmenistan	5,351	6,505	10,032	15,527	190.20	7.36
Uzbekistan	2,504	3,069	4,240	5,716	128.32	5.66
<b>Region's Per Capita GDP</b>	<b>6,857</b>	<b>8,228</b>	<b>9,497</b>	<b>10,117</b>	<b>50.51</b>	<b>2.99</b>
<b>Change in Percentage</b>	<b>-</b>	<b>19.99</b>	<b>15.42</b>	<b>12.28</b>	<b>-</b>	<b>-</b>

Source: Based on the World Bank data

Data on per capita GDP PPP at Constant 2011 US\$ shows that in 2000, the region's per capita GDP PPP reached US\$10,117 in comparison with US\$ in 6,857 showing 50.51 per cent increase at an average of 2.99 per cent which is marginally up from the average growth of per capita GDP in real terms (2.61 percent). In 2000, Turkey had the highest per capita income with US\$13,012 followed by Iran, Kazakhstan, Turkmenistan and Azerbaijan with per capita income of US\$11,905 US\$9,952, US\$5,351 and US\$4,459 respectively. In 2015, same member states had the first five positions with different individual positions. From this perspective, Kazakhstan's per capita GDP emerged as the leader in the region followed by Turkey which had the highest per capita GDP PPP in 2000. Iran moved from the 2nd place to the 4th place in 2015.

Table A.2.2.3: Ranking of the Member States in Per Capita GDP, PPP (constant 2011 US\$), 2000-2015

Member States	Comparison in ECO				Global Ranking in 2015	Rank in ECO Region based on Global Ranking
	2000		2015			
	Per Capita GDP PPP US\$	Rank	Per Capita GDP PPP US\$	Rank		
Kazakhstan	9,952	3	23,522	1	48	1
Turkey	13,012	1	18,956	2	62	2
Azerbaijan	4,459	5	16,695	3	64	3
Iran	11,905	2	16,507	4	67	4
Turkmenistan	5,351	4	15,527	5	70	5
Uzbekistan	2,504	7	5,716	6	124	6
Pakistan	3,502	6	4,706	7	134	7
Kyrgyz Republic	2,075	8	3,225	8	145	8
Tajikistan	1,186	9	2,661	9	153	9
Afghanistan	1,088	10	1,808	10	164	10

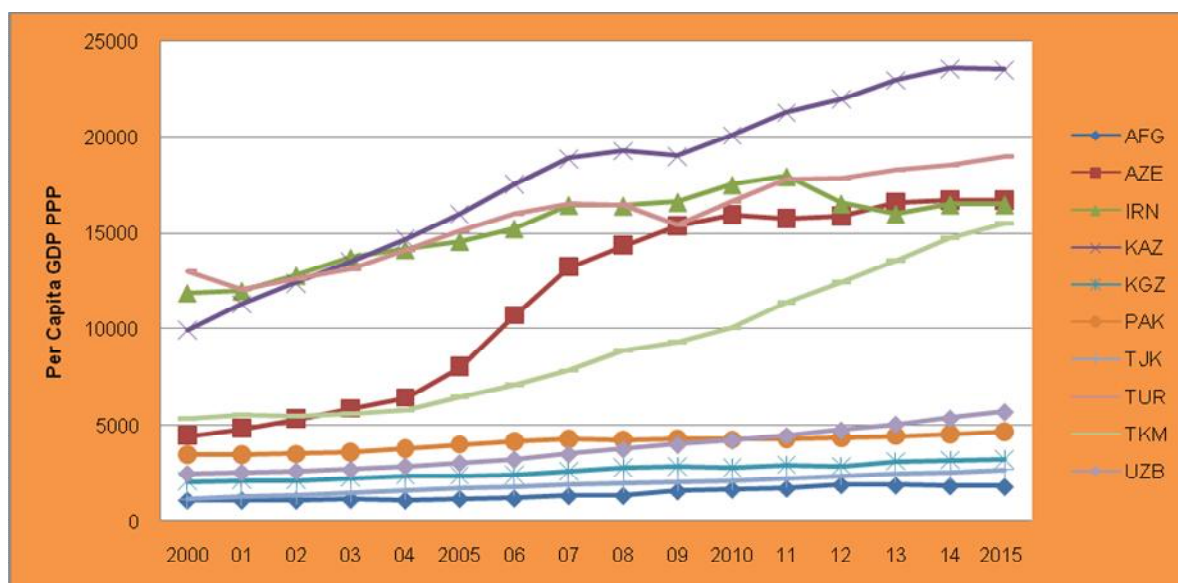
"GDP per capita, PPP (current international \$)", World Development Indicators database, World Bank. Database updated on 16 December 2016. Accessed on 23 December 2016.

Source: Based on the World Bank data



It is worthwhile to record that other set of 5 member states, namely, Afghanistan, Kyrgyz Republic, Pakistan, Tajikistan and Uzbekistan having lower per capita GDP remained the same in 2015 as in 2000. It may be observed that the individual ranking of these member states in the region changed except last three member states i.e. Kyrgyz Republic, Tajikistan and Afghanistan which assumed 8th, 9th and 10th place in the region both in 2000 as well as 2015.

Figure 2.2.3: Per Capita GDP PPP (constant 2011 US\$) of Member States, 2000-2015



Source: Based on the World Bank data

Table A.2.2.4: Nominal GDP per Capita (current US\$) of the ECO Member States and the Region, 2000-2015

Member State	(in US\$)				Percentage Change in 2015 over 2000	Per Annum percentage Change
	Year					
	2000	2005	2010	2015		
Afghanistan	120	257	570	594	395.27	11.25
Azerbaijan	655	1,578	5,843	5,496	739.01	15.23
Iran	1,664	3,135	6,300	5,535	232.58	8.34
Kazakhstan	1,229	3,771	9,071	10,510	755.16	15.38
Kyrgyz Republic	280	477	880	1,103	294.54	9.57
Pakistan	535	714	1,043	1,435	168.21	6.80
Tajikistan	139	340	744	926	565.60	13.48
Turkey	4,215	7,117	10,111	9,126	116.50	5.28
Turkmenistan	645	1,707	4,479	6,672	934.05	16.85
Uzbekistan	558	547	1,377	2,132	281.94	9.35
<b>Region's Per Capita</b>	<b>1,414</b>	<b>2,397</b>	<b>3,998</b>	<b>3,923</b>	<b>177.43</b>	<b>7.04</b>
<b>Change (in percentage)</b>	-	69.52	66.79	-1.87		-

Source: Based on the World Bank data

It is evident from **Table A.2.2.3** that as per world ranking of per capita income (PPP), Turkey, Iran, Kazakhstan, Turkmenistan and Azerbaijan have ranking between 48-70 positions

whereas the rest of five economies are in the range of 124-164 positions implying that there is wide gap between these two ranges. **Figure 2.2.3** vividly shows that there are vast fluctuations in the trend lines of top five economies during the period under reference.

From **Table 2.2.4** it can be ascertained that the region's GDP Per capita in current US\$ stood at US\$3,923 in 2015 compared to 1,414 representing 7.04 per cent growth per annum. Further, the values of nominal GDP per capita are relatively close to real GDP (constant 2010 US\$) but substantially low compared with the figures of per capita GDP PPP of the member states mainly controlling for adjustments for the price level changes and the exchange rate fluctuations. Nevertheless, top five and bottom five economies remain same. The rank of individual economies however, show fluctuations, Kazakhstan stands number one followed by Turkey, ranking of Turkmenistan, Iran and Azerbaijan remains as per the GDP PPP per capita reported above. Despite these similarities, GDP PPP per capita indicator is academically sound and practical and widely used for comparing countries over long time period.

### A.2.3: GDP Growth Rate

GDP growth rate is one of the key indicators most commonly used to measure how fast GDP changes or grows over a specified period normally a year and is measured in percentage terms. There are two measures; real and nominal. Real GDP growth rate nets out the effect of inflation on the price of goods and services produced and it is considered a better measure than the nominal GDP growth which mirrors change/ growth in nominal terms. This indicator computes the progress made as well as predicts about the economy and major macro economic variables are closely linked with this vital indicator.

**Table A.2.3.1: Growth Rates of GDP of the ECO Member States and the Region, 2000-2015**

Member State	Year			
	2000	2005	2010	(in percentage) 2015
Afghanistan	8.40	11.18	8.43	0.84
Azerbaijan	11.10	26.40	4.85	1.10
Iran	5.85	4.21	6.58	1.70
Kazakhstan	9.80	9.70	7.30	1.20
Kyrgyz Republic	5.43	-0.18	-0.47	3.47
Pakistan	4.26	7.67	1.61	4.71
Tajikistan	8.30	6.70	6.50	6.00
Turkey	6.77	8.40	9.16	3.97
Turkmenistan	5.47	13.04	9.20	6.50
Uzbekistan	3.80	7.0	8.5	8.00
Minimum Value	3.8	-0.18	-0.47	1.1
Maximum Value	11.1	26.4	9.2	8
Range/Difference between Maximum and Minimum	7.3	26.58	9.67	6.9

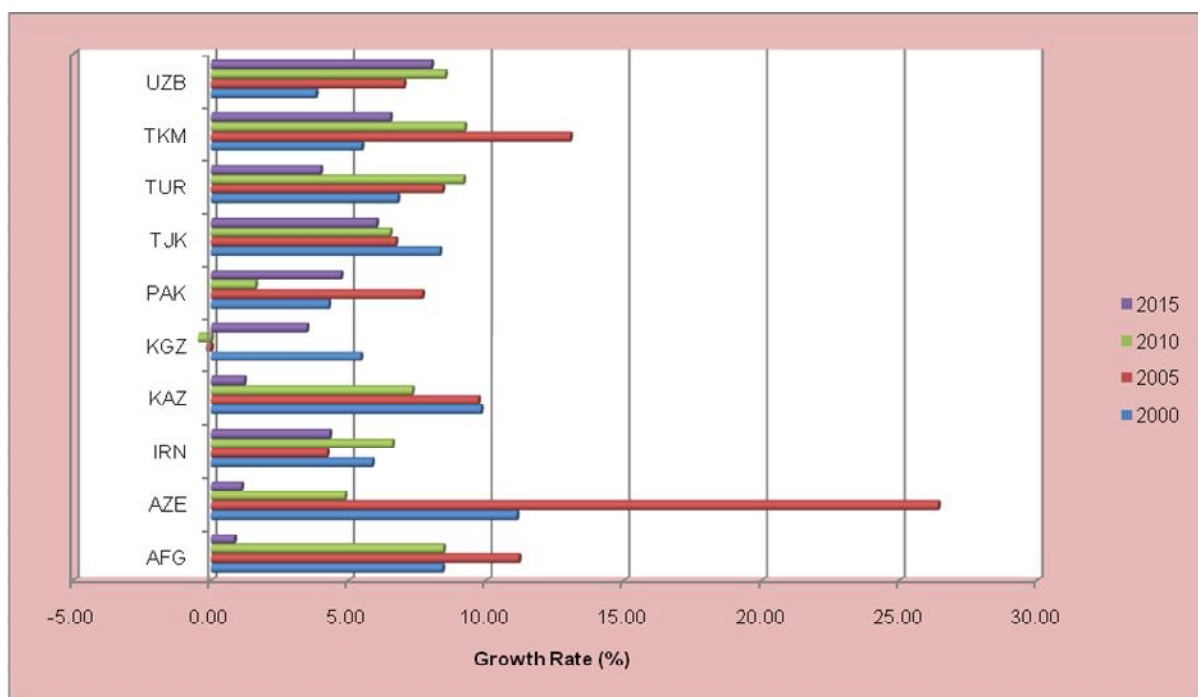
Source: Based on World Bank data



A review of **Table A. 2.3.1** suggests that in 2015, three economies, namely, Afghanistan, Azerbaijan and Kazakhstan growth rates are below 3 percent with growth rates of 1.52, 1.10 and 1.20 percent respectively. Four economies i.e. Iran with 4.30, Kyrgyz Republic with 3.47, Tajikistan with 4.20 and Turkey with 3.98 percent growth rates fall in the range of 3-5 percent while growth rates of three economies Pakistan, Turkmenistan and Uzbekistan was recorded 5.54, 6.50, and 8.0 percent respectively. As compared to 2015 the countries showed better growth rates in previous years as 2013-15 witnessed global economic slowdown, reduction in demand, steep reduction in oil prices and sanctions on Russia effecting remittances to Tajikistan, Kyrgyz Republic and Uzbekistan.

Azerbaijan registered very high growth rate of 11.10 and 26.58 in 2000 and 2005 respectively, which are the peak growth rates of the relevant years as well. Turkmenistan experienced 9.2 percent growth rate in 2010 which is the maximum growth rate any member states produced in the year under reference. There are wide variations in growth rates which are evident from the **Figure A.2.3.2**.

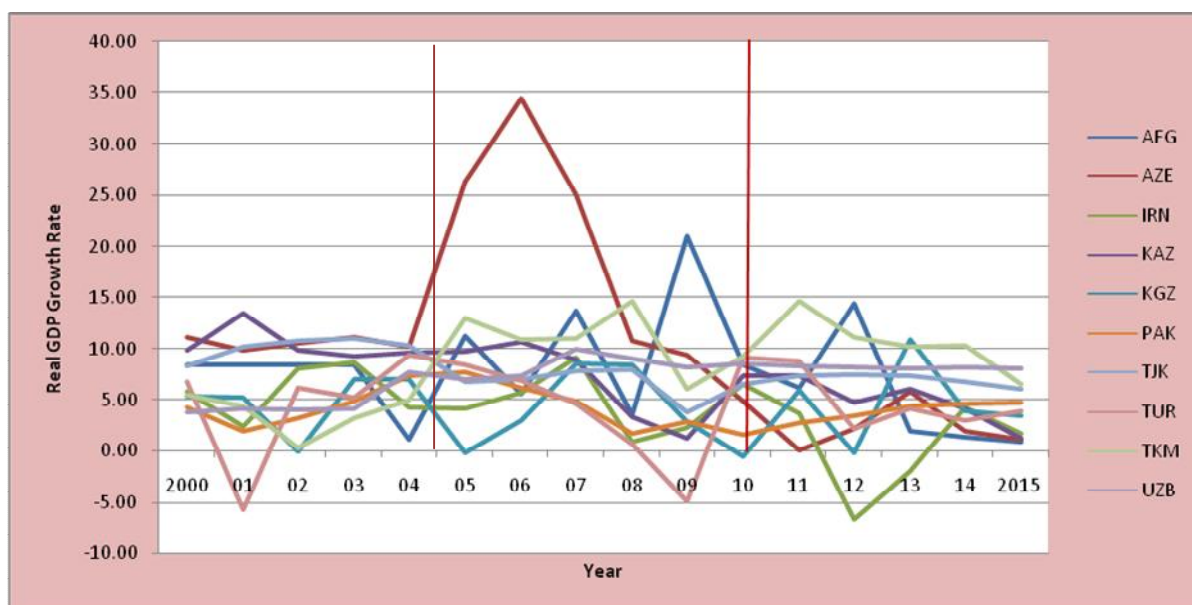
**Figure A.2.3.1: Growth Rates of GDP of the ECO Member States, 2000-2015**



Source: Based on the World Bank data

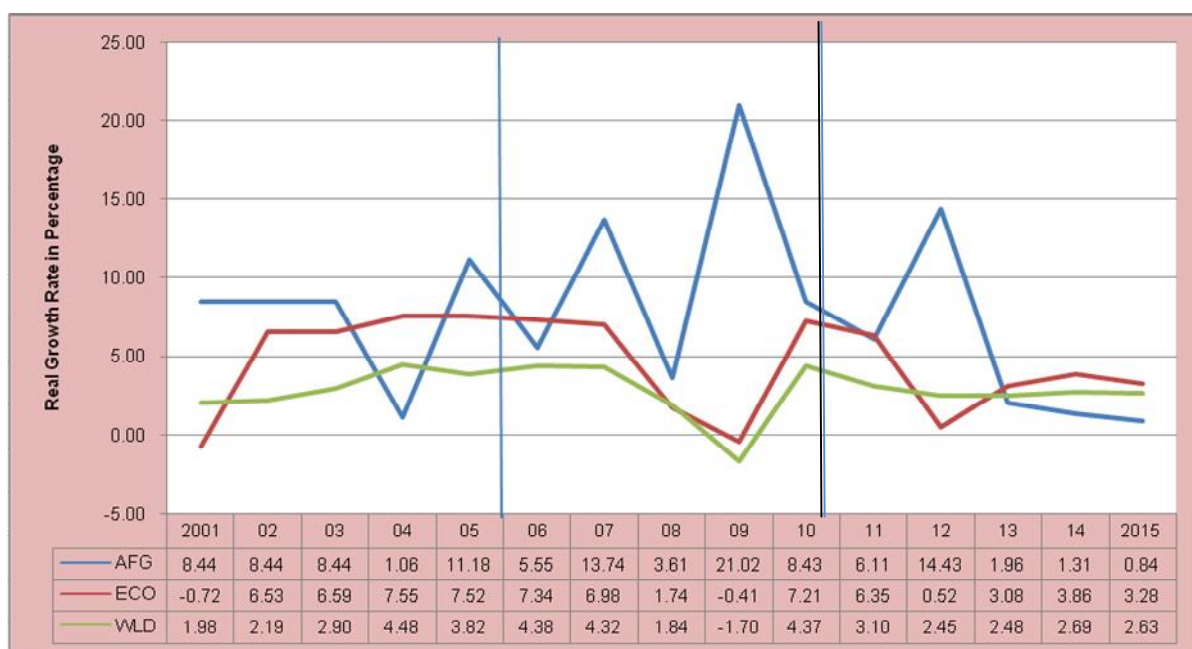
**Figure A. 2.3.2** shows curves of annual growth rates of ECO member states but it is not easy to figure out the growth trajectory from these individual curves of the member states. For the sake of clear picture and analysis, growth paths of each of the member states are discussed in the following discussion along with comparison of the ECO region average annual growth rate and the world average growth rates in the corresponding years. Another dimension has been added to the analysis by breaking up the period in to three segments; three i.e. 2001-2005, 2006-2010 and 2011-2015. Important statistical indicators of central tendency and dispersion like minimum, maximum, average, range and standard deviation have been given at the end of the section in a consolidated table for quick comprehensive review of the growth trends and patterns of the member states and the region.

Figure A.2.3.2: Growth Rates of GDP of the ECO Member States, 2000-2015



Source: Based on the World Bank data

Figure A.2.3.3: GDP Growth Rates of Afghanistan with ECO Region and World GDP, 2000-2015



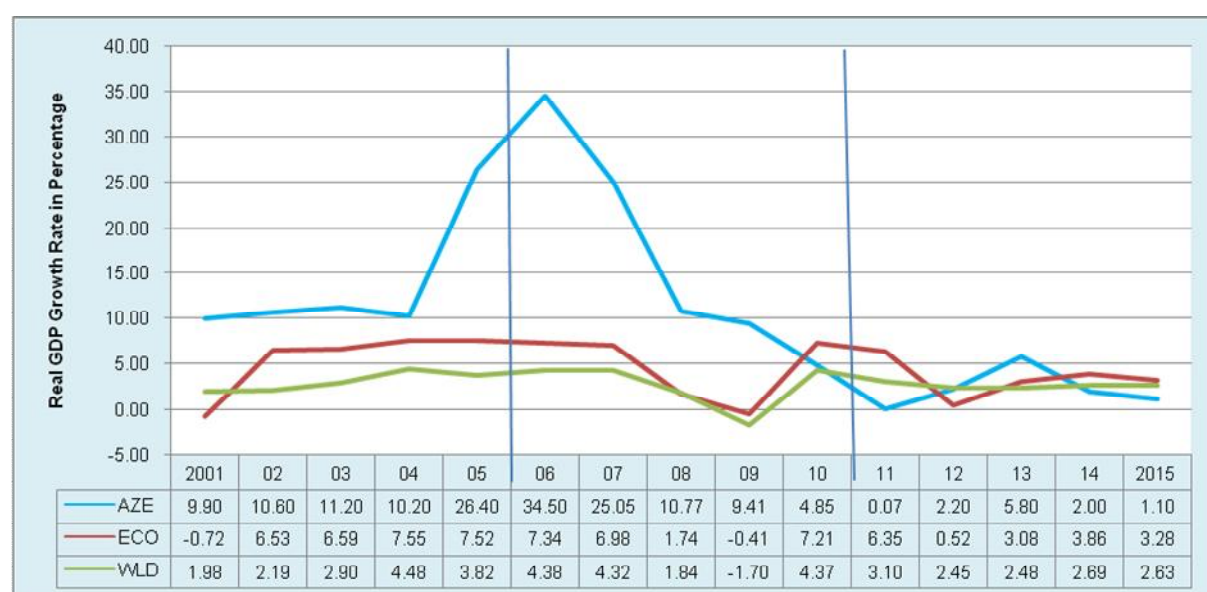
Source: Based on World Bank data

Comparing the GDP growth rates of the world and the ECO region over a period of fifteen years i.e. 2000-15, it is clear that the ECO regions growth rate while being higher than the world average in most of the years has followed the same pattern; there was a dip in the world growth rate in 2009 going negative 1.70 percent and same year ECO region also registered negative growth rate of negative 0.41 percent. Similarly recovery in global growth rate was mirrored by the ECO region too as can be seen in the years 2010. Stable performance of growth 2002-08 is also

similar for the world and ECO Region. There is only one instance when ECO region growth did not follow the world growth pattern i.e. in 2012 when sanction on Iran resulted in huge decline in the economic growth of the country and effected the growth rate of ECO region, having large share in the ECO Region economy. This pattern points to the fact that ECO region's economy is synchronized and integrated with the world economy, benefiting from surge in global growth and at the same vulnerable to shocks from it.

The data on growth rate was not available for Afghanistan for 2000-2002 and the first available figures on the subject indicator were used as proxy. For all the years, except 2004 and 2013-2015, average growth rate has been higher than the average of the ECO region and the World average. In the 2000-2005, except 2004, growth rate is above the world and ECO region averages and in the last 2010-2015, after a remarkable growth of 14.43 percent in 2012, the economy has witnessed steep decline in the growth rate for next three years 2013-2015 exhibiting 1.96, 1.31 and 0.84 percent respectively. Though for several years under review the growth rates of Afghanistan have been above the world and ECO growth rates but overall the growth rate has shown high volatility with year on year sharp increases and decreases pointing towards high sensitivity to external as well as internal shocks.

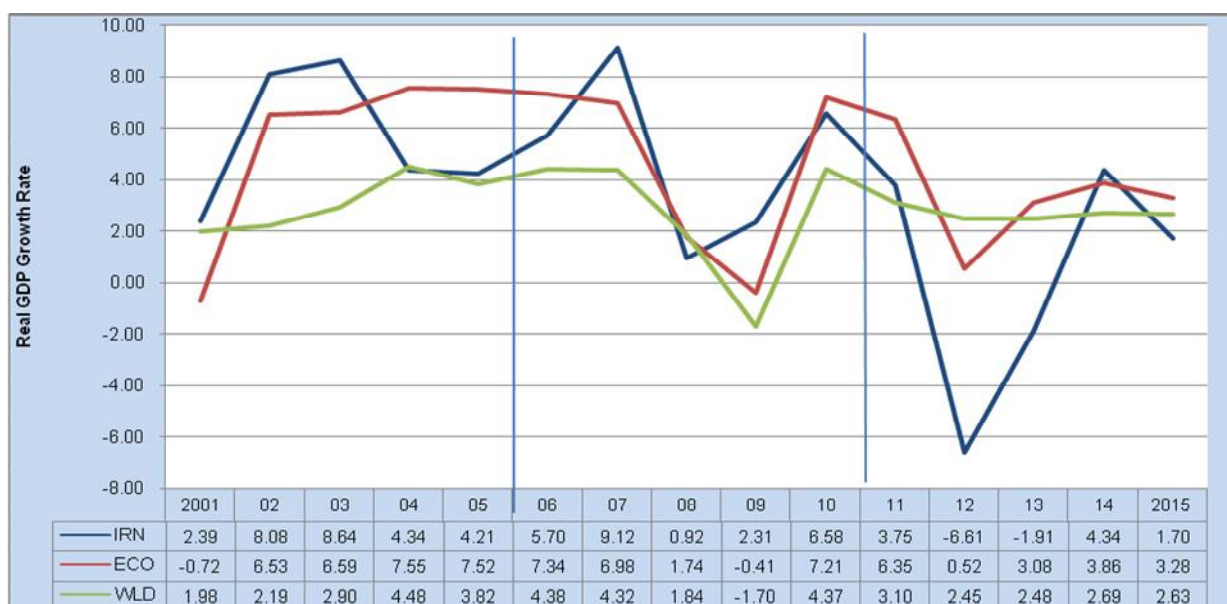
**Figure A.2.3.4: GDP Growth Rates of Azerbaijan with ECO Region and World GDP, 2000-2015**



Source: Based on the World Bank data

Azerbaijan economy has performed the best as average growth rate has been in double digit and in all the years under consideration except 2011, 2014 and 2015, the average growth rate of the economy has been better than the ECO average growth rate and the world average growth rates. Disaggregated analysis shows that except 2010-2015, the growth rate has been substantially high touching its peak in 2006, which is the highest growth rate of the region of any economy in any year, during the period under reference. This huge growth has considerable effect on the other sectors of the economy and final impact on the per capita income of the country as well as the region. The natural resource- based country has been placed in the upper middle income countries and moving towards manufacturing as well as knowledge based economy. It may be noted that the share of Azerbaijan's economy has risen 1.28 per cent to 3.00 per cent during 2000 to 2015.

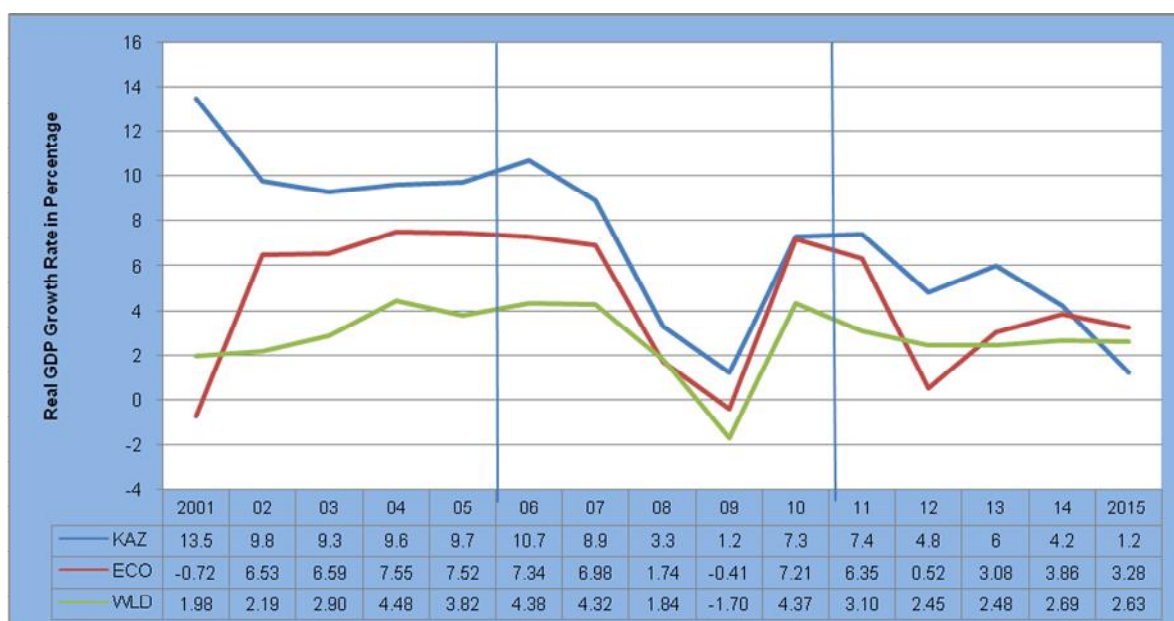
Figure A.2.3.5: GDP Growth Rates of Iran with ECO Region and World GDP, 2000-2015



Source: Based on World Bank data

**Figure A.2.3.5** reflects that Iran growth profile has been quite fluctuating and has undergone high volatility during the entire period under consideration in general more pronounced between 2010-2015 and precisely saw the lowest in 2012 with 6.61 negative growth rate. Iran growth has been falling and rising in most of period 2000-2015 and its average growth rate has been below the ECO region growth rate during the period. Nonetheless, it is above the world average during the period except from 2011 onwards which is due to the general global slowdown, impact of sanctions and steep reduction in oil prices in 2014 and 2015.

Figure A.2.3.6: GDP Growth Rates of Kazakhstan with ECO Region and World GDP, 2000-2015





Analyzing the growth path of Kazakhstan during the fifteen years, it was highest during 2001 at 13.5 percent and then saw a gradual but small slowdown in growth rate for the GDP which recovered briefly in 2006 crossing 10 percent again before dipping steeply and bottoming in 2009 to 1.2 percent largely due to global economic woes. However it picked up again and the economy showed great performance of again growth rate of 7.3 percent in next year i.e. 2010, since then it is sliding again and more steeply in 2014 and 2015 as international oil prices crashed, registering 1.2 percent growth rate in 2015. It is encouraging to note that there has not been negative growth during the whole period and the economy has been resilient to shocks to an extent. The most noticeable fact is Kazakhstan's economic growth rate has been higher than the average growth rate of ECO economies and the world except 2015. The average annual growth rate has been 7.02 per cent among top five highest growth rate economies of the region and the Range (difference between the maximum to minimum growth rate) has been moderate in comparison with other economies.

Figure A.2.3.7: GDP Growth Rates of Kyrgyz Republic with ECO Region and World GDP, 2000-2015



From **Figure A.2.3.7** it is clear that Kyrgyz Republic growth curve has been quite fluctuating and has undergone high volatility during the entire period under consideration. The highest growth rate has been observed in 2013 at 10.92 percent during 2010-2015 and the lowest was noted in 2010 with 0.47 negative growth rate. Kyrgyz Republic growth rate has been rising and falling in most of period 2000-2015 and its average growth rate has been below the ECO region growth rate in most of the period; notwithstanding the fact that it has been above the world average with the exception of 2002, 2005, 2006, 2010 and 2012. Average per annum economic growth of the country has been 4.34 percent whereas range is 11.39 expressing volatility in the subject indicator.

Pakistan, lower middle income country, has exhibited low to average growth rate during the period with 1.61 percent in 2010 being the lowest point and 7.67 in 2005 as the highest growth rate during the period. However, growth has been positive during 2001-2015. The highest growth rates have been during 2001-2005 while the lowest growth rates have been observed during 2006-2010. The performance during 2011-2015 has consistently improved as visible from the growth rate curve. It is noteworthy that Pakistan's economic growth rate has been higher than the average

growth rate of the world economies in all years with the exception 2010 and 2011 and most of annual growth rate of ECO economies in all years. The average annual growth rate has been 4.19 per cent and the Range too has been at 6.06 which is low in comparison with other economies of the region.

Figure A.2.3.8: GDP Growth Rates of Pakistan with ECO Region and World GDP, 2000-2015

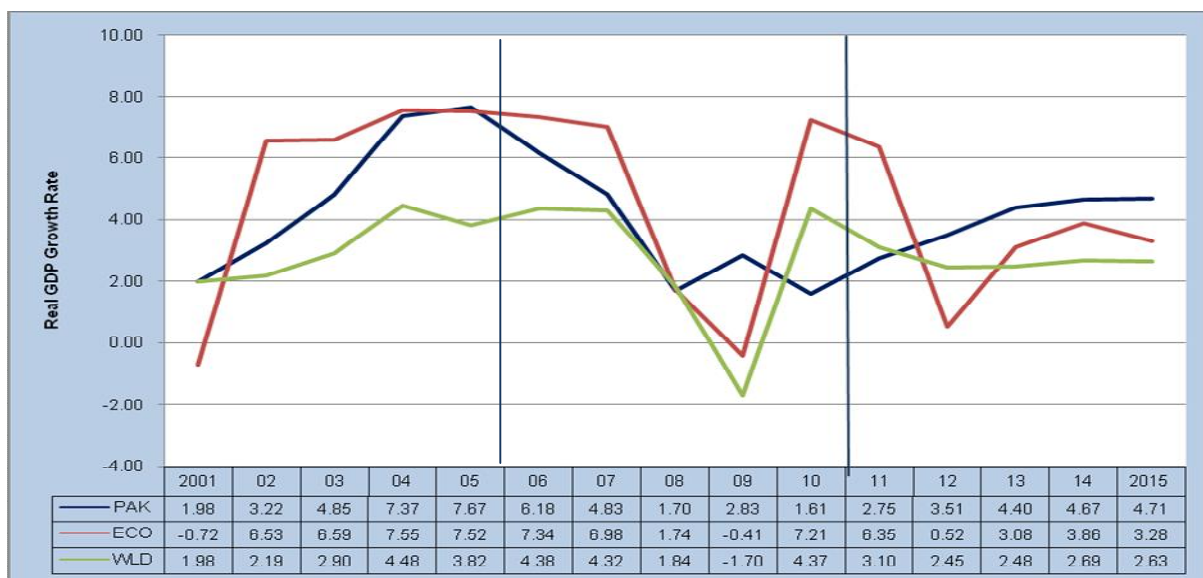
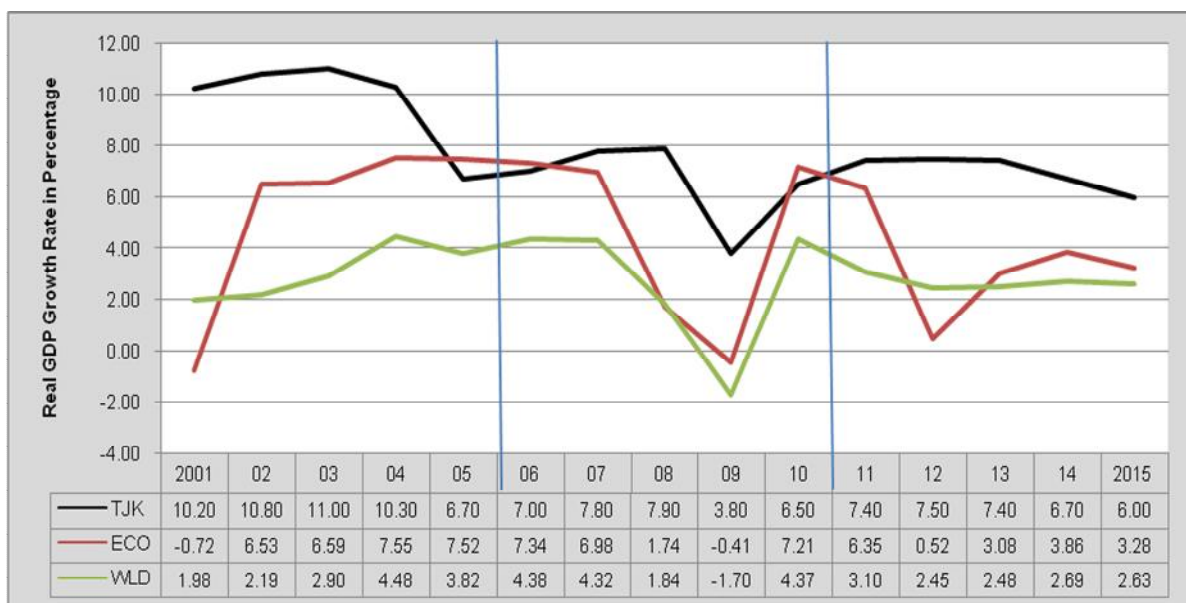


Figure A.2.3.9: GDP Growth Rates of Tajikistan with ECO Region and World GDP, 2000-2015



Tajikistan is a lower middle income country and its economic growth has been above world during 2000-15 and also above ECO region average for almost all period except for 2005,06 and 10. The highest growth rate has been in 2003 with 11 per cent while other double digit growth rates have been in 2001, 2002 and 2004 indicating best sub-period, 2000-2005 from this perspective, while the lowest in 2009 exhibiting 3.80 percent growth rate.

Figure A.2.3.10: GDP Growth Rates of Turkey with ECO Region and World GDP, 2000-2015



Source: Based on the World Bank data

Observing the performance of Turkey during the period it is very clear that perhaps its economy, of all ECO member countries is most integrated with the world economy and thus highly sensitive to the performance of the world economy; while growth rate for Turkey has been above the world growth rate it has followed and mirrored the pattern of the world economy. Turkey performed best during 2004-05 (9.36 & 8.4%) and during 2010 and 2011 (9.16 & 8.77%) similar to the global economic performance. Similarly its performance followed world performance drop in 2001 and 2009, whereby the growth rate went negative for Turkey following negative growth in world economy. The average annual growth rate has been 4.04 per cent which is a reasonable rate for a economy which has diversified and is a big exporter as well as an importer of the world.

Turkey's economy is the largest one in the ECO region and its economic performance has been unique. Most of the years the average annual real economic growth rate has been higher than the average growth rate of ECO and the world economies. The dispersion of data measured by Range (difference between the maximum to minimum growth rate) has been high in relation to other economies showing volatility. Despite fluctuations, the economy has made economic growth and the share of Turkish economy in the ECO regionally decreased only marginally from 48.83 percent in 2000 to 46.04 percent in 2015.

Figure A.2.3.11: GDP Growth Rates of Turkmenistan with ECO Region and World GDP, 2000-2015



Economic growth profile of Turkmenistan's economy has been high but witnessed great fluctuations especially in post-2005 period, indicating to the influence of international market prices for gas and oil among other things. The highest growth rate has been in 2008 with 14.70 per cent while the lowest in 2002 showing 0.26 percent growth rate. There has not been negative growth during the whole period and the Turkmenistan's economic growth rate has been higher than the average growth rate of the world economies and average annual growth rate of ECO economies in most of the period under reference. The average annual growth rate has been 8.64 per cent among top five highest growth rate economies of the region and the Range too (difference between the maximum to minimum growth rate) has been high in relation to other economies.

Figure A.2.3.12: GDP Growth Rates of Uzbekistan with ECO Region and World GDP, 2000-2015





Uzbekistan's economic growth curve has been consistently rising with the exception 2008 and 2009 when there has been marginal fall in growth rate. The highest growth rate has been in 2007 with 9.92 per cent while the lowest in 2002 exhibiting 4 percent growth rate. It is comforting to observe that there has not been negative growth during the whole period and the economy has been between 4 percent in 2002 to 9.92 percent in 2007 showing resilience to external shocks. The most noticeable fact is Uzbekistan's economic growth rate has been higher than the average growth rate of the world economies and most of annual growth rate of ECO economies. The average annual growth rate has been 7.35 per cent among top five highest growth rate economies of the region and the Range too (difference between the maximum to minimum growth rate) has been moderate in comparison with other economies. From 2004 onwards, the growth rate has not been less than 7 per cent growth rate which is an appreciable performance.

Uzbekistan economic performance is most consistent within the region which had little impact of world economic slowdowns in 2001 and 2008. The sharp decline in international oil and gas prices has no impact on the Uzbekistan growth rate as it has retained an average growth of over 8% since 2009. This indicates a resilient and balanced economy with enough diversification in different sectors and little reliance on any single industry.

**Table A.2.3.2: Highlights GDP Growth Rates (Constant 2010 US\$)**

Member State	Minimum (Year)	Maximum (Year)	Range =Maximum - Minimum	Average of annual growth rates	Standard Deviation/ a measure of fluctuations
<b>Afghanistan</b>	0.84 (2015)	21.02 (2009)	20.18	6.39	5.75
<b>Azerbaijan</b>	0.07 (2011)	<b>34.50 (2006)</b>	34.43	10.53	<b>10.11</b>
<b>Iran</b>	<b>-6.61 (2012)</b>	9.12 (2007)	15.73	3.49	4.13
<b>Kazakhstan</b>	1.20 (2009)	13.50 (2001)	12.3	7.02	3.60
<b>Kyrgyz Republic</b>	-0.47 (2010)	10.92 (2013)	11.39	4.34	3.61
<b>Pakistan</b>	1.61 (2010)	7.67 (2005)	6.06	4.19	1.90
<b>Tajikistan</b>	3.80 (2009)	11.00 (2003)	7.2	7.66	1.99
<b>Turkey</b>	-5.70 (2001)	9.36 (2004)	15.06	4.04	4.63
<b>Turkmenistan</b>	0.26 (2002)	14.70 (2008)	14.44	8.64	4.29
<b>Uzbekistan</b>	4.00 (2002)	9.92 (2007)	5.92	7.35	<b>1.80</b>
<b>ECO</b>	<b>-0.72 (2001)</b>	<b>7.55 (2004)</b>	<b>8.27</b>	<b>4.49</b>	<b>3.06</b>
<b>World</b>	<b>-1.70 (2009)</b>	<b>4.48 (2004)</b>	<b>6.18</b>	<b>2.62</b>	<b>1.55</b>

Source: Based on World Bank data

The data reveals interesting facts and patterns succinctly stipulated hereunder:

- Before the global financial meltdown in 2008 followed by drop in the oil prices in the international market, most of highest growth rates were observed in the region with stellar growth rate performance by Azerbaijan at 34 percent in 2006, Kazakhstan 13.50 in 2001, Pakistan 7.67 in 2005, Tajikistan 11 percent in 2003, Turkey 9.36 in 2004, Turkmenistan 14.7 in 2008 and Uzbekistan 9.92 in 2007. ECO region GDP growth rate was observed 7.55 in 2004 which is also the maximum growth rate. This also indicates that economies of the ECO member States are globally connected notwithstanding specific factors determining their growth paths.

- b. Iran, Kyrgyz Republic and Turkey are the member states experiencing negative growth rates amounting to -6.61, -0.47 and -5.70 respectively during 2000-2015. However, minimum of growth rates has been observed in 2012 by Iran at -6.61 percent. This does not corresponds with the ECO lowest growth rate of -0.72 in 2001 and world lowest growth rate during this period at 1.70, in 2009 in the wake of on setting global financial crisis in 2008, implying that factors are specific to Iran. It may be noted that in 2009 maximum member states experienced the lowest growth rates in the post-2008 global crisis especially immediately by Tajikistan at 3.80 in 2009, and Kazakhstan at 1.20 in 2009. Nevertheless, these economies have its own and country specific factors as well determining growth paths. Thereafter, Kyrgyz Republic and Pakistan registered growth rate of -0.47 in 2010 and 1.61 in 2010 respectively. In sequence, Azerbaijan registered the lowest growth rate of 0.07 in 2011. Afghanistan also observed 0.84 percent growth, the lowest, in 2015, largely because of security related challenges.
- c. Azerbaijan posted the highest growth for any country in the region at 34.50 percent in 2006, prior to onset of global financial meltdown in 2008 and huge drop in the oil prices in the international market. In sum, from the real growth perspective, the economies can be grouped in three broad categories in terms of average growth rate in the period 2000-15; low growth rate from 0 to 5 percent, moderate growth rate from 5-10 percent and high growth rate from ten percent and above. There are four member states, namely, Iran (3.49 percent), Kyrgyz Republic (4.34 percent), Pakistan (4.19 percent) and Turkey (4.04 percent) in the low growth rate category. In medium growth category there are two Central Asian States i.e. Afghanistan (6.39 percent), Kazakhstan (7.02 percent), Tajikistan (7.66), Turkmenistan (8.64 percent) and Uzbekistan (7.35 percent) percent growth rates respectively. Azerbaijan is the only country in the ECO region which has registered double digit average real GDP growth rate of 10.53 percent in the reference period of 2000-2015.
- d. All member states have exhibited higher growth rates compared to the world average of 2.79 percent. However, Iran, Kyrgyz Republic, Pakistan and Turkey average growth rates fall short of the ECO average growth rate of 4.49 percent.
- e. The average growth rates, Azerbaijan, Afghanistan, Iran and Turkey have exhibited higher volatility in terms of both measures of dispersion namely, Range and the Standard Deviation during 2000-15. Whereas Pakistan, Tajikistan and Uzbekistan have exhibited least fluctuations and more stable path as can be evidenced from standard Deviation figures of 1.8, 1.90 and 1.99 respectively. The Range also supports these results.

From the foregoing assessment, it can be inferred that ECO region economies are globally integrated but have individualistic characteristics and additional dimensions of the economies which make them more or less vulnerable to global economic situation and external shocks; the countries with large share of oil and gas revenues are naturally sensitive to international oil and gas prices, which in turn are dependent on world demand and supply. Observing the growth performance, it comes out clear that resource economies' performances have swung with the international oil and gas prices. Turkish economy is the most integrated to global economy and is most sensitive to international fluctuations and its growth performance closely follows the world economic performance. Uzbekistan economic growth performance has shown most resilience in the wake of global economic swings and has been high in the range of 8-9 percent as well as very stable especially during last nine years i.e. 2007-15. This is indicative of less global integration and dependence on one hand and diversified and balanced composition of economy on the other.

#### A.2.4: GDP by Major Economic Sectors

Production structure of economies has profound bearing on their growth paths; hence, comprehension of composition of GDP is imperative for better understanding of growth rates dynamics, its trends and patterns. The sectoral shares and their movement also indicate the stage of economic development. In order to appreciate production structures, economies are in general divided into three basic sectors i.e. Agriculture, Industry and Services, manufacturing being the sub-sector of Industry.

A quick look at **Table A.2.4.1** reveals that sectoral share of agriculture exhibited declining trend with varying magnitude whereas shares of industry to the total GDP also witnessed decrease at least initially for some member states. Later the share of industry also declined as visible from the comparison of 2000 vs 2015. As regards the share of services sector it increased in a pronounced, slow and consistent manner. Member states' own individual pattern of economic growth and resultantly different sectoral shares in GDP is manifested in data; share of the agriculture sector in the year 2000 is below 10 percent for two economies i.e. Iran and Kazakhstan whereas for five economies, namely, Azerbaijan, Pakistan, Tajikistan, Turkey and Turkmenistan agriculture sector's share lies in the range of 10-30 percent. The agriculture share for Afghanistan, Kyrgyz Republic and Uzbekistan is above 30 percent with 38.47, 36.75 and 34.36 percent respectively.

**Table A.2.4.1: Composition of GDP of the ECO Member States and the Region, 2000 and 2005**

(Percentage Shares)								
Member State	Year/Sector							
	2000				2005			
	A	I	S	T	A	I	S	T
Afghanistan	38.47	23.71	37.81	100	31.75	27.36	40.89	100
Azerbaijan	17.14	45.33	37.52	100	9.90	63.60	26.51	100
Iran	9.13	40.56	50.31	100	6.62	46.91	46.47	100
Kazakhstan	8.69	40.46	50.85	100	6.79	40.10	53.11	100
Kyrgyz Republic	36.75	31.39	31.86	100	31.95	22.39	45.66	100
Pakistan	25.93	23.33	50.74	100	21.47	27.10	51.43	100
Tajikistan	27.42	38.85	33.72	100	23.95	31.26	44.78	100
Turkey	11.31	31.33	57.36	100	10.80	28.46	60.74	100
Turkmenistan	24.37	44.39	31.24	100	18.81	37.61	43.58	100
Uzbekistan	34.36	23.13	42.51	100	27.97	23.16	48.87	100

Note: A: Agriculture, I: Industry, S: Services T: Total

Source: Based on the World Bank data

In next 5-year period, all member states witnessed considerable decrease up to 8 percent in the percentage share of agriculture sector. However, the most pronounced decrease is for Azerbaijan which had 17.14 per cent share of agriculture in 2000 dwindling it to the below 10 percent category whereas the lowest decrease during this period was for Turkey which registered 10.80 percent in 2005 from 11.31 in 2000. Thus, in 2005 three countries are below 10 percent category whereas 6 member states are between 10-30 percent. In the category of above 30

percent, there are two countries, namely, Afghanistan and Kyrgyz Republic which too have percentage shares of 31.75 and 31.95, close to the threshold of second category of 10-30 percent.

**Table A.2.4.2: Composition of GDP of the ECO Member States and the Region for the Period 2010 and 2015**

(percentage shares)								
Member State	Year/Sector							
	2010				2015			
	A	I	S	T	A	I	S	T
Afghanistan	27.09	21.86	51.05	100	21.72	23.28	55.00	100
Azerbaijan	5.92	64.07	30.01	100	6.79	36.99	56.22	100
Iran	6.86	41.43	51.71	100	9.34	38.23	52.43	100
Kazakhstan	4.77	42.90	52.34	100	4.97	32.53	62.51	100
Kyrgyz Republic	19.44	29.26	51.30	100	15.94	26.92	57.14	100
Pakistan	24.29	20.58	55.13	100	25.11	19.96	54.93	100
Tajikistan	22.07	28.21	49.72	100	24.95	28.00	47.05	100
Turkey	9.46	26.39	64.15	100	8.53	26.51	64.96	100
Turkmenistan	11.50	59.96	28.54	100	11.50	59.96	28.54	100
Uzbekistan	19.81	33.38	46.81	100	18.26	34.63	47.11	100

Note: A: Agriculture, I: Industry, S: Services T: Total

Source: Based on the World Bank data

**Table A.2.4.3: Composition of GDP of the ECO Member States and the Region for the Period 2000 and 2015**

(in percentage shares)								
Member State	Year/Sector							
	2000				2015			
	A	I	S	T	A	I	S	T
Afghanistan	38.47	23.71	37.81	100	21.72	23.28	55.00	100
Azerbaijan	17.14	45.33	37.52	100	6.79	36.99	56.22	100
Iran	9.13	40.56	50.31	100	9.34	38.23	52.43	100
Kazakhstan	8.69	40.46	50.85	100	4.97	32.53	62.51	100
Kyrgyz Republic	36.75	31.39	31.86	100	15.94	26.92	57.14	100
Pakistan	25.93	23.33	50.74	100	25.11	19.96	54.93	100
Tajikistan	27.42	38.85	33.72	100	24.95	28.00	47.05	100
Turkey	11.31	31.33	57.36	100	8.53	26.51	64.96	100
Turkmenistan	24.37	44.39	31.24	100	11.50	59.96	28.54	100
Uzbekistan	34.36	23.13	42.51	100	18.26	34.63	47.11	100

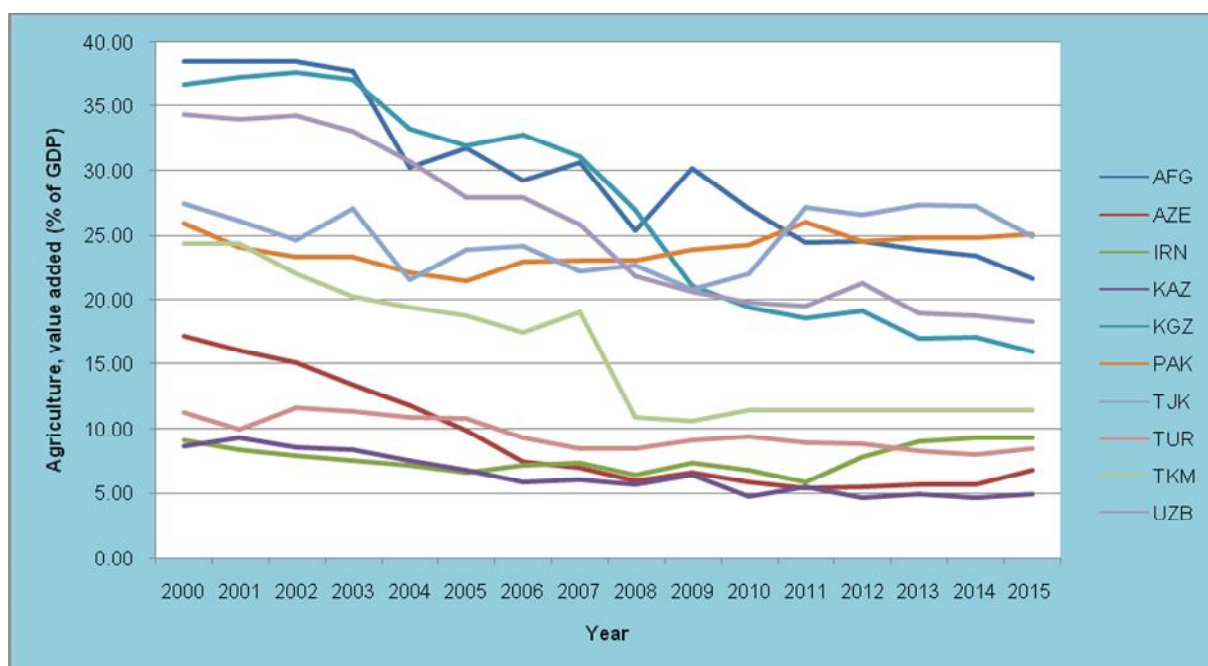
Note: A: Agriculture, I: Industry, S: Services T: Total

Source: Based on the World Bank data

In 2010, value added of agriculture sector in percentage term has further reduced and four member states have this share below 10 percent with addition of Turkey with 9.46 percent reducing from 10.8 percent (2005) share. In the same manner, two more countries, namely, Afghanistan and Kyrgyz Republic moved to the category of 10-30 percent. By 2010, none of the member countries had share of agriculture in GDP more than percent.

The declining shares trend continued for next five years in 2015, there are four countries in the below 10 percent category while remaining six countries are between 10-30 percent category. Data on Turkmenistan is not available. By 2015 Kazakhstan has the lowest share on Agriculture in its economy at 4.97 percent and Pakistan having highest share of agriculture in its economy at 25.1 percent. There has been consistent declining in the percentage of agriculture sector over the period under reference which is evident from the **Figure A.2.4.1 to Figure A.2.4.3**.

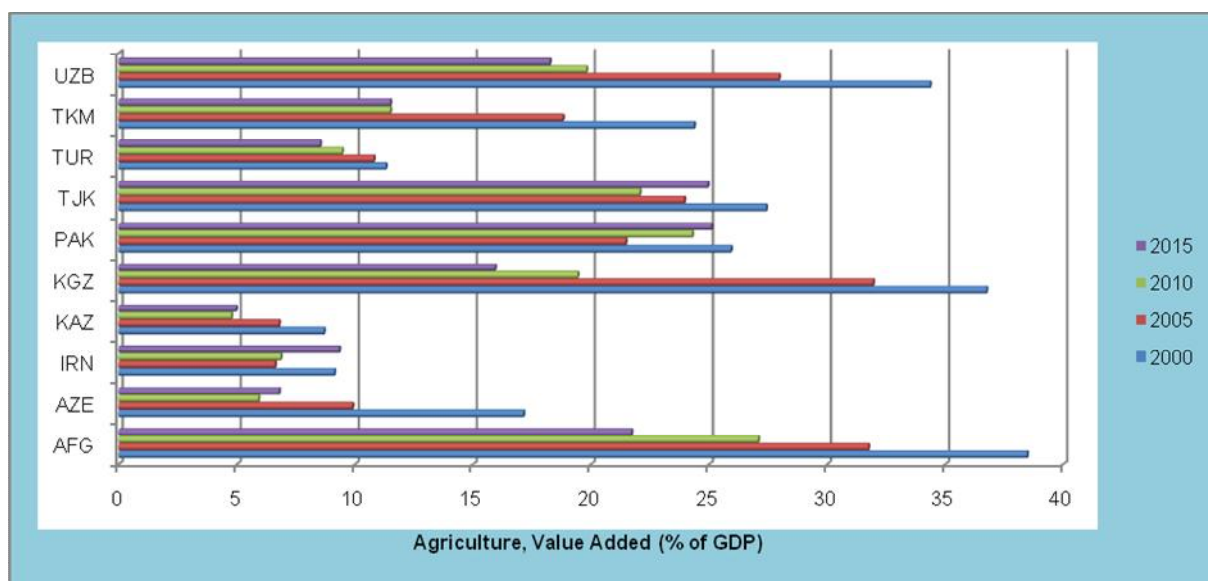
**Figure A.2.4.1: ECO Member States: Agriculture Sector's Value Addition (as Percentage of GDP), 2000-2015**



Source: Based on the World Bank data

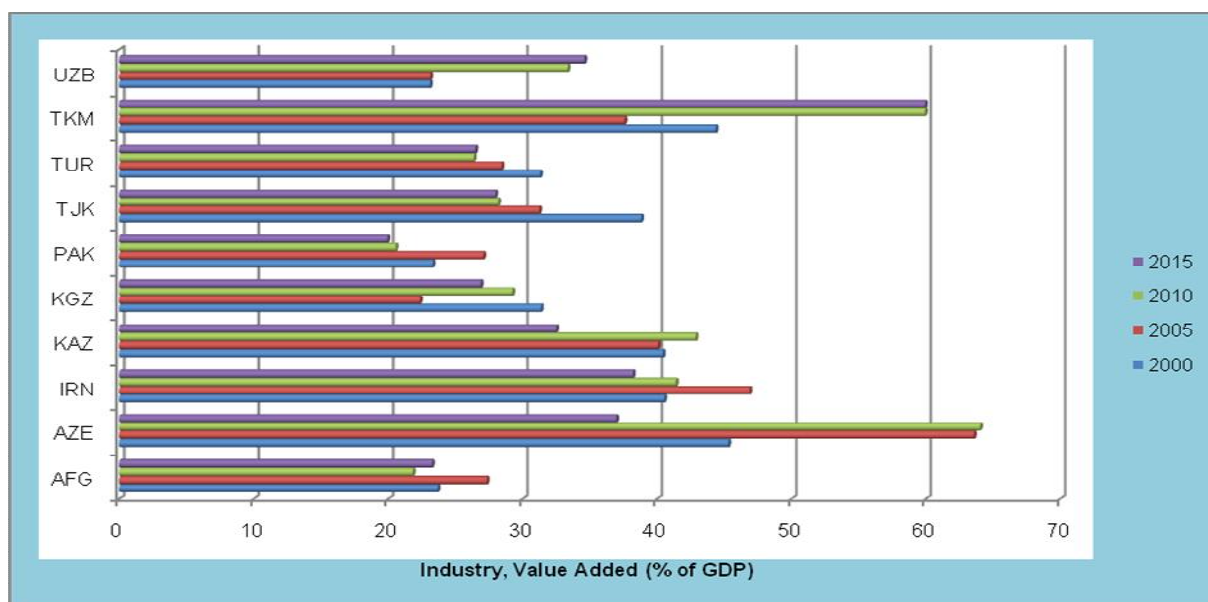
Conversely, the share/ value addition of industry in GDP has risen in all the member states. For disaggregated analysis, it can be categorized in three groups; Group I: below 30 percent, Group II: 30- 40 percent and Group III: above 40 percent. In 2000, the first group, there are three member states, Afghanistan, Pakistan and Uzbekistan whereas in the second group there are three member states i.e. Kyrgyz Republic, Tajikistan and Turkey, the last group of above 40 percent share comprises of four countries, namely, Azerbaijan, Iran, Kazakhstan and Turkmenistan. The highest share value is 45.33 percent for Azerbaijan whereas the lowest value is 23.13 percent for Uzbekistan.

Figure A.2.4.2: ECO Member States: Agriculture Sector's Value Addition (as Percentage of GDP), 2000-2015



Source: Based on the World Bank data

Figure A.2.4.3: ECO Member States: Industry Sector's Value Addition (as Percentage of GDP), 2000-2015



Source: Based on the World Bank data

In 2005, the countries in the first group increased to five member states, namely, Afghanistan, Kyrgyz Republic, Pakistan, Turkey and Uzbekistan are placed. Two countries namely, Tajikistan and Turkmenistan are placed in 2nd group whereas in the last group is constituted by Azerbaijan, Iran, Kazakhstan. The highest share value of the industry is 63.60 percent for Azerbaijan whereas the lowest share is 22.39 per cent for Kyrgyz Republic. In 2010, there are five

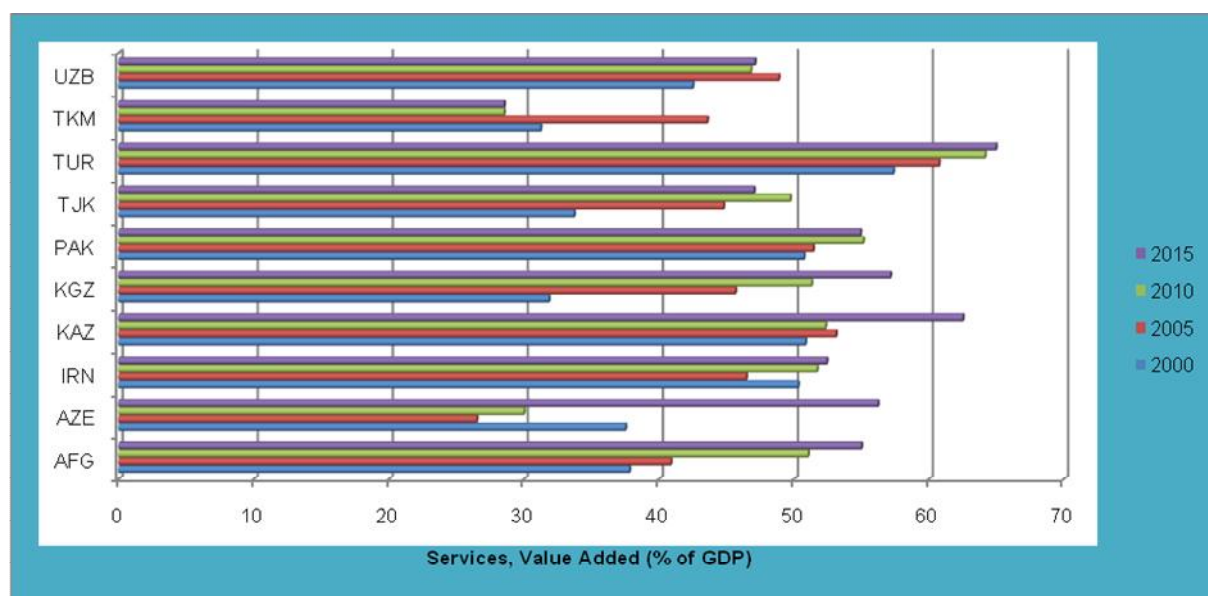


economies in the first group, one in group II and four member states in group III. The peak value is 64.07% for Azerbaijan whereas the lowest is for Tajikistan with 28.21 percent.

In 2015, five economies, namely, Afghanistan, Kyrgyz Republic, Pakistan, Tajikistan and Turkey are in group one, four member states i.e. Azerbaijan, Iran, Kazakhstan, Uzbekistan in group II and one country Turkmenistan in group III. Interestingly, the peak value is low with 59.96 percent for Turkmenistan but this result may be taken with a grain of salt as the latest data available for Turkmenistan is for 2010 and this has been used as a proxy for 2015. After this, the highest percentage is for Iran with 38.23 percent. The share of all economies decreased except for Turkey which increased from 26.39 to 26.51 and Uzbekistan from 33.38 to 34.63 in 2015, both slightly up from 2010. The biggest decline witnessed is for Azerbaijan which plummeted from 64.07 percent in 2010 to 36.99 in a period of five years. In the same manner, the share of the agriculture sector decreased by 5 percentage points which was captured by the services sector. It needs to be underlined that the economy is also moving towards the knowledge-based. The result is in line with the other indicators reported in the foregoing analysis.

A comparison of 2015 with 2000 indicates that only two economies namely Turkmenistan and Uzbekistan increase whereas in the remaining economies the shares fell with varying magnitude. Azerbaijan witnessed the peak value but it dwindled in the post 2008 years and in the wake of fall in the crude oil prices.

**Figure A.2.4.4: ECO Member States: Services Sector's Value Addition (as Percentage of GDP, 2000-2015)**

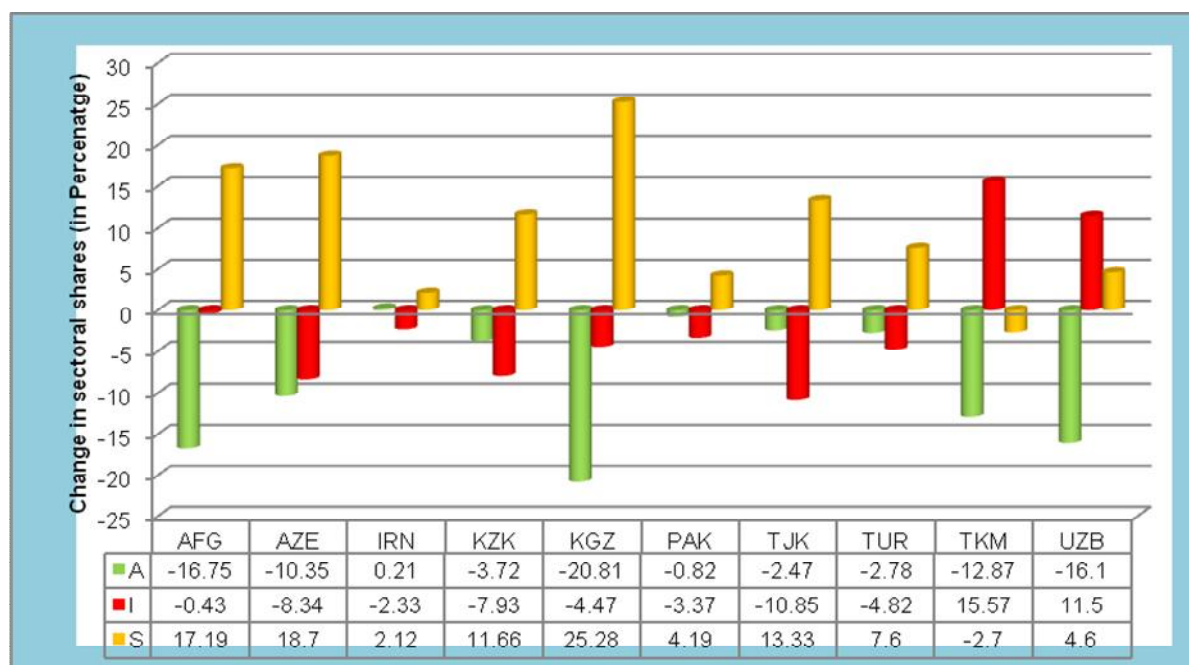


Source: Based on the World Bank data

The services sector was weak in 2000 which has gained major chunk of the shares lost by agriculture and industry but in a gradual manner. The three categories defined are; below 40 percent, 40-50 percent and above 50 percent. In 2000, there are five countries, Afghanistan, Azerbaijan, Kyrgyz Republic, Tajikistan and Turkmenistan below 40 percent category, one member states, Uzbekistan, in category II and four member states, Iran, Kazakhstan and Turkey in category III. In 2005, by this classification, only one country, Azerbaijan, in category I, six countries, Afghanistan, Iran, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan are in category II while three countries, Kazakhstan, Pakistan and Turkey fall in are in category III.

In 2010, two member states, Azerbaijan and Turkmenistan in category I, two member states, Tajikistan and Uzbekistan in category II and six countries i.e. Afghanistan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan and Turkey in category III. In 2015, one country, Turkmenistan, in category I, two countries, namely, Tajikistan and Uzbekistan in category II and seven member states, Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan and Turkey in category III. Turkey had the highest share in four years of comparison i.e. 2000, 2005, 2010 and 2015 with minimum of 57.36 percent share in 2000 and 64.15 percent in 2015 which is the maximum the region has noted. In sum, all member states have graduated on this count. The changes in the sectors over the period 2000-2015 are summarized in **Figure A.2.4.5**.

**Table A.2.4.5: Change in the Sectoral Percentage Shares of GDP of the ECO Member States, 2000 vs 2015**



**Note:** A: Agriculture, I: Industry, S: Services T: Total, latest data on Turkmenistan was used for this purpose.  
Source: Based on the World Bank data

It can be inferred from the negative signs of percentage change in percentage share of agriculture and industry, with exception of Turkmenistan and Uzbekistan for industry, that both sectors lost shares which were gained by services sector of the all member states barring Turkmenistan. It needs to be highlighted that Turkmenistan data on the subject indicator is not available for the recent years and sectoral shares are the proxy of previous years, strengthening the inference drawn.

A comparison of composition of GDP expressly reveals that over the period under consideration,

- a. Agriculture sector has lost its percentage share in GDP of all the member states except Iran. Iran's percentage share was 9.13 in 2000 which is 9.34, marginally up in 2014. The figure of 2015 was not available; hence it has been used as a proxy for 2015. Observing trend of agriculture sector, it can be inferred that agriculture sector value added, as % of GDP, have declined in 2015. Considering this explanation, all the member states observed declining share in 2015 compared to 2000. In terms of percentage, the most marked decrease is for Kyrgyz Republic by 20.84 percent followed by Azerbaijan (10.35 percent), Afghanistan (16.75 percent), Uzbekistan (16.1 Percent) and Turkmenistan (12.87 percent).



- Kazakhstan share decreased by 3.72 percent. The next in order are Turkey, Tajikistan and Pakistan with -2.78, 2.47 and -0.82 percent respectively.
- b. Industry like agriculture sector noted decrease in the sectoral shares of all member states except Turkmenistan and Uzbekistan. In percentage terms, the maximum decrease has been observed for Tajikistan with 10.85 percent. The percentage change for Azerbaijan, Kazakhstan, Kyrgyz Republic, Pakistan and Turkey has similar magnitude ranging from 4.82 to 8.34 percent. Two member states, namely, Afghanistan and Iran had low decrease with 0.43 and 2.33 percent respectively. As alluded above, Turkmenistan and Uzbekistan posted increase in percentage with 15.57 and 11.5 percent respectively. Thus, Uzbekistan witnessed the highest increase in share whereas Tajikistan registered the maximum decline.
  - c. Services sector gained the shares lost by agriculture and industrial sectors. All member states' services sector convincingly gained except Turkmenistan. As data on Turkmenistan for latest years is not available, that too may have gained as in the years for which data is available. The most striking point is that the increase in shares is larger than the industry and agriculture in most of the cases. The services sector of Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan posted considerable increase whereas Iran, Pakistan and Turkey (the biggest three economies) witnessed increase by 7.6, 2.12 and 4.19 percent respectively.
  - d. The upshot of these trends in sectoral shares signify overall economic growth and also in line with the development experiences of most of the developed economies. Economies like Azerbaijan manifest individual patterns as well but overall moving towards standard patterns.

On the basis of the foregoing data and analysis on the composition of GDP and sectoral value addition during 2000-2015, economies can be broadly categorized in following four groups:

Group	Member States
A.	Azerbaijan and Turkmenistan can be placed in the same category where agriculture sector is low, below 15 percent; industry is nearly 35-60 percent share whereas the most dominant sector, however, is services sector with its share around 50 percent. It may be noted that share of industry in Azerbaijan's economy has dwindled to 36.99 in 2015 percent compared with 63.60 in 2005 and 64.07 percent in 2010 and has witnessed swings in 2000-2015 nevertheless it is still predominantly similar to Turkmenistan.
B.	Afghanistan, Kyrgyz Republic, Pakistan, Tajikistan and Uzbekistan have comparable sectoral economic composition as agriculture as well as manufacturing around 25-30 percent whereas services sector contributing nearly half of the economy.
C.	Iran and Kazakhstan have the similar economic structures i.e. agriculture sector is quite low below 10 percent, manufacturing about 30-40 percent and services sector contributes almost half of the GDP.
D.	Economic structure of Turkish economy is different from above mentioned categories as its agriculture contribution to GDP is below 10 percent, industrial sector nearly one fourth of GDP whereas the major share is from services sector with 65 percent in 2015.

### A.2.5: Inflation Rate

Inflation rate is one of the leading macroeconomic indicators extensively used worldwide for evaluating performance of economies. It is an important economic statistic as it affects the value of money with implications for wide range of areas such as economic growth, resource allocation, external sector stability, income inequality, etc and has strongly correlated with other monetary aggregates like GDP, investment, interest rate, etc. Inflation has its associated socio-economic costs and affects different economic groups differently. Thus, price stability is one of the priority areas of the governments and an integral component for stabilization of economy through fiscal and monetary policies.

Inflation is taxation without legislation. Milton Friedman

Table A.2.5.1: Inflation Rates in ECO Member States, 2000-2015

Member State	Year			
	(in Percentage)			
	2000	2005	2010	2015
Afghanistan	12.69	12.69	0.89	-1.53
Azerbaijan	1.81	9.68	5.67	4.17
Iran	14.48	13.43	10.14	13.71
Kazakhstan	13.18	7.58	7.12	13.60*
Kyrgyz Republic	18.70	4.35	7.97	6.50
Pakistan	4.37	9.06	13.88	2.54
Tajikistan	7.09	7.09	6.42	5.71
Turkey	54.92	10.14	8.57	7.67
Turkmenistan	..	..	..	..
Uzbekistan	..	..	..	..

Note: .. Indicates non-availability of data. World Bank database does not have data for Turkmenistan and Uzbekistan.

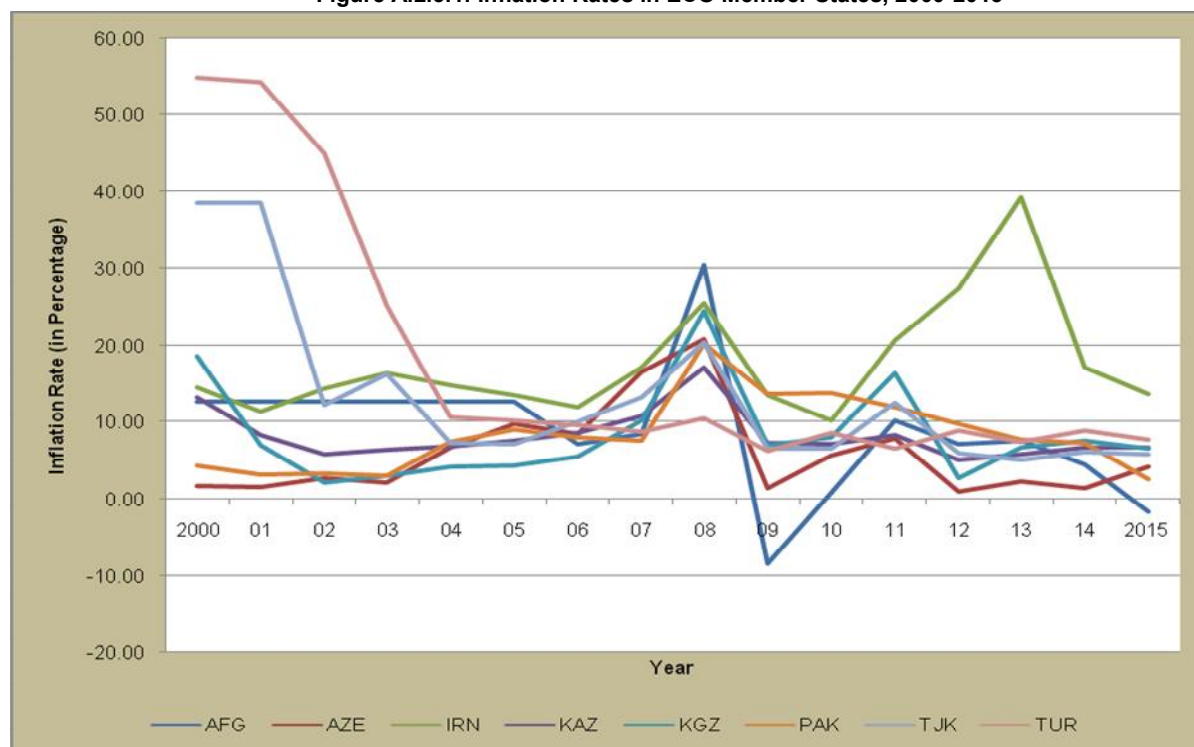
\*Data for Afghanistan for the year 2000 was not available but for 2005 figure has taken for 2000 as proxy.

\* Inflation Rate of Kazakhstan for 2015 was taken from the National Bank Report 2015 of Kazakhstan.

Source: Based on the World Bank data

**Table A.2.5.1** reflects the historical trend of inflation rate in the member states on specific points i.e. 2000, 2005, 2010 and 2015 which mirrors high inflation rates in different countries experienced at different points of time only. However, **Figure A.2.5.1** is more reflective of inflation trends in individual countries. Three countries, Pakistan, Azerbaijan and Kazakhstan have seen relatively stable inflation rates over the period, though also saw double digit inflations in different years; Pakistan and Azerbaijan in 2008 and Kazakhstan in 2000 and 2008. However since 2012 all countries have seen declining and/or stabilizing trends in inflation remaining in single digit. The only exception is Iran which witnessed 39 per cent inflation in 2013 and since then it is declining but has remained in double digits till 2015. Iran's case has been an exception being result of sanctions and not domestic or international economic shocks.

Figure A.2.5.1: Inflation Rates in ECO Member States, 2000-2015



Source: Based on the World Bank data

Inflation trend in Turkey is an interesting study as inflation was over 50 percent in 2000, which saw steep decline and within five years it was in single digit and ever since it has been successfully managed under 10 percent inflation rate. Further as stated earlier, the marked feature of the data is that inflation rate in all member states in last four years, 2012-2015, has been low and single digit with the exception of Iran which had high price level but too has seen declining over the years.

Complete analysis is not possible on Afghanistan as data is not available for the period 2000-2005 and 2006 figures has been used in place thereof. Furthermore, it is worthwhile to mention that Afghanistan is the only country in the region which experienced deflation which can be reflected from this fact that inflation rate in Afghanistan in 2015 turned out to be minus 1.53 percent and earlier in 2009 experienced decelerating price level with minus 8.28 inflation rate. This is largely due to uncertainties in security situation and inflows of external aid funds.

With regards to external contributing factors, it needs to be underlined that oil and gas pricing in the international markets have direct and immediate impact on energy resource export countries and a delayed impact on energy resource importing countries as hike in oil prices in the global market quickly feed into overall prices. Rising commodity prices also stoke inflation in economies especially as Uzbekistan, Turkmenistan, Kazakhstan and Tajikistan are major exporters of cotton and wheat (in case of Kazakhstan). Recent drop in international oil prices in recent years has significantly contributed to the decline in the inflation rate resulting in the subdued price level in the oil importing economies of the ECO Region like Afghanistan, Kyrgyz Republic, Pakistan, Tajikistan and Turkey.

Nevertheless, oil-exporting economies like Azerbaijan, Iran, Kazakhstan and Turkmenistan have been adversely affected by this change through drop in revenues which is visible through tables and graphical representations on different aspects of economy throughout the report. It is

imperative to highlight that individual countries have internal as well external factors and sources of inflation like demand pull and cost push which cannot be generalized for the entire region.

As noted earlier, GDP deflator (implicit price deflator) is a measure of the level of prices of all new, domestically produced, final goods and services in an economy. This is different because the CPI includes anything bought by consumers including foreign goods. The second difference is that the GDP Deflator is a measure of the prices of all goods and services while the CPI is a measure of only goods bought by consumers. A quick look at the GDP deflator and CPI data reveals that in figures of general price level are generally low compared to the GDP deflator; however no conclusive evidence exists on this.

**Table A.2.5.2: GDP Deflator (as measure of Inflation Rate) in ECO Member States, 2000-2015**

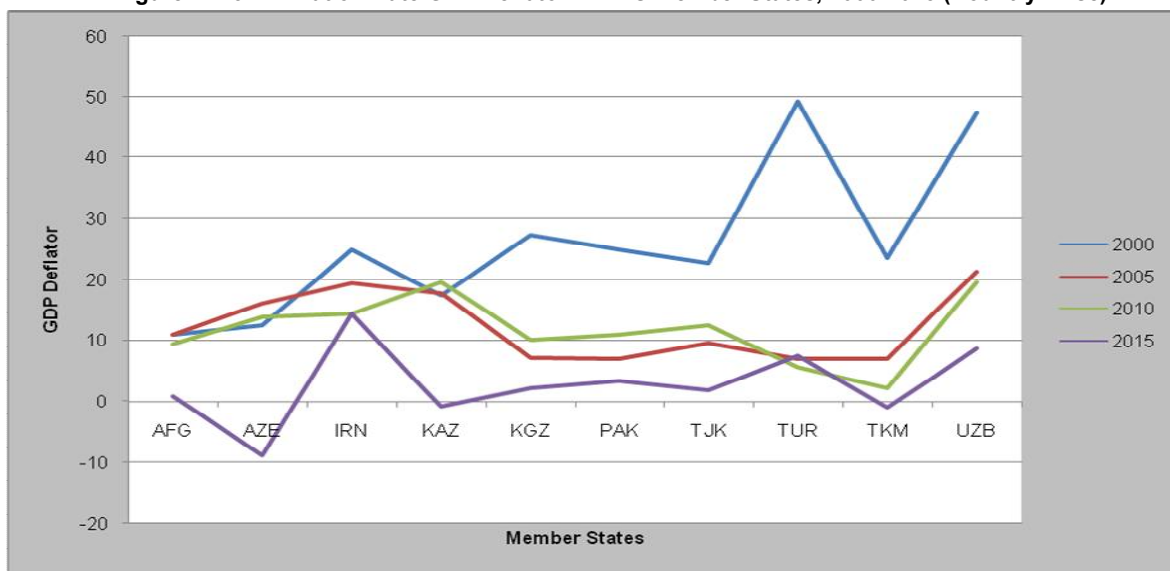
Member State	(in Percentage)			
	Year			
	2000	2005	2010	2015
Afghanistan	..	10.90	9.44	0.94
Azerbaijan	12.49	16.14	13.76	-8.85
Iran	24.93	19.51	14.36	..
Kazakhstan	17.43	17.87	19.54	-0.89
Kyrgyz Republic	27.18	7.13	10.03	2.18
Pakistan	24.89	7.03	10.85	3.51
Tajikistan	22.67	9.52	12.46	1.85
Turkey	49.23	7.08	5.68	7.47
Turkmenistan	23.46	7.03	2.31	-1.00
Uzbekistan	47.34	21.37	19.55	8.68

**Note:** Inflation as measured by the annual growth rate of the GDP implicit deflator shows the rate of price change in the economy as a whole. The GDP implicit deflator is the ratio of GDP in current local currency to GDP in constant local currency.  
Source: Based on the World Bank data

GDP deflator has been high in 2000 compared to the subsequent reported years 2005, 2010 and 2015 as CPI mentioned in the foregoing discussion. In 2000, the highest value of this indicator is 49.23 for Turkey followed by 47.34 for Uzbekistan while the lowest is 12.49 for Azerbaijan. The GDP deflators for rest of the economies of the member states are mostly between 20-30 percent with the exception of Azerbaijan and Kazakhstan. In 2005, four economies have GDP deflator in single digit and one on the brink of single digit, 10.90 percent for Afghanistan. The lowest GDP deflator is for 7.03 for Pakistan and Turkmenistan followed by Kyrgyz Republic with 7.13 and Tajikistan 9.52. The highest GDP deflator figure is 21.37 for Uzbekistan in the same year. These figures are overall less than the GDP deflators reported in 2000.

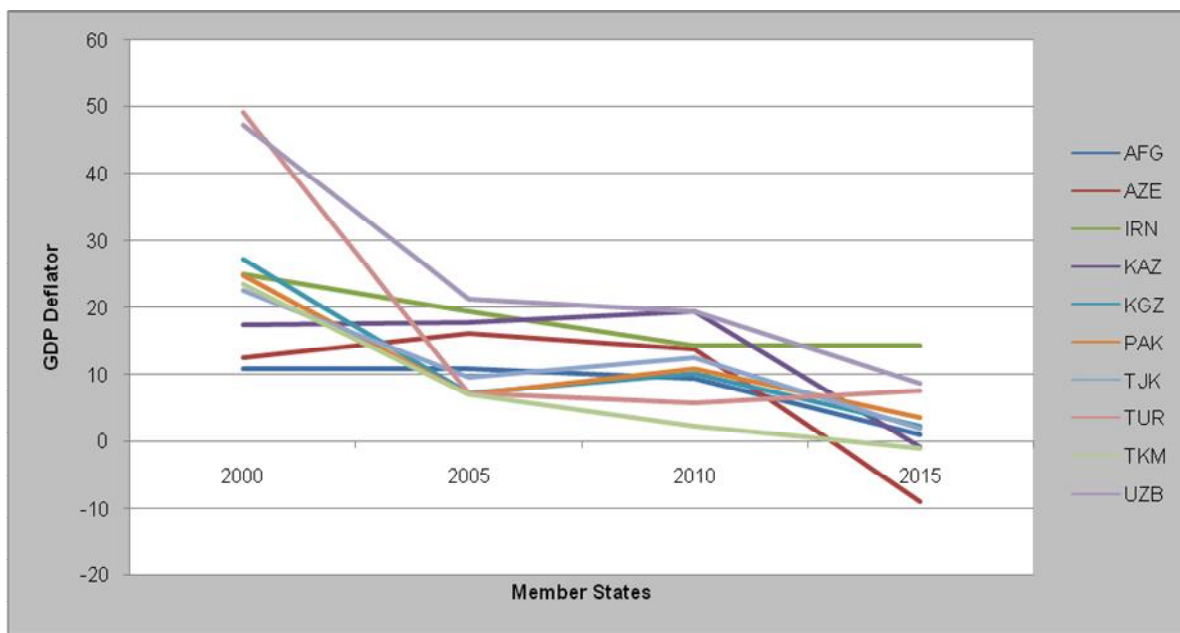
In case of 2010, there is mixed trend as some GDP deflators have risen while the others have witnessed decline. The highest figure is 19.55 again for Uzbekistan as in 2005 while the lowest is for Turkmenistan's economy with 2.31. Three GDP are single digit while the rest are in double digit with the highest of Uzbekistan with 19.55. The last segment of time period 2010-2015 has the lowest in the whole data set with three figures in negative, lowest figure of -8.85 for Azerbaijan. All figures are in single digit and in all lowest for most of the member states as well.

Figure A.2.5.2: Inflation Rate/GDP Deflator in ECO Member States, 2000-2015 (Country -wise)



Source: Based on the World Bank data

Figure A.2.5.3: Inflation Rate/GDP Deflator in ECO Member States, 2000-2015 (Year-wise)



Source: Based on the World Bank data

Data across the Member States further shows that in 2015 all economies had the lowest GDP deflator figure among these four reported years except for Turkey which had the lowest in 2010 with 5.68. From data it can be ascertained that over years, price level as measured by the GDP deflator has dwindled over the period for most of the member states economies. The data also appears in line with the CPI data reported in the previous tables and figures. All in all, the data shows price level measured by GDP deflators has decreased over years and the results are also true for the member states with varying magnitudes.

### A.2.6: Labour Market, Unemployment and Urbanization

Assessment of the economic progress and GDP growth through creation of employment opportunities or vice versa is based on improvement in labour market. Employment indicators of economies are reflective of real progress determining future prospects of economies as well. Labour force in plain words comprises of the people who are able-bodied and also willing to work. Similarly, the labor force as the percentage of the total population over the minimum working age is called labour force participation rate which too is an indicative of size of labour force offering services on the supply side of labour market.<sup>2</sup> Percentage of the unemployed in the labour force is termed as the unemployment rate. It needs to be appreciated that demand for labour by employers and supply thereof by workers determines equilibrium in labour market. In times of economic stress, the demand for labor lags behind supply, driving unemployment up and vice versa.

**Table A.2.6.1: Labour Force and Labour Force as Percentage (%) of Total Population of ECO Member States and the ECO Region, 2000-2014**

Member State	Year								Percentage Change in LF in 2014 over 2000	AVG
	2000		2005		2010		2014*			
	LF (in units)	LF as % of TP	LF (in units)	LF as % of TP	LF (in units)	LF as % of TP	LF (in units)	LF as % of TP		
AFG	4,823,765	24.48	6,112,379	25.05	7,049,139	25.21	8,334,374	26.35	<b>72.78</b>	3.71
AZE	3,556,038	44.18	3,986,191	47.50	4,512,169	49.83	4,950,969	51.92	<b>39.23</b>	2.23
IRN	18,934,562	28.75	24,690,252	35.21	25,063,987	33.75	27,133,460	34.72	<b>43.30</b>	2.43
KZK	7,549,180	50.72	7,945,350	52.45	8,848,347	54.21	9,284,810	53.70	<b>22.99</b>	1.39
KGZ	2,067,014	42.20	2,302,121	44.59	2,533,335	46.50	2,727,997	46.75	<b>31.98</b>	1.87
PAK	41,531,144	30.04	49,870,601	32.52	58,604,183	34.46	65,361,409	35.32	<b>57.38</b>	3.07
TJK	2,349,255	37.98	2,777,476	40.81	3,289,719	43.39	3,676,342	44.32	<b>56.49</b>	3.03
TUR	21,379,587	33.81	22,329,132	32.90	25,644,596	35.46	28,360,682	36.58	<b>32.65</b>	1.90
TKM	1,734,672	38.54	1,933,784	40.73	2,162,347	42.89	2,348,403	44.25	<b>35.38</b>	2.04
UZB	9,279,023	37.64	10,630,709	40.63	12,319,568	43.13	13,606,265	44.24	<b>46.63</b>	2.58
ECO	113,204,240	32.32	132,577,995	34.69	150,027,390	36.01	165,784,711	36.89	<b>46.45</b>	<b>2.57</b>
% Change in LF				<b>17.11</b>		<b>13.16</b>		<b>10.50</b>		

Note: \*The latest data on labour force and most of the inter-related variables/ indicators is available for 2014. Data on population is available for 2015 as well and has been reported in demographic profile section of the report but for the sake of consistency and standardization, data as well as comparison thereof has been made with 2014. Labour force as percentage of total Population has been worked out and reported. LF: Labour force, TP: Total population, AVG: Average, Source: Based on World Bank data

<sup>2</sup> Population pyramid and age-structure are also a determining factor of percentage of labour force in the population as well as labour force participation rate. High labour force participation rate is an opportunity and thus can be utilized as a demographic dividend to speed up its role through creation of employment opportunities.

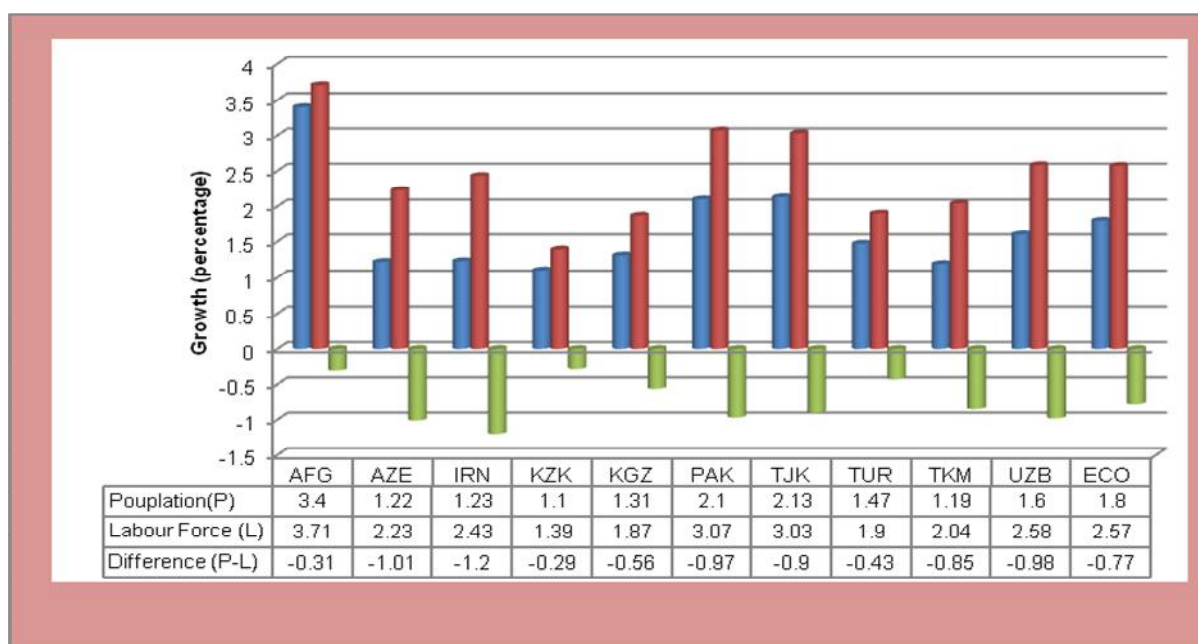


Data manifests that total labour force in the ECO Region has passed 165 million in 2014 which is 52.58 million higher compared to 2000, an increase of 46.45 in percentage terms over 2000 and 3.32 percent per annum. Thus, ECO region's total labour force is 36.89 percent of ECO Region's population of 449 million in 2014 in comparison with 32.32 percent labour force out of regional population of 350.21 million in 2000 indicating increase in young population and healthy replacement rates over the reference period. Among the sub-periods, the highest change has been observed for 2000-2005 with 17.11 percent. The change in other sub-periods 2005-2010 and 2010-2015 has been observed 13.16 and 10.50 percent respectively indicating declining trend over the sub-periods.

Country's population and size of the labour force generally have positive correlation notwithstanding the fact that distribution of age of the population/pyramid is a critical factor in determining this relationship. During 2000-2014, labour force grew by 2.57 percent per annum with the highest percentage growth of 3.71 percent for Afghanistan followed by Pakistan, Tajikistan, Uzbekistan, Iran, Azerbaijan and Turkmenistan with 3.07, 3.03, 2.43, 2.58, 2.23 and 2.04 percent respectively. Kyrgyz Republic labour force rose by 1.87 percent while the lowest percentage (1.39) was noted for Kazakhstan.

Pakistan is the most populous country among ten member states with population of 185 million in 2014 and labour force of 65 million having 39.42 percent share in the ECO region. In the same year, Turkey has 28.36 million labour force followed by Iran with labour force of 27.64 million, the share of labour force in country's population emerges as 36.58 percent and 34.72 percent respectively. On the lower side, Turkmenistan has 2.35 million labour force with labour force share of 44.24 percent of the total population, whereas Kyrgyz Republic has slightly more labour force of 2.73 million with labour force share of 46.75 percent in the country's population, signifying a young population in the later case.

**Figure A.2.6.1: Labour Force and Total Population Growth Rates in Percentage of ECO Member States and ECO Region, 2000-2014**



Note: Labour force (L) and population (P) growth rates have been calculated along with their difference. Negative value of difference means that labour force growth rate exceeds population growth rate and vice versa.

Source: Based on World Bank data

Country-wise comparison reveals that maximum change on this indicator in 2000-2014 was observed for Afghanistan, Pakistan and Tajikistan with percentages of 72.78, 57.38 and 56.49 respectively which are in line with the population growth profile discussed in the foregoing section. It is worthwhile to mention labour force growth rates of 2014 with 2000 which show that labour force growth rate per annum was found highest for the said member states with 3.71, 3.07 and 3.03 percent respectively (**Figure A.2.6.1**). The next member states in order are Uzbekistan and Iran with labour force growth rates of 2.58 and 2.43. Four member states, namely, Azerbaijan, Kyrgyz Republic, Turkey and Turkmenistan are carrying 2.23, 1.87, 2.33, 1.90 and 2.04 rates, all between 1-2 percent. The lowest labour force growth rate on this count has been for Kazakhstan with 1.39 percent while the region's average amounts to 2.57 percent.

A comparison of labour force growth with population growth rates is given along with the difference between the two indicators. Negative percentage implies labour force growth exceeds population growth rate and for positive vice versa. **Figure A.2.6.1** indicates that five countries, namely, Afghanistan, Kazakhstan, Kyrgyz Republic and Turkey have lower difference than the ECO average of minus 0.77 percent. Further, the highest rate has been for Iran with minus 1.2 followed by Azerbaijan (1.01 percent), Uzbekistan (0.98 percent), Pakistan (0.97 percent), Tajikistan (0.90 percent) and Turkmenistan (0.85 percent) respectively.

On the lower side, Kyrgyz Republic, Turkey, Afghanistan and Kazakhstan had corresponding values of minus 0.56, 0.43, 0.31 and 0.29 percent respectively. All the values have been found negative. The highest transformation has been noted in Iran whereas the lowest value on this count is observed in Kazakhstan with minus 0.29 indicating that maximum young population has moved from the young age to labour force or working age category which in a way is a positive development; however, requires creation of employment opportunities in public and/or private sectors for their optimum utilization. Non-proportionate or slow response in this respect renders people jobless and significant bearing on unemployment profile of the country leaving economies below its full potential.

**Table A.2.6.2: Labour Force, Female (% of total Labour Force) of Member States, 2000-14**

Member State	Year			
	2000	2005	2010	(In percentage) 2014
Afghanistan	13.63	13.97	15.54	16.05
Azerbaijan	46.83	48.16	49.39	48.63
Iran	15.57	19.96	18.01	18.34
Kazakhstan	49.23	49.18	49.39	49.32
Kyrgyz Republic	44.64	42.80	42.73	42.57
Pakistan	15.17	17.83	21.62	22.26
Tajikistan	44.09	43.75	43.49	43.32
Turkey	27.75	26.16	29.34	30.55
Turkmenistan	40.58	39.88	39.34	39.21
Uzbekistan	40.86	40.97	40.37	40.16

Source: Based on the World Bank data



Disaggregated analysis on gender basis reveals female labour force as percentage of total labour force has great variation among the member states. From this perspective, member states can be grouped into three categories i.e. below 25 percent, 25-40 percent and above 40 percent. Afghanistan, Iran and Pakistan with 16.05, 18.34 and 22.26 percent respectively fall in the first category. Turkey with 30.55 percent is in category two whereas all Central Asian member states of ECO i.e. Azerbaijan (48.63 percent), Kazakhstan (49.32 percent), Kyrgyz Republic (42.57 percent), Tajikistan (43.32 percent) and Uzbekistan (40.16 percent) fall in third category. Furthermore, there has been little changes in the referred percentage for the member states over the period and non of the member states changed these groups.

Nonetheless, over 2000-2014 Afghanistan's female labour force percentage increased from 13.63 to 16.05 followed by Iran witnessing an increase from 15.57 percent to 18.34 which is nearly one third of the percentage of Azerbaijan (48.63 percent) and Kazakhstan (49.32 percent). In the same manner, Pakistan percentage was 15.17 in 2000 while it rose to 22.26 percent which showed persistent and appreciable rise. Turkey also registered increase from 27.75 percent to 30.55 percent, almost two-thirds of the level of Azerbaijan (48.63 percent) and Kazakhstan (49.32 percent). The female labour force participation rate in Central Asian Republics is also an indirect indication of more equal societies, traditions and systems they received during Soviet days. Low female LPR indicates labour force under utilization affecting growth as well as per capita GDP of the countries.

**Table A.2.6.3: Labour Force Participation Rates in ECO Member States, 2000-14**

Member State	Year			
	2000	2005	2010	(In percentage) 2014
Afghanistan	47.6	47.8	48.1	47.8
Azerbaijan	64.1	64.2	64.5	66.6
Iran	44.2	47.6	44.1	45.4
Kazakhstan	70.1	69.6	71.5	72.7
Kyrgyz Republic	64.9	64.7	66.4	67.8
Pakistan	51	52.6	54	54.5
Tajikistan	66.5	66.2	67.3	68.1
Turkey	48.8	46.1	48.5	49.4
Turkmenistan	60.5	60.5	60.6	61.8
Uzbekistan	59.6	59.8	60.8	61.9

Source: Based on the World Bank data

Labour force participation rate in all member states increased in 2014 compared with 2000, more noticeably for Pakistan, Kazakhstan and Azerbaijan from 51 to 54.5, from 70.1 to 72.7 and from 64.1 to 66.6 respectively indicating the biggest rise in the participation rate for Pakistan showing 3.4 percent which is an encouraging phenomenon. The rise has also been noted for Kazakhstan and Azerbaijan with 2.6 and 2.5 percent respectively. In the other member states, there has been incremental increase. In addition to this, it may be observed that six member states have labour force participation rate/percentage above 60 percent; Kazakhstan (72.7 percent), Tajikistan (68.1 percent), Kyrgyz Republic (67.8 percent), Uzbekistan (61.9 percent), Turkmenistan (61.8 percent) and Azerbaijan (66.6 percent) whereas the remaining four member states' labour participation rates are below 60 percent varying from 45.4 percent to 60 percent. The highest

participation is for Kazakhstan for all the years data has been reported whereas the lowest percentage in this respect is for Iran with 45.4, though it has increased from 44.2 percent in 2000.

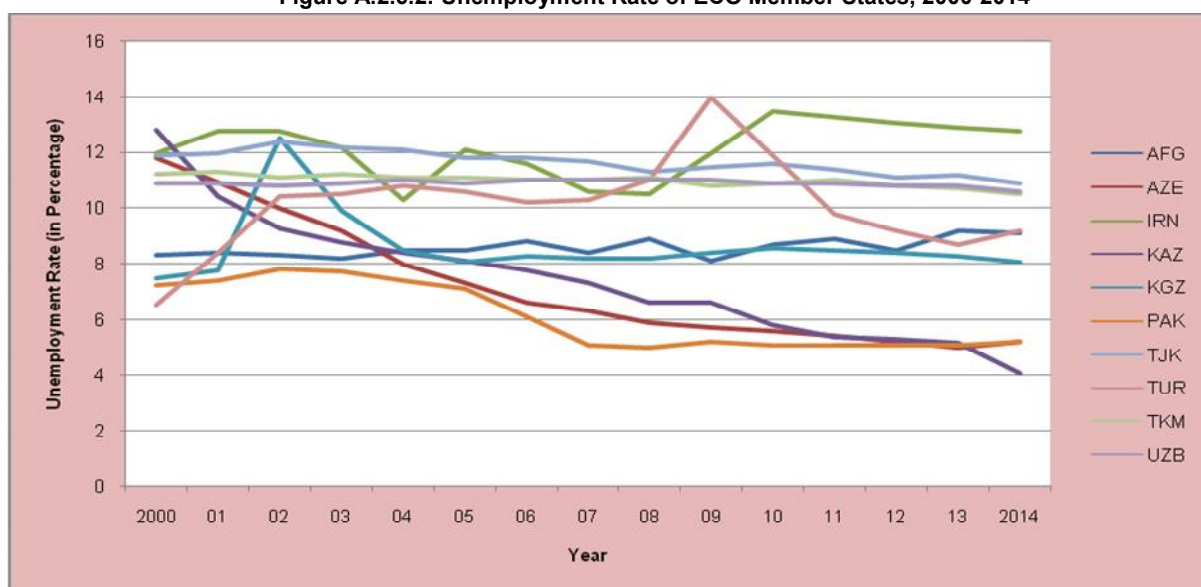
Data on unemployment indicator suggests that in comparative terms, Afghanistan, Iran, Tajikistan, Turkey, Turkmenistan and Uzbekistan experienced over 10 percent, high unemployment rate; Kyrgyz Republic and Pakistan witnessed moderate unemployment whereas Azerbaijan and Kazakhstan noted low unemployment rate. The most noticeable trend lines are for Iran and Turkey. In 2000, four countries noted unemployment rate in single digit whereas in 2014, six member states experienced unemployment rate in single digit. Further, the highest unemployment rate has been in Turkey with 14 percent rate in 2009. Conversely, the lowest unemployment rate has been for Azerbaijan with 5 percent in 2013 and 5 percent for Pakistan in 2008.

**Table A.2.6.4: Unemployment Rate of ECO Member States, 2000-2014**

Member State	Year			
	2000	2005	2010	2014
Afghanistan	8.3	8.5	8.7	9.1
Azerbaijan	11.8	7.3	5.6	5.2
Iran	12	12.1	13.5	12.8
Kazakhstan	12.8	8.1	5.8	4.1
Kyrgyz Republic	7.5	8.1	8.6	8.1
Pakistan	7.2	7.1	5.1	5.2
Tajikistan	11.9	11.8	11.6	10.9
Turkey	6.5	10.6	11.9	9.2
Turkmenistan	11.2	11.1	10.9	10.5
Uzbekistan	10.9	10.9	10.9	10.6

Note: WB estimates have been reported as national estimates are not available for some the years under consideration.  
Source: Based on the World Bank data

**Figure A.2.6.2: Unemployment Rate of ECO Member States, 2000-2014**



Source: Based on World Bank data

Unemployment rates before 2000-2015 have remained mostly static for Tajikistan, Afghanistan, Uzbekistan, and Turkmenistan at mostly over 10 percent which is on higher side. Azerbaijan and Kazakhstan have done well in the period to reduce unemployment from double digit to mere 5.2 and 4.1 respectively. However unemployment issues have increased in Turkey as it has increased from 6.5 percent in 2000 to 11.9 in 2014. While the issue of under-employment has not been discussed it is clear that ECO countries need to develop strategies to create employment through labour intensive industrialization policies, development/ expansion of services sector. Afghanistan with high population growth rates also need to handle this issue as a priority. Countries similar to Kazakhstan and Azerbaijan economic structure may like to see the policies which help reduce unemployment substantially.

An analysis of the individual member states shows that unemployment rate in Afghanistan was in single digit but over 8 percent for all the years 2000-2014, with peak figure of 9.2 in 2013. Iran's unemployment rate has been in double digit for all the years with highest value of 13.5 in 2010; all values remain in the range of 10-13.5 percent. Like Iran, Tajikistan's unemployment rate for the whole period was in double digit with the peak value of 12.4 in 2002. Turkey has unique pattern with three distinct segments; during 2000-2001 it was in single digit, during 2002-2010 it noted double digit values whereas in 2011-2014, it again got single digit values. Turkmenistan like Iran and Tajikistan had double digit unemployment rate in the entire period with 11.2 percent unemployment rate in 2000 and 2003. Uzbekistan followed suit with double digit unemployment rate; however, 2006-2009, unemployment rate remained highest at 11 percent.

Pakistan noted its peak in 2002 with 7.8 per cent unemployment rate and all values were observed in single digit. On the lower unemployment rate, Azerbaijan noted peak in 2001 with 10.9 per cent whereas registered persistently declining trend around 5 percent. Lastly, Kazakhstan unemployment rate was in double digit till 2001 followed by low unemployment rate like Azerbaijan.

**Table A.2.6.5: Unemployment Rate (Female and Male) of ECO Member States, 2000-2014**

Member State	Year							
	2000		2005		2010		2014	
	Female	Male	Female	Male	Female	Male	Female	Male
<b>Afghanistan</b>	17.8	6.7	12.2	7.9	12.4	8	14	8.2
<b>Azerbaijan</b>	12.9	10.8	8.0	6.7	6.8	4.4	6.1	4.3
<b>Iran</b>	18.6	10.8	18.4	10.5	21	11.9	19.6	11.3
<b>Kazakhstan</b>	15.6	10.1	9.9	6.4	7	4.7	4.9	3.2
<b>Kyrgyz Republic</b>	8.4	6.8	9.0	7.4	9.9	7.7	9.1	7.3
<b>Pakistan</b>	16.1	5.6	12.3	6.0	8.9	4.1	9.3	4.0
<b>Tajikistan</b>	10.4	13.1	10.4	12.9	10.3	12.6	9.9	11.6
<b>Turkey</b>	6.1	6.7	10.9	10.5	12.8	11.5	10.7	8.6
<b>Turkmenistan</b>	11.5	11.1	11.3	10.9	11.1	10.8	10.7	10.4
<b>Uzbekistan</b>	11	10.7	11.1	10.8	11.1	10.8	10.8	10.4

Source: Based on World Bank data

Female unemployment rate is noticeably higher than the unemployment rate of male population for all the member states. In 2000, most of the unemployment rates for male is in single digit whereas unemployment rate of female is in double digit or near to double digit. The gender gap in unemployment rates is narrowing down over the period under reference. In 2014, the unemployment rates of male is highest for Tajikistan (11.6 percent), followed by Turkmenistan (10.4 percent), Uzbekistan (10.4 percent) and Iran (11.3 percent). Kazakhstan, Pakistan and Azerbaijan have corresponding rates of 3.2, 4.0 and 4.3 percent. In the highest unemployment rate of female is for Iran (19.6 percent) followed by Afghanistan (14 percent), Uzbekistan (10.8 percent), Turkey (10.7 percent) and Turkmenistan (10.7 percent). Kyrgyz Republic, Pakistan and Tajikistan have 9.1, 9.3 and 9.9 percent respectively. On this indicator, the lowest unemployment rate have been for Kazakhstan (4.9 percent) followed by Azerbaijan (6.1 percent).

Table A.2.6.6: Sector-wise Employment in the ECO Member States, 2005-2014

(in Percentage)									
Member State		Year/Sector							
		2005				2014			
		A	I	S	T	A/Change	I/Change	S/Change	T
Afghanistan		..	..	..	..	..	..	..	..
Azerbaijan	PoE	39.30	12.1	48.60	100	36.80/-	14.30/+	48.90/+	100
	SSG	9.90	63.60	26.51	100	5.69/-	58.30/-	36.00/+	100
Iran	PoE	24.7	30.30	44.80	100	17.90/-	33.80/+	48.30/+	100
	SSG	6.62	46.91	46.47	100	9.34/+	38.23/-	52.43/+	100
Kazakhstan	PoE	32.4	18.00	49.6	100	24.20/-	19.8/+	56.0/+	100
	SSG	6.79	40.10	53.11	100	4.69/-	35.97/-	59.34/+	100
Kyrgyz Republic	PoE	38.5	17.60	43.90	100	31.70/-	20.20/+	48.10/+	100
	SSG	31.95	22.39	45.66	100	17.26/-	26.73/+	56.01/+	100
Pakistan	PoE	43.00	20.30	36.60	100	43.50/-	22.50/+	34.00/-	100
	SSG	21.47	27.10	51.43	100	25.03/+	20.90/-	54.07/+	100
Tajikistan		..	..	..	..	..	..	..	..
Turkey	PoE	29.5	24.8	45.80	100	19.70/-	28.40/+	51.90/+	100
	SSG	10.80	28.46	60.74	100	8.01/-	27.11/-	64.88/+	100
Turkmenistan		..	..	..	..	..	..	..	..
Uzbekistan		..	..	..	..	..	..	..	..

Note: A: Agriculture, I: Industry, S: Services, T: Total and Change means direction of change in 2014 over 2013, PoE: Percentage of Employment, SSG: Sectoral Share in GDP

\* Latest figures for Kazakhstan and Kyrgyz Republic POE were available for 2013, hence, have been used for 2014 under the assumption that in short period no significant change takes place in such indicators.

\* Data for Afghanistan, Turkmenistan and Uzbekistan are not available for any of the years 2000-2015.

\*Data before 2005 was available for few member states,hence comparison has been made for the year 2005 for which earliest data is available.

 Figures in olive green colour box indicate sectoral share in GDP at Current market Prices (US\$)

 Figures in Red Light colour box indicate percentage of employment engaged by the sector.

Source: Based on World Bank data

Share of available human resource involved in terms of three main sectors of economies i.e. Agriculture, Industry and Services in the economies along with Percentage of employment (PoE) have been reported in **Table A.2.6.6**. The comparison of percentage of employment (PoE) with sectoral share in GDP (SSG) provides an idea of structure of economy, productivity of human

resource, level of technological advancement of the sector (labour intensive vs. capital intensive) and level of development as well. It needs to be underlined that partial analysis of the ECO region for 2005 and 2014 (as data is missing for Tajikistan, Turkmenistan and Uzbekistan and for two countries value of 2013 has been used as proxy (equivalent) for 2014) manifests better productivity of labour in industrial sector (includes manufacturing), with Azerbaijan having most productive utilization of labour and/or technological advancement in manufacturing sector, and excess labour in agriculture sector where margins for greater productivity are possible as well as existence of transferable labour force to more productive manufacturing and/or service sectors.

The striking feature of data is that over the period 2005-2014, share of agriculture sector has decreased for most of the member states annually its percentage of employment. Contrarily, manufacturing and services sector shares in GDP have increased along with percentage of employment though with the interesting fact that for services sector employment increase is much more pronounced. In general, there is excess labour in agriculture sector with less contribution to GDP at country level; in 2005, Azerbaijan's GDP has 9.90 percent share of agriculture sector however employs about four times of labour force with 39.30 PoE. Similarly, Kazakhstan has similar picture as agriculture sector employs five times of labour force compared to its contribution to GDP implying that agriculture sector is labour intensive. Pakistan and Turkey's agriculture sector absorbs almost 2-3 times the labour force compared with its share in GDP. Agriculture sector in Iran employs 24.7 percent of labour force against 6.62 per cent contribution in GDP (about 1: 4 ratio) whereas Kyrgyz Republic has nearly 1:1.2 ratio.

Data reveals that Azerbaijan's manufacturing sector has substantial share in the GDP (63.60 percent) whereas it employs only 12.1 percent of the labour force implying that more capital/technology intensive methods are used in production especially in oil sector. Similar is the case of Kazakhstan where Manufacturing sector adds 40.10 percent in relation to 18 percent share of labour force employed in this sector. The remaining four countries Iran, Kyrgyz Republic, Pakistan and Turkey have similar from perspective of labour absorption of industrial sector as the labour force employed by the manufacturing sector is almost the similar/close to its share in GDP, albeit minor variation from these countries towards capital intensive modes of production as visible from 30.30 POE against share of 46.91 SSG. Over years, the instant ratio for Iran is moving towards 1:1 ratio perhaps due to high unemployment in the country.

As regards services sectors, almost all the Member States have 1-1.5 ratio of sectoral share in GDP compared with share of employment in the sector both years of comparison 2005 and 2014. Interestingly, Azerbaijan economy's share of service sector in 2014 is 36.00 percent whereas it employs 48.90 percent labour force (1 to 1.5 ratio), though the corresponding figures were 26.51 and 44.80 in 2005 indicating tendency towards labour intensive. Pakistan has reverse case as 54.07 percent of GDP is contributed by the services sector in comparison with only 34 percent labour force absorption (ratio is 1 to 0.7 ), similar as in 2005.

### **Urbanization**

Urbanization is also considered an indicator of economic development, in this regard Member States can be placed in three groups: with urbanization below 30 percent, 30-50 percent and above 50 percent. In the lower group, Afghanistan and Tajikistan fall with 26.70 and 26.78 percent urbanization respectively. Kyrgyz Republic, Pakistan and Uzbekistan fall in the middle category whereas Iran, Kazakhstan, Turkey and Turkmenistan are placed in the high urbanization category. The highest rate of urbanization has been noted for Turkey with 73.40 and Iran's percentage is also in close vicinity with 73.38 percent. The percentage in Central Asian member states, namely, Azerbaijan, Kazakhstan and Turkmenistan has been high, over 50 percent whereas three member states Kyrgyz Republic,

Tajikistan and Uzbekistan is in the vicinity of 40 percent.

**Table A.2.6.7: Percentage of Urban Population of ECO Member States, 2000-2015**

Member State	(in Percentage)				Change in Percentage over 2000-2015
	Year				
	2000	2005	2010	2015	
Afghanistan	21.28	22.90	24.69	26.70	5.42
Azerbaijan	51.39	52.39	53.40	54.62	3.23
Iran	64.04	67.56	70.63	73.38	9.33
Kazakhstan	55.73	54.72	53.73	53.25	-2.48
Kyrgyz Republic	35.30	35.29	35.30	35.71	0.41
Pakistan	33.16	34.73	36.60	38.76	5.60
Tajikistan	26.49	26.43	26.52	26.78	0.30
Turkey	64.74	67.78	70.72	73.40	8.66
Turkmenistan	45.91	47.05	48.40	50.04	4.12
Uzbekistan	37.43	36.68	36.19	36.37	-1.06
LIC	25.41	26.89	28.70	30.74	5.33
MIC	41.58	44.63	47.74	50.78	9.20
HIC	76.76	78.51	79.94	81.12	4.36
WLD	46.54	48.99	51.48	53.86	7.32

Source: Calculations have been made on World Bank data

In line with global trend evidenced from the World average, HIC, middle and LIC averages, percentage of urban population in all member states except Kazakhstan and Uzbekistan increased during 2000-2015, albeit, with different rates. Iran witnessed the highest percentage of urbanization rate of 9.33 percent which are higher than the rates of world average as well as HIC, MIC and LIC. Turkey's increase in the urbanization rate has been 8.66 percent which is higher than change in the world average (7.32 percent) as well as HIC and LIC but slightly down from the MICs having 9.20 percent average. Over the period, the difference in urbanization rate of Pakistan and Afghanistan is 5.60 and 5.42 percent respectively. The change in percentage of urbanization for Turkmenistan and Azerbaijan has been noted at 4.12 percent and 3.23 percent. The change in case of Kyrgyz Republic and Tajikistan has been quite minor with 0.41 and 0.30 percent. The negative change in percentage of urban population for Kazakhstan and Uzbekistan are quite low with negative 2.48 and 1.06 percent.

## A.2.7: External Balance

### A.2.7.1: Exports and Imports

International trade has been an engine of economic growth and history is a great witness to this phenomenon. It is an essential and major part of national income accounting. A number of economic regional blocs have been formed with the primary goal to promote trade and investment in the regions. ECO is not exception to this, the leadership of the region conceived to make the region developed and prosperous through expansion in intra-regional as well as inter-regional trade. This segment provides data and analysis on various trade indicators and insight to multiple dimensions of the external trade balance.

Data manifests that the ECO region's total merchandise trade has increased during 2000-



2015 from US\$ 175 billion in 2000 to US\$ 688 billion in 2015 showing an increase of US\$ 513 billion, 19.54 percent annual increase. In the meantime, total exports increased from US\$82.85 billion in 2000 to US\$ 319.34 billion, 285 percent change implying 19 percent per annum growth. Region's imports rose from US\$92.37 billion in 2000 to US\$368.35 billion in 2015, up by US\$276 billion exhibiting 298 percent change and 19.87 percent growth per annum. These figures indicate that exports and imports almost tripled in 15 years period and as a result thereof total trade also increased by the same proportion; notwithstanding the fact that among the two components exports and imports, growth in imports was marginally greater than growth of exports.

**Table A.2.7.1: Composition of Merchandise Trade of the ECO Member States and the Region, 2000 and 2005**

	Year/Break-Up (in million US\$)								
	2000			2005			2010		
	Exports	Imports	Total Trade	Exports	Imports	Total Trade	Exports	Imports	Total Trade
AFG	137	1,176	1,313	384	2,471	2,855	388	5,154	5,543
AZE	1,745	1,172	2,917	7,649	4,350	11,999	26,476	6,746	33,222
IRN	28,739	13,898	42,637	56,252	40,041	96,293	101,316	65,404	166,720
KZK	8,812	5,040	13,852	27,849	17,353	45,202	59,971	31,107	91,078
KGZ	505	554	1,059	672	1,102	1,774	1,756	3,223	4,979
PAK	9,028	10,864	19,892	16,051	25,357	41,408	21,410	37,807	59,216
TJK	785	675	1,460	909	1,330	2,239	1,195	2,657	3,852
TUR	27,775	54,503	82,278	73,476	116,774	190,250	113,883	185,544	299,428
TKM	2,506	1,786	4,292	4,944	2,947	7,891	6,500	5,700	12,200
UZB	2,817	2,697	5,514	4,749	3,666	8,415	11,695	8,689	20,384
<b>ECO</b>	<b>82,849</b>	<b>92,365</b>	<b>175,214</b>	<b>192,935</b>	<b>215,391</b>	<b>408,326</b>	<b>344,590</b>	<b>352,031</b>	<b>696,622</b>
<b>Share (%)</b>	<b>47.28</b>	<b>52.72</b>	<b>100</b>	<b>47.25</b>	<b>52.75</b>	<b>100</b>	<b>49.46</b>	<b>50.54</b>	<b>100</b>

Source: Based on UNCTAD/ITC data

The trade growth path, nonetheless, was not steady and stable, rather enormous fluctuations marked the period especially the natural resource rich economies of the region. Secondly, total trade, exports and imports are not the peak figure of the region rather the region witnessed its peak in 2011 with US\$867 billion, exports US\$441 billion and imports of US\$426 billion. Interestingly following three years 2012-2014 had total trade amounting to US\$866, US\$855 billion and US\$ 846 billion, all four years had similar volume. The year 2015, however, dropped massively to US\$688 billion, a drop by 18.68 percent in just one year. At disaggregated level, share of exports in total trade have been 47.28, 47.25, 49.46 and 46.44 percent in 2000, 2005, 2010 and 2015 respectively while imports' share in total region's trade in the referred years have been 52.72, 52.75, 50.54 and 53.56 respectively signifying that up to 2010 exports had almost same share, gained in 2010 while again dropped visibly. From these figures, it can be inferred safely that more striking decrease was witnessed in exports and imports were found to be largely rigid/ inflexible.

As regards sub-periods, there has been increase in total trade, exports as well as imports almost by same percentage of 133 percent during 2000-2005. During 2005-2010 there was appreciable increase in the three economic indicators, total trade, exports and imports the last sub-period 2010-2015 there was marginal decline by 1.28 percent in total trade and exports declined by 7.33 percent. The upshot is that total trade gained substantially during the initial and mid years. Thereafter, it witnessed stagnant trend and in 2015, it substantially dropped in value as well as percentage terms. It stemmed overwhelmingly from the global recessionary trend and country-specific factors as well, which are exclusive of the contagion effect of the global recessionary trend witnessed world over.

**Table A.2.7.2: Composition of Merchandize Trade of the ECO Member States and the Region, 2000, 2015**

Member State	Year/ Break-up						(in million US\$)		
	2000			2015			Change in 2015 over 2000 (in percentage)		
	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total
Afghanistan	137	1,176	1,313	470	5,571	6,041	243.07	373.72	360.09
Azerbaijan	1,745	1,172	2,917	14,500	9,400	23,900	730.95	702.05	719.33
Iran	28,739	13,898	42,637	63,000	42,500	105,500	119.21	205.80	147.44
Kazakhstan	8,812	5,040	13,852	45,726	30,186	75,912	418.91	498.93	448.02
Kyrgyz Republic	505	554	1,059	1,676	4,070	5,746	231.88	634.66	442.59
Pakistan	9,028	10,864	19,892	22,188	44,219	66,407	145.77	307.02	233.84
Tajikistan	785	675	1,460	900	3,400	4,300	14.65	403.70	194.52
Turkey	27,775	54,503	82,278	143,883	207,199	351,082	418.03	280.16	326.70
Turkmenistan	2,506	1,786	4,292	14,000	7,800	21,800	458.66	336.73	407.92
Uzbekistan	2,817	2,697	5,514	13,000	14,000	27,000	361.48	419.10	389.66
<b>ECO Region</b>	<b>82,849</b>	<b>92,365</b>	<b>175,214</b>	<b>319,343</b>	<b>368,345</b>	<b>687,688</b>	<b>285.45</b>	<b>298.79</b>	<b>292.48</b>
<b>Percentage Share</b>	<b>47.28</b>	<b>52.72</b>	<b>100</b>	<b>46.44</b>	<b>53.56</b>	<b>100</b>			

Source: Based on UNCTAD/ITC data

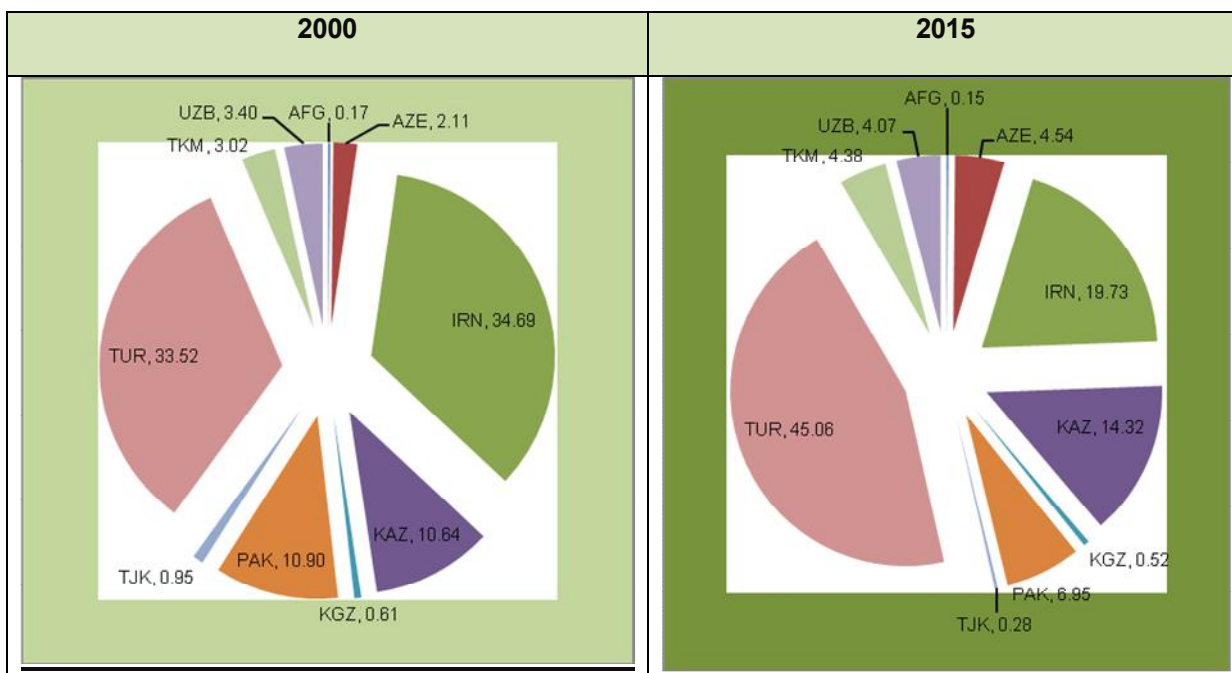
The share of export and imports in each member state vary enormously as well. Turkey's volume of exports is US\$ 143.88 billion which comes at 45.06 percent in 2015 in the aggregated exports of the ECO region followed by Iran with US\$ 63 billion 19.73 percent. Kazakhstan, Pakistan, Azerbaijan and Turkmenistan have exports of US\$45.72 billion, US\$22.19 billion, US\$14.5 billion and US\$14 billion with relative share of 14.32, 6.95, 4.54 and 4.38 percent shares respectively. Thus, in exports, 94.98 percent contribution is from the six member countries whereas remaining 5.02 percent share is from five other member states. Exports of five member states i.e. Azerbaijan, Kazakhstan, Turkey Turkmenistan and Turkey increased in 2015 in comparison with 2000. The biggest gainer is Turkey, in value as well as percentage terms, by about 12 percent while Iran lost the maximum share from 34.59 percent in 2000 to 19.73 percent in 2015.

Figures illustrates that Turkey is the biggest importing country among ECO member states as well with the highest volume of US\$ 207.2 billion equalling 56.25 percent of total ECO region imports in 2015 followed by Pakistan, Iran and Kazakhstan and Uzbekistan with US\$44.22, US\$42.5,



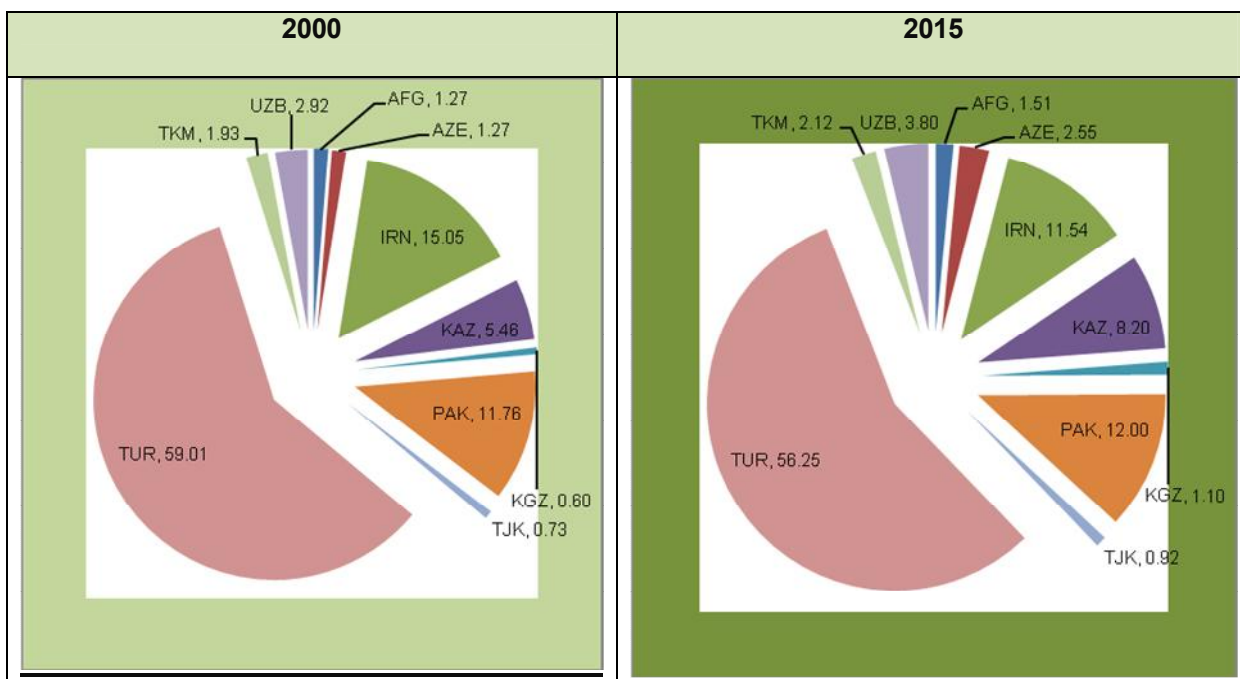
US\$30.9 and US\$14 billion with 12.00, 11.54, 8.20 and 3.80 percent respectively. Imports of these five countries make up 91.79 percent of the total imports of the ECO Region and the rest 8.21 percent are shared by five remaining member states.

Figure A.2.7.1: Share of Member States in Total Exports of the ECO Region, a comparison of 2000 and 2015



Source: Based on UNCTAD/ITC data

Figure A.2.7.2: Share of Member States in Total Imports of the ECO Region, A comparison of 2000 and 2015



Source: Based on UNCTAD/ITC data

From percentage change in exports perspective, member states have considerable variation which can be reflected from this fact that during 15 years period exports and imports of member states

have increased up to 7 times for imports of Azerbaijan. Table shows that Azerbaijan witnessed increase by 7 times (730 percent), Turkmenistan by 5 times (458 percent), Kazakhstan and Turkey by 4 times (418 percent each), Uzbekistan by 4 times (361 percent), Afghanistan by 2.5 times (243 percent). Change for other member states was observed as Pakistan 1.5 times (146 percent), Iran by 199 percent.

**Table A.2.7.3 :Percentage Shares of Exports and Imports in the Region, 2000 and 2015**

Member states	(as percentage of Region's total)					
	Exports		Imports		Total Trade	
	2000	2015	2000	2105	2000	2015
Afghanistan	0.17	1.27	0.15	1.51	0.75	0.88
Azerbaijan	2.11	1.27	4.54	2.55	1.66	3.48
Iran	34.69	15.05	19.73	11.54	24.33	15.34
Kazakhstan	10.64	5.46	14.32	8.20	7.91	11.04
Kyrgyz Republic	0.61	0.60	0.52	1.10	0.60	0.84
Pakistan	10.90	11.76	6.95	12.00	11.35	9.66
Tajikistan	0.95	0.73	0.28	0.92	0.83	0.63
Turkey	33.52	59.01	45.06	56.25	46.96	51.05
Turkmenistan	3.02	1.93	4.38	2.12	2.45	3.17
Uzbekistan	3.40	2.92	4.07	3.80	3.15	3.93
ECO	100	100	100	100	100.	100

Source: Based on the World Bank data

**Table A.2.7.4: Total Foreign Trade to GDP Ratio of the ECO Member States, 2000-2015**

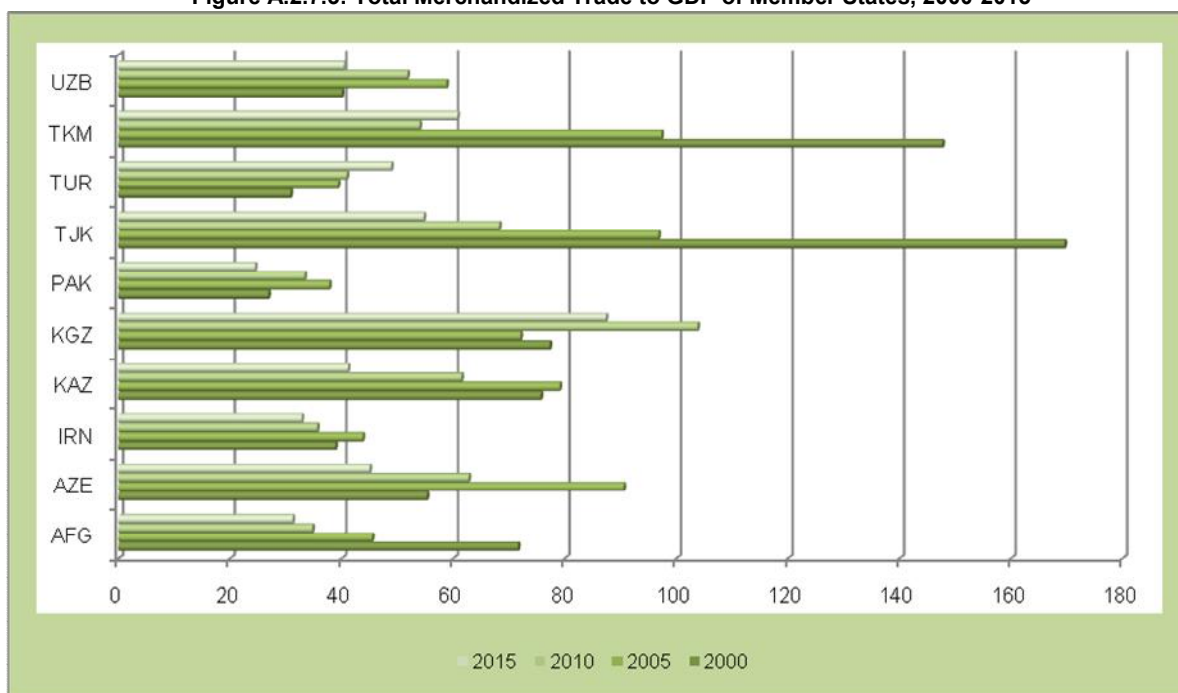
Member State	( As Percentage of GDP)				
	Year				Change in percentage 2015-2000
	2000	2005	2010	2015	
Afghanistan	71.65	45.49	34.78	31.25	-40.4
Azerbaijan	55.32	90.59	62.80	45.05	-10.27
Iran	38.91	43.80	35.64	32.87	-6.04
Kazakhstan	75.73	79.13	61.52	41.17	-34.56
Kyrgyz Republic	77.32	72.11	103.84	87.43	10.11
Pakistan	26.90	37.82	33.38	24.50	-2.4
Tajikistan	169.66	96.83	68.28	54.75	-114.91
Turkey	30.87	39.39	40.95	48.91	18.04
Turkmenistan	147.76	97.37	54.02	60.80	-86.96
Uzbekistan	40.07	58.82	51.83	40.46	0.39

Source: Based on the World Bank data

In case of imports, Azerbaijan noted the most pronounced change by 7 times (702 percent),

Kyrgyz Republic by 6.5 (635 percent), Kazakhstan by 5 times (499 percent), Afghanistan (373 percent), Tajikistan (404 percent) and Uzbekistan (419 percent) by 4 times. Pakistan (307 percent), Turkmenistan (337 percent), Turkey (280 percent) each noted nearly 3 times increase. The lowest increase is for Iran by 2 times (206 percent). Figures support to deduce that percentage increase in imports has been larger and substantial for member states as compared to exports percentages reported above.

Figure A.2.7.3: Total Merchandized Trade to GDP of Member States, 2000-2015



Source: Based on the World Bank data

Table A.2.7.5: Trade in Services of Member States as Percentage of GDP, 2000-2015

Member State	Year			
	2000	2005	2010	2015
Afghanistan	..	..	21.99	11.81
Azerbaijan	14.12	25.67	12.14	24.73
Iran	3.36	..	..	..
Kazakhstan	15.57	16.82	10.46	8.76*
Kyrgyz Republic	15.35	22.34	29.23	27.63
Pakistan	4.69	10.28	7.75	5.17
Tajikistan	14.24**	17.21	16.18	9.50
Turkey	10.35	8.23	7.68	9.65
Turkmenistan	..	..	..	..
Uzbekistan	..	..	..	..

Note: .. Not available , Source: Based on the World Bank data

Figure A.2.7.4: Balance of Trade of the ECO Member States and the Region (in million US\$), 2000-2015



Source: Based on UNCTAD/ITC data

Services are integral part of trade; however, data is available on services (as percentage of GDP) for five member states which indicates mixed trend and exhibits no regular pattern. To illustrate this, Azerbaijan has registered increase in services from 14.12 percent to 24.73 percent. Interestingly the share in 2005 and 2015 are 25.67 and 24.73 respectively, quite similar, whereas services share in GDP in 2000 and 2010 are same 14.12 and 12.14 respectively. Kazakhstan share has declined and is almost half in 2015. The highest share has been noted for Kyrgyz Republic about one-fourth of the GDP. Pakistan and Turkey have big economies in the region and its share is low and in single digit barring 2005 for Pakistan and 2000 for Turkey. Tajikistan like Kyrgyz Republic has share in double digit but has declined in recent years. For Afghanistan data on this statistic is available for post 2008 period which shows declining trend.

A review of **Table A.2.7.4** reflects percentage of external trade-to-GDP showing that in all Member States except Kyrgyz Republic, Turkey and Uzbekistan, percentage of the share of merchandise trade in GDP has decreased with varying as well as wide proportions. There has been declining trend in most of the member states implying that economies represented by GDP, denominator in the formula to ascertain the statistic, are expanding more rapidly than growth in the merchandise trade. The value of this statistic was observed over 100 for Kyrgyz Republic (103.84 in 2010), Tajikistan (169.66 in 2000), also the highest value in the data reported, and Turkmenistan (147.76 in 2010). This maybe for the reason that in the landlocked region of Central Asia, Kyrgyz Republic Tajikistan and Turkmenistan are re-export and transit trade hub of Chinese products for other countries in the region. Further to not that some other values were noted in the neighbourhood of 100 for these economies as well as Azerbaijan. The lowest value of the indicator is 24.50 percent in respect of Pakistan in 2015.

Plain analysis shows that in 2000, there were two member states above 100, four member states are in between 50-100 while four were noted below 50. In 2015, none of the member states has assumed value above 100; two member states are in between 50-100 while 7 member states were found to have below 50. Moreover, in 2015, the highest value of this percentage is 87.43 for Kyrgyz Republic while lowest has been observed for 24.50 for Pakistan.

The upshot of these figures is that domestic economies are expanding and becoming resilient to the shocks emanating from the external dynamics, be global or regional. Country-wise figures show that most pronounced change occurred in Kyrgyz Republic with -114.91 percent followed by Turkmenistan with -86.96. The lowest decrease is for Pakistan with just -2.4 percent followed by Iran by -6.04 percent. The other member states are in between. All these figures do not mean that there has been gradual fall rather significant oscillations were found in the middle period especially before the onset of slowdown in economies and fall in oil prices.

The drop in the percentage of the member states stems from different factors; for Central Asian economies, source of the decrease in the value as well as percentage change is due to substantial decrease in oil prices during last four years from the peak of USD in US\$ 109.45 per barrel in 2012 to US\$ 49 per barrel in 2015, economic sanctions are additional factor in case of Iran. Similarly, for Pakistan, exports dived as a result of energy shortages in the Pakistani economy and reduced international demand for textiles due to global slowdown.

#### **A.2.7.2: Trade Balance**

Trade deficit occurs when country's exports exceed imports and this condition indicates an outflow of domestic revenues to foreign markets. Contrarily, trade surplus is a situation when net exports are positive implying that exports exceed imports. It is integral and the largest component of the country's balance of payments (BOP)<sup>3</sup> and is considered to be an important indicator to understand the relative strength of a country's economy vis a vis the rest of the world.

Trade deficit has wide implications for the economy through effects on multiple real as well as monetary variables such as GDP, employment, economic growth, exchange rate, interest rate, inflation, international reserves, foreign direct investment, etc. Balance of payment (BOP) in national accounts is achieved by other items of Current Account like services, income portfolio and current transfers and also by inflow of capital/financial accounts items like ODA, loans, FDI, portfolio investments, etc. In case trade surplus occurs; the converse transactions take place to balance the account.

**Figure A.2.7.4** manifests that in all the years under reference (2000, 2005, 2010 and 2015) balance of trade has been in deficit (negative) with corresponding figures of US\$9.52 billion, US\$22.46 billion, US\$7.44 billion and US\$49 billion. The trade deficit in 2000 and 2010 are low and in single digit whereas volume of trade deficit in 2005 and 2015 are high in double digits; nevertheless trade deficit in 2015 is over two times of the value of the statistic in 2005. Similarly, this is not healthy indicator for the region as well as the individual member states. Data shows that substantial change emanated from Turkey, being the biggest exporter and importer of the region, and Pakistan with trade deficit figures of US\$ 63.32 billion and US\$22.03 billion respectively. It may be noted that Afghanistan, Kyrgyz Republic, Pakistan, Turkey has trade deficit in all the reported years though with wide variations due to size and structures of economies.

<sup>3</sup> Deficit in the balance of trade adversely affects the Balance of payment on current account as well resulting in outflow of foreign exchange reserves of the countries and have adverse impact on the key economic indicators.

Likewise, Tajikistan had trade deficit in three out of four reported years with the exception of 2000 while Uzbekistan observed trade deficit for 2015. With these exceptions, all entries in the reported years are surplus notably of the other Central Asian member states, namely, Azerbaijan, Kazakhstan and Turkmenistan. Iran's economy was under stress due to economic sanctions resulting in low exports of oil and gas to the rest of the world. A close look at the data shows that size of the economies of the member states are varied and reasons of the trade deficit have common as well as specific reasons. From the trade deficit perspective, economies of the member states can be categorized in three groups as under:

- a. Azerbaijan, Kazakhstan and Turkmenistan recorded trade surplus in all the reported years. Azerbaijan's economy showed trade surplus in the range of US\$ 0.5-19.73 billion, lowest in 2000 and highest in 2010. In 2105, trade surplus was found US\$5.1 billion. Kazakhstan registered trade surplus from US\$ 3.87-28.86 billion in 2000 and 2010 respectively. In the same manner, Turkmenistan noted US\$ 0.72-6.2 billion.

Iran can also be placed in this category as it registered trade surplus by huge amount ranging from 14.84-35.91 billion in 2000 and 2015 respectively. Further to say that the highest trade surplus observed in the ECO region in 2000, 2005, 2010 and 2015 is for Iran in 2010 at US\$ 36 billion. The common characteristic, among others, is that all these are natural resource-rich economies where rents of natural resources constitute substantial part.

- b. Turkey has the highest trade deficit ranging between US\$ 27 to 71 billion in the reference years. Pakistan also has persistent trade deficit problem whereas the total trade volume are over US\$20 billion. Lowest and highest trade deficit figures are US\$1.84 billion and US\$22 billion in 2105.
- c. Afghanistan, Kyrgyz Republic, Tajikistan and Uzbekistan have persistent trade deficit problem. The volume of trade deficit is less than US\$ 10 billion per year which in the national perspective high but regional perspective low.

### **A.2.7.3: Major Trade Products and Partners**

A review of region's export to the world in terms of top 15 product reveals that energy remains top product exported to the world by the ECO region; however its share in 2015 decreased significantly to almost two-thirds of its share in 2001, which was mainly a result of steep fall in the oil prices in the post 2012 period. The share of exports of the category 'other vehicles (other than railway or trams and their accessories)' as well as the category 'natural cultured pearls and precious stones' have increased significantly and held second and third positions respectively in terms of their value in the total exports of the region (**Table A.2.7.6**).

Other items which gained share are plastic and articles thereof (from 1.05 percent to 3.16 percent), Articles of iron or steel and articles (from 1.52 percent to 2.06 percent), worn textile articles and rags (from 1.53 percent to 2.03 percent) and Inorganic chemicals (from 0.89 percent to 1.89 percent). The total share of 15 products dropped from 79.48 percent to 74.59 percent (8 products shares dropped while shares of 7 products increased) meaning thereby that diversification process partly worked in terms of exports to the world by the ECO member states.



Table A.2.7.6: ECO's Major Export to the World, 2001-2015

Product Groups	(Percentage Shares)				
	2001	2005	2010	2015*	Change in Shares, 2001-2015
Energy	42.17	43.38	42.80	29.33	-12.84
Other Vehicles	3.53	5.31	4.86	6.27	2.74
Natural or cultured pearls, precious stones	1.86	1.29	2.19	5.23	3.37
Machinery, mechanical appliances	2.73	3.01	3.41	4.58	1.84
Knitted Articles of apparel	5.26	4.38	3.21	4.05	-1.21
Iron and steel	4.64	4.34	4.33	3.64	-0.99
Plastics and articles thereof	1.05	1.37	2.35	3.16	2.11
Electrical machinery and equipment	3.33	2.98	2.62	3.07	-0.25
Not Knitted Articles of apparel	3.84	3.29	2.03	2.87	-0.96
Cotton	3.07	3.38	2.54	2.58	-0.49
Edible fruit and nuts	2.56	2.23	2.19	2.37	-0.19
Articles of iron or steel	1.52	1.60	1.78	2.06	0.54
Worn textile articles and rags	1.53	2.68	1.69	2.03	0.50
Inorganic chemicals	0.89	0.90	1.56	1.89	0.99
Copper and articles thereof	1.51	1.28	1.43	1.45	-0.06
<b>Total of Major 15 product Groups</b>	<b>79.48</b>	<b>81.42</b>	<b>78.98</b>	<b>74.59</b>	<b>-4.89</b>

\*Top 15 groups of products in 2015 have been taken as reference

Source: UN Comtrade Database

Review of data on the international trade of the ECO region; export destinations of ECO region suggests that share of top 15 countries exports increased from 53.13 percent to 63.30 percent, though it dwindled in 2005 and 2010, thus there has been a trend of concentration in terms of export markets rather than diversification (Table A.2.7.7). It is also noted that while 15 countries account for two-thirds of the imports, exports to top 15 countries is less than two thirds, hence, more diversity is witnessed in terms of destinations/sources of imports compared to export markets for ECO countries (Table A.2.7.9). China is the leading export market of the region showing a fourfold increase in its share of region's exports, increasing from 2.29 percent in 2001 to 12.41 percent in 2015, indicating a gain by 10.12 percent.

The Russian Federation which was a biggest trade partner of Central Asian countries of the region, has lost its share in the trade with the region, its exports to the Region decreased in total share of the regions imports from 11.43 percent in 2001 to 10.5 percent in 2015, while its imports from the region as total share of the exports of the region decreased from 5.09 percent in 2001 to 3.48 in 2015. As such its rank as 4th biggest importer from ECO region in 2001 relegated to 7th position, however it has retained its position as 2nd biggest exporter to ECO region during the fifteen years in review.

Table A.2.7.7: ECO's Major Export Markets, 2001-2015

Countries	(Percentage Shares)				
	2001	2005	2010	2015*	Change in Shares, 2001-2015
China	2.29	2.35	6.79	12.41	10.12
Italy	10.10	9.50	7.86	6.66	-3.44
Germany	9.69	5.93	4.76	5.82	-3.88
United Kingdom	4.94	3.87	3.23	4.62	-0.32
Switzerland	1.13	3.23	1.22	3.88	2.75
United States of America	8.28	5.35	3.33	3.80	-4.48
Russian Federation	5.09	3.65	3.56	3.48	-1.61
Turkey	0.62	0.83	1.44	3.41	2.79
France	4.35	6.06	4.16	3.24	-1.11
Netherlands	2.08	2.50	2.40	3.13	1.05
Iraq	0.20	1.93	3.49	3.07	2.87
India	0.53	0.69	1.00	3.00	2.47
Spain	1.90	2.14	1.72	2.86	0.96
United Arab Emirates	1.84	2.40	2.90	2.03	0.19
Afghanistan	0.09	0.96	1.61	1.88	1.79
<b>Total</b>	<b>53.13</b>	<b>51.39</b>	<b>49.47</b>	<b>63.30</b>	<b>10.17</b>

\*Top 15 countries/trade partners in 2015 have been taken as reference  
Source: UN Comtrade Database

It is significant to note that while Switzerland and Netherlands are major export markets for the ECO countries they do not have significant share in the imports of the region. Similar is the case with Afghanistan and Iraq which buy significantly from the region but their export to the ECO region are negligible. ECO regions exports to India have increased from 0.53 percent share to 3.00 percent signifying 2.47 percent increase, manifesting 5 times increase. In addition of these export destinations, percentage share also rose for Iraq, UAE and Afghanistan; mainly to Afghanistan in percentage terms which is a land locked country. Turkey is the only ECO member state which is among the top 15 export destinations for the region's international trade which is also an indication of the low intra-regional trade. European Union remains the major export destination accounting 30.21 percent share of all exports of the region, major destinations being Italy, Germany, UK, Switzerland, France and Spain. It may be observed that main EU countries' cumulatively supply of goods (exports) to the ECO region has a share of 14.06 percent of total in 2015.

A quick review of the products which top the import list of the ECO region shows that import structure of the region has not significantly affected as is the case of ECO exports (Table A.2.7.8). Another interesting feature is that for ECO region energy stays as the top product imported as well exported from and to the world with no significant change hovering around 15 percent of the total share of ECO imports. Machinery, mechanical appliances share accounted for 17.90 percent in 2001 which decreased to 13.04 percent showing 4.86 percent drop, which maybe a result of export substitution. Four groups of imports i.e. other vehicles, iron and steel, 'plastics and articles thereof' and 'aircraft, spacecraft, and parts thereof' improved the shares by 1.75, 1.05, 1.32 and 0.41 percent respectively.



Table A.2.7.8: ECO's Major Imports from the World, 2001-2015

Product/ Product Groups	(Percentage Shares)				
	2001	2005	2010	2015*	Change in Shares, 2001-2015
Energy	14.61	15.93	17.06	14.64	0.03
Machinery, mechanical appliances	17.90	16.56	13.32	13.04	-4.86
Electrical machinery and equipment	8.46	8.26	7.36	8.57	0.12
Other Vehicles	5.61	7.59	6.51	7.37	1.75
Iron and steel	5.15	7.63	8.28	6.21	1.05
Plastics and articles thereof	3.62	4.26	4.49	4.93	1.32
Articles of iron or steel	3.23	2.33	2.28	2.67	-0.55
Pharmaceutical products	2.46	2.05	2.36	2.37	-0.09
Optical, photographic	2.43	1.94	1.98	2.36	-0.07
Organic chemicals	2.98	2.70	2.24	2.12	-0.87
Natural or cultured pearls, precious stones	1.59	2.29	1.17	1.60	0.01
Animal or vegetable fats and oils	1.18	1.16	1.40	1.52	0.34
Cereals	2.61	0.72	1.20	1.49	-1.12
Paper and paperboard	1.76	1.53	1.54	1.34	-0.42
Aircraft, spacecraft, and parts thereof	0.90	0.34	1.30	1.31	0.41
<b>Total</b>	<b>74.48</b>	<b>75.29</b>	<b>72.51</b>	<b>71.54</b>	<b>-2.94</b>

\*Top 15 groups of products in 2015 have been taken as reference  
Source: UN Comtrade Database

Table A.2.7.9: Main ECO Supplier Countries, 2001-2015

Countries	(Percentage Shares)				
	2001	2005	2010	2015*	Change in Shares, 2001-2015
China	4.08	6.51	11.16	18.07	13.98
Russian Federation	11.43	11.17	9.98	10.58	-0.85
Germany	12.12	10.53	8.12	7.68	-4.44
United States of America	7.09	4.30	4.84	4.44	-2.66
Italy	7.35	5.38	4.37	3.96	-3.38
Korea, Republic of	3.56	3.40	3.47	3.79	0.22
India	1.57	1.54	2.04	3.02	1.44
France	5.46	4.52	3.47	2.62	-2.84
Turkey	1.18	1.09	1.69	2.33	1.15
Iran, Islamic Republic of	1.76	2.25	2.92	2.27	0.51
United Arab Emirates	2.32	5.11	6.58	2.24	-0.08
United Kingdom	4.71	3.51	2.26	2.00	-2.71
Japan	4.10	3.21	2.35	1.89	-2.21
Spain	2.12	1.97	1.70	1.76	-0.36
Ukraine	1.93	2.37	2.05	1.56	-0.37
<b>Total of Major Supplier Countries</b>	<b>70.78</b>	<b>66.84</b>	<b>67.02</b>	<b>68.20</b>	<b>-2.59</b>

\*Top 15 countries/trade partners in 2015 have been taken as reference, Source: UN Comtrade Database

A look at major suppliers of the ECO region reveals that about two-thirds of the imports to the ECO member states are sourced from 15 countries however share of top 15 suppliers to the region marginally decreased from 70.78 percent to 68.20 during 2001-15. China is the biggest supplier to the region since 2010 and increased its supplies/exports to the region almost 3 times in 2015, gaining 18.07 percent share compared with 4.08 percent in 2000, largely at the expense of the other 10 other trade partners. Other main suppliers/exporter, which gained in terms of share are South Korea increase (from 3.56 to 3.79 percent), India (from 1.57 to 3.02 percent), Turkey (from 1.18 percent to 2.33 percent) and Iran (from 1.76 to 2.27 percent) during the period 2001-2015.

If economic blocs are taken into account, European Union states which are the major supplier include Germany, Italy, France and Spain whose cumulative share to the region was 14.06 percent in 2015 compared with 31.76 in 2001, showing a decrease in share largely owing to in case in share of China. The share of Russia, US and Japan in imports of the ECO region have also dwindled significantly in line with the EU products. In terms of the countries which are part of the ECO region, Turkey and Iran are also among top 15 suppliers to the ECO region and share of both has increased during the reference period, more pronounced by Turkey which is encouraging phenomenon.

#### A.2.7.4: Intra-Regional Trade

**Table A.2.7.10: ECO' Major Product/Groups of Intra- Regional Trade, 2001-2015**

Product Groups	(percentage Share)				
	2001	2005	2010	2015*	Change in Shares, 2001-2015
Energy	23.80	23.80	19.44	27.94	4.14
Plastics and articles thereof	2.73	5.50	5.93	4.60	1.87
Machinery, mechanical appliances	4.44	4.16	5.03	4.56	0.12
Copper and articles thereof	1.23	2.13	3.22	4.12	2.89
Iron and steel	7.36	6.14	9.85	4.01	-3.36
Natural or cultured pearls, precious stones	0.02	0.37	0.80	3.57	3.56
Electrical machinery and equipment	3.32	2.76	3.23	3.46	0.14
Cereals	7.79	2.08	4.35	3.06	-4.73
Products of the milling industry	0.88	2.53	2.60	2.95	2.07
Articles of iron or steel	1.56	2.77	3.07	2.78	1.22
Cotton	4.67	4.95	4.28	2.43	-2.24
Aluminium and articles thereof	1.33	1.42	2.16	2.35	1.01
Commodities not elsewhere specified	0.11	0.19	0.40	2.04	1.93
Edible fruit and nuts	1.15	3.10	2.02	1.81	0.66
Sugars and sugar confectionery	2.37	1.21	0.94	1.65	-0.72
<b>Total of Major 15 Products</b>	<b>62.78</b>	<b>63.10</b>	<b>67.31</b>	<b>71.35</b>	<b>8.57</b>

\*Top 15 groups of products in 2015 have been taken as reference. Source: UN Comtrade Database

Total intra-region trade has increased US\$ 58 billion in 2015, with little change in the composition of the trade. As clear from the figure in the **Table A.2.7.10**, top fifteen products of intra trade in 2015 collectively account for 71.35 percent of total intra-regional trade compared with 62.78 percent in 2001. However, there had been major change in the shares as well as ranking of the top ten products on intra-regional trade except energy which remains the major product with 25

percent share in total intra-regional trade and has stayed at the top slot in intra regional trade in during the fifteen reference years i.e. 2001, 2005, 2010 and 2015. It gained in share by 4.14 percent in 2015 when compared with 2001, which is almost half of the total gain of 15 major products of intra-region trade. It may be noted that the second major item on the intra-trade list in 2015, in terms of value is 'plastic and articles thereof', which is also a by-product of energy resources. Machinery and electrical products are also prominent products in intra-region trade and remained significant in the years of comparison.

A significant feature of these statistics is that overwhelmingly intra-regional products are resource based such as energy, minerals, petro-chemicals and agro-based (cereal, cotton, edible fruits and nuts, sugar, etc); notwithstanding the fact that share of cereals and cotton almost halved in 2015 compared to 2000 (**Table A.2.7.10**). These products are mostly low value added products and diversification to more value-added products will improve the trade balance of the member states as well as stimulate economic activity in the region. It may be of note that there has been marginal gain in the machinery, mechanical appliances and electrical machinery and equipment; nonetheless technology products do not stand out in top 15 products. It is noteworthy that in intra-regional trade, energy remains the most dominant product and its share also increased in contrast with the reduction in its share in the exports to the rest of the world, signifying increased volumes of trade in the wake of falling prices.

The upshot of the statistics is that the composition of exports as well as imports to the region and to the world and the trading partners has seen little change during the period under review. The only major change is the increased share of China in the imports and exports of the ECO countries largely replacing the EU, American, Russian and Japanese products. ECO region exports remain dependent on natural resource products, its by-products and agriculture products such as petroleum, gas, coal, minerals etc. and cotton and cereals. In case of imports, the region is also importing energy as well as vehicles and machinery.

#### **A.2.8: Foreign Direct Investment (FDI)**

Foreign direct investment is an integral component of capital account of country's balance of payment and reflects international flow of financial resource. It records cross-border transactions on the subject indicator. FDI involves much more than the simple transfer of capital rather it may have development impact. Among other tangible benefit, increase in the volume of FDI is indicative of stable and long-lasting links between economies. However, its developmental impact is subject to debate.

The most distinguishing feature of the data is rise in Region's FDI which posted nearly 11 folds increase in 2015 with US\$37.78 billion compared with US\$ 3.21 billion in the year 2000 showing an annual increase of 17.84 percentage point. However, historical data shows that year 2015 is not the the peak year of investment rather the highest level of investment has been in 2008 at US\$ 50.86 billion followed by 48.54 billion in 2007 and 45.98 billion in 2011. The lowest level of investment in the region has been in 2000 with 3.21 billion. However, FDI figures for the region on percentage basis have fluctuated over the period showing sensitivities of FDI flows to internal factors like stability, security, etc and external factors like global economic performance, its demand and supply. In 2015, the major FDI-receptient country is Turkey receiving an amount of 16.96 billion US\$ which is 45 percent of the total ECO region followed by Kazakhstan with an amount of US\$ 6.59 billion having percentage share of 17.48 whereas Turkmenistan and Azerbaijan with an amount of US\$4.26 billion with 11.30 and 10.74 percent respectively.

Data demonstrates that five member states i.e. Azerbaijan, Iran, Kazakhstan, Turkmenistan and Turkey, in aggregation, receive about 90.97 percent of the FDI in 2015 while the remaining five member states received about 9.13 percent. In 2000, combined inflow on this count in respect of five member states, namely, Iran, Kazakhstan, Pakistan, Turkmenistan and Turkey about 92.96 percent of the FDI while the remaining five member states received about 7.04 percent. Thus, share of top five economies has marginally declined, by 1.99 percent. Further, among top five recipient, Azerbaijan was not there in 2000 rather it was the six country whereas in 2015, Azerbaijan emerged as 4th largest recipient country in the region. The shares and the ranking significantly changed over this period. In 2000, in terms of FDI inflow, Kazakhstan was the number one country while Turkey was number two whereas in 2015 these ranks were swapped resulting Turkey was number one and Kazakhstan as number two country in the region.

**Table A.2.8.1: Foreign Direct Investment Inflows to Member States and the Region, 2000-2015**

Member State	( thousands US\$)				Percentage Change in 2015 over 2000	Percentage Change per annum in 2015 over 2000
	Year					
	2000	2005	2010	2015		
Afghanistan	170	271,000	54,201	169,087	99,363	58.43
Azerbaijan	129,937	4,476,396	3,352,997	4,047,630	3015	25.76
Iran	193,575	2,889,192	3,648,972	2,050,000	959	17.04
Kazakhstan	1,370,521	2,546,066	7,456,118	6,584,615	380	11.03
Kyrgyz Republic	-2,360	42,565	402,404	1,139,260	48,371	---
Pakistan	308,000	2,201,000	2,022,000	979,000	218	8.01
Tajikistan	23,543	54,479	79,412	426,148	1710	21.29
Turkey	982,000	10,031,000	9,099,000	16,957,000	1627	20.91
Turkmenistan	131,000	418,200	3,632,300	4,258,767	3151	26.12
Uzbekistan	74,700	191,600	1,636,449	1,068,393	1330	19.40
<b>ECO Region</b>	3,211,086	23,121,498	31,383,852	37,679,899	1073	17.84
<b>Percentage Change in 2015 over 2000</b>	-	<b>620.05</b>	<b>35.73</b>	<b>20.06</b>	-	-

Source: Based on the World Bank data

In terms of percentage change, FDI inflow in 2015 has significantly increased for member states over for fifteen years in varying proportions. One of the the most notable change is that Afghanistan received 6,624 percent (about fifty eight times) more in 2015 compared to 2000 but this hefty increase did not have profound impact on the over FDI inflow of the region because the share of Afghanistan FDI is less than one percent. Secondly, in the base year FDI amount was too low. Similar is the case with Kyrgyz Republic which experienced 3,224 percent rise during the period under reference; however explanation just given is applicable here as well. The other two major member states receiving the FDI by substantial amount are Azerbaijan and Turkmenistan with 201 and 210 percent per annum rise. In case of Tajikistan and Turkey, the increase is by 114 and 108 percent respectively. Kyrgyz Republic, Pakistan and Uzbekistan has shown comparatively low growth rate, all below 100 with Pakistan being the lowest in percentage term.

When comparison of FDI inflow in 2015 with 2000 is made, it emerges that the country experiencing slow rise in terms of percentage are Kazakhstan, by 26 percent. Other countries affected on this count are Iran, Pakistan, Tajikistan and Uzbekistan. It merits mentioning that security situation, domestic policies and long term incentives announced by the countries for the foreign investors are the principal determinants whereas foreign portfolio investment generally injected in the economies for the short run through stock markets has different factors. On account of these reasons, five member states i.e. Turkey, Kazakhstan, Turkmenistan, Azerbaijan and Iran (in order of amount) attracted US\$ 34.27 billion in 2015 and emerged at top-five FDI recipient economies of the region.

**Table A.2.8.2: Foreign Direct Investment as Percentage of GDP**

Member State	Year			
	2000	2005	2010	2015
Afghanistan	0.03	4.32	0.34	0.87
Azerbaijan	2.46	33.80	6.34	7.63
Iran	0.18	1.31	0.78	0.50
Kazakhstan	7.49	4.46	5.04	3.57
Kyrgyz Republic	-0.17	1.73	8.39	17.34
Pakistan	0.42	2.01	1.14	0.36
Tajikistan	2.74	2.36	1.41	5.43
Turkey	0.37	2.08	1.24	2.36
Turkmenistan	4.51	5.16	16.08	11.88
Uzbekistan	0.54	1.34	4.16	1.60

Source: Based on the World Bank data

As regards country's share of the FDI in the Region's total FDI, Turkey's share substantially increased to 45.03 percent in 2015 compared to 30.58 percent in 2000, Azerbaijan's share increased to 10.74 percent from 4.04 percent and Turkmenistan's share also rose from 4.08 to 11.30 percent whereas Kazakhstan's share dwindled to 17.48 percent in 2015 from 42.68 percent in 2000. More interesting fact is that total inflow of FDI to ECO region during 2000-2015 is US\$ 477.34 billion out of which 63.62 percent has been received in 2006-2010 and during 2011-2015 has been the other five year period receiving 2nd highest amount. During 2000-2005, the share has been quite low implying there has been rise in FDI over years which is similar to the case of value of international trade for the ECO region during the same period.

Another significant feature of FDI for the region is at low worth in terms of actual amounts in most cases. The highest FDI received in single year was Turkey in 2006-08 receiving average of 20 billion USD annually mainly due to privatization. Kazakhstan also received high amount of FDI in the range of US\$10 billion only during 2006-2010 and an average of about 14 billion during 2011-13. Apart from the rest of the ECO region, no one received FDI about 5 billion US\$ in any year during the period. However, for smaller economies like Tajikistan, Kyrgyz Republic and Turkmenistan, these amounts of FDI have been significant share of investment especially as they also bring along technology, technical know-how and management policies. As percentage of GDP, FDI has remained significant source of funding for Kazakhstan, Azerbaijan and Kyrgyz Republic during different years. However, there has been significant variation in FDI to all these countries.

From the FDI inflows as percentage of GDP perspective, ECO member states' economies can be grouped into two broad categories; Percentage up to 5 percent and countries above five percent. In the former category, Afghanistan, Iran, Pakistan, Turkey and Uzbekistan fall as evident from the 15 years data reflected in Table A.2.8. Afghanistan maximum percentage is 4.32 in 2005 while lowest percentage has been 0.03 in 2001. In case of Iran, Pakistan, Turkey and Uzbekistan, there has been wide fluctuations in figures. It may be recalled that Iran, Pakistan and Turkey are among the five biggest economies in the region and in terms of FDI are also high. Nevertheless, FDI as percentage of GDP statistic of these are low because of the huge size of these economies.

Needs to be highlighted that Afghanistan and Uzbekistan had low investment inflows as well as its percentage in GDP. In the latter category of high percentage, five member states, namely, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan and Turkmenistan are placed. The highest percentage observed is 54.36 for Azerbaijan followed by 22.52 percent by Turkmenistan in 2009; however, there are substantial variations in the value of this indicator.

FDI inflows have impacted upon utilization of natural resources particularly in Central Asian member states and as a result thereof member states have exhibited higher growth rates compared to the world average of 2.79 percent. There has been volatility in the growth rates, perhaps, due to FDI fluctuations and variations in the crude oil prices on which most of the ECO economies depend upon. There is a two-way causal relationship between these economic indicators. Picture presented in the rents of natural resources supports this contention as well.

### **A.2.9: External Debt**

External debt profile of a country is a vital economic indicator and signifies size of government. It has wide implications for national budget as well as external sector balance. The size of indebtedness also influences its borrowing ability in the international market and vulnerability to external shocks. There are prudential regulations to manage and limit it. If not managed prudently, it erodes 'fiscal space' governments enjoy while governing the country; nevertheless, this policy too does not have negative connotation if used judiciously for developmental activities which pays off and with high dividends.<sup>4</sup>

Data on this indicator shows that ECO region's external debt stock increased in the year 2015 over the year 2000 from US\$ 182.98 billion to US\$ 667.560 billion whereas in percentage terms it rose by 265 percent during 2000-2015, average 9.01 per annum. In 2000, three countries, namely, Turkey, Pakistan and Kazakhstan (in order of amount of debt) had total debt of US\$ 162.71 billion which was about 88.93 percent of the region's total debt of US\$182.98 billion; Turkey, Pakistan, Kazakhstan total debt amounted to US\$116.79 billion, US\$33.02 billion and US\$18.89 billion whereas three other countries following these were Iran, Uzbekistan and Turkmenistan with total debt stock of US\$8.02, US\$4.95 and US\$2.63 billion respectively.

<sup>4</sup> Article titled 'Public Debt: How much is too much' in <http://www.economist.com/blogs/freeexchange/2015/06/public-debt>. The article suggests that countries should not pay back debt at the expense of growth and paying down the debt (or in words of George Osborne, Britain's chancellor of the exchequer, "fixing the roof while the sun is shining") is not the most sensible approach. It reckons that if the economy grows quickly than debt, the burden of it will fall as percentage of GDP. However, countries can be grouped into four categories; safe, caution, significant risk and grave risk.

Table A.2.9.1: External Debt of the ECO Member States and the Region, 2000-2015

(in million US\$)					Percentage Change	
Member State	Year				2005 over 2000	Average Annum
	2000	2005	2010	2015		
Afghanistan	..	..	2,425	2,489	--	--
Azerbaijan	1,585	2,247	7,159	13,215	733.66	15.19
Iran	8,024	21,543	20,030	6,322	-21.22	-1.58
Kazakhstan	12,890	43,857	119,145	154,288	1096.94	18.00
Kyrgyz Republic	1,938	2,257	4,114	7,504	287.27	9.44
Pakistan	33,022	34,018	64,003	65,482	98.30	4.67
Tajikistan	1,141	1,121	3,562	5,100	346.94	10.50
Turkey	116,799	173,649	300,526	397,923	240.69	8.51
Turkmenistan	2,627	1,153	529	403	-84.66	-11.75
Uzbekistan	4,948	4,632	7,802	14,838	199.88	7.60
<b>ECO Region</b>	<b>182,975</b>	<b>284,477</b>	<b>529,296</b>	<b>667,563</b>	<b>264.84</b>	<b>9.01</b>

Source: Based on the World Bank data

The external debt stock picture for 2015 shows that the biggest debt stock is owed by Turkey at US\$397.8 billion which is more than 50 percent of the external debt stock of the region amounting US\$ 668 billion with annual average growth rate of 8.51 percent. Kazakhstan has amassed external debt of US\$154 billion at an average and rate of 73.13 percent over the period 2000-15.

Table A.2.9.2: External Debt of the ECO Member States as Percentage of GNI, 2000-2015

( In Percentage)					
Member State	Year				Percentage Change in 2015 over 2000
	2000	2005	2010	2015	
Afghanistan	..	..	15.16	12.58	
Azerbaijan	31.78	19.37	14.48	25.79	-5.99
Iran	7.33	9.82	4.28	1.58	-5.75
Kazakhstan	75.66	84.74	92.59	89.26	13.6
Kyrgyz Republic	150.49	95.13	91.65	118.56	-31.93
Pakistan	45.22	30.44	34.75	22.85	-22.37
Tajikistan	138.41	50.20	64.02	54.37	-84.04
Turkey	44.48	36.36	41.47	56.15	11.67
Turkmenistan	96.32	15.29	2.56	1.13	-95.19
Uzbekistan	36.54	32.43	19.27	21.83	-14.71
<b>ECO Region</b>	<b>36.96</b>	<b>31.05</b>	<b>31.77</b>	<b>37.18</b>	<b>0.22</b>

Note: Data on Afghanistan is not available till 2005. Figure of 2006, the earliest available, has been reported for 2005 for analysis.

Source: World Bank

Source: Based on the World Bank data



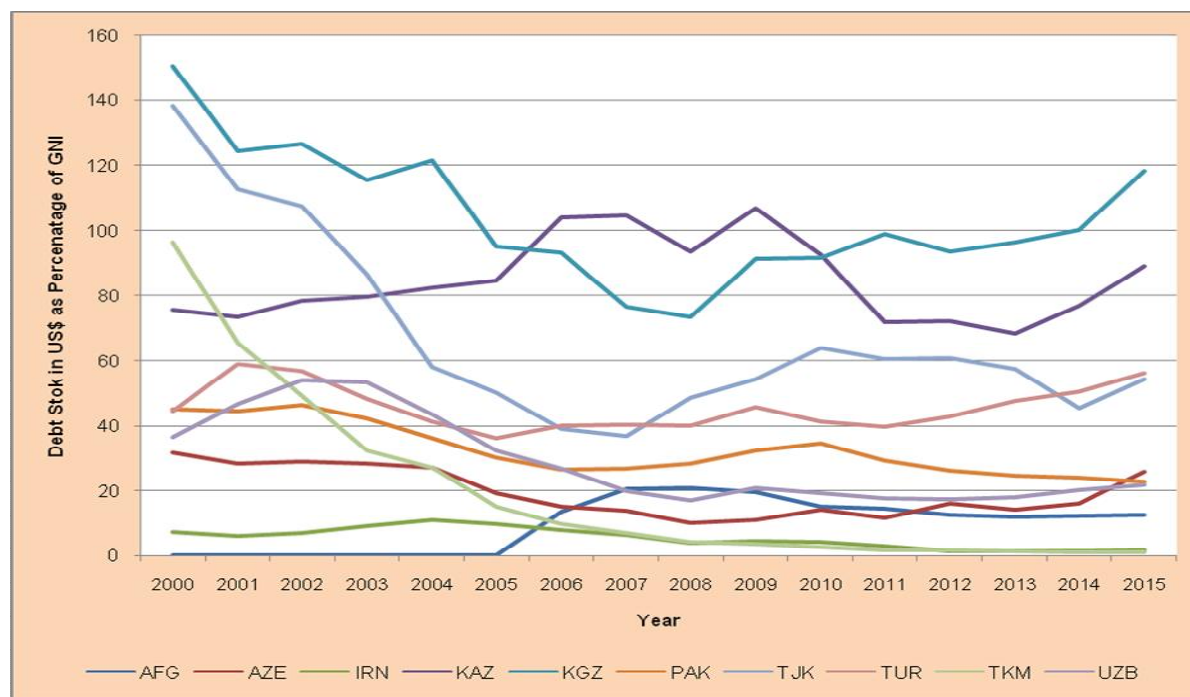
Azerbaijan has also accumulated external debt at high annual average of 48.91 percent with debt stock reaching US\$13 billion in 2015 from US\$1.6 billion in 2000. Annual average growth of external debt for Tajikistan and Kyrgyz Republic has been high as well at 10.50 and 9.44 percent respectively. Iran and Turkmenistan have reduced their external debt stocks during the period from US\$8 billion and US\$ 2.6 billion to less than zero. Thus, there are two external debt free countries of ECO Region.

However, debt stock size in itself does not explain much. It is a size of economy and external debt as % of GNI/GDP, the economic growth rate, per capita income which inform about the quality of use of external debt and if it is benefitting economy as a whole. Thus, continuously high growth rates linked with increasing per capita income in countries like Turkey, Kazakhstan, Azerbaijan, Uzbekistan, bear out better use of external debt possibly for development projects which resulted in high dividends and incomes for the countries.

A different path chosen by Turkmenistan and Iran is also clear from the figures as both countries decided to operate economy and development from own resources and or through FDI; both being resource rich in form of oil and gas supposedly had surpluses to fund their own development projects. Looking at FDI inflows it is clear that while FDI dried up for Iran, Turkmenistan enjoyed constantly high FDI inflows as percentage of its GDP during this period.

The magnitude of debt stock varies significantly among member states as well as over time. To incorporate the size of the economy dimension into picture would make it more meaningful and insightful. As such there is no optimal level to debt-to GDP; however, high statistic of the indicator has implications for sustainability of debt which emerges from the fiscal policy management and stress in business cycles.

Figure A.2.9.1: External Debt of the ECO Member States as Percentage of GNI, 2000-2015



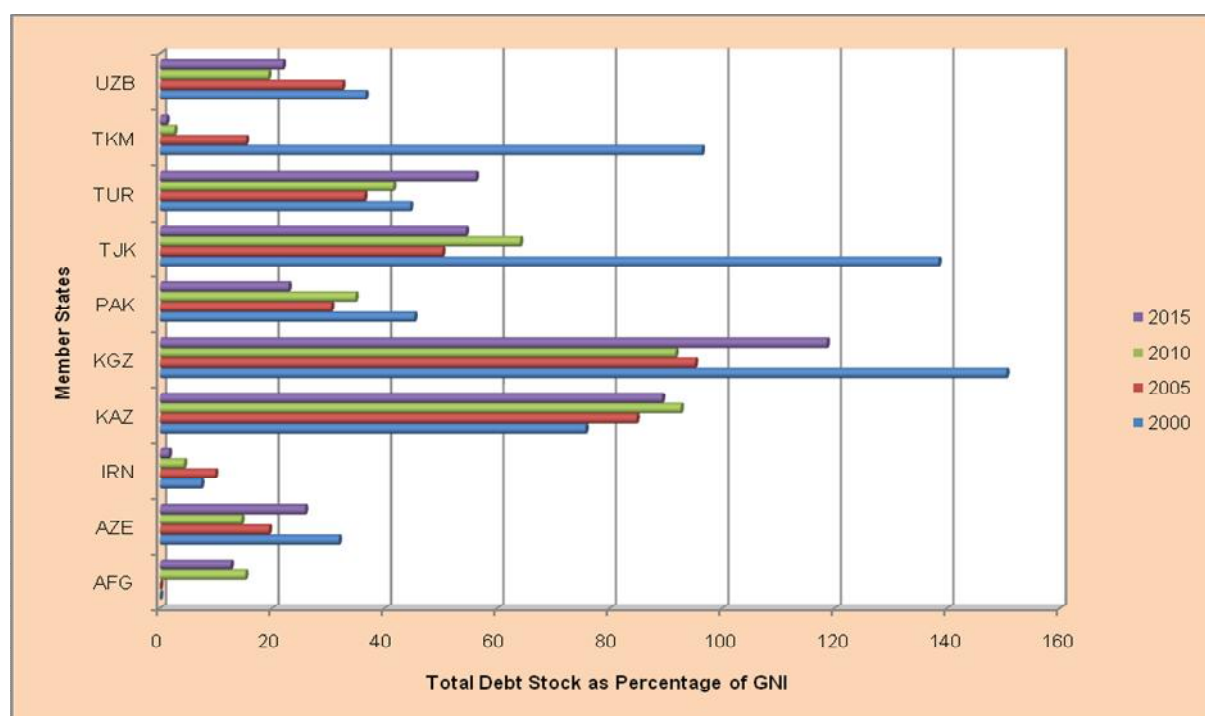
Source: Based on the World Bank data

One of the most pronounced features of data is that generally, the external debt stock as percentage of GNI is declining over the period (2000-2015), except for Turkey; all other countries have reduced the foreign debt burden as percentage of GNI during this period.

Glancing into the external debt and percentage of GNI table/ trends over 2000-15 some features stood out:

- Turkey has a large stock of external debt; however, it has remained within manageable limits of under 50% of GNI although it has crossed the threshold in 2011 and now stood at 56 percent of GNI.
- Kazakhstan is the other country whose debt to GDP ratio has increased over time from 75.66 % of GNI in 2000 to 89.2 % of GNI in 2015 and this situation needs correction.
- Turkmenistan has followed very clear policy on external debt and has successfully and gradually reduced debt which was 96 percent of GNI in 2005 and subsequently to negligible 2.56 percent of GNI and 1.13 percent of GNI in 2010 and 2015 respectively.
- Iran has initially pursued a policy in which debt as % of GNI increased in 2000 (7.33 percent of GNI) and 2005 (9.82 percent of GNI). And thereon there was a change in policy and external debt started to reduce and remained 4.28 percent of GNI and 1.58 of GNI in 2010 and 2015 respectively.

**Figure A.2.9.2: External Debt of the ECO Member States as Percentage of GNI for the Period 2000-2015**



Source: Based on the World Bank data

- Kyrgyz Republic and Tajikistan which had very high debt to GNI ratio of 150 percent of GNI and 138 percent of GNI in 2000 has consistently worked to reduce the ratio albeit with different level of success. Kyrgyz Republic reduced the debt stock between 2000-2010 from 150 percent of GNI to 91.65 of GNI but it again increased in 2015 to 118 percent of GNI. In case of Tajikistan with mixed performance has been successful in reducing it to 54.37 percent of GNI (2015). Both the countries have large share of foreign remittances to GNI which helps in foreign exchange payments and any

reduction in them puts pressure on foreign debt accumulation.

- f. Uzbekistan has constantly and successfully followed a policy of reducing the stock of foreign debt as percentage of GNI; and reduced it from 36 percent of GNI in 2000, 32.43 percent of GNI in 2005 to 19.27 percent of GNI in 2010. However, there has been slight increase in foreign debt retiring to 21.83 % of GNI on the back of reduced foreign remittances, lowering of gas prices and general economic downturn.
- g. Pakistan has nearly halved in burden of foreign debt as % of GNI in 2000 to 22.85 % of GNI in 2015.

## 2.10: Foreign Remittance

Foreign remittances are essential constituent of current account of the Balance of Payments (BoP) and contribute the domestic economies positively. Remittances are playing an increasingly large role in the economies of many countries. They contribute to economic growth and to the livelihoods of people; however, heavy dependence on this component increases the vulnerability of the economies to external shocks. This indicator has special significance for the ECO region as foreign remittances constitute sizeable part of GDP of three economies, namely, Kyrgyz Republic, Tajikistan and Uzbekistan whereas Pakistan also receives substantial amount, (approx. 20 billion US\$), under this head. It is added that heavy reliance of foreign remittances also makes the economies more vulnerable to external shocks.

**Table A.2.10.1: Foreign Remittances of ECO Member States and the Region, 2000-2015**

Member State	( million US\$ )				Percentage Change in 2015 over 2000	Average Per Annum growth *
	Year					
	2000	2005	2010	2015		
Afghanistan	..	..	342,066	301,174	n.a.	-
Azerbaijan	57,132	623,235	1,410,296	1,269,964	2,122.86	22.97
Iran	536,000	1,032,000	1,181,000	1,330,000	59.69	6.25
Kazakhstan	67,472	62,022	225,556	194,497	188.26	7.31
Kyrgyz Republic	2,244	313,250	1,266,195	1,687,702	75109.64	55.50
Pakistan	1,075,000	4,280,000	9,690,000	19,306,000	1695.91	21.23
Tajikistan	..	466,652	2,020,504	2,258,643	n.a.	-
Turkey	4,560,000	1,368,000	1,819,000	1,395,000	-69.40	-7.59
Turkmenistan	..	..	35,300	16,000	n.a.	-
Uzbekistan	..	..	2,858,000	3,104,000	n.a.	-
<b>Total of Six MS</b>	6,297,848	7,678,507	15,592,047	25,183,163	299.87	9.68
<b>Data available on MS</b>	6	7	10	10	n.a.	n.a.
<b>Total of available MS</b>	6,297,848	8,145,159	20,847,917	30,862,980	n.a.	n.a.

Note: .. indicates that data on foreign remittances for Afghanistan, Tajikistan, Turkmenistan and Uzbekistan are not available. n.a. : Not applicable \* Average has been computed for number of years on which the data is available.

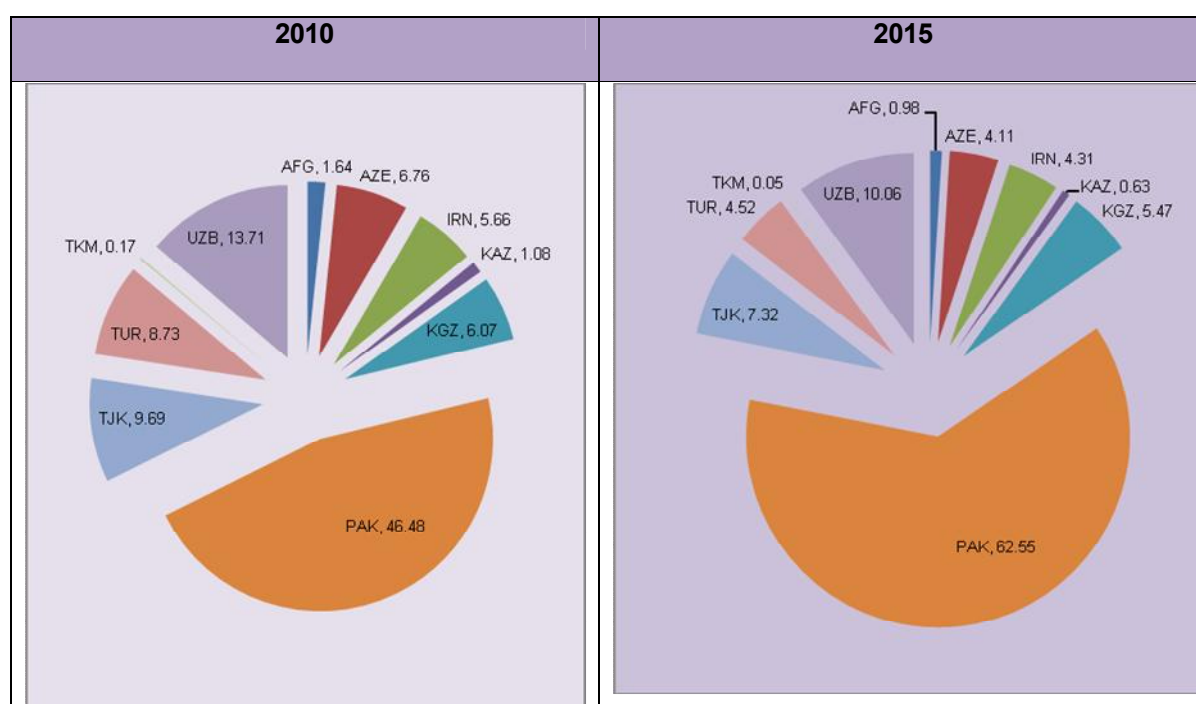
Source: Based on the World Bank data

A review of **Table A.2.10.1** suggests that ten member states received foreign remittance of US\$30.87 billion in 2015 compared with US\$20.85 billion in 2010 showing increase of US\$10 billion in 5 years, up by 48 percent. Foreign remittances data of six countries are available in 2000;

therefore, sum of foreign remittances of six economies has also been reported in the same table for comparable analysis. The figures reveal that foreign remittances of six member states (Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan and Turkey) have increased to US\$25.18 billion compared with US\$6.3 billion in 2000, almost four fold in 15 years.

Data for 2015 shows that Pakistan received the highest remittances of US\$19.31 billion followed by Uzbekistan with US\$ 3.10 billion; the former received remittances mainly from Middle East, UK, USA and Europe where Pakistani diaspora and workers reside whereas the latter received remittances from the Russian Federation. Pakistan has nearly 7.8 million labour force working outside Pakistan and their importance is judged from the fact that remittance constitutes 7.12 percent GNI. The share of foreign remittances is 4.65 percent of GNI for Uzbekistan though there is six times difference in the amount of actual remittances. In terms of remittances amount after Pakistan and Uzbekistan, other member states are Tajikistan, Kyrgyz Republic, Turkey, Iran and Azerbaijan received US\$2.26 billion, US\$1.69 billion, US\$1.34 billion, US\$1.3 billion and US\$1.27 billion remittances respectively. In the same year, Turkmenistan received the least amount on this count with US\$ 16 million.

**Figure A.2.10.1: Share of Member States' Foreign Remittances in the ECO Region' Foreign Remittances, A Comparison: 2010 and 2015**



Source: Based on the World Bank data

The data further manifests that in terms of percentage; the peak increase has been for Kyrgyz Republic with exorbitant percentage of 55.50 (56 times) followed by Azerbaijan with 22.97 percent. These rates, however, do not reflect true picture as the values of the subject indicators were too low in the base year, 2000. Other significant increase has been noted for Pakistan with 21.23 percent per annum. Kazakhstan had moderate increase on this count with 7.31 and percent. However, Further, Tajikistan witnessed decline by 69 percent over 2000-2015. Iran had the marginal increase by 6.25 percent. Contrarily, Afghanistan and Turkmenistan witnessed negative annual growth during this period. All these figures indicate that there has been great variation

among the member states on this score. It is highlighted that data on the subject variable is not available for some years for some member states.

A cursory look at foreign remittance inflows to the economies as its share in GNI reflects that for Tajikistan and Kyrgyz Republic remittances constitute 28.76 and 25.68 percent of the GDP respectively indicating that Tajikistan and Kyrgyz Republic have the highest percentage in the ECO Region and are the most remittance-dependent in the Region. Annual data for Tajikistan reveals that it went up to 49.46 in 2007 followed by 49.29 percent in 2008. For most of the years it remained above 30 percent. Even in 2014, it had percentage of 36.64. It needs to highlight that this percentage was in single digit i.e. 9.4 till 2003 and entered in the double digit in 2004 with percentage of 12.14 following increase up to 49.29 percent of GDP in 2008 in short span of five years. As regards Kyrgyz Republic, it assumes value of 25.68 percent in 2015. In 2013, it was 31.06. Further to note that in 2000, the value of the subject indicator was 0.16; nevertheless in 2005, it assumed 12.75 percent for the first time and persists till to date.

Uzbekistan also receives substantial amount in foreign remittances which is evident from this fact that its value has been observed 4.65 percent of GDP in 2015. It was noted 11.59 percent in 2013 and witnessed decline in the ensuing period. From data it can be gathered that there is no clear pattern of percentage of remittance-to-GDP except for Pakistan where this percentage has seen rise in most of the years but there are low in values as well. Despite the lead country in foreign remittance inflow, its value has not touched the double digit; the highest is 7.12 % of GDP in 2015. It is imperative to underline that in the post 9/11, flow/transfer of foreign remittance through official/ banking/documentated channels increased consistently at the regional as well as global level which had positive effect on the recipient countries.

**Table A.2.10.2: Foreign Remittances to GDP Ratio of the ECO Member States and the Region in 2000-2015**

Member State	Year			
	2000	2005	2010	2015
Afghanistan	..	..	2.15	1.56
Azerbaijan	1.08	4.71	2.67	2.39
Iran	0.49	0.47	0.25	0.31
Kazakhstan	0.37	0.11	0.15	0.11
Kyrgyz Republic	0.16	12.73	26.41	25.68
Pakistan	1.45	3.91	5.46	7.12
Tajikistan	..	20.18	35.81	28.76
Turkey	1.71	0.28	0.25	0.19
Turkmenistan	..	..	0.16	0.04
Uzbekistan	..	..	7.27	4.65

Note: .. indicates that data on foreign remittances for Iran, Turkmenistan and Uzbekistan are not available.

Source: Based on the World Bank data

For four member states, namely, Iran, Kazakhstan, Turkey and Turkmenistan Foreign Remittances to GDP Ratio is below one percent. It needs to be underlined that the subject

indicator has assumed values below one for Iran, Kazakhstan and Turkmenistan in all the years under reference as these economies have little reliance of foreign remittance on support the domestic economy. Among these, Turkey had value over one percent in just two years 2000 and 2001 followed by value below one percent in all the years 2002-2015 signifying low contribution to the economy and least dependence as well.

**Table A.2.10.2** shows foreign remittances percentage share of individual member states in the region's total foreign remittances for 2010 and 2015 which indicate that the percentage share increased for two member states, namely, Iran and Pakistan whereas seven member states i.e. Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkey, Turkmenistan and Uzbekistan registered decrease in terms percentage shares in GNI. Pie Charts of 2010 and 2015 manifest the highest foreign remittances in the region were received by Tajikistan with 35.81 percent and 28.76 in 2010 and 2015 respectively. Kyrgyz Republic emerged as second highest foreign recipient country in the region and remained almost one-fourth of the region with 26.41 and 25.68 respectively. Pakistan's share increased as a result of the volume of foreign remittance. Uzbekistan followed suit. Nonetheless, the least percentage is for Kazakhstan, one-seventh of one percent of GDP, as referred in the foregoing review.

### **A.2.11: International Reserves**

International reserves or foreign exchange reserve, inter alia, have been an indicative of the financial strength of the economy and also manifest the capacity of an economy to buy from the rest of the world. Foreign exchange reserves are called reserve assets in the balance of payments and are located in the capital account. It is one of the major components of the international credit rating system. International reserves comprise of holdings of foreign exchange under the control of monetary authorities, holdings of monetary gold, Special Drawing Rights (SDR), reserves of IMF members held by the IMF.

Besides, it is closely linked with trade surplus and deficit of the economy as these economic conditions result in fluctuations in the international reserves. It influences exchange rate, interest rate, inflation and other economic indicators of the economy. International reserves are also a cause as well as an effect of the monetary policy and determine direction of commercial and monetary policies. Though it is considered a barometer of the economy, a large segment of the economy is not significantly affected by the changes in the international reserves.

Foreign exchange reserves assumed significance in the aftermath of 2008 financial crisis whereby foreign exchange reserves were taken as buffer to control exchange rate as well as interest rate during financial shocks due to international financial markets. Six months import worth of foreign exchange reserves is taken as minimum requirement.

In 2015 ECO Region's total reserves; excluding four ECO Member States i.e. Afghanistan, Iran, Turkmenistan and Uzbekistan touched US\$174.95 billion whereas in 2000, ECO Region's total reserves, excluding four ECO member states, amounted to US\$ 28.74 billion and edged up to US\$ 72.65 billion in 2010 manifesting growth of 152.83 percent. In 2010, total international reserves of seven member states reached US\$145.18 billion. The most dominant feature of the data is that Turkey is the principal contributor to the regional international reserves with US\$110.49 billion out of US\$ 174.95 billion total reserves for seven countries. In 2014, the total reserves were US\$ 196.84 billion which is the peak figure of the region as well.

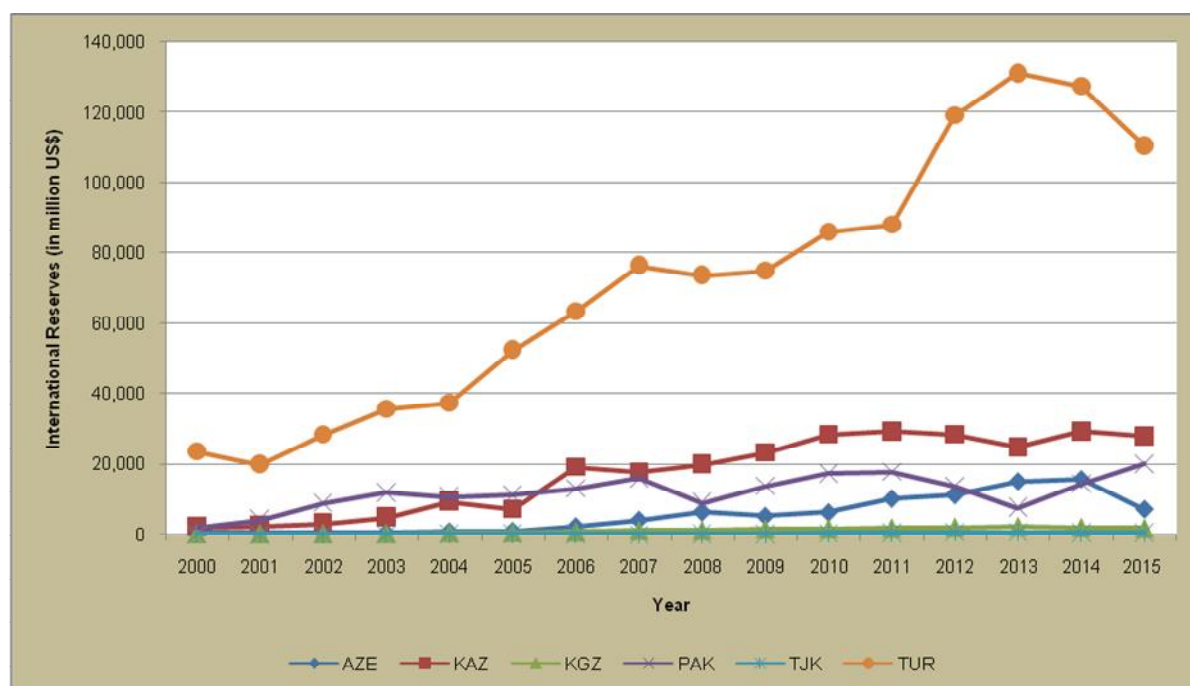


Table A.2.11.1: International Reserves and Total Reserves as Percentage of GDP of ECO Member States and the Region, 2000-2015

Member State	Year								
	Total reserves (in million US\$)				% Change 2000-2015	Total reserves as percentage of GDP			
	2000	2005	2010	2015		2000	2005	2010	2015
Afghanistan	..	..	5,162	6,977	7.03	..	..	32.09	36.09
Azerbaijan	680	1,178	6,409	7,319	65.09	12.90	8.89	12.11	13.80
Iran	..	..	..	..	--				
Kazakhstan	2,099	7,070	28,265	27,859	81.82	11.47	12.38	19.09	15.11
Kyrgyz Republic	262	612	1,720	1,778	38.58	19.12	24.88	35.88	27.05
Pakistan	2,087	11,109	17,256	20,028	57.31	2.82	10.15	9.73	7.39
Tajikistan	94	189	403	493	28.30	10.92	8.17	7.14	6.28
Turkey	23,515	52,494	85,959	110,490	24.66	8.82	10.87	11.76	15.39
Turkmenistan	..	..	..	..	-	..	..	..	..
Uzbekistan	..	..	..	..	-	..	..	..	..
ECO Region (total of available countries)	28,736	72,652	145,175	174,944	-	..	..	..	..

Note: .. Indicates that data on international reserves for Iran, Turkmenistan and Uzbekistan not available.  
 Source: Based on the World Bank data

Figure A.2.11.1: International Reserves of ECO Member States, 2000-2015



Source: Based on the World Bank data



**Table A.2.11.2: International Reserves as Percentage of Total External Debt and Total Reserves Sufficient for months of Imports of ECO Member States, 2000-2015**

Member State	Year							
	Total reserves (% of total external debt)				Total reserves in months of imports			
	2000	2005	2010	2015	2000	2005	2010	2015
Afghanistan	..	..	212.85	280.36	..	..	9.99	9.67
Azerbaijan	42.87	52.41	89.52	55.39	3.38	1.63	5.35	4.04
Iran	..	..	..	..	..	..	..	..
Kazakhstan	16.28	16.12	23.72	18.06	2.43	2.65	5.11	5.69
Kyrgyz Republic	13.51	27.14	41.81	23.69	4.17	4.90	5.02	4.29
Pakistan	6.32	32.66	26.96	30.59	1.74	4.11	4.72	4.55
Tajikistan	8.26	16.85	11.32	9.67	..	1.31	1.43	1.68
Turkey	20.13	30.23	28.60	27.77	4.16	4.74	4.94	5.60
Turkmenistan	..	..	..	..	..	..	..	..
Uzbekistan	..	..	..	..	..	..	..	..

Source: Based on the World Bank data

In the same year, other major contributors to the ECO Region's international reserves are Kazakhstan, Pakistan and Azerbaijan with US\$27.86, 20.03 and 7.32 billion respectively. There is substantial increase for these countries with the most striking increase for Kazakhstan by 13 times. Azerbaijan's reserves rose by almost 11 times, Kyrgyz Republic by 7 times, Pakistan by 10 times whereas, Tajikistan and Turkey by 5 times during 2000-2015. The marked increase in amount has been observed in Turkey which recorded increase in international reserves by over US\$ 86.98 billion during 2000-2015. Pakistan, Afghanistan, Kyrgyz Republic and Tajikistan are next contributors in terms of magnitude. Tajikistan has the lowest international reserves at US\$ 0.49 billion in 2015 as well as during 2000-2015.

From the percentage point perspective, Kazakhstan had the maximum growth of 81.82 percent in international reserves in 2015 reaching the level of US\$ 27.86 billion. Azerbaijan comes next in this respect showing 65.09 percent growth per annum whereas Pakistan witnessed 57.31 percent growth per annum. Kyrgyz Republic and Tajikistan average growth in international reserves has been by 38.58 and 28.30 percentage points respectively. Turkey has posted low increase by 24.26 per cent per annum; however, has the biggest stock of international reserves. There has been quite low increase for Afghanistan by 7.03 percent in the growth of its foreign exchange reserves.

Three major indicators are used for analysis i.e. total reserves as percentage of GDP, total reserves (% of total external debt) and total reserves in months of imports. Total reserves as percentage of GDP indicator shows that maximum percentage of this statistic is 36.09 for Afghanistan for 2015 whereas the lowest one is 6.28 percent for Tajikistan in the same year. Another high percentage is of Kyrgyz Republic with 27.05 percent which is reasonable with respect to the size of the economy. The indicator shows similar percentages for Azerbaijan and Turkey with 13.80 and 15.39 percent respectively showing reasonable amount considering the size of the economies. The size of the economies of Azerbaijan and Kazakhstan are closer in size compared to Turkey. For Pakistan and

Tajikistan the total reserves as percentage of GDP are low 7.39 and 6.28 percent. Over the period value of this indicator for Pakistan has increased from 2.32 in 2000, though in 2005 this exceeded double digit while in 2010 it was near to double digit with 9.73. For Azerbaijan, Kazakhstan, Kyrgyz Republic and Tajikistan the percentage was relatively stable. In case of Turkey, it improved over the period from 8.82 percent to 15.39, nearly doubled.

Values of total reserves (% of total external debt) show except Afghanistan all are below 100 percent rather in 2015 around 50 percent. Kyrgyz Republic, Pakistan and Turkey the values are near 30 percent which is considered respectable vs. a vs. external debt. In case of Tajikistan there is little cushion in the reserves in debt retirement. Azerbaijan saw 89.52 percent in 2010 but after the global recession and fall in oil prices, foreign reserves have declined and as a result thereof the value of this indicator. Similar is the case with other oil/gas exporting country, Kazakhstan. Thus natural resource rich countries suffered on this count.

Six month reserves of worth of imports are considered minimum requirement. From this perspective, Afghanistan Kazakhstan and Turkey meet the requirement. Tajikistan has less than 2 months worth of reserves which needs to be improved. The rest of the economies respectable amount of reserves in this regard; however correction is required on this count. Needless to highlight that such pressures lead to devaluation or depreciation of currencies.

Foreign exchange reserves of Azerbaijan, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey and Turkmenistan have increasingly come under pressure due to reserves losses in the wake of floundering international oil and gas prices, reduction of remittances due to sanctions on the Russian Federation (which is the main source of remittances to Tajikistan, Kyrgyz Republic and Uzbekistan), export market losses to Turkey due to situation in Iraq and Syria. Draw down on foreign reserves has been high in 2014 and 2015 to support currency exchange rate as well as payments for import and foreign liquidities. It is added that the increase in foreign exchange reserves reduces the vulnerability and risks of economies emanating from fluctuations of exchange rates and thereby putting the economies on stable path.

### **A.3 Other Variables**

#### **A.3.1: Exchange Rate**

Exchange rate is a popular economic indicator and its variation plays key role on internal as well as external segments of economies. It holds integral position in monetary policy which, among others, aims to stabilize exchange rate for smooth business activity especially with the rest of the world. It affects all major economic variables and monetary aggregates in particular GDP, volume of trade (exports and imports), inflation, interest rate, foreign remittances, country's indebtedness, international reserves, etc. Exchange rate is managed through fixed exchange rate or flexible/floating exchange rate regimes or hybrid system of managed exchange rate and these rates are reported on daily basis.

Exchange rate of each member state is discussed below for better comprehension of the national economies of the region. A look at **Table A.3.1.1** reveals that local currencies of all member states have seen depreciation against US dollar. However, fluctuations in the exchange rate over fifteen years is difficult for some it has been more substantial than others. Data reveals that Azerbaijani Manat (AZN) stands out to be the most stable currency against US dollar whereas Iranian Rial (IRR) turned out to be the most fluctuating currency among the member states. Data further shows that Azerbaijani Manat (AZN) currency exchange rate had minor change during 2000-2014 and in 2015 it saw substantial depreciation from 0.78 in 2014 to 1.02 US dollar in 2015.

In category II of 50-500 percent, four member states can be placed; Kazakhstani Tengi (KZT) with 56 percent, Pakistani Rupee (PKR) with 91.56, Tajikistani Somoni (TJS) with 196.84 percent and Turkish Lira (TRY) with 335 per cent. The third category has one member state i.e. Iran witnessed depreciation by 1,543 percent implying that IRR depreciated over 15 times in 15 years which is unprecedented in the region. This mainly stemmed from the ill-effects of economic sanctions of Iran thus weakening economic indicators of the economy. After this, Uzbekistani Som (UZS) depreciated by 900 percent (9 times depreciation in 2015 compared with 2000). Turkey also stands out in depreciation perspective experiencing over one third in value of TRY as evident from the 335 percent depreciation over the period under reference.

Tajikistan also registered high depreciation about 2 times meaning thereby that the value of Tajikistani Somoni (TJS) has almost halved. From the regional comparison, Turkey and Tajikistan fall in the modest depreciation category. It may be highlighted that Pakistani rupee has depreciated 91.56 percent, value of Pakistan Rupee (PKR) almost halved. As regards Turkmenistan New Manat (TMT), data for all years under consideration was not available. As no conclusive evidence is available, it has not been placed any of three categories. However, official exchange rate of TMT has been reported from 2008-2015 in the figure which shows no change during 2008-2014 but depreciated about 22.81 percent in 2015, from 2.85 US\$ in 2008 to 3.50 US\$ in 2015.

It would be important to highlight that official exchange rate of some of the member states assumed these values as a result of the devaluation as well as depreciation which took place as a result of the demand and supply forces of the market. Some countries have managed floating exchange rate system whereas some countries had to devalue its currencies as a part of the IMF package or deal; they have to recourse for stabilization of the economies. Graphs of the exchange rate of the local currencies of the ECO member states are individually presented and fluctuations these have undergone during this period are quite exhibitiv. It merits mentioning that linking these graphs with key economic monetary and real variables of the economies would be insightful for analysing progress of the ECO region and the economies of the member states and predicting their future outlook and prospects.

**Table A.3.1.1: Exchange Rate of ECO Member States, 2000-2015**

Member State	(Local Currency per US\$)				Average Growth rate	
	Year					Percentage Change in 2015 over 2000
	2000	2005	2010	2015		
Afghanistan	47.36	49.49	46.45	61.14	29.11	1.72
Azerbaijan	0.89	0.95	0.80	1.02	14.50	0.91
Iran	1764.90	8963.96	10254.18	29011.49	1543.80	20.52
Kazakhstan	142.13	132.88	147.36	221.73	56.00	3.01
Kyrgyz Republic	47.70	41.01	45.96	64.46	35.13	2.03
Pakistan	53.65	59.51	85.19	102.77	91.56	4.43
Tajikistan	2.08	3.12	4.38	6.16	196.84	7.51
Turkey	0.63	1.34	1.50	2.72	335.05	10.24
Turkmenistan	..	..	2.85	3.50	..	..
Uzbekistan	255.40	1115.00	1595.00	2555.61	<b>900.63</b>	16.59

Data was taken from Central Bank of Turkmenistan web site [http://www.cbt.tm/kurs/2015\\_en.html#](http://www.cbt.tm/kurs/2015_en.html#). The rates reported are as of 30 June of the year concerned. The earliest data available was for 2009.

Data was taken from Central Bank of Uzbekistan web site <http://www.cbu.uz/en/arkhiv-kursovo-valyut/>. The rates reported are as of 30 June of the year concerned.

Source: Based on the World Bank data

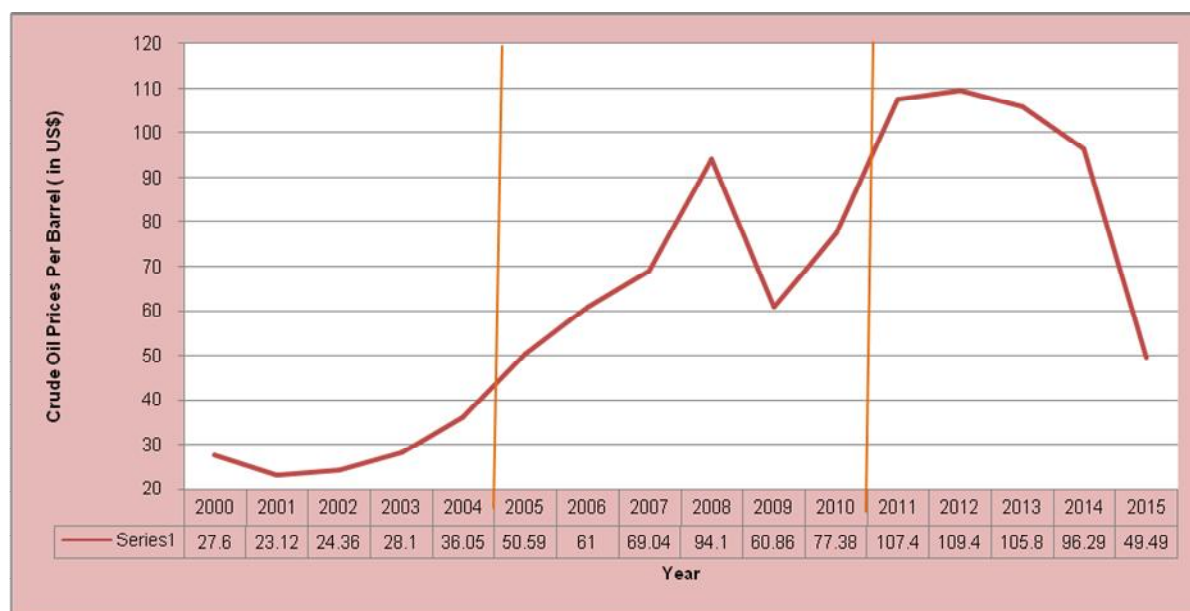
In nutshell, the most depreciated currency during this period is Iranian Rial (IRR) followed by Uzbekistani Som (UZS), Turkish Lira (TRY) and Tajikistan Somoni (TJS). Azerbaijan Manat (AZN) remained stable and depreciation was the least among the currencies of the member states. From partial data, Turkmenistan Manat (TMM) also remained among the least depreciated currencies during the period under reference. Turkmenistan currency underwent no change during the period 2008-14 followed by depreciation in 2015. It merits mentioning that none of the currencies of the member states appreciated during 2000-2015.

It is instructive to underline that except Iran economies which are exporters of oil and gas have shown resilient national currencies and the same were supported through central bank monetary policies and foreign exchange reserves. Conversely, economies without natural-resources base had to adjust with market forces.

### A.3.2: Crude Oil Prices in the World Market

Energy market is one of the primary drivers of economic activity at global level. Flux in crude oil, also termed as black gold, prices have significant impact on national economies both for oil-exporters and oil-importers. Revenue for oil exporting economies depends on the oil prices, production and export thereof whereas for the oil importing economies, its price is important as it has bearing on cost of production, inflation, international reserves, etc. Domestic economies and economic activities depend, inter alia, on oil prices and accordingly shape the course of the economies, growth rates and also define the production structure of economies. Oil price fluctuations have impact on economic and financial health of economies and also have policy implications. It would be imperative to mention that economic structures and national budgets are also dependent on the array of natural resources.

Figure: A.3.2.1 Oil Prices in the Global Market



Source: [www.statista.com/statistics/262858/change-in-opec-crude-oil-prices-since-1960/](http://www.statista.com/statistics/262858/change-in-opec-crude-oil-prices-since-1960/)

Figure: A.3.2.1 shows that oil prices average of five years, 2001-2005 was 32.44 US\$ per barrel, the minimum and maximum during this period has been 23.12 US\$ and 50.59 US\$ respectively. In the sub-period, 2006-2010, average has been 72.48 with minimum and maximum price of US\$60.94 and US\$ 94.10. This era is of high growth rates and development in the region

especially the natural-resource based economies when the rents inflows were at highest level and investments in most of the states witnessed its peak. The last sub-period, 2011-2015 had the highest price fluctuations of crude oil. Maximum price per barrel had been US\$109.45/barrel and within one year it crashed to US\$49.49/ barrel. It needs to underline that this sub-period witnessed the highest price ever at 109.45 US\$ followed by sharp drop in the price level at 49.49 US\$, less than half of the highest level which had massive effect on key economic indicators of all particularly oil exporting economies of the region.

The region enjoyed consistent increase in crude prices from 2001 (US\$23/ per barrel) to 2008 (US\$93/ per barrel), before a sharp drop to US\$60/per barrel in 2009 before sharply up reaching the peak price of US\$ 109 in 2014. The ECO region's resource rich countries enjoyed good reserves during 2001-2014 period with increasing per capita income as well as very healthy economic growth rates, infact per capita income increased by over 274 percent for Azerbaijan, 190 percent for Turkmenistan, 136 percent for Kazakhstan and 128 percent for Uzbekistan during this time.

However, from mid 2014 and during 2015 international oil prices tumbled and witnessed sharpest decline over the year going from US\$109/per barrel in few months, which resulted in undue duress on resource based economies of ECO adversely impacting their economic growth rates, dampening international reserves, as countries strived to protect the currency exchange rate which depreciated in volumes by big margins. However, reduction in oil prices were beneficial to ECO countries which are not exporter of energy i.e. Turkey, Pakistan, Tajikistan, Kyrgyz Republic and Afganistan as their import bills reduced resulting in increased fiscal space and money to be diverted to development projects, increaesing resources and expenditure in social as well as infrastructure projects.

### **A.3.3: Rents of Total Natural Resources (as % of GDP)**

Natural resources have the potential to play role in economic growth of all economies. This region is resource-rich endowed with all types of natural resources especially oil, gas and minerals. Data have been collected from Natural Resources Rents/Index of the World Bank to have clear understanding on the subject<sup>5</sup>. Following discussion presents a brief picture on this score spanning over 2000-2015. Natural resources are composed of oil rents, natural gas rents, coal rents (hard and soft), mineral rents and forest rents.

Member states natural rents have been presented in two groups; the resource rich and poor resource dependent countries. Azerbaijan, Iran, Kazakhstan, Turkmenistan are oil and gas exporting economies and are natural-resource rich countries. Uzbekistan also has around 13 percent of rents of natural resouces in 2014 has been included in this category, Uzbekistan resource rent was 80.17 percent in 2003 and the share has been high for most of the years under reference, however, in recent past, its share has declined below 20 percent.

The most striking feature of the data is that the share of total rents as percentage of GDP is declining in all the member states over the period under reference. Resource rent dependency was 55 percent for Azerbaijan, 50 percent for Uzbekistan, 44 percent for Kazakhstan, 41 percent for Turkmenistan and 38 percent for Iran in 2000 which has decreased to 28 percent for Azerbaijan, 13 percent for Uzbekistan, 27 percent for Kazakhstan, 20 percent for Turkmenistan, and 29 percent for Iran in 2015. This is a very positive indicator that all resource rich countries have strived to reduce dependency on natural resources (oil and gas) and diversify the economies into

<sup>5</sup> Estimates of the Natural Resource Index are based on sources and methods described in "The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium" (World Bank, 2011).

related industries, like petro-chemical, urea, etc. Moreover countries have also tried to develop other sectors and traditional sectors like agriculture, encouraging cotton, wheat and animal husbandry, which is also being labour intensive, helps increasing employment.

Needless to underline that high as well low prices of crude oil, gas and minerals have implications especially for two sets of economies. In post-2013, oil prices registered massive decline having profound effect on these economies. A rise in oil prices is a positive sign for these economies translating in increased revenues, surplus budgets and increased foreign reserves, however volatility in oil prices has made it imperative for these countries to diversify their economies and make them less dependent on oil revenues. A look at the figures of rents of total natural resource, it can be easily observed that in post-2011, five resource rich economies of the region have substantially decreased their dependence on natural resource rents (which largely include oil and gas).

**Table A.3.3.1: Rent of total natural resources (as % of GDP) of the Member States, 2000-2015**

Member State	Year				Percentage Change in 2015 over 2000
	2000	2005	2010	2014	
Afghanistan	5.22	1.74	2.37	1.69	-67.56
Azerbaijan	55.16	64.58	47.72	28.68	-48.01
Iran	38.46	45.10	29.43	29.76	-22.62
Kazakhstan	44.75	52.82	39.90	27.48	-38.60
Kyrgyz Republic	1.54	4.55	12.15	8.30	439.31
Pakistan	4.88	9.76	5.61	3.44	-29.39
Tajikistan	0.89	1.15	1.63	1.79	100.12
Turkey	0.35	0.35	0.58	0.59	65.84
Turkmenistan	41.40	41.40	44.99	20.56	-50.34
Uzbekistan	50.82	79.53	29.04	13.71	-73.01

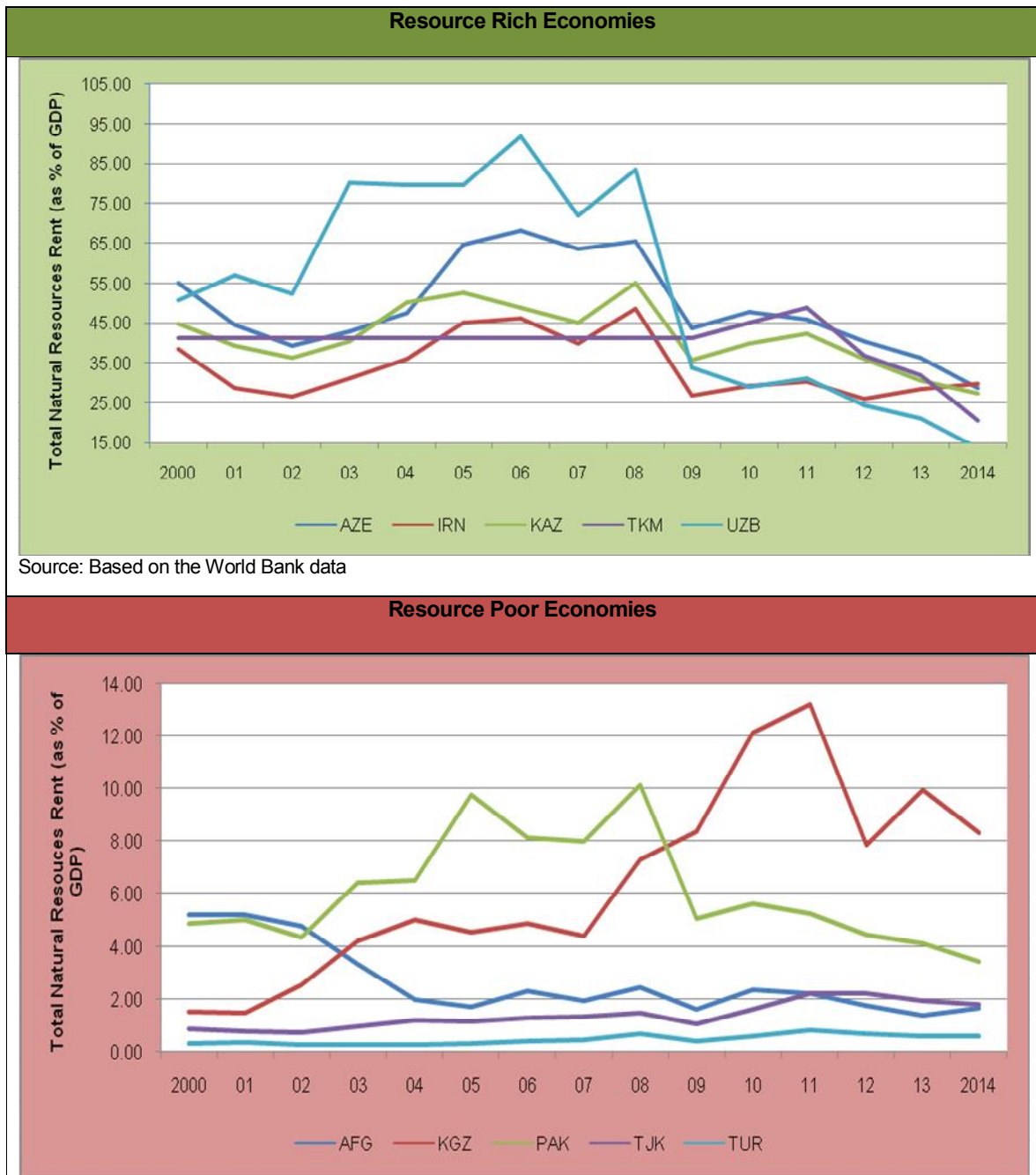
Source: Based on the World Bank data

Contrarily, economies like Pakistan and Turkey are major oil importing countries in the region and oil costs makes substantial part of countries' import bills. Afghanistan, Kyrgyz Republic and Tajikistan are also net oil importers for their functional and developmental needs of the economies. A fall in oil prices, ceteris paribus, can generate economic activities in these economies. In addition to this, it creates fiscal space in the budget and improves balance of payment situation for these countries which are facing trade deficit problem for many years. To sum up, a drop in crude oil prices hurts oil exporting countries and aggravates their economic ailments whereas creates favourable conditions for its development.

From the above Table, it is abundantly clear that in 2014 Azerbaijan, Iran and Kazakhstan are lead countries among resource-rich member states and over 70 percent rather up to 94.96 percent of natural resources rents are from oil followed by Turkmenistan and Uzbekistan which has 58.61 and 18.82 percent rents from oil in 2014. Turkmenistan and Uzbekistan have 41.39 and 39.27 percent rents from gas followed by Iran, Azerbaijan, Azerbaijan and Kazakhstan with relative share of 17.12, 4.63 and 4.63 per cent respectively.



Figure A.3.3.1: Rent of Natural Resources (as % of GDP) of the Member States, 2000-2015



Source: Based on the World Bank data

Source: Based on the World Bank data

The lead economy in case of minerals is Uzbekistan with 32.97 percent followed by Kazakhstan with 9.85 and Iran with 4.41 percent. In a way, Uzbekistan has more diversified base for rents with oil (18.82 percent), gas (39.27 percent) and minerals (32.97 percent) and coal (0.40 percent).



Table A.3.3.2: Disaggregation of Rents of Natural Resources, 2000-2014

	Oil		Gas		Minerals		Coal	
	2000	2014	2000	2014	2000	2014	2000	2014
Resource Rich Economies								
Azerbaijan	80.63	94.96	19.36	4.63	0.00	0.32	0.00	0.00
Iran	82.34	79.46	17.27	17.12	0.22	4.41	0.00	0.03
Kazakhstan	79.91	76.39	11.21	3.49	3.92	9.85	2.42	5.35
Turkmenistan	-	58.61	-	41.39				0.00
Uzbekistan	18.94	18.82	80.30	39.27	0.66	32.97	0.05	0.40
Resource Poor Economies								
Afghanistan	--	--	--	--	--	--	--	0.00
Kyrgyz Republic	60.73	6.60	17.38	0.33	11.63	87.30	3.30	2.79
Pakistan	13.56	20.97	67.18	36.92	0.00	1.79	0.00	0.70
Tajikistan	38.99	7.90	56.03	0.14	3.92	68.16	0.53	9.22
Turkey	49.23	25.67	7.46	0.60	5.31	50.87	0.00	0.57

Note: Forest rents are part of rents of total natural resources. These rents have not been reported here for incomplete data.  
Source: Based on the World Bank data

In case of coal rents, Kazakhstan stands out with 5.35 percent rents. Among resource poor countries, Kyrgyz Republic has shifted towards mineral resources from oil dependence in 2000, Pakistan and Tajikistan have has more gas rents. Tajikistan has 9.22 percent coal rents as well. Turkey had oil rents about 50 percent in 2000 which halved in 2014 replacing with increased share of 50.87 percent of mineral in 2014 from 5.31 percent in 2000.



## **B. ECO Member States in the World Indices**



## B.1: Human Development Index

Ever since the launch of the first Human Development Report in 1990, the Human Development Index (HDI) has become a popular measure and integral part of discourse on human dimension of economic development. It was designed to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone. Following this perspective, policy makers advocate people-centric approach in economic development. Methodically, it is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions.<sup>6</sup>

“People are the real wealth of a nation and human development is all about enlarging their choices.”

**World Development Report, 1990**

Human Development Reports reveals that ECO region has mixed picture in Human Development profile; four member states, namely, Azerbaijan, Kazakhstan, Iran, Turkey are in high Human Development Index (HDI) category, four member states i.e. Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan are in Medium HDI whereas two member states, namely, Afghanistan and Pakistan are in low HDI, with Afghanistan at the bottom with 171 ranking out of total 188 countries as per 2014. Fact remains that high HDI is a reflection of socio-economic well being and sustainable development of economies.

**Table B.1.1: Human Development Index Ranking of Member States, 2000, 2014**

Member State	Ranking in the World		Change in 2014 over 2000	Ranking of MS in the ECO Region in 2014	Level of Human Development
	2000	2014			
Kazakhstan	79	56	23 ranks up	1	High
Iran	98	69	29 ranks up	2	High
Turkey	85	72	13 ranks up	3	High
Azerbaijan	88	78	10 ranks up	4	High
Turkmenistan	87	109	22 ranks down	5	Medium
Uzbekistan	95	114	19 ranks down	6	Medium
Kyrgyz Republic	102	120	18 ranks down	7	Medium
Tajikistan	112	129	17 ranks down	8	Medium
Pakistan	138	147	11 ranks down	9	Low
Afghanistan	---	171	2 ranks down	10	Low

Source: Various World Development Reports

<sup>6</sup> [http://hdr.undp.org/en/content/human-development-index-hdi\\_further](http://hdr.undp.org/en/content/human-development-index-hdi_further). Regarding its measurement it needs to be stipulated that the health dimension is assessed by life expectancy at birth, the education dimension is measured by mean of years of schooling for adults aged 25 years and more and expected years of schooling for children of school entering age. The standard of living dimension is measured by gross national income per capita. The HDI uses the logarithm of income, to reflect the diminishing importance of income with increasing GNI. The scores for the three HDI dimension indices are then aggregated into a composite index using geometric mean. The HDI simplifies and captures only part of what human development entails. It does not reflect on inequalities, poverty, human security, empowerment, etc.

Table B.1.2: Human Development Index Ranking of Member States, Period, 2000-2014

Member States	Year				Change in rank over 2000-2014
	2000	2005	2010	2014	
Afghanistan	-	-	-	171/ Low	-
Azerbaijan	88/ Medium	98/ Medium	67/ High	78/ High	10 notches up
Iran	98/ Medium	94/ Medium	70/ High	69/ High	19 notches up
Kazakhstan	79/ Medium	71/ Medium	66/ High	56/ High	23 notches up
Kyrgyz Republic	102 /Medium	116/ Medium	109/ Medium	120/ Medium	18 notches down
Pakistan	138/ Low	136/ Medium	125/ Medium	147/ Low	9 notches down
Tajikistan	112/ Medium	122/ Medium	112/ Medium	129/ Medium	17 notches down
Turkey	85/ Medium	84/ Medium	83/ High	72/ High	13 notches up
Turkmenistan	87/ Medium	109/ Medium	87/ Medium	109/ Medium	22 notches down
Uzbekistan	95/ Medium	113 /Medium	102/ Medium	114/ Medium	19 notches down
<b>Countries ranked</b>	<b>173</b>	<b>177</b>	<b>-</b>	<b>188</b>	<b>-</b>

Source: Various World Development Reports

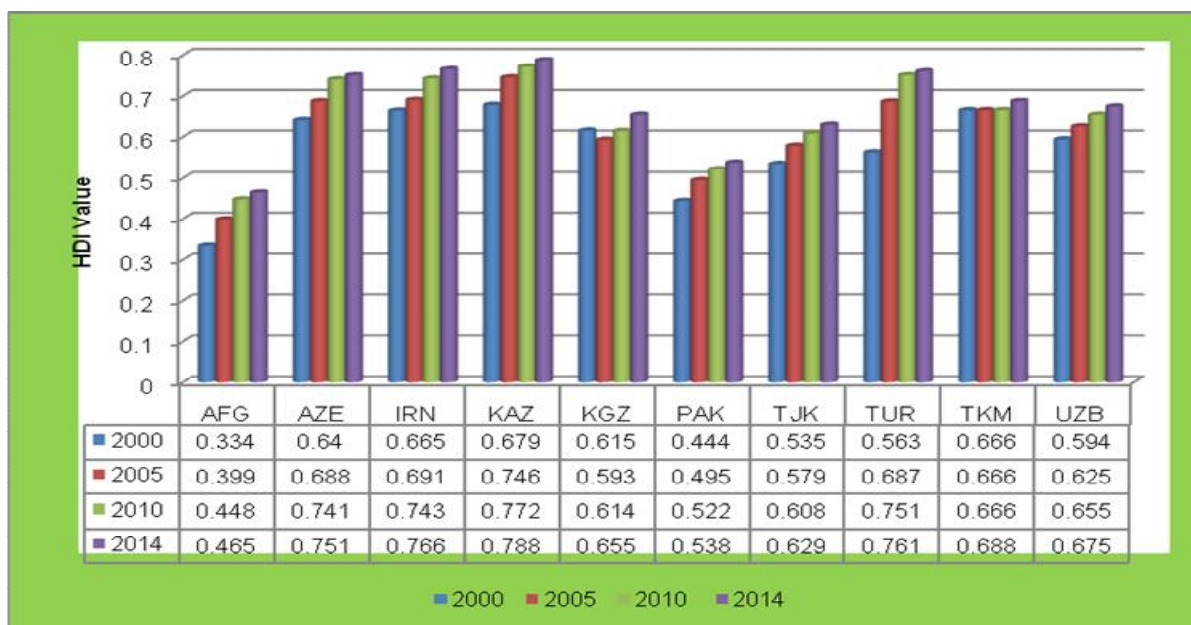
Data shows that over 15 years period, Kazakhstan position went up by 23 positions from 79th rank in 2000 to 56th rank in 2014 emerging as the best in this region followed by Iran which saw 98th rank in 2000 while it secured 69th position in 2014, up by 29 positions which is the maximum gain made by any country in the region on this count. Likewise, Turkey got 72nd place in 2014 compared with 85th in 2000 indicating improvement by 13 positions. Azerbaijan also made improvement in this respect and ranked 78 in 2014 in relation with 88th position in 2000. All high HDI countries in 2014 were in medium HDI category and graduated with different positions which is an encouraging phenomenon for the region.

Four member states fall in the medium HDI category and none of the member states in this category graduated during 2000-2014. Turkmenistan is ranked 109th in 2014 compared with 87th in 2000 showing decrease by 22 positions. Other member states showing decline in international ranking on this count are Uzbekistan by 19 positions, Kyrgyz Republic by 18 positions down, and Tajikistan by 17 positions. As per **Table B.1.2**, four member states have improved HDI ranking in 2014 compared with 2000. Pakistan went down to 147<sup>th</sup> position in 2014 from 138<sup>th</sup> position in 2000 although Pakistan ranking improved in 2010 with 125th position. Afghanistan for very clear reasons is ranked 171st out of 188 countries.

Difference in ranks is indicative of the policy gaps and weaknesses in ECO member countries in investment in human resources, social sector as well as distribution of wealth across the population... There was change in classification criteria in calculating HDI; HDI was judged in three classes i.e. low, medium and high in 2000, 2005 and 2010 whereas another class was added thereafter namely, very high. None of the member states has improved to very high HDI category; notwithstanding the fact that Kazakhstan made the highest improvement by 23 ranks. To gain clear picture, components of HDI are also given with relevant statistic. A glance at Table B.1.1 will show that even countries in low HDI have made improvement in their score. Further, all member states registered consistent increase except Kyrgyz Republic and Turkmenistan; the former has seen decline in 2005 and thereafter rose slowly compared to other member states whereas in case of

Turkmenistan the HDI value has been nearly same for 2000, 2005 and 2010 but later increased marginally.

Figure B.1.1: HDI Value of Member States, 2000-2014, (Maximum Value=1)



Source: Based on various World Development Reports

Human Development index has been given with its components such as life expectancy at birth, expected years of schooling, mean years of schooling, etc. Ranking worked out in column shows GNI Per Capita Rank minus HDI Rank. Positive figure means that GNI rank is better than its HDI rank and for negative, vice versa. Table B.1.4 shows that four countries, namely Iran, Kyrgyz Republic, Tajikistan and Uzbekistan which have positive score meaning thereby that the GNI Per Capita Rank is higher/ better than HDI Rank. It implies that they are investing more on HDI compared to their resources and have done fairly well on this count as they have invested more in human development compared to their GNI rank.

Conversely, six ECO member states i.e. Afghanistan, Azerbaijan, Kazakhstan, Turkey and Turkmenistan Pakistan have negative sign indicating that they are investing less in HDI compared to their rank in GNI. Fact remains that some member states among these are ones which are in high HDI category and also improved in ranking in 2014 implying that there is space for improvement by spending more resources on human development in these economies. Thus, by combining these two columns, it is ascertainable that four economies have done fairly well on this count as they have invested more in human development compared to their GNI rank.



Table B.1.3: Human Development Index and its Components, 2014

Country	HDI Rank	HDI Value	Life Expectancy at Birth	Expected Years of Schooling	Mean Years of Schooling	Gross National income (GNI) per Capita	GNI per capita Rank minus HDI Rank	Level of Human Development
	No	Max: 1	Year	Years	Years	(2011 PPP \$)	No	
	2014	2014	2014	2014a	2014a	2014	2014	
Afghanistan	171	0.465	60.4	9.3	3.2 <sub>e</sub>	1,885	-7	Low
Azerbaijan	78	0.751	70.8	11.9	11.2 <sub>l</sub>	16,428	-11	High
Iran	69	0.766	75.4	15.1	8.2 <sub>e</sub>	15,440	4	High
Kazakhstan	56	0.788	69.4	15.0	11.4 <sub>e</sub>	20,867	-1	High
Kyrgyzstan	120	0.655	70.6	12.5	10.6	3,044	29	Medium
Pakistan	147	0.538	66.2	7.8	4.7	4,866	-14	Low
Tajikistan	129	0.624	69.4	11.2	10.4 <sub>y</sub>	2,517	27	Medium
Turkey	72	0.761	75.3	14.5	7.6	18,677	-12	High
Turkmenistan	109	0.688	65.6	10.8	9.9 <sub>r</sub>	13,066	-28	Medium
Uzbekistan	114	0.675	68.4	11.5	10.9 <sub>aa</sub>	5,567	10	Medium

Extracted from <http://hdr.undp.org/en/composite/HDI>

a. Data refer to 2014 or the most recent year available., e. Based on Barro and Lee (2014).

r. Based on cross-country regression., y. Based on data from ICF Macro Demographic and Health Surveys for 2005–2014., aa. Updated by HDRO based on data from a UNICEF Multiple Indicator Cluster Survey.

- means that country's GNI per capita rank is better than HDI Rank

+ means that country's HDI Rank is better than GNI per capita rank

Comparison with the different categories reveals that four ECO member states with high HDI have value better than the average of high human development HDI figure of 0.744 whereas eight member states value of HDI stands greater than HDI average value (0.66) of developing countries which is a good indicator.

Table B.1.4 Human Development Groups and Average HDI values

Human Development Groups	HDI Value	Life Expectancy at Birth	Expected Years of Schooling	Mean Years of Schooling	GNI Per Capita
Very high human development	0.896	80.5	16.4	11.8	41,584
High human development	0.744	75.1	13.6	8.2	13,961
Medium human development	0.63	68.6	11.8	6.2	6,353
Low human development	0.505	60.6	9	4.5	3,085
Developing countries	0.66	69.8	11.7	6.8	9,071

Based on Ranking at <http://data.worldbank.org/indicator/IC.BUS.EASE.XQ>

## B.2: Ease of Doing Business Index

The ease of doing business index is widely used world over for measuring business regulations and environment of the economies. Ease of doing business ranks economies of the world from 1 to 189, with first place being the best. A high ranking (a low numerical rank indicates simpler regulations for businesses and stronger protections of property rights) means that the regulatory environment is conducive to business operations and investment climate is alluring compared to other countries. Nor does higher ranking implies better regulations. High ranking does mean that government has created regulatory environment conducive to business operations.

*Doing Business*<sup>7</sup> measures regulations affecting 10 main areas of the life of a business, namely, starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Labour market regulations are also made part of such assessments. The Index takes into account the sub-indices of 10 indicators which cover procedures, time, cost, capital required, etc while estimation of the indices.

Since 2015, two aggregate measures i.e. distance to frontier score (best performance observed) and ease of doing business ranking; the former measures the absolute level of regulatory framework with gap between the particular economy's performance and the best performance while the latter is based on this calculation. High ranking of Ease of Doing Business does not mean that a country has no regulations. Singapore, New Zealand and Hong Kong were ranked first three positions in 2015 whereas Eritrea has been ranked at the bottom with 189th position. Ease of Doing Business Ranking of ECO member states is given as under for cross-country comparison.

**Table B.2.1: Global Ranking of ECO Member States in Ease of Doing Business Index, 2005-2015 (1=Most Business Friendly Regulations)**

Member State	Rank in the Globe			Change in Position in 2015 vs 2000	Rank in ECO	
	2005	2010	2015		2005	2015
Afghanistan	122	160	177	55 positions down	7	9
Azerbaijan	98	38	63	35 positions up	5	3
Iran	108	137	118	10 positions down	6	6
Kazakhstan	86	63	41	45 positions up	3	1
Kyrgyz Republic	84	41	67	17 positions up	2	4
Pakistan	60	85	138	53 positions down	1	8
Tajikistan*	--	152	132	20 positions up	-	7
Turkey	93	73	55	38 positions	4	2
Uzbekistan	138	150	87	63 positions	8	5
<b>Countries Ranked</b>	155	183	189	34 new countries added in EODB ranking	-	-

Source: Data on Turkmenistan is not available; Data on 2000 not available. Based on ranking in <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB13-full-report.pdf> (various years reports) \* For Tajikistan, comparison has been made at available points, 2010-2015.

<sup>7</sup> This Index was created by the World Bank Group and <http://www.doingbusiness.org/rankings>. Ease of Doing Business Ranking was first introduced in 2006 Report.

Table B.2.1 shows that among all the ECO member states, Kazakhstan is the most business friendly country followed by Turkey and Azerbaijan emerging as the 2nd and 3rd positions in the region respectively. Kyrgyz Republic and Uzbekistan have performed better in global ranking marking improvement from 84 to 67 and 138 to 87 positions respectively. Tajikistan, Pakistan and Afghanistan have low score on this count and need to substantially improve regulations and alluring investments in their respective countries.

Global ranking reveals that there is variation/diversity in the ranks of the member states starting from 41 for Kazakhstan to 177 for Afghanistan. Turkey and Azerbaijan are in the close vicinity with global ranking of 55 and 63 respectively, Kyrgyz Republic is also in the same neighbourhood. Four economies, namely, Turkey, Kazakhstan, Azerbaijan and Kyrgyz Republic fall under top 100 economies of the world whereas five member states fall under 177 with Afghanistan at the bottom. Comparative review over time shows that Pakistan has lost the most from rank 1 in the region in 2005 to rank 8 in 2015 and likewise Kyrgyz Republic from rank 2 to 4. Over 2005-2015, Iran has improved by 10 positions in global ranking but rank among the ECO member states remained the same with 6<sup>th</sup> rank.

The ECO region during 2000-2015 attracted substantial FDI inflows especially by Turkey and the resource rich economies, namely, Azerbaijan, Kazakhstan and Turkmenistan. Conducive business regulations have been among one of the prime reasons of these inflows into the economies as evident from ranking of these member states. In the wake of dwindling oil prices and FDI inflows, the gap in resources can be bridged with better regulations and thereby healthy growth rates can be maintained as registered in the past.

### B.3: Global Competitiveness Index (GCI)

The Global Competitiveness Report by the World Economic Forum makes an assessment of the competitiveness landscape of economies, providing insight into the drivers of their productivity and prosperity.<sup>8</sup> The Global Competitiveness Index (GCI) is based on over 110 variables organized into twelve pillars, with each pillar representing an area considered as an important determinant of competitiveness. The pillars are strong institutions, appropriate infrastructure, a stable macroeconomic framework, good health and primary education, higher education and training, efficient goods markets, efficient labor markets, developed financial markets, the ability to harness the benefits of existing technologies using the most sophisticated production processes and innovations. There are macro as well as micro aspects which determine the rank of the economies.

Table B.3.1 shows that in the year 2015-16, Azerbaijan has been ranked first in the ECO region with score of 4.5 out of 7 followed by Kazakhstan with rank of 42 and score of 4.5. Turkey got 4.4 score and has been ranked 51<sup>st</sup> in the world. It is clear from the table in terms of score; there is not huge difference among first three member states. Next in row are Iran and Tajikistan in the mid with the ranks of 74 and 80 respectively. Kyrgyz Republic and Pakistan have been ranked 102 and 126 attaining score of 3.8 and 3.4 respectively.

<sup>8</sup> Since 2004, the *Global Competitiveness Report* ranks countries based on the **Global Competitiveness Index**, developed by [Xavier Sala-i-Martin](#) and [Elsa V. Artadi](#). Before that, the **macroeconomic** ranks were based on [Jeffrey Sachs's Growth Development Index](#) and the **microeconomic** ranks were based on [Michael Porter's Business Competitiveness Index](#). The *Global Competitiveness Index* integrates the macroeconomic and the micro/business aspects of **competitiveness** into a single index. The GCI measures the set of institutions, policies, and factors that set the **sustainable** current and medium-term levels of economic prosperity."

During 2010-2015, the marked improvement has been observed as Kazakhstan improved by 30 positions from 72 to 42, followed by Kyrgyz Republic with 19 positions improvement. Tajikistan also made strides by improving 36 positions. The ranks of the most of the member states within the region remain same such as Azerbaijan tops in the region in both the reference years; Kyrgyz Republic and Pakistan retain their positions. However, change in ranks on the regional level has been noted in case of Iran, Kazakhstan and Turkey. Turkey stands high in this respect as well with 51 positions on the global level.

**Table B.3.1: Global Competitiveness Index (GCI) for the Years 2010-11 to 2015-16**

Member States	2010-11		2015-16		Change in 2015-16 over 2010-11	Rank in ECO	
	Rank	Score Scale (1-7)	Rank	Score		2010-11	2015-16
Afghanistan	--	--	--	--	--		
Azerbaijan	57	4.3	40	4.5	17 notches up	1	1
Iran	69	4.1	74	4.1	5 notches down	3	4
Kazakhstan	72	4.1	42	4.5	30 positions up	4	2
Kyrgyz Republic	121	3.5	102	3.8	19 notches up	6	6
Pakistan	123	3.5	126	3.4	3 notches up	7	7
Tajikistan	116	3.5	80	4.0	36 positions up	5	5
Turkey	61	4.3	51	4.4	10 positions up	2	3
Turkmenistan	--	--	--	--	--		
Uzbekistan	--	--	--	--	--		

Source: <http://reports.weforum.org/global-competitiveness-report-2015-2016/competitiveness-rankings/>  
<http://reports.weforum.org/global-competitiveness-report-2014-2015/rankings/>  
[http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2013-14.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf) (Various Reports)

Data further shows that six out seven member states for which data is available improved position rank in 2015-2016. Iran, however, marginally lost its position from 69 in 2010-11 to 74 in 2015-2016. A mix picture emerges out of this data as two countries are among top 50, five are among top 100 and seven member states are among 150; the data for the rest of the ECO economies is not available. Encouraging fact is that ECO economies have increased in competitive in 2015-16 over the reference year, 2010-2011 in terms of both indices.

Collating Global Competitiveness Index with Ease of Doing Business Index presents a more intriguing picture. In 2015, the top three countries of ECO in terms of Ease of Doing Business and Global Competitiveness Index were occupied by the same countries ; Kazakhstan, Turkey and Azerbaijan. The Inflow of FDI in volume as well as percentage of GDP has been high for these countries and these economies have exhibited impressive growth rates especially during 2005-2010, though adversely affected due to onset of the global economic slowdown. These top positions were

through better governance, sound policies and effective regulations, which attracted investors even in the challenging times of global slowdown.

### **C. A Glance on Regional Co-operations; ECO, ASEAN and SAARC**





### **A Glance on Regional Co-operations; ECO, ASEAN and SAARC**

Regionalism has gained prominence in the wake of high growth performance of the economic groupings/blocs and this trend has fascinated leadership as well as people around the world. Economic integration accrues certain benefits such as return to scales, healthy competition, technological advancement, foreign direct investment, market access, trade creation, etc to the participating countries. However, some observers are concerned about the future of multilateral system and consider it a move towards fracturing into discriminatory regional blocs. Others maintain that these trading blocs will emerge as building blocks for further global liberalization in the years to come.

Today prominent economic blocs like EU, NAFTA, ASEAN, SAARC, Mercosur are realities of international trade. However, in the context of ECO, SAARC and ASEAN are two major economic blocs, which due to certain commonalities in economies, geographies and societies, not withstanding differences as well, make for an interesting comparison with ECO over a period of time, 2000-2015.

The statistics outlined in Table C.1 show that population of ASEAN region as share of the World population had little change in 15 years as its share increasing from 8.55% to 8.58% , in absolute terms the population increased from 523 to 630 million (about 1.25 % average population growth rate). ECO regions share in world population increased 5.73% to 6.23% a mere 0.4% increase in fifteen years; the population increased 350 to 458 million between 2000-2015 at a average yearly growth rate of 1.8 %. SAARC population increased from 1,396 million to 1,740 million during the same period manifesting 1.48 percent population growth rate per annum and its share in world population increasing from 22.66 to 23.74%. By this standard, the highest population growth rate among the three economic blocs has been for ECO followed by SAARC and ASEAN.

A glance at Figure C.1 reveals that fifteen years ago, in 2000, the three economic blocs despite wide difference in population size and other factors had similar level of real GDP, slightly above one trillion dollars. As of 2015, ECO has a GDP close to 2 trillion (US\$ 1969 billion), manifesting 92.29 percent change during 2000-2015 at an average growth rate of 4.45 percent. Meanwhile, ASEAN has passed US\$ 2.5 trillion (US\$2.528 trillion), up by 112 percent with an average growth of 5.15 percent and SAARC about US\$2.789 trillion showing increase by 165 percent in the period under consideration resulting 6.72 percent average growth in the indicator. Graphical representation shows that in 2009, SAARC crossed ASEAN's GDP and the difference is widening since then owing to higher growth rate of SAARC.

The difference in the GDP curves and the per capita GDP curves of these economic blocs can be well appreciated from Figure C.1 and Figure C.2. It is clear that GDP per capita line of ECO bloc is convincingly and consistently higher than ASEAN which in turn leaves behind the per capita GDP of the SAARC which indeed has higher population by nearly 4 times compared with ECO and almost 3 times in relation with ASEAN. ECO' per capita GDP is nearly three times higher than SAARC but manifests fractional increase when compared with ASEAN. Per capita GDP is an indication of the standard of living of the people of the country or region as well though this notion/metric does not take into account the spread of the population.

Table C.1: Profile of three Major Economic Blocs

Indicators	Regional Economic Blocs					
	ASEAN		ECO		SAARC	
<b>General Information</b>						
Region	South East Asia		West Asia, South Asia and Central Asian		South Asia	
Created in	1967		1985		1985	
Membership	10 Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam		10 Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan, Uzbekistan		8 Afghanistan, Bangladesh, Bhutan, India, Nepal, Maldives, Pakistan, Sri Lanka	
Aim	Accelerate economic growth, social progress, and cultural development among its members and to promote regional peace		Sustainable socioeconomic development for people of the region		Promotes economic development and <a href="#">regional integration</a>	
<b>Demography</b>						
	<b>2000</b>	<b>2015</b>	<b>2000</b>	<b>2015</b>	<b>2000</b>	<b>2015</b>
Population	523 m	630 m	350 m	458 m	1,396 m	1,740 m
Share of bloc' s population to world population (%)	8.55 %	8.58%	5.73%	6.23%	22.66%	23.74%
<b>Economic Indicators</b>						
GDP (constant 2010 US\$)	1,191 b	2,530 b	1,024 b	1,969 b	1,051 b	2,789 b
World GDP in US\$	49,607 b	74,889 b	49,607 b	74,889 b	49,607 b	74,889 b
GDP share to world GDP (%)	2.41 %	3.38 %	2.06 %	2.63 %	2.12 %	3.72 %
Per capita GDP (real) US\$	2,279	4,009	2,925	4,303	758	1,599
GDP (PPP) in US\$	3.04 t	6.53 t	2.4 t	4.6 t	3.52 t	9.27 t
Share in world (%)	4.84	6.06	3.8	4.27	5.6	8.6
FDI in US\$	21.4 b	130 b	3.21 b	37.7 b	4.37 b	49.6 b
FDI share to global FDI inflows (%)	1.46	6.00	0.22	1.74	0.30	2.29
Exports (US\$)	508 b	1470 b	108 b	423 b	87 b	505 b
Imports (US\$)	452 b	1350 b	115 b	460 b	98 b	611 b
World Trade (US\$)	15.85 t	42 t	15.85 t	42 t	15.85 t	42 t
Share in Global Trade (%)	6.06	6.71	1.41	2.10	1.17	2.65
Intra-Regional Trade (%)	30 (2007)	24	5.3	8.7	-	< 5
Major Five Economies (in size)	Indonesia, Thailand, Philippines, Malaysia, Singapore		Turkey, Iran, Pakistan, Kazakhstan, Azerbaijan		India, Pakistan, Bangladesh, Afghanistan, Nepal	

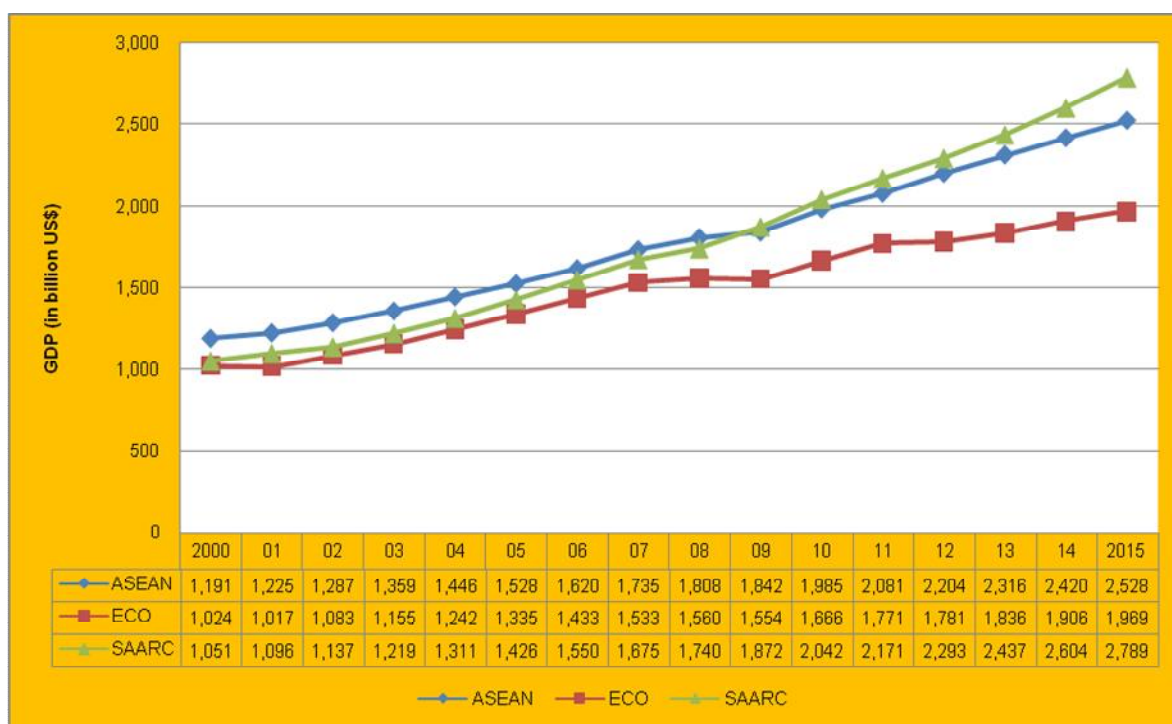
Note: m: million, b: billion, t: trillion

Note: Figures based on World Bank data. Intra-regional trade figures have directly been taken from the bloc's publications. There is one significant variation in figures. ASEAN Fact Sheet 2015 shows that FDI as percentage of GDP is 12 percent as against 6 percent reported here but both sources record almost the same amount of FDI i.e. US\$ 130-136 billion in 2015.

Note: <http://www.worldbank.org/en/news/infographic/2016/05/24/the-potential-of-intra-regional-trade-for-south-asia> (Retrieved on 25 January, 2017)

Source: Calculations based on World Bank data

Figure C.1: Real GDP (constant 2010 US\$) Profile of ASEAN, ECO and SAARC, 2001-2015



Source: Calculations based on World Bank data

GDP share of the regions in the world GDP for ASEAN, ECO and SAARC was 2.41%, 2.06% and 2.12% respectively in 2000, which have increased to 3.38%, 2.63 and 3.72% respectively in 2015. If the share of the regions in world population is compared with the share in world GDP, ASEAN with population share 8.58% has GDP share of 3.38 percent.

Figure C.2.: Growth Rates of Real GDP (constant 2010 US\$) Profile of ASEAN, ECO and SAARC, 2001-2015



Source: Calculations based on World Bank data

Looking at per capita income movement over the period it is clear that SAARC's per capita growth is substantially higher than other blocs; ASEAN's GDP per capita increased from US\$2,279 to US\$4,009, a rise by 75.91 percent during 2000-2015 and 3.84 per cent per annum. Per capita GDP for ECO from US\$2,925 rose to US\$4,303, showing a rise by 47.11 percent in 2000-2015 and average rise of 2.61 percent. The highest growth in per capita GDP is noted for SAARC with 110.95 percent in 2000-2015 averaging 5.10 percent per annum from per capita GDP of US\$ 758 to US\$ 1,599.

Figure C.3: Growth Rate of Per Capita GDP (constant 2010 US\$) of ASEAN, ECO and SAARC, 2001-2015



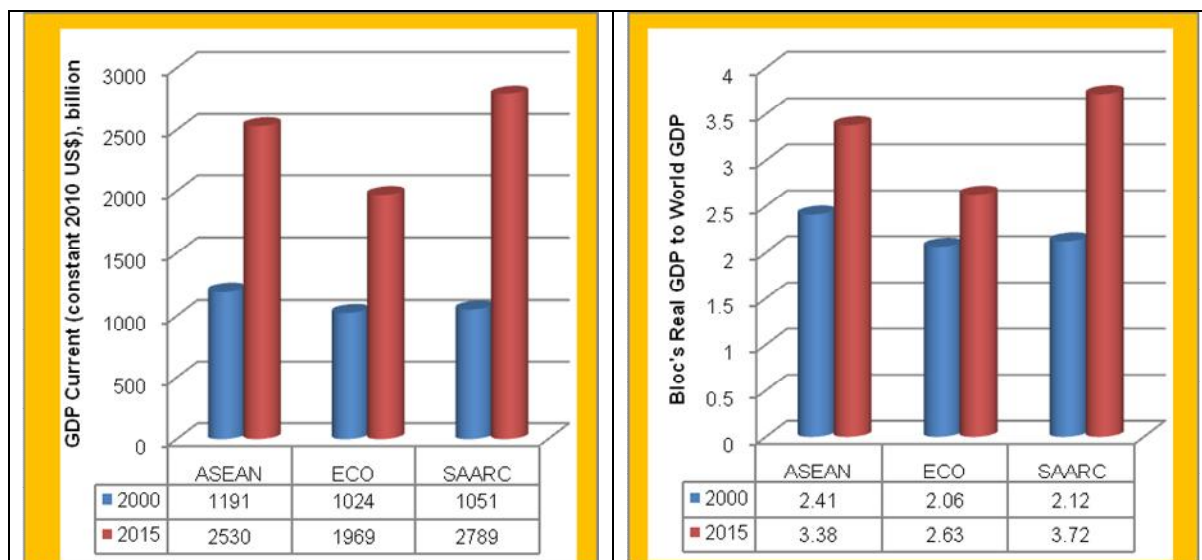
Source: Calculations based on World Bank data

Thus, the growth performance of ASEAN led to almost one percent gain (from 2.41 percent to 3.38 percent, 1.03 percent increase) in the world economy especially due to the phenomenal growth of the economies, except for the years 2001 and 2008 when there was slowdown in the international markets. In the same manner, SAARC has gained the most by 1.6 percent (from 2.12 percent to 3.72 percent in 2015) share in the GDP of the world, particularly owing to the exceptional growth, double digit in some years, registered by India in recent years.

Foreign Direct Investment (FDI) profile has close link with the GDP economic growth and this factor has made substantial contribution to the overall growth of the economies of all the regional groupings. ASEAN's growth has huge contributions due to skill/productivity factor and industrial and services sector growth, the role of FDI and portfolio investment also stand high in sustaining high growth profile of the region. The FDI in ASEAN rose from 21.4 billion to 130 billion (5 times) in 15 years with corresponding share in world's FDI increase from 1.46 percent to 6 percent (3 times increase in share). In the same manner, there has been 11 times increase in FDI inflows in ECO region from 3.21 billion to 37.7 billion in 2015 and in terms of share it observed 7 times increase from the reference year. The inflow of FDI in SAARC has also noted 10 times increase from US\$4.37 billion to US\$49.6 billion whereas it shows 7 times higher from 0.30 percent in 2000 to 2.29 percent in 2015. In terms of FDI the lead regional bloc is ASEAN followed by ECO and SAARC. It may be noted that outflow of FDI especially portfolio investments has been a moot point.

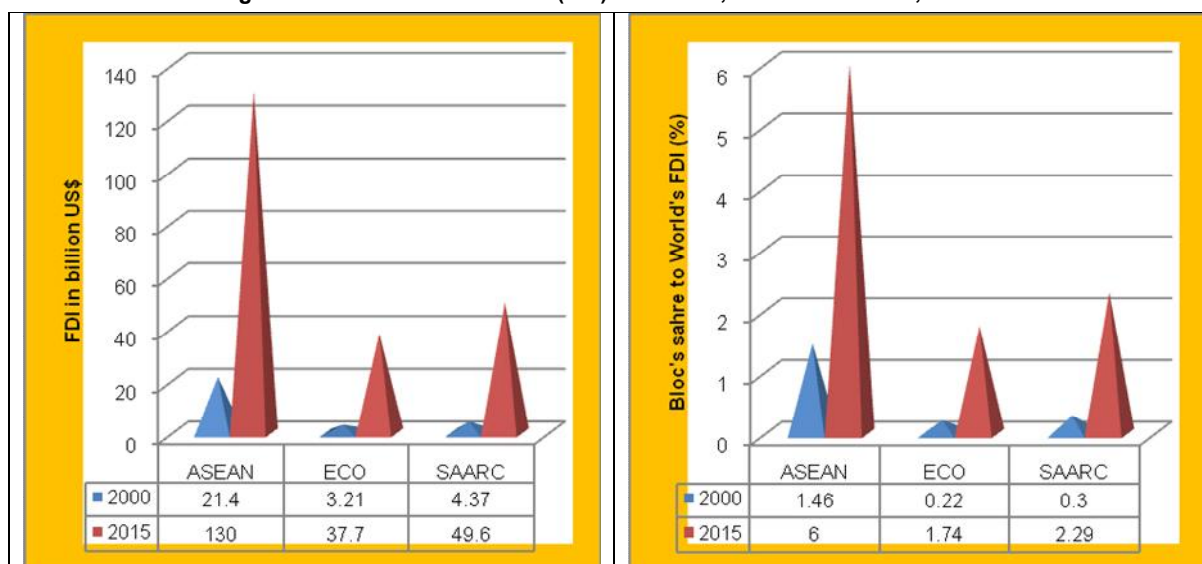
It can be gathered from the foregoing discussion that the highest growth observed in GDP has been for SAARC, maximum growth in per capita GDP in ASEAN whereas highest FDI inflows have been noted in ASEAN. Further, the fluctuations in the growth rates have been observed in different years, including 2015. To illustrate it, SAARC has the peak FDI inflows in 2008 with US\$51 billion, ECO observed the peak FDI net inflows in 2008. Likewise, ASEAN had the maximum receipts on this count with US\$134 billion in 2013.

Figure C.4: Selected Indicators of ASEAN, ECO and SAARC, 2000-2015



Source: Calculations based on World Bank data

Figure C.5: Selected Indicators (FDI) of ASEAN, ECO and SAARC, 2000-2015



Source: Calculations based on World Bank data

Trade openness/globalization indicators such as trade exports, imports, trade to GDP ratio, etc portray intriguing picture. The statistic of trade to world GDP shows that exports and imports of ECO and SAARC regions are closer to one another as compared with ASEAN bloc in the years under review; 2000 and 2015. This fact is substantiated from data as value of exports of ECO and SAARC in 2000 is US\$108 and US\$87 billions respectively as against US\$508 billion in respect of ASEAN.



These figures in 2015 are US\$423 billion and US\$505 billion respectively for ECO and SAARC as against ASEAN's exports of US\$1,470 billion for 2015 (almost three times of the level of 2000).

By the same token, imports of ECO and SAARC in 2000 are US\$115 billion and US\$98 billion compared with SAARC's corresponding figure of US\$452 billion (nearly four fold of other regional blocs). In 2015, imports of ECO and SAARC are US\$460 billion and US\$611 billion as against ASEAN corresponding figure of US\$1,350 billion which is almost three times of the imports in 2000. This gap narrowed down during the period under reference. The region's shares too are similar and have shown moderate increase over 2000-2015; notwithstanding the fact that ASEAN share has gained the least among the three economic blocs.

The upshot of the discussion is that ASEAN and ECO are comparable in terms of population of the region and both these blocs have one-third and one fourth of the world's population. Real GDP figures of the three regions are comparable in 2000 nearing one trillion US dollars, but SAARC's GDP surpassed ASEAN and ECO, reducing gap between SAARC and ASEAN.

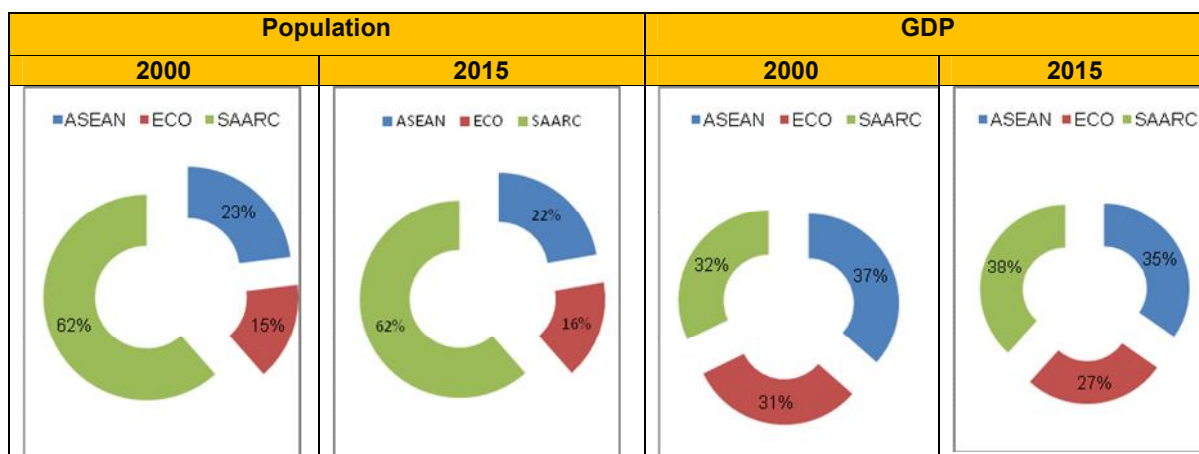
In terms of GDP per capita, ECO led the three regions with convincing difference followed by ASEAN and SAARC. In terms of FDI, ASEAN had the highest inflows both in 2000 and 2015. Trade openness indicators data reveals that region's trade to world trade shows that exports and imports of ECO and SAARC regions are closer as compared with ASEAN bloc in both the years, 2000 and 2015. ASEAN has distinct line and remained throughout though the lines/curves tend to converge depending upon time and policies of the blocs in the period ahead. These statistic/measures reveal that all the blocs have wide variations from demography to economic indicators and the gaps in economic indicators lead to gaps in development which need to be bridged for sustained, inclusive and sustainable growth trajectories of the member states.

Trade arrangements and the stage of economic integration partially explain the gap in the volume of trade in the three region. It is instructive to recall that ASEAN has graduated to stage three of Customs Union, SAFTA in SAARC in stage two i.e. Free Trade Area whereas ECO is in stage one of Preferential Trade Agreement/ ECOTA which is not operationalized. Intra-regional trade statistics reveal that SAARC is the least integrated region with less than five percent trade whereas ECO's intra-regional has increased to 8.7 percent; the most successful on this score is ASEAN with 24 percent intra-regional trade though this share has declined in the recent years.

A reference with European Union and NAFTA reveals that these economic blocs have very high proportion of intra-regional trade among its member states such as 64-70 percent in EU. Regarding potential benefits, it is useful to refer to studies on trade facilitation which show that cooperation among the member states in the regions reduce the cost of product by 15 percent which attracts regions to cooperate for integration. Businesses can take advantage of the reduced transportation cost and eventually consumer as well as producers benefit through gains in consumer and producer surpluses.

The ECO region has exhibited sustained 4.49 per cent GDP growth rate during 2000-2015 which is encouraging; more so with the fact that global economic slowdown persisted especially in the post-2008 years. It is also to be of note that tumbling oil/ gas prices in international market adversely affected five natural resource-based economies of the region, namely Azerbaijan, Iran, Kazakhstan, Turkmenistan and Uzbekistan. Besides, three economies, i.e. Kyrgyz Republic, Tajikistan and Uzbekistan experienced weak inflow of foreign remittances and two economies, namely, Pakistan and Turkey suffered from the instability in the region while Afghanistan is facing security challenges and possibility of high growth economic performance is testing.

Figure C.6: Demographic and Economic Indicator of ASEAN, ECO and SAARC, 2000-2015



Source: Calculations based on World Bank data

It can be gathered that there have been gaps in the growth rates and the shares of the three regions which have deep implications on the trends and patterns of other economic variables. Trade has been an engine and driver of economic growth which can be gauged from the volume of trade in all the regions; more pronounced in the ASEAN bloc followed by SAARC and ECO regions. The economies have to move forward especially the geographically contiguous regions for the prosperity to accrue and share among the peoples of the regions. It is a proven fact that there are high dividends of cooperation while there is substantial cost of non-cooperation which indeed is causing damage to the less fortunate segments of these societies. Another implication of the analysis is that five major countries of each of the economic bloc account for over 90 percent of the regional GDP and also in other economic indicators while small economies of the regions will have to outperform to gain share in the regional GDP's.

Upon aggregation of data on three regions, it reflects that population of the regions has not undergone any considerable change from 2000 to 2015 as visible from the doughnut charts; however, in GDP there has been modest/ visible change; ASEAN gained 6 percent share from 32 to 38 percent whereas ECO and SAARC lost share by 4 and 2 percent respectively. This fact is corroborated by the high growth profile of SAARC where growth performance has not adequately tricked down to the masses as evident from the GDP per capita of the regions.





**PART TWO**

**Annual Economic Report 2015**

**D. Macro-economic Performance in 2015**



## D: Macro-economic Performance of ECO region in 2015

### D.1: Demography

ECO Region's total population in 2015 passed 458 million compared with 449 million in 2014 indicating 8.2 million increase manifesting 1.82 percent population growth rate in relation with previous year. As a result thereof, ECO region's population share increased to 6.23 percent in the total world population compared with 6.19 percent in 2014. Further, population growth rate of the region in 2015 (1.82 percent) in relation to the previous year's figure of 1.89 is lower; however, the same exceeds the world's average of 1.16 % in the reference year. It needs to be highlighted that population growth rates of the member states have wide variation as in the previous years. The highest population growth rate has been observed in Afghanistan with 2.84 percent while the lowest rate is 1.21 percent for Azerbaijan. Pakistan remains the most populous country in the region with 189 million population while the least populated one is Turkmenistan with 5.37 million people.

### D.2: Gross Domestic Product

Real Gross Domestic Product (GDP) of its ten member states at market prices (constant 2010 US\$) amounts to US\$1,968 billion in 2015 compared with US\$1,905 billion, up by US\$63 billion compared to previous year implying 3.34 per cent growth in GDP in real terms. Likewise, GDP at Purchasing Power Parity (PPP, constant 2011 International \$) has passed US\$ 4,628 billion compared with US\$4,483 billion showing an increase by 3.26 percent compared with 2014. Similarly, GDP at current prices figures at US\$1,795 billion in 2015 compared with US\$1,914 billion manifesting that ECO Region's GDP has declined by 6.18 percent.

**Table D.2.1: Various Measures of Gross Domestic Product for Member States and the Region, 2014-2015**

Member State	GDP (constant 2010US\$, millions)			GDP PPP (constant 2011 US\$, millions)			GDP Current prices (US\$, millions)		
	2014	2015	Growth (%)	2014	2015	Growth (%)	2014	2015	Growth (%)
Afghanistan	19,990	20,294	1.52	58,322	58,812	0.84	20,050	19,331	-3.59
Azerbaijan	58,383	59,025	1.10	159,380	161,133	1.10	75,198	53,047	-29.46
Iran*	463,903	471,789*	1.70	1,289,919	1,311,848	1.70	425,326	432,557	1.70
Kazakhstan	182,837	185,031	1.20	407,785	412,678	1.20	227,437	184,388	-18.93
Kyrgyz Republic	5,856	6,059	3.47	18,566	19,211	3.47	7,468	6,572	-12.00
Pakistan	206,246	217,668	5.54	849,102	889,115	4.71	243,383	271,050	11.37
Tajikistan	7,465	7,779	4.21	21,296	22,573	6.00	9,236	7,853	-14.97
Turkey	871,843	906,585	3.98	1,434,243	1,491,211	3.97	798,797	717,880	-10.13
Turkmenistan	34,980	37,254	6.50	78,344	83,437	6.50	43,486	35,855	-17.55
Uzbekistan	53,810	58,114	8.00	165,667	178,920	8.00	63,133	66,733	5.70
<b>ECO Region</b>	<b>1,905,313</b>	<b>1,968,910</b>	<b>3.34</b>	<b>4,482,624</b>	<b>4,628,938</b>	<b>3.26</b>	<b>1,913,514</b>	<b>1,795,266</b>	<b>-6.18</b>

\* Data for Iran is not available for this year, hence previous year figure have been used with 1.7 growth rate given in a World Bank document on Iran.

Source: Based on World Bank data

ECO region GDP share to total world GDP in real terms in 2015 has touched 2.63 percent. Furthermore, nominal GDP figure in 2015 has shown negative growth implying that as a result of lower inflation in 2015 compared with that of 2014, real GDP has increased while nominal GDP has gone down. It needs to be highlighted that instances of higher real growth rate compared with nominal growth rate are less common; however, with the onset of global slowdown and falling oil prices on which the region heavily depends upon for its development, such phenomenon has been observed.

Data further shows that in 2015 Uzbekistan noted the highest real growth rate in the region with 8 percent followed by Turkmenistan, Pakistan, Tajikistan, Turkey and Kyrgyz Republic with 6.50, 5.54, 4.21 and 3.98, 3.47 percent respectively. Other member states have low real GDP growth rates in the range of 1-2 percent. Turkey's economic growth rate of 3.98 is above the region's growth rate; so is the case with Pakistan which is substantially higher with 5.54 percent. As Iran's GDP manifested slow recovery and being region's second largest economy with its share 23.96 in 2015 affected the region's combined economy.

In 2015, Turkey is again the largest contributor to the region with 46.04 percent. The other lead contributors to the ECO region's GDP are Iran, Pakistan and Kazakhstan with 23.96, 10.97 and 9.46 percent shares respectively. Thus, region's total GDP growth rate of 3.34 percent is largely influenced by Turkey, Iran and Pakistan growth performance in the reference year. Data reveals that Turkey's economy is almost double of Iran while Pakistan and Kazakhstan have comparable size of GDP categorized as third and fourth economies of the region in terms of size and resultantly their shares. In 2015, the aggregated share of four major economies accounts for 90.43 per cent and the remaining six small economies captured nearly 9.57 per cent share as other member states of the region.

### **D.3: GDP per Capita**

Real GDP per capita of the ECO region in 2015 is US\$ 4,303 which is low compared with the world figure for this indicator which is US\$10,194. It reflects big gap between the figures for the ECO region and that of the world; thus explains the difference in the economic condition of the region and world as a whole. It is imperative to underline that real GDP per Capita of the region in 2015 has improved though by small amount of US\$63 showing 1.49 percent growth which is below the real growth rate of the region. GDP- PPP per capita and GDP current prices have registered 1.14 percent increase while the later decreased by 7.87 percent.

Turkey has the highest per capita income in the region with US\$11,523 followed by Kazakhstan with US\$10,617; both countries are close to the world average of US\$10,194. The next in row are Turkmenistan, Azerbaijan and Iran where per capita GDP amounts to US\$6,933, US\$6,116 and US\$5,937 respectively. Among these three countries, only Iran's per capita GDP is almost the same level in 2015 compared with 2014. Further, real GDP per capita of three member states decreased. In terms of percentage, maximum increase was noted for Turkmenistan. The lowest per capita GDP is for Afghanistan with US\$ 620 which is lower by 1.95 percent than the previous year.

GDP PPP per capita presents slightly different picture and the ranking of the member states differs in this respect. Kazakhstan has the highest GDP, PPP per capita in the region in 2015 with US\$23,522 while the world average stand at 14,673; however it, has decreased when compared with 2014. Turkey is the second highest country of the region with US\$18,956 GDP per capita. Next countries are Iran, Azerbaijan and Turkmenistan with corresponding figures of US\$16,788, US\$16,695 and US\$15,527 respectively. Thus, by GDP, PPP per capita standard, there are five member states above the world average and also the average income of middle income countries. Nonetheless, the

average incomes of these member states are below the high income countries' average of US\$42,411. This value of this indicator is between US\$2500-5000 for Pakistan, Kyrgyz Republic and Tajikistan.

**Table D.3.1: Various Measures of GDP Per Capita for Member States and the Region, 2014-2015**

Member State	GDP Per capita (constant 2010 US\$)			GDP, PPP Per capita (constant 2011 Int. \$)			GDP Current prices (US\$)		
	2014	2015	Growth (%)	2014	2015	Growth (%)	2014	2015	Growth (%)
Afghanistan	632	620	-1.95	1,844	1,808	-1.95	634	594	-6.25
Azerbaijan	6,123	6,116	-0.12	16,715	16,695	-0.12	7,886	5,496	-30.31
Iran	5,937	5,937	0.01	16,507	16,788	1.70	5,443	5,535	1.69
Kazakhstan	10,645	10,617	-0.27	23,586	23,522	-0.27	12,807	10,510	-17.93
Kyrgyz Republic	1,004	1,017	1.36	3,182	3,225	1.35	1,280	1,103	-13.80
Pakistan	1,114	1,143	2.56	4,589	4,706	2.55	1,321	1,435	8.64
Tajikistan	900	933	3.68	2,567	2,661	3.66	1,113	926	-16.84
Turkey	11,246	11,523	2.46	18,501	18,956	2.46	10,304	9,126	-11.43
Turkmenistan	6,591	6,933	5.19	14,762	15,527	5.18	8,199	6,672	-18.62
Uzbekistan	1,749	1,857	6.13	5,386	5,716	6.13	2,037	2,132	4.68
ECO Region	<b>4,240</b>	<b>4,303</b>	<b>1.49</b>	<b>9,976</b>	<b>10,117</b>	<b>1.14</b>	<b>4,258</b>	<b>3,924</b>	<b>-7.87</b>

Source: Calculations based on World Bank data

In 2015, three member states, namely, Afghanistan, Azerbaijan and Kazakhstan show increase in real and PPP terms though there is huge difference in magnitude for each of the member states. In nominal terms, Pakistan's GDP made the maximum gain in percentage terms followed by Uzbekistan and Iran with 8.64, 4.68 and 1.69 percent respectively. The other member states GDP per capita dropped.

#### D.4: GDP Growth Rate

GDP growth rate is the indicator of the economic performance of economies. As in the past, there has been wide difference in the growth rates of all measures of GDP such as nominal, real, PPP, GDP growth rates for ECO member states at constant (2010 US\$) prices in 2015. Further, there has been mixed trend in growth rates in 2015 compared with 2014 as growth rates of three member states have picked up while for other seven member states, it declined.

None of the growth rates is in double digit and the range of growth rates is 1.1-8.0 percent in 2015 in relation to 1.31- 10.30 in 2014, implying more variation in the preceding year. The lowest growth rate in 2015 is for Azerbaijan while in 2014 it was registered by Afghanistan. Likewise, the highest growth rate in 2015 is 8.0 percent by Uzbekistan whereas the counterpart in 2014 was Turkmenistan. It may be noted that Turkmenistan growth rate has seen the highest drop in 2015 with 6.50 percent from 10.30 percent in the previous year. Nevertheless, it experienced the growth rates above 10 percent in the preceding years.

Regarding individual member states, it is highlighted that Afghanistan has the lowest GDP growth rate among countries of the region in 2014 while in 2015 the value of the subject indicator was noted as 1.52 percent. Azerbaijan registered 1.10 percent growth rate in 2015 compared with 2.0 percent in 2014, a decrease by 0.9 percent.. Similarly, in 2015, Iran's GDP growth rate decreased in 2015 to 1.7 percent in 2015 from 4.34 percent in 2014. Growth rate has been slow in Iran for some years due to economic sanctions.

The GDP growth rate of Kazakhstan substantially dropped from 4.40 to 1.20 percent in contrast with Kyrgyz Republic which noted marginal drop in its growth rate from 3.60 percent in 2014 to 3.47 percent in 2015. Tajikistan and Uzbekistan had the similar trend as the former shows 6.70 percent growth rate in 2014 which dropped to 4.20 percent in 2015 while the latter manifests 8.10 percent to 8.0 percent growth rate in 2015. Pakistan and Turkey are the big economies of the region and the trend found in this respect is the similar due to different reasons; both increased marginally, the former with 4.74 percent to 5.54 percent while Turkey's growth rate rose from 2.91 percent in 2014 to 3.98 percent in 2015.

**Table D.4.1: Growth Profile of GDP and Inflation for Member States, 2014-2015**

Member States	GDP Growth Rate		Inflation Rate	
	2014	2015	2014	2015
Afghanistan	1.31	1.52	4.60	-1.53
Azerbaijan	2.00	1.10	1.39	4.17
Iran	4.34	1.7	17.24	13.71
Kazakhstan	4.40	1.20	6.72	13.60*
Kyrgyz Republic	3.60	3.47	7.53	6.50
Pakistan	4.74	5.54	7.19	2.54
Tajikistan	6.70	4.20	6.10	5.71
Turkey	2.91	3.98	8.85	7.67
Turkmenistan	10.30	6.50	..	15.98*
Uzbekistan	8.10	8.0	..	9.31*

\* Extracted from <http://unctadstat.unctad.org/CountryProfile/GeneralProfile/en-GB/860/index.html>. Iran GDP growth rate not available in data. However, estimated growth rate of 1.7 has been taken from the World Bank document on Iran.  
Source: Calculations based on World Bank data

#### D.5: GDP by Major Economic Sectors

A look at the composition of GDP defines major economic sectors and reflective of economic structure of economy as well as region. Movement in the economic structures is, however, a slow process. Data shows that services sector is the most dominant sector of all economies of the region which accounts for the highest share in the composition of GDP.

A glance at **Table D.4** reveals that Afghanistan, Pakistan and Tajikistan have the highest share of Agriculture in the composition of their GDP in 2015 with 21.72, 25.11 and 24.95 percent respectively, each above 20 percent, meaning thereby that agriculture sector's value added in total GDP in the reported year is substantial compared with other economies. Three member states, namely, Kyrgyz Republic, Turkmenistan and Uzbekistan have agriculture sector share in the range of 10-20% whereas the share of agriculture sector in four member states i.e. Azerbaijan, Iran, Kazakhstan and Turkey is below 10 percent showing low value addition of the sector.



Table D.5.1: Composition of GDP of Member States, 2014-2015

(in percentage shares)								
Member State	Year/Sector							
	2014				2015			
	A	I	S	T	A	I	S	T
Afghanistan	23.46	22.33	54.21	100	21.72	23.28	55.00	100
Azerbaijan	5.69	58.30	36.00	100	6.79	36.99	56.22	100
Iran*	9.34	38.23	52.43	100	9.34	38.23	52.43	100
Kazakhstan	4.69	35.97	59.34	100	4.97	32.53	62.51	100
Kyrgyz Republic	17.26	26.73	56.01	100	15.94	26.92	57.14	100
Pakistan	25.03	20.90	54.07	100	25.11	19.96	54.93	100
Tajikistan	..	..	..	100	24.95	28.00	47.05	100
Turkey	8.01	27.11	64.88	100	8.53	26.51	64.96	100
Turkmenistan	..	..	..	100	11.50	59.96	28.54	100
Uzbekistan	18.80	33.65	47.55	100	18.26	34.63	47.11	100

Note: A: Agriculture, I: Industry, S: Services T: Total \*. Data for Iran and Turkmenistan not available for this year, hence previous year figures have been used for 2015 under the assumption that little variation takes place in the value of these statistic.

Source: Calculations based on World Bank data

In general, the second largest contributor to GDP is industry which includes manufacturing sector as well. Composition of GDP of Azerbaijan, Iran, Kazakhstan and Turkmenistan reflects that industry's share is 36.99, 38.23, 32.53, 59.96 and 34.63 percent respectively, indicating this sector as principal source/driver of economic growth in these economies. Interestingly, all these economies are natural resource based and for utilization of these resources heavy investments are required which has also been witnessed hugely in the post-2000 period in all member states except Iran. In these member states, industry sector is the main economic sector for generating value added and contributing to total GDP of the country. Further, agriculture sector has low share in their GDP, especially in Azerbaijan with third lowest share and Kazakhstan with the lowest share below 5% in GDP.

In 2015, all countries of the region except Turkmenistan have the highest share of services sector in total GDP generally over 50 percent. The highest share is for Turkey with 64.96 percent compared with 64.88% in 2014 indicating an imperceptible decrease in its share. It highlights the role of services sector in generating value added and contributing to the economic performance of the country. Other countries with shares over 50 percent are Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic and Pakistan with 55.00, 56.22, 52.43, 62.51, 57.14 and 54.93 percent respectively.

The share of services sector in Tajikistan and Uzbekistan economies is less than 50 percent; the former with 47.05% and the latter with 47.11%, but still being the major contributor to the economy. The implication of high share of services sector is that it leaves lower share for other two economic sectors of this country as visible from data on Turkey and Kazakhstan. The least share of the services sector in the region is for Turkmenistan which accounts for 28.54 percent as per latest data available on the subject indicator.

Broadly analyzing, economies of five member states, Afghanistan, Kyrgyz Republic, Pakistan, Tajikistan and Uzbekistan have comparable economic structures. Azerbaijan and Turkmenistan could be placed in the same category whereas Iran and Kazakhstan have similar composition of national income. Turkey has distinct structure of economy marked by dominant services and manufacturing sectors with modest share of agriculture sector.

#### **D.6: Inflation Rate**

Inflation rate in the member states has been declining in 2015; however it has varied widely among the member states. Turkmenistan recorded the highest inflation rate in the region in 2015 with 15.98 percent followed by Iran and Kazakhstan with 13.71 and 13.60 percent respectively. These three countries are the ones which have seen double digit inflation in the reference year. Iran has peculiar situation and time series data shows that it has witnessed the same trend for past many years. The source/cause of inflation, however, is distinct in each country. It may be mentioned that inflation rate in 2014 in respect of these two member states has been at 17.24% and 6.72% indicating that inflation rate in Iran has slightly dropped to 13.71 percent but in Kazakhstan it massively swelled to 13.60 percent when compared with 6.72% in the preceding year. Kazakhstan in the past years had low inflation trend. **(Table D.4.1)**

Further review of inflation rate of Iran shows that it has been on the top in the region and ten five in the world and it intensified in 2013 but latter on receded. Among the reported member states, Azerbaijan is the only country where inflation rate picked up to 4.17 percent in 2015 from 1.39 percent in 2014. Contrarily, Afghanistan is the only country in the region which noted deflation in 2015 and inflation decreased by 4.6 percent to 1.53%.

Data further illustrates that inflation rate in other countries of the region in 2015 fluctuates in a range of -1.53 percent for Afghanistan to 7.67 for Turkey. In 2014, all member states save Iran observed inflation rate in the similar range. Pakistan and Turkey recorded their inflation rates between 2-9 percent in both the years and decreased slightly for Turkey whereas decreased markedly to 2.54 percent in 2015 for Pakistan.

In the same manner, Kyrgyz Republic, Tajikistan and Uzbekistan have recorded their inflation rate between 6-10 percent in 2015. Kyrgyz Republic noted slight decrease on this count from 7.53 percent to 6.50 percent whereas Tajikistan's inflation went down from 6.10 in 2014 to 5.71 percent in 2015. Inflation rates of countries of the region in 2015 further demonstrate that the lowest rate is -1.53 percent for Afghanistan whereas the highest rate is 15.98 percent for Turkmenistan whereas 2014 shows a very wide range from the lowest rate in Azerbaijan (1.39 percent) to the highest rate in Iran (17.24 percent) which highlights the heterogenic trend of changes in the level of prices in the countries of the region as observed in the past.

#### **D.7: External Sector**

##### **Trade Balance: Exports and Imports**

Region's total merchandize foreign trade in 2015 amounted to US\$688 billion compared with US\$827 billion in 2014 indicating sharp decline by 18.72 percent. Total foreign trade of goods of the region in 2015 is composed of US\$319 billion exports and US\$369 billion of imports that shows excess of imports to exports; resulting in negative balance in total foreign trade in the whole region equalling to US\$49 billion. Share of exports and imports in total foreign trade of the region in 2015 is 46.44 and 53.56 percent respectively.

Data illustrates that all the member states have shown negative growth rate implying that volume of total trade of each of the member states has declined in 2015 as compared to 2014; however, the rate has seen wide fluctuations from -37.14 percent for Kazakhstan to zero percent for Uzbekistan. In all member states except Pakistan, the negative percentage change has been in double digits. After Kazakhstan, comes Azerbaijan with -36.42 percent followed by Afghanistan, Kyrgyz Republic, Iran and Turkmenistan with corresponding percentages of -27.22, -24.57, -24.54 and -21.58 percent mainly from reduced exports (volumes and price of commodity) of oil and gas. The other member states i.e. Tajikistan, Turkey and Pakistan follow suit with -18.48, -12.18 and -7.95 respectively.

**TableD.7.1: Foreign Trade of Member States and the Region, 2014-2015**

Member States	Total Trade			Balance of Trade (BOT)		
	2014	2015	% Change	2014	2015	% Change
Afghanistan	8,300	6,041	-27.22	-7,159	-5,101	-28.75
Azerbaijan	37,592	23,900	-36.42	18,928	5,100	-73.06
Iran	139,800	105,500	-24.54	37,800	20,500	-45.77
Kazakhstan	120,755	75,912	-37.14	38,164	15,540	-59.28
Kyrgyz Republic	7,618	5,746	-24.57	-3,851	-2,394	-37.83
Pakistan	72,140	66,407	-7.95	-22,729	-22,031	-3.07
Tajikistan	5,275	4,300	-18.48	-3,320	-2,500	-24.70
Turkey	399,787	351,082	-12.18	-84,567	-63,317	-25.13
Turkmenistan	27,800	21,800	-21.58	7,200	6,200	-13.89
Uzbekistan	27,000	27,000	0.00	-1,000	-1,000	0.00
<b>ECO Region</b>	<b>846,067</b>	<b>687,688</b>	<b>-18.72</b>	<b>-20,534</b>	<b>-49,003</b>	<b>138.64</b>

Source: Calculations based on World Bank data

Disaggregated analysis shows that all the member states have witnessed decrease in trade deficit as evident from the negative figures of balance of trade. Azerbaijan, Kazakhstan, Iran, Kyrgyz Republic, Afghanistan, posted decrease by -73.016, -59.28, -45.77, -37.83 and -28.75 percent respectively. On the lower side of the deficit in terms of percentage change, Turkey noted -25.13% followed by Tajikistan with 24.70 percent, Turkmenistan with 25.13 percent and Pakistan with 3.07 percent. Uzbekistan manifested no change in percentage terms.

In terms of exports, all countries show negative change in 2015 over 2014. The biggest drop in the value of exports is seen in Azerbaijan (-48.69 percent), Kazakhstan (-42.45 percent), and Iran (-29.05 percent). Other notable drops are Afghanistan with -17.69 percent, Kyrgyz Republic with -11.04 and Turkey by -8.70 percent. It may be noted that Tajikistan experienced decline by 7.88 percent. Uzbekistan saw almost the same level of exports.

In terms of volume of trade, Turkey has the largest exports in the region with US\$158 billion that shares 45.06 percent of total exports of merchandise of the region in this year. Iran emerged as second biggest exporter (US\$ 63 billion) with 19.73 percent. Kazakhstan (US\$45.7 billion US\$) and Pakistan (US\$22 billion) are other two major exporters of merchandise in the region with similar share of 14 percent for each from total exports of the region during the year under reference. Afghanistan, Tajikistan exports are below one billion, the lowest value of exports in the region in both in 2014 and 2015.

Table D.7.2: Disaggregation of Total Foreign Trade of Member States and the Region, 2014-2015

Member States	Exports			Imports		
	2014	2015	Change (%)	2014	2015	Change (%)
Afghanistan	571	470	-17.69	7,729	5,571	-27.92
Azerbaijan	28,260	14,500	-48.69	9,332	9,400	0.73
Iran	88,800	63,000	-29.05	51,000	42,500	-16.67
Kazakhstan	79,460	45,726	-42.45	41,296	30,186	-26.90
Kyrgyz Republic	1,884	1,676	-11.04	5,735	4,070	-29.03
Pakistan	24,706	22,188	-10.19	47,434	44,219	-6.78
Tajikistan	977	900	-7.88	4,297	3,400	-20.88
Turkey	157,610	143,883	-8.71	242,177	207,199	-14.44
Turkmenistan	17,500	14,000	-20.00	10,300	7,800	-24.27
Uzbekistan	13,000	13,000	0.00	14,000	14,000	0.00
<b>ECO Region</b>	<b>412,768</b>	<b>319,343</b>	<b>-22.63</b>	<b>433,300</b>	<b>368,345</b>	<b>-14.99</b>

Source: Calculations based on World Bank data

On imports side, Turkey is also the biggest importer of the region having US\$207 billion worth of imports in 2015, sharing more than half of the total imports of merchandise of the region (56 percent). Pakistan and Iran are placed next with US\$44 billion and US\$43 billion respectively. Uzbekistan has imports of 14 billion with regional share of 4.07 percent. The lowest imports of merchandise trade are of Tajikistan, Afghanistan and Kyrgyz Republic, value of imports for each is below 6 billion. ECO region in 2015 introduces a wide range of regional shares among countries of the region that highlights the different size of foreign trade of the countries. It may be noted that share of foreign trade of merchandise in total foreign trade of the region in 2015 is 86 percent and the smaller share 14 percent, belongs to foreign trade of services.

#### D.8: Foreign Direct Investment (FDI)

Inflow of Foreign Direct Investment (FDI) of ECO member states in 2015 amounts to US\$37.68 billion compared with US\$33.52 billion in 2014. ECO region's total FDI shows 12.40 percent increase when it is compared with that of 2014. As of 2015, FDI of the region is 1.74 percent of total world's FDI whereas it is 1.9 percent of the regional real GDP.

Turkey received the largest share of region's FDI among the member states of the region with 45 percent followed by Kazakhstan with 17.50 percent; which are in line with the growth rates as well as size of these economies. On the other extreme, the lowest FDI in 2015 has been received for Afghanistan amounting to 169 million US\$ with less than half percent share in total FDI of the region. However, over the preceding years it recorded 2.5 times increase. The FDI as percentage of GDP for countries of the region indicates a wide range from the highest share in Kyrgyz Republic (17.34 percent) to lowest for Pakistan (0.36 percent). The other member states with high ratio are Turkmenistan and Azerbaijan with 11.88 and 7.63 percent respectively.

Table D.8.1: Foreign Direct Investment Inflows to Member States and the Region, 2014-2015

Member States	FDI (in million US\$)			FDI (as percentage of GDP)		
	2014	2015	% Change	2014	2015	Difference in percentage
Afghanistan	49	169	246.80	0.24	0.87	0.63
Azerbaijan	4,430	4,048	-8.64	5.89	7.63	1.74
Iran	2,105	2,050	-2.64	0.50	0.50	0
Kazakhstan	7,091	6,585	-7.14	3.20	3.57	0.37
Kyrgyz Republic	353	1,139	222.83	4.73	17.34	12.61
Pakistan	1,867	979	-47.56	0.76	0.36	-0.4
Tajikistan	309	426	37.78	3.35	5.43	2.08
Turkey	12,523	16,957	35.41	1.57	2.36	0.79
Turkmenistan	4,170	4,259	2.13	9.58	11.88	2.3
Uzbekistan	626	1,068	70.62	1.00	1.60	0.6
ECO Region	33,524	37,680	12.40	1.76	1.90	0.14

Source: Calculations based on World Bank data

### D.9: External Debt

ECO's aggregated external debt in 2015 amounts to US\$668 billion compared with US\$673 billion manifesting marginal decrease by 0.75 percentage points. Data further reflects that highest debt in the region belongs to Turkey with US\$398 billion in 2015 compared with US\$408 billion in 2014 which turns out to be 59.6 percent in the total external debt of member states of the region. In 2015, Kazakhstan emerges as the 2<sup>nd</sup> highest country in the region owning US\$154 billion while the corresponding figure in 2014 was US\$158 billion, showing decrease by 2.53 percent.

As of 2015, the share of Kazakhstan total debt turns out to be 23.11 percent of the region's total external debt. In 2015, three member states, namely, Pakistan, Uzbekistan and Azerbaijan are placed in the next places with US\$65 billion, US\$15 billion and US\$13 billion respectively, followed Kyrgyz Republic, Iran and Tajikistan with US\$7.5 billion, US\$6.3 billion and US\$5.1 billion. The lowest external debt belongs to Turkmenistan with US\$0.4 billion US\$ in 2015. Furthermore, five member states, namely, Afghanistan, Kazakhstan, Tajikistan, Turkey and Turkmenistan recorded decrease in amount which is considered a positive sign; though in terms of amount there is little difference.

The external debt stock of the other five economies increased in 2015 compared with the previous year. In percentage terms, the highest increase has been recorded by Iran by 16.18 percent whereas the lowest increase is 3.4 percent for Kyrgyz Republic. On the decline side, the maximum decline is for Afghanistan by 3.56 percent whereas followed by Turkey indicating 0.74 percent drop in the subject indicator.

As size of economies varies greatly, it would be meaningful to report external debt to GDP ratio. Ratio of total external debt to total GDP of the region is estimated as 34 percent. The percentage of the statistic turns out to be as follows: from the lowest ratio to highest Turkmenistan (1.13 percent) and Iran (1.58 percent), Afghanistan (12.58 percent), Uzbekistan (21.83 percent), Pakistan (22.85 percent), Azerbaijan (25.79 percent), Tajikistan (54.37 percent), Turkey (56.15 percent), Kazakhstan (89.26 percent) and Kyrgyz Republic (118.56 percent). As the ratio of debt to GDP increases, it becomes unsustainable and have other implications for the economy.

Table D.9.1: Debt Stocks and International Reserves of Member States and the Region, 2014-2015

Member States	Debt Stock (in million US\$)			International Reserves (in million US\$)		
	2014	2015	Change(%)	2014	2015	Change(%)
Afghanistan	2,580	2,489	-3.56	7,529	6,977	-7.33
Azerbaijan	11,788	13,215	12.11	15,816	7,319	-53.72
Iran	5,441	6,322	16.18	..	..	..
Kazakhstan	157,651	154,288	-2.13	29,250	27,859	-4.76
Kyrgyz Republic	7,257	7,504	3.41	1,957	1,778	-9.17
Pakistan	62,262	65,482	5.17	14,307	20,028	39.99
Tajikistan	5,178	5,100	-1.51	513	493	-3.76
Turkey	400,874	397,923	-0.74	127,422	110,490	-13.29
Turkmenistan	411	403	-2.02	..	..	..
Uzbekistan	13,308	14,838	11.50	..	..	..
ECO Region	666,751	667,563	0.12	196,794	174,944	-11.10

Source: Calculations based on World Bank data

#### D.10: International Reserves

Total international reserves of the seven<sup>9</sup> member states of the region in 2015 amounts to US\$175 billion compared with US\$197 billion in 2014 showing 10.66 percent drop. As of 2015, Turkey is the biggest contributor to the stock of regional international reserves with US\$110.49 billion which turns out to be 63.14 percent of total international reserves of the reported countries. Thus, total international reserves in 2015 for Turkey dropped by 13.29 percent. Kazakhstan emerged as the second country with US\$27.86 billion with 15.95 percent share in total reserves of these countries indicating percentage point drop of 4.76%. In the same manner, total international reserves in 2015 for Azerbaijan dropped to US\$ 7.32 billion from US\$ 15.2 billion compared with the previous year, which is the highest drop in amount in 2015 compared with 2014. **(Table D.10.1)**

Pakistan's value of this statistic is US\$20.03 billion edged up compared with US\$14.3 billion, up by over 40 percent, which is the highest gain among the member states in terms of amount as well as percent in 2015. Afghanistan registered reserves at US\$7 billion in 2015 compared with US\$7.5 billion meaning thereby that there has been slight decrease by 6.67 percent. Kyrgyz Republic has US\$1.78 billion in 2015 in relation with US\$1.96 billion, down by 9.2 percent. Among the reported member states, the lowest international reserves has been recorded for Tajikistan with US\$0.49 billion compared with US\$0.51 billion, slightly down from the previous year.

#### D.11: Foreign Remittances

A glance review of **Table D.8** reveals that ten member states received foreign remittance of US\$30.87 billion in 2015 compared with US\$34.14 billion in 2014 showing decrease of US\$3.2 billion, down by 9.41 percent. Data also illustrates that Pakistan received the highest remittances of US\$19.31 billion followed by Uzbekistan with US\$ 3.10 billion; the former received remittances mainly from Middle East, UK, USA and Europe where Pakistani diasporas and workers reside whereas the latter received foreign remittances mainly from the Russian Federation.

<sup>9</sup> Data on international reserves for three member states i.e. Iran, Turkmenistan and Uzbekistan is not available.



Table D.11.1: Foreign Remittances and Exchange Rate of Member States, 2014-2015

Member States	Foreign Remittances (in million US\$)			Exchange Rate LCU per US Dollar		
	2014	2015	Change(%)	2014	2015	Change (%)
Afghanistan	268	301	12.35	57.25	61.14	6.81
Azerbaijan	1,846	1,270	-31.22	0.78	1.02	30.63
Iran	1,330	1,330	0.00	25941.66	29011.49	11.83
Kazakhstan	229	194	-14.89	179.19	221.73	23.74
Kyrgyz Republic	2,243	1,688	-24.75	53.65	64.46	20.14
Pakistan	17,244	19,306	11.96	101.10	102.77	1.65
Tajikistan	3,384	2,259	-33.26	4.94	6.16	24.82
Turkey	1,739	1,395	-19.78	2.19	2.72	24.28
Turkmenistan	30	16	-46.67	2.8	3.5	25
Uzbekistan	5,828	3,104	-46.74	2312	2556	10.55
<b>ECO Region</b>	<b>34,141</b>	<b>30,863</b>	<b>-9.60</b>	-	-	-

Source: Calculations based on World Bank data

After Pakistan and Uzbekistan, other prominent member states are Tajikistan and Kyrgyz Republic showing receipts of US\$2.26 billion and US\$1.69 billion respectively. It is imperative to highlight that foreign remittances are playing vital role in these Central Asian economies and constitute substantial part of these economies. Turkey, Iran and Azerbaijan received US\$1.34 billion, US\$1.3 billion and US\$1.27 billion remittances compared with US\$1.74 billion, US\$1.3 and US\$1.8 billion respectively. Turkmenistan received the least amount of foreign remittances of US\$ 16 million in 2015 compared with 30 million in 2014, dropped to almost half the level of 2014.

## D.12: Exchange Rate

Exchange rates reflected in **Table D.11.1** manifest that local currencies (LCU) units of all the member states depreciated at varying rates; the highest depreciation was experienced by Azerbaijan by 30 percent while the lowest by Pakistan with 1.65 percent in 2015 compared with 2014. Other member states which registered high depreciation are Kazakhstan (23.74 percent), Tajikistan (24.82 percent), Turkey (24.28 percent) and Turkmenistan (25 percent), all in the vicinity of 25 percent implying that one-fourth of value/ purchasing power of these currencies decreased in 2015 partially stemming from the fact that oil prices plummeted in the international market resulting substantial effect on all economic indicators including exchange rates.

For better comprehension, three categories can be defined in this respect; low depreciation below 10 percent, moderate between 10-20 percent, high 10-30 percent. Data shows that there are two member states i.e. Afghanistan, and Pakistan which fall in low depreciation category. Two member states, namely, Iran and Uzbekistan are in category of moderate depreciation of 10-20 percent. Likewise, six member states, namely, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan and Turkey experienced depreciation in their currencies vs. a vs. US dollar exhibited depreciation by 20-30 percent.



### D.13: Oil Prices

Reference of oil prices per barrel at US\$77.38, US\$107.46 and US\$105.87 in the preceding years i.e. 2011, 2012 and 2013 respectively are quite illustrative of the upheaval in the oil market. However, as a result thereof, the oil exporting economies have largely been affected due to loss of revenue from the core source and are in the adjustment process in fiscal, monetary fields. The domestic part of these economies is growing slowly which is a healthy sign as resilience of these economies is vital for sustainable economic growth of these economies as well the region. Contrarily, the oil importing economies have more space in their budget and developmental programmes.

As the region substantively depends upon rents of natural resources especially the Central Asian economies of the region, oil, gas and mineral prices in the international market are critical for economic indicators of these economies. Data shows that oil prices tumbled in 2015 at an average price of US\$ 49.49 per barrel in 2015 compared with average price of US\$99.29 in 2014, just below the level of US\$100 in 2014 indicating that the drop is almost half the level of 2014 in a single year which is the unprecedented in history. Fact remains, fluctuations in oil prices are the dominant feature. The colossal drop in prices has affected the size of the economies and its indicators are well reflective of this phenomenal change such as GDP growth rates, drop in inflation rate especially in the oil importing countries. As a result thereof, the reduced revenue stream of the natural resource economies of the region namely, Azerbaijan, Iran, Kazakhstan and Uzbekistan has resulted in fiscal deficit and external sector problems.

Finally, it is imperative to underline that data on Labour market and Rent on natural resources (as percentage of GDP) is not available for 2015 in the World Bank data bank, hence separate discussion has not been made in this section. Data till 2014 has been discussed at length in ECO Annual Economic Report 2014 published in December, 2016 and also fifteen years Review made in this document. This section therefore is concluded with discussion on this indicator.

## **E. Note on Data Sources and Definitions of Economic Indicators**



## Note on Data Sources

The document contains economic review 2000-2015 and 2014-2015 based on the statistical time series data collected from multiple sources. It needs to be underlined that data choices and methodologies are vital for better review and analysis of the developments member states have gone through during the reference period; hence, due consideration has been given to these facets. There is dearth of data on some key economic indicators.

Macro-economic performance of this region and the member states has been measured by using secondary data on multiple economic indicators/variables from reliable international sources including the World Bank Group and UN system. For the sake of standardization, meaningful comparison and inter-temporal evaluation, maximum effort has been made to use the same source. In case the source is different, it has been specifically mentioned such as UNCTAD/ITC for External Economy Section/Trade, UNDP for Human Development Index, World Bank for Ease of Doing Business Index, World Economic Forum for Global Competitiveness Index, etc. Besides, Country Reports of the World Bank Group, International Monetary Fund (IMF), etc have been consulted to avoid any major variation in reporting the value of economic indicators /statistic and make report accurate to the extent possible.

Where data for certain years was not available, earliest available figures have been used as a proxy (e.g. data on GDP for 2000 and 2001 was not available for Afghanistan, 2002 data was used in place thereof, Iran's GDP for 2015 has been estimated on the basis of 1.7 percent growth rate given in the World Bank Report, Sectors' shares in composition of GDP, were not available for Turkmenistan for 2015, previous years available data was used as a substitute, data for Maldives for 2000 was not available on some variables (while calculating SAARC's GDP) so earliest available was used as a proxy, etc). These arrangements might have slightly undermined the quality of results in few cases; however, such arrangement was imperative to carry out meaningful comparison over the period under consideration. Throughout this document, Cumulative annual growth rate (CAGR) has been used and thus average growth rate (AGR) has been calculated over the period by using formulae =  $[(Y_n/Y_o)^{1/n}-1]*100$ , where  $Y_n$ : Last year value,  $Y_o$ : First year value,  $n$ : number of Years.

**Table E.1** contains definitions and sources of the World Bank extracted from the Metadata of the World Bank Webpage (<http://databank.worldbank.org/data/home.aspx>). Definitions of economic indicators are arranged below in order of analysis/discussion made in the Report. Sources utilized by the World Bank have also been referred to for further clarity and better comprehension of results.

Table E.1: Definitions of Terms/ Variables/Indicators

S. No.	Term/ Indicator	Definition and Source
1.	Total Population	<b>Definition:</b> Total population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship. The values shown are midyear estimates. <b>Source:</b> 1) United Nations Population Division. World Population Prospects, (2) Census reports and other statistical publications from national statistical offices, (3) Eurostat: Demographic Statistics, (4) United Nations Statistical Division. Population and Vital Statistics Report (various years), (5) U.S. Census Bureau: International Database, and (6) Secretariat of the Pacific Community: Statistics and Demography Programme.
2.	Population growth (annual %)	<b>Definition:</b> Annual population growth rate for year t is the exponential rate of growth of midyear population from year t-1 to t, expressed as a percentage. Population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship. <b>Source:</b> Derived from total population, mentioned above.
3.	GDP (constant 2010 US\$)	<b>Definition:</b> GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in constant 2010 U.S. dollars. Dollar figures for GDP are converted from domestic currencies using 2010 official exchange rates. For a few countries where the official exchange rate does not reflect the rate effectively applied to actual foreign exchange transactions, an alternative conversion factor is used. <b>Source :</b> World Bank national accounts data, and OECD National Accounts data files.
4.	GDP, PPP (current international \$)	<b>Definition:</b> PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GDP as the U.S. dollar has in the United States. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current international dollars. For most economies PPP figures are extrapolated from the 2011 International Comparison Program (ICP) benchmark estimates or imputed using a statistical model based on the 2011 ICP. For 47 high- and upper middle-income economies conversion factors are provided by Eurostat and the Organisation for Economic Co-operation and Development (OECD). <b>Source:</b> World Bank, International Comparison Program database.
5.	GDP (current US\$)	<b>Definition:</b> GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates. For a few countries where the official exchange rate does not reflect the rate effectively applied to actual foreign exchange transactions, an alternative conversion factor is used. <b>Source:</b> World Bank national accounts data, and OECD National Accounts data files.
6.	GDP per capita (constant 2010 US\$)	<b>Definition:</b> GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in constant 2010 U.S. dollars. <b>Source:</b> World Bank national accounts data, and OECD National Accounts data files.
7.	GDP per capita, PPP (current international \$)	<b>Definition:</b> GDP per capita based on purchasing power parity (PPP). PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GDP as the U.S. dollar has in the United States. GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current international dollars based on the 2011 ICP round. <b>Source:</b> World Bank, International Comparison Program database.
8.	GDP per capita (current US\$)	<b>Definition:</b> GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars. <b>Source:</b> World Bank national accounts data, and OECD National Accounts data files.

S. No.	Term/ Indicator	Definition and Source
9.	GDP growth (annual %)	<p><b>Definition:</b> Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2010 U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.</p> <p><b>Source :</b> World Bank national accounts data, and OECD National Accounts data files.</p>
10.	Agriculture, value added (% of GDP)	<p><b>Definition:</b> Agriculture corresponds to ISIC divisions 1-5 and includes forestry, hunting, and fishing, as well as cultivation of crops and livestock production. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources. The origin of value added is determined by the International Standard Industrial Classification (ISIC), revision 3. Note: For VAB countries, gross value added at factor cost is used as the denominator.</p> <p><b>Source:</b> World Bank national accounts data, and OECD National Accounts data files.</p>
11.	Industry, value added (% of GDP)	<p><b>Definition:</b> Industry corresponds to ISIC divisions 10-45 and includes manufacturing (ISIC divisions 15-37). It comprises value added in mining, manufacturing (also reported as a separate subgroup), construction, electricity, water, and gas. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources. The origin of value added is determined by the International Standard Industrial Classification (ISIC), revision 3. Note: For VAB countries, gross value added at factor cost is used as the denominator.</p> <p><b>Source:</b> World Bank national accounts data, and OECD National Accounts data files.</p>
12.	Services, etc., value added (% of GDP)	<p><b>Definition:</b> Services correspond to ISIC divisions 50-99 and they include value added in wholesale and retail trade (including hotels and restaurants), transport, and government, financial, professional, and personal services such as education, health care, and real estate services. Also included are imputed bank service charges, import duties, and any statistical discrepancies noted by national compilers as well as discrepancies arising from rescaling. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources. The industrial origin of value added is determined by the International Standard Industrial Classification (ISIC), revision 3. Note: For VAB countries, gross value added at factor cost is used as the denominator.</p> <p><b>Source:</b> World Bank national accounts data, and OECD National Accounts data files.</p>
13.	Inflation, consumer prices (annual %)	<p>Inflation as measured by the consumer price index reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. The Laspeyres formula is generally used.</p> <p><b>Source:</b> International Monetary Fund, International Financial Statistics and data files.</p>
14.	Inflation, GDP deflator (annual %)	<p><b>Definition:</b> Inflation as measured by the annual growth rate of the GDP implicit deflator shows the rate of price change in the economy as a whole. The GDP implicit deflator is the ratio of GDP in current local currency to GDP in constant local currency.</p> <p><b>Source:</b> World Bank national accounts data, and OECD National Accounts data files.</p>
15.	Labor force, total	<p><b>Definition:</b> Total labor force comprises people ages 15 and older who meet the International Labour Organization definition of the economically active population: all people who supply labor for the production of goods and services during a specified period. It includes both the employed and the unemployed. While national practices vary in the treatment of such groups as the armed forces and seasonal or part-time workers, in general the labor force includes the armed forces, the unemployed, and first-time job-seekers, but excludes homemakers and other unpaid caregivers and workers in the informal sector.</p> <p><b>Source :</b> International Labour Organization, using World Bank population estimates.</p>
16.	Labor force participation rate, total (% of total population ages 15+) (modeled ILO estimate)	<p><b>Definition:</b> Labor force participation rate is the proportion of the population ages 15 and older that is economically active: all people who supply labor for the production of goods and services during a specified period.</p> <p><b>Source:</b> International Labour Organization, Key Indicators of the Labour Market database.</p>
17.	Labor force participation rate, female (% of female population ages 15-64) (modeled ILO estimate)	<p><b>Definition:</b> Labor force participation rate is the proportion of the population ages 15-64 that is economically active: all people who supply labor for the production of goods and services during a specified period.</p> <p><b>Source:</b></p>

S. No.	Term/ Indicator	Definition and Source
18.	Labor force participation rate, male (% of male population ages 15-64) (modeled ILO estimate)	<b>Definition:</b> Labor force participation rate is the proportion of the population ages 15-64 that is economically active: all people who supply labor for the production of goods and services during a specified period. <b>Source:</b> International Labour Organization, Key Indicators of the Labour Market database.
19..	Urban population (% of total)	<b>Definition:</b> Urban population refers to people living in urban areas as defined by national statistical offices. It is calculated using World Bank population estimates and urban ratios from the United Nations World Urbanization Prospects. <b>Source:</b> United Nations, World Urbanization Prospects.
20.	Unemployment, total (% of total labor force) (modeled ILO estimate)	<b>Definition:</b> Unemployment refers to the share of the labor force that is without work but available for and seeking employment. <b>Source:</b> International Labour Organization, Key Indicators of the Labour Market database.
21.	Exports and Imports	<b>Definition:</b> Total merchandise trade (export / import) is the general trade (warehoused and re-exported / re-imported goods). It includes all inward and outward movement of "goods" through a country or territory including movements through customs warehouses and free zones. "Goods" include all merchandise that either add to or subtract from the stock of material resources of a country or territory by entering (imports) or leaving (exports) the country's economic territory. <b>Source:</b> ITC-UNCTAD
22.	Trade in services (% of GDP)	<b>Definition:</b> Trade in services is the sum of service exports and imports divided by the value of GDP, all in current U.S. dollars. <b>Source:</b> International Monetary Fund, Balance of Payments Statistics Yearbook and data files, and World Bank and OECD GDP estimates.
23.	Foreign direct investment, net (BoP, current US\$)	<b>Definition:</b> Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows total net FDI. In BPM6, financial account balances are calculated as the change in assets minus the change in liabilities. Net FDI outflows are assets and net FDI inflows are liabilities. Data are in current U.S. dollars. <b>Source:</b> International Monetary Fund, Balance of Payments Statistics Yearbook and data files.
24.	Foreign direct investment, net inflows (% of GDP)	<b>Definition:</b> Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors, and is divided by GDP. <b>Source:</b> International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, International Debt Statistics, and World Bank and OECD GDP estimates.
25.	Personal remittances, received (current US\$)	<b>Definition:</b> Personal remittances comprise personal transfers and compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from nonresident households. Personal transfers thus include all current transfers between resident and nonresident individuals. Compensation of employees refers to the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by nonresident entities. Data are the sum of two items defined in the sixth edition of the IMF's Balance of Payments Manual: personal transfers and compensation of employees. Data are in current U.S. dollars. <b>Source:</b> World Bank staff estimates based on IMF balance of payments data.
26.	Personal remittances, received (% of GDP)	<b>Definition:</b> Personal remittances comprise personal transfers and compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from nonresident households. Personal transfers thus include all current transfers between resident and nonresident individuals. Compensation of employees refers to the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by nonresident entities. Data are the sum of two items defined in the sixth edition of the IMF's Balance of Payments Manual: personal transfers and compensation of employees. <b>Source:</b> World Bank staff estimates based on IMF balance of payments data, and World Bank and OECD GDP estimates.



S. No.	Term/ Indicator	Definition and Source
27.	External debt stocks, total (DOD, current US\$)	<p><b>Definition:</b> Total external debt is debt owed to nonresidents repayable in currency, goods, or services. Total external debt is the sum of public, publicly guaranteed, and private nonguaranteed long-term debt, use of IMF credit, and short-term debt. Short-term debt includes all debt having an original maturity of one year or less and interest in arrears on long-term debt. Data are in current U.S. dollars.</p> <p><b>Source :</b> World Bank, International Debt Statistics.</p>
28.	Total reserves (includes gold, current US\$)	<p><b>Definition:</b> Total reserves comprise holdings of monetary gold, special drawing rights, reserves of IMF members held by the IMF, and holdings of foreign exchange under the control of monetary authorities. The gold component of these reserves is valued at year-end (December 31) London prices. Data are in current U.S. dollars.</p> <p><b>Source:</b> International Monetary Fund, International Financial Statistics and data files.</p>
29.	Total reserves (% of total external debt)	<p>International reserves to total external debt stocks.</p> <p><b>Source:</b> World Bank, International Debt Statistics.</p>
30.	Total reserves in months of imports	<p><b>Definition:</b> Total reserves comprise holdings of monetary gold, special drawing rights, reserves of IMF members held by the IMF, and holdings of foreign exchange under the control of monetary authorities. The gold component of these reserves is valued at year-end (December 31) London prices. This item shows reserves expressed in terms of the number of months of imports of goods and services they could pay for [Reserves/(Imports/12)].</p> <p><b>Source:</b> International Monetary Fund, International Financial Statistics and data files.</p>
31.	Official exchange rate (LCU per US\$, period average)	<p><b>Definition:</b> Official exchange rate refers to the exchange rate determined by national authorities or to the rate determined in the legally sanctioned exchange market. It is calculated as an annual average based on monthly averages (local currency units relative to the U.S. dollar).</p> <p><b>Source:</b> International Monetary Fund, International Financial Statistics.</p>
32.	Total Natural resources Rents(%)	<p><b>Definition:</b> Total natural resources rents are the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents and forest rents.</p> <p><b>Source: World Bank</b></p>
33.	Mineral rents (% of GDP)	<p><b>Definition:</b> Mineral rents are the difference between the value of production for a stock of minerals at world prices and their total costs of production. Minerals included in the calculation are tin, gold, lead, zinc, iron, copper, nickel, silver, bauxite, and phosphate.</p> <p><b>Source:</b> Estimates based on sources and methods described in "The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium" (World Bank, 2011).</p>
34.	Natural gas rents (% of GDP)	<p><b>Definition:</b> Natural gas rents are the difference between the value of natural gas production at world prices and total costs of production.</p> <p><b>Source:</b> Estimates based on sources and methods described in "The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium" (World Bank, 2011).</p>
35.	Oil rents (% of GDP)	<p><b>Definition:</b> Oil rents are the difference between the value of crude oil production at world prices and total costs of production.</p> <p><b>Source:</b> Estimates based on sources and methods described in "The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium" (World Bank, 2011).</p>
36.	Human Development Index (HDI)	<p><b>Definition:</b> A composite index measuring average achievement in three basic dimensions of human development—a long and healthy life, knowledge and a decent standard of living. <b>Source:</b> Please see Technical note 1 at <a href="http://hdr.undp.org/sites/default/files/hdr2015_technical_notes.pdf">http://hdr.undp.org/sites/default/files/hdr2015_technical_notes.pdf</a> for details on how the HDI is calculated. <b>Items 36-40 below have the same source.</b></p>
37.	Life expectancy at birth	<p><b>Definition:</b> Number of years a newborn infant could expect to live if prevailing patterns of age-specific mortality rates at the time of birth stay the same throughout the infant's life.</p>
38.	Expected years of schooling	<p><b>Definition:</b> Number of years of schooling that a child of school entrance age can expect to receive if prevailing patterns of age-specific enrolment rates persist throughout the child's life.</p>
39.	Mean years of schooling	<p><b>Definition:</b> Average number of years of education received by people ages 25 and older, converted from education attainment levels using official durations of each level.</p>
40.	Gross national income (GNI) per capita	<p><b>Definition:</b> Aggregate income of an economy generated by its production and its ownership of factors of production, less the incomes paid for the use of factors of production owned by the rest of the world, converted to international dollars using PPP rates, divided by midyear population.</p>

## References

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- World Bank Data ([www.worldbank.org](http://www.worldbank.org))
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- WTO Reports for 2000 through 2015

ECO Economic Review examines performance of the ECO Region and its constituents, the ten member states, during 2000-2015. Progress in the core macro-economic indicators in intra-regional and inter-regional context has been analyzed to deepen the understanding of the advances made by the region in the reference period while challenges faced at global and regional level are also part of the discourse.

The publication is split into two main segments; the first one delineates developments observed in macro-economic domain during 2000-2015 as well as region's placement in popular international indices such as Human Development Index, Ease of doing Business Index, etc. It also offers succinct comparison with some other regional economic blocs over the same period. The second segment outlines region's performance during 2015 compared with 2014.

The Review gleams that economies performed significantly in a regional as well as an individualistic manner in the global setting to achieve the goal of sustainable socio-economic development through regional integration and enhanced cooperation and have provided prospects of collaboration based on complementarities within the region and complementarities of trade.

Economic Cooperation Organization, established in 1985, is a ten-member regional organization with the objective to promote conditions for sustainable socio-economic development of the people of the region through collaborative endeavor and regional integration among the member states.



Economic Cooperation Organization:

17 Years of Economic Cooperation and Development 2000-2015

ECO Economic Review, Feb. 2017

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