

Aug. - Sept.  
2011

ISSUE 1



The News Magazine of Economic Cooperation Organization

# ECO CHRONICLE

*“Our Ideals  
Are Much  
Higher”*

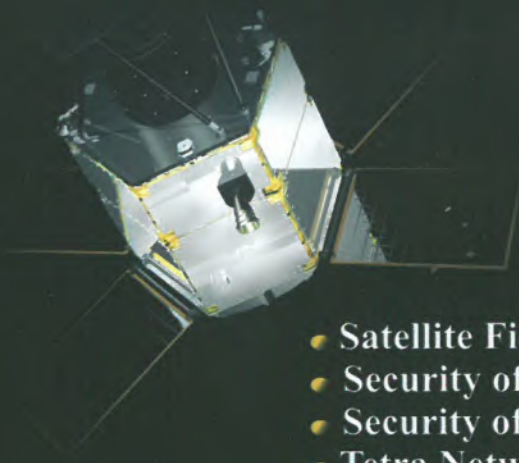
ECO S.G.  
M. Yahya Maroofi

RI. 25000. (IRAN),  
\$ 4.00 (ECO Region),  
\$ 5.50 (Outside ECO Region)

Aug. - Sept.  
2011







- Satellite Field
- Security of Telecommunication Systems
- Security of IT
- Tetra Network Solution
- Anti Bullet Glasses
- Medical Equipment
- Self Cleaning and anti-fog surfaces
- Different types of eye-glasses
- Total Solution system
- Simulators systems (Airplanes, submarines, ...)
- NMS (Network management system)
- Business Intelligence (B.I)
- Data center
- E-Learning: IT course, Management course
- Services Based on smart card

# SAIRAN

[www.sacorop.ir](http://www.sacorop.ir)  
[marketing@sacorop.ir](mailto:marketing@sacorop.ir)  
tel: 22988007  
fax:22549664



SAIRAN,  
Space Technology that Challenges Limitations

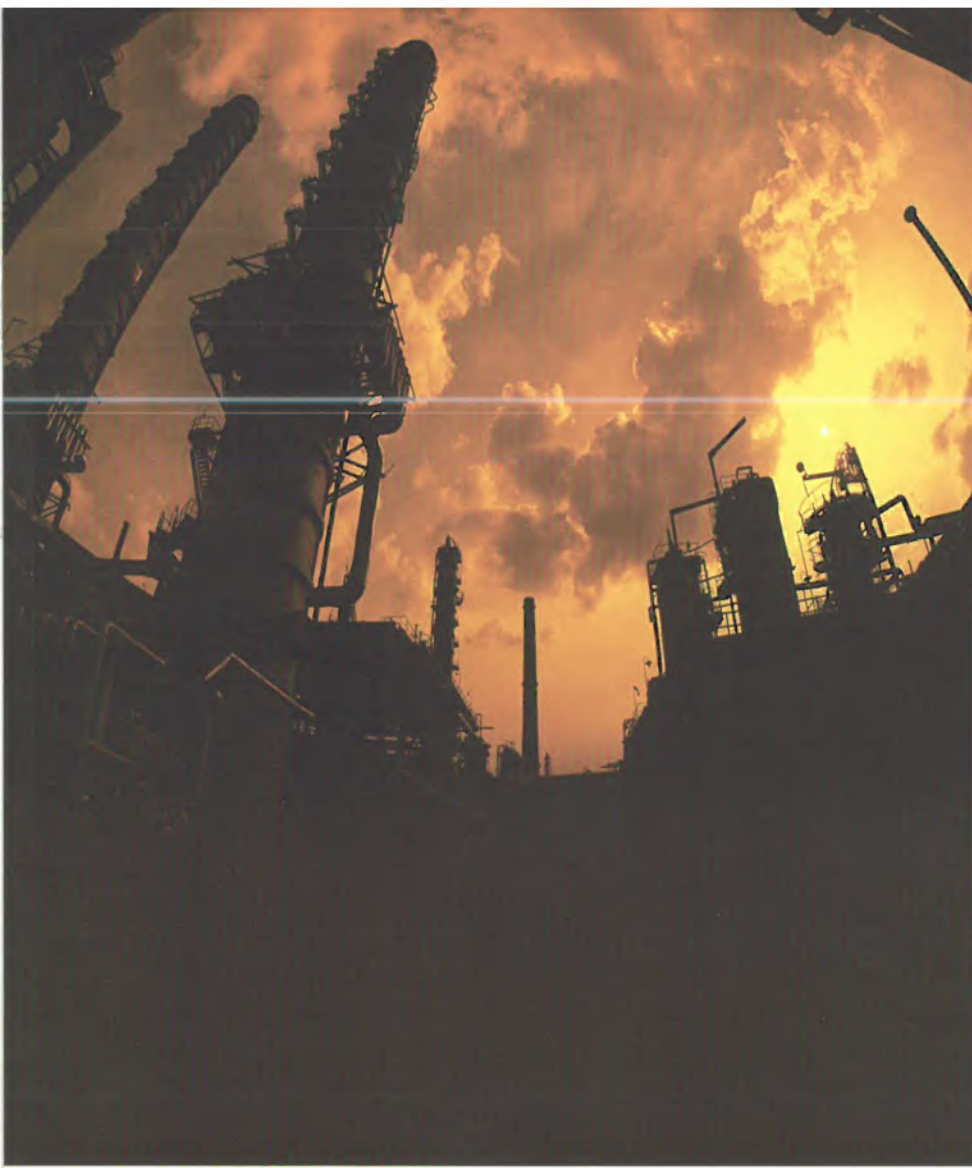
**Supporting Poverty Reduction  
and Social Development**



**Website: [www.etdb.org](http://www.etdb.org)  
E-mail: [info@etdb.org](mailto:info@etdb.org)**







# CONTENTS

## 3 Contents

## 4 News

ECO Secretariat  
ECO Trade & Development Bank

## 12 Interview

"Our Ideals  
Are Much Higher"

## 14 Transport & Communications

ECO, The Heart of Global Transit  
Corridors

## 20 Trade & Investment

ECO Bank's Review of Key Sectors  
& Investment Opportunities  
Fourth ECO Ministerial Meeting on  
Commerce & Foreign Trade Kabul  
Declaration

## 30 Industry

Development of Banking Industry  
Structure in Iran

## 34 Tourism

Pakistan's Unique Tourism

## 36 Energy & Minerals

ECO Seeks to Step up Regional  
Energy

## 38 Country Report

Islamic Republic of Afghanistan

## 44 Drug Control

"ECO- DOCCU"  
Fights Against Drugs, Terrorism &  
Trans-National Organized Crimes





In The Name Of God

## Cover



## Front Cover

Mohammad Yahya Maroofi  
ECO Secretary General  
Exclusive Interview

## Message of the Secretary General

# Let us all work together!

The Economic Cooperation Organization is slowly but steadily assuming a special role as a strong regional player bringing together ten nations whose historical and cultural commonalities offer new vistas for meaningful cooperation.

ECO region with an area of 8 million square kilometers, more than 385 million people, and a unique culture, civilization and heritage has great potential for development in social and economic domains. With such clout, ECO can and will take measures not only to help integrate economies of member states, but also provide a bridge between the East and West. Now what is important is to know how many people, even in our own region, know enough about ECO and its achievements?

I am afraid not too many! At ECO, we believe the lack of public awareness about ECO capacity is a major flaw which demands an early resolution. Information adds to understanding and knowledge and plays a determining role in the social, cultural and economic evolution of societies big and small.

Publication of the new ECO monthly magazine is aimed toward helping fulfill the above goal. It is our sincere hope that Member States and the public sector would rise to the occasion in assisting us. We believe that for the development of our efforts, collective resolve with strong will and commitment is required.

Let us all work together in the hope that the culture of cooperation among ECO members and our shared interests will lead to the long-desired progress of our peoples.

**Published by**  
Economic Cooperation  
Organization

**Patron & Supervision**  
Mohammad Yahya Maroofi  
ECO Secretary General

**Editorial Board**  
Fatih Unlu  
Altaf Asghar  
Abolghasem Tahmasebi  
Mahmoud Khaghani

**Editor in Chief**  
Ali Sabzalian

**Graphic Design**  
Seyed Kianoush Saadatmand

## ECO CHRONICLE

### Address

No. 1, Golbou Alley,  
Kamranieh St.,  
Tehran-Iran

**P.O.Box** \ 14155- 6176  
Tehran(I.R. Iran)

**Tel** \ (+98-21) 22831733-4  
(+98-21) 22292066

**Fax** \ (+98-21) 22831732

**Email**  
registry@ecosecretariat.org

**Web**  
<http://www.ecosecretariat.org>





**ECO CHRONICLE**  
Mr. Yury Fedotov, Executive Director of UNODC Headquarters and

Director General of United Nations Office, Vienna, visited the ECO Secretariat, Tehran, on 20th July, 2011, to have meeting with the ECO Secretary General. During the course of discussion, matters of mutual interest between the two organizations were discussed. Mr. Maroofi, while welcoming Mr. Fedotov, appreciated UNODC's interest towards the activities of ECO in the field of drug and related organized crimes. The Secretary General briefed him about the ECO's current programmes and future activities of Drug and Organized Crime Coordination Unit (DOCCU), particularly the establishment of ECOPOL which would enable the ECO countries to effectively confront trans-national crimes.

Mr. Fedotov thanked for the briefing made by the Secretary General about

## S.G. Meets with Executive Director of UNODC Headquarters

the activities of ECO and in particular about the DOCCU in the field of drugs and organized crime and stated that UNODC considers ECO as an important partner in fighting drug-trafficking. He expressed interest in establishing cooperative relations between ECO and the UNODC. Mr. Fedotov invited ECO to join UNODC in convincing the ECO Member States for approval and imple-

menting the Regional Programme for Afghanistan and Neighbouring Countries. The ECO Secretary



General emphasized the important role of the UNODC for the ECO region and stressed the need for continued cooperation in countering narcotics and transnational organized crimes. He stated that with the help of joint projects with UNODC on drug related matters, ECO can accelerate realization of its objectives and therefore requested the UNODC to revive the "Revised Project Idea Document" which was developed jointly by both sides.

In response to the request of ECO Secretary General regarding technical and financial assistance of the UNODC for the DOCCU, especially a short-time consultant, the Executive Director assured provision of all sorts of assistance and agreed to work jointly in future also for the eradication of drug and related menaces. ■

### Ambassador of Pakistan

## Presents his Credentials to ECO S.G

**ECO CHRONICLE** The newly appointed Ambassador of the Islamic Republic of Pakistan to Iran, Khalid Aziz Babar, presented his credentials as Permanent Representative of the ECO to the ECO Secretary General on 9th August, 2011.



The Secretary General, lauding Pakistan's active and constructive role in fostering regional cooperation within the framework of ECO, acknowledged Pakistan's support to ECO's endeavors aimed at promoting socioeconomic development in the region. ■

### Courtesy Calls by the

## Ambassadors of Hungary & Poland

**ECO CHRONICLE** The outgoing Ambassador of Hungary to the I.R. of Iran, Mr. György Busztin, visited the ECO Secretary General at the ECO Secretariat on July 7, 2011 to bid farewell, also to introduce Mr. Juliusz Jacek Gajlo, the Ambassador of Poland as the



current Chairman of EU. In his comments, the Hungarian Ambassador thanked ECO for its cooperation and assured that the existing cooperation will be strengthened further in areas of mutual interests to the two organizations. ■





**UNHCR**  
The UN Refugee Agency

UNHCR and the military  
A FIELD GUIDE

## UNHCR's Representative Visits ECO Secretariat

ECO  
CHRONICLE

The UNHCR Representative in Iran, Mr. Bernard Doyle, called on ECO Secretary General at the ECO Secretariat on 1 August, 2011.

During the course of discussion, the two sides held exchange of views on issues of mutual concern in particular the status of refugees from Afghanistan and Iraq in Iran.



The Secretary General briefed the visiting delegation about ECO's initiatives to address issues concerning human trafficking, migration and narcotics control.

The Meeting concluded with the expression of common desire to promote interaction between ECO and the UNHCR on relevant issues. ■

## Ministers of ECO

# Transport & Communications Meet

ECO  
CHRONICLE

The 8th Meeting of the Ministers of Transport and Communications of the ECO Member States was held in Ashgabat, Turkmenistan, on June 29, 2011. The Meeting was attended by delegations of all ECO Member states, therefore full quorum was achieved. A delegation from the ECO Secretariat, as well as delegations of IDB and IRU also attended the Meeting.

The Meeting was inaugurated with the welcome message of President Gurbanguly Berdimukhammedov of Turkmenistan. The inaugural statement of Mr. Mohammed Yahya Maroofi, ECO Secretary General highlighted the progress achieved in regional cooperation in the field of transport and communication since the 7th Ministerial Meeting (Antalya, 2008).

The Ministers discussed important regional issues and reviewed the progress made in the ECO programs and projects in the field of transport and communications in the region. The Meeting made concrete decisions on implementing important projects in this field. Those include the new Program of Action for ECO Decade of Transport and Communications, Monitored Regular Run of Trucks, Common Visa Sticker for Drivers, activation of the TIR Convention in Afghanistan and Pakistan, enhancement of the TFTA, establish-



ment of online money order system between the member states, establishment of the ECO Logistic Provider Associations Federation, and developing road transport corridor on Islamabad-Tehran-Istanbul as well as on Iran-Afghanistan-Tajikistan-Kyrgyz Routes. In railway sector, the Meeting took measures to increase the working capacity of the ECO Container Train on Islamabad-Tehran-Istanbul Container Route, operationalization of the ECO Container Train on Istanbul-Almaty and Bandar Abbas-Almaty routes, and expeditious construction of railway on the following routes: Kazakhstan-Turkmenistan-Iran; Baku-Kars; Qazvin-Rasht-Astara (Iran)-Astara (Azerbaijan); Kyrgyz Republic-Tajikistan-Afghanistan-Iran. The 9th Ministerial Meeting will be held in the Kyrgyz Republic in 2012. ■





## ECO Trade and Development Bank(ETDB)

**ECO CHRONICLE** ECO Trade and Development Bank's Board of Directors, in its meeting held on February 23, 2011 at its headquarters in Istanbul, approved SMEs (Small & Medium Enterprises) credit facility to Orix Leasing Pakistan Limited for a total limit of up to USD 10 million with a tenor of 4 years and a grace period of 1 year. ETDB strongly believes that SMEs have a vital role to play as engines of economic growth in the ECO region including Pakistan and this facility would be in line with the Bank's mandate to become a driving force in the economic development of ECO member states by supporting and encouraging investments in high priority sectors such as SMEs. ECO Trade and Development Bank is a regional multilateral development bank established under the auspices of ECO (Economic Cooperation Organization) to promote socio-economic development and intra-regional trade amongst ECO member states. Orix Leasing Pakistan Limited is a subsidiary of Orix Corporation, Japan's leading integrated financial service company, spread over 26 countries including Pakistan providing leasing and other financial services to various segments of the market with niche in the SMEs segment. ■



## UN Special Rep. Visits ECO Secretariat

ECO Environmental Institute in Tehran, the Secretary General informed about the scholarship opportunities being offered by Iran to 10 Afghan students for pursuing studies in the Institute. He sought assistance of UN-SRSG in covering cost of return airfare from Kabul to Tehran of the selected candidates to enable them avail the scholarship facility at the earliest. With the view to promote action-oriented interaction between ECO and UNAMA, the Secretary General invited UN-SRSG to forthcoming ECO Ministerial Meeting on Commerce and Foreign Trade scheduled for July, 2011. Mr. Maroofi stated that UN-SRSG's participation would help identify themes of mutual interest in Trade related initiatives of ECO. Mr. Steffan accepted the invitation and refer

Mr. de Mistura, praised contributions of ECO in promoting peace, stability in the region through its regional programmes. He recommended to ECO to take active part in the forthcoming Istanbul Conference on Afghanistan scheduled for Nov, 2011 which will give special focus to cooperation among the regional organizations and endeavour to develop common projects. As regards Secretary General's request for covering cost of airfare of Afghan students selected for the scholarship at, the UN-SRSG responded positively and promised to work out possibilities on his return to Kabul. ■

**ECO CHRONICLE** The Secretary General of ECO received Mr. Steffan de Mistura, the Special Representative of the United Nations Secretary General in Afghanistan today. During the course of discussion, matters of mutual interest concerning ECO's efforts for regional integration and socioeconomic development were highlighted.

The Secretary General briefed the visiting delegation about ECO's efforts for regional connectivity and uplift. Particularly, he highlighted initiatives and programmes with special focus on Afghanistan. In this connection he informed about the ECO Afghanistan Reconstruction Fund, ECO Truck Caravan, Afghanistan's membership of the ECO Trade and Development Bank as well as other regional initiatives in the fields of Trade and Transport. He stated that potential of Afghanistan as a regional hub needs to be fully utilized through focussed efforts. In this regard, he underlined the need to give priority to developing appropriate infrastructure in the areas of Transport, Trade and Tourism.

Referring to the recently established



## ECO Sec.Gen's Official Visit to Islamabad



An ECO delegation headed by the Secretary General have undertaken an official visit to Islamabad on February 28 - March 4, 2011 to discuss matters of mutual interest and enhance cooperation with the relevant authorities of Pakistan. During the visit, the Secretary General and his delegation called on the Minister of Interior, Rehman Malik; Minister for Science and Technology, Mir Changez Khan Jamali; Minister of Railways, Ghulam Ahmed Bilour; Minister of Communications, Dr. Arbab Alamgir Khan; Minister of State at Foreign Affairs, Hina Rabbani Khar; Foreign Secretary, Salman Bashir; Special Secretary/ Addl: Secretary, Muhammad Haroon Shaukat; the Secretary of Commerce, Mr. Zafar Mahmood; Chairman of Pakistan Science Foundation, Dr. Manzoor Soomro. The Secretary General

in expressing his gratitude to the support and active participation of Pakistan to the ECO and Regional Affairs briefed the Ministers and officials on the activities of the organization. Efforts of ECO in the region were highlighted during the meetings and important issues were discussed, particularly, establishment of ECO Science Foundation, ECO POL and implementation of ECOTA and TTFA. ■



## Joint ECO-OPEC Workshop on International Petroleum Market



Joint ECO-OPEC Workshop on "International Petroleum Market" hosted by the Ministry of Petroleum of the Islamic Republic of Iran with collaboration of OPEC and ECO Secretariat was held in the conference room of Abbasi Hotel in Esfahan, on 26-27 April, 2011.

The representatives of 8 countries, namely: Afghanistan, Rep. of Azerbaijan, Iran (host), Kyrgyz Rep., Pakistan, Tajikistan, Turkey and Turkmenistan attended this Workshop.

The purpose of this Workshop was to share knowledge and experiences in the field of International Petroleum Market. The lecturers from the host country and OPEC have delivered their presentations on: "Major issues", "Energy Policies", "Practical Examples", "Environment", "Energy long-term view" and "Energy demand and supply conditions". ■





## ECO Sec. Gen.

# Meets Delegation from Iran & New Zealand


 ECO Secretary General accompanied by related ECO Officials held a meeting with Brian Sanders, Ambassador of New Zealand, Professor John G. Hampton, Director of Seed Research Center of Lincoln University, New Zealand, Dr. Majid Dehghan Shoar, Managing Director, Seed Service International Ltd. and Dr. Samad Mobasser, Seed & Plant Certification & Registration Institute (SPCRI) on April 20, 2011, at the ECO Secretariat. At the outset, Sec. General informed the delegation about various ECO activities in the fields of trade, transport, agriculture etc. Afterwards, a detailed discussion was held on ECO Regional Program for food security in particular ECO seed cooperation and two projects proposed by Seed Research Center of Lincoln University, New Zealand and Seed Service International Ltd. namely "Ensuring Supply and Security of Genetically Pure Pre-basic Seed for Improved Food Security" and "Sustainable Sheep Production Improvement in the ECO Region".

The following topics were deliberated and agreed during the meeting:

1. Above mentioned project proposals will be discussed at technical level in detail and after finalization will be submitted to the possible donors for financial assistance. Training workshops in New Zealand with financial support of New Zealand Government may constitute a good start for the projects.
2. New Zealand as a country of great achievements in the fields of agriculture and animal husbandry may also contribute agriculture and food security related ECO activities. ■

## ECO Sec. Gen.


# Meets OIC Chief in Jeddah

 On 24 April 2011, the ECO Secretary General had two high level meetings in Jeddah. He met with Prof. Ekmeleddin Insanoglu Secretary General of the Organization of Islamic Conference and Dr. Ahmed M. Ali, President of the Islamic Development Bank. Strengthening of cooperation between ECO, OIC and IDB in the framework of OIC' Special Program for Central Asia has been the main subject of the meetings. The notion that ECO has become instrumental in bringing in a more focused regional economic development in its programs has been particularly emphasized by the President of IDB who also pledged continued support for the ECO region. Secretary General of OIC concentrated on the need to further enhance the ongoing strong partnership between OIC and ECO. In this regard, he initiated establishing a sound implementation mechanism to materialize development goals set forth for economic growth of Central Asian economies. The Secretary Generals of OIC and ECO have inaugurated the Preparatory Session of the High Level Meeting on OIC' Special Program for Central Asia on 24 April at OIC Headquarters. In their statements, the need to streamline activities on Central Asia has been addressed with OIC speaking on priorities in this important area, and ECO on supplementing the set goals in the Plan by effective implementation through projects and programs. ■



## High Level Experts Group

# Meeting on Statistics

 The 4th Meeting of the High Level Experts Group on Statistics was held in Islamabad, Islamic Republic of Pakistan on April 7-8, 2011. Participants of ECO Member States as well as international organizations such as Paris21, FAO, GIZ and the delegation of the Secretariat discussed a wide range of issues centered on ways forward in further improving statistical capacities of ECO Member States.

In his inaugural statement, Asif Bajwa Secretary for Statistics Division of Government of Pakistan mentioned the current



ECO Sec. Gen.

## Dilates on Sub-Regional Corp. in Bangkok



Upon the invitation of United Nations Economic and Social Commission for Asia and Pacific (UNESCAP), the ECO Secretary General participated in two

important events, namely: High Level Panel on "Towards an Asia Pacific Energy Dialogue Forum" and "Informal Meeting on Enhancing Sub Regional Connectivity for Asia Pacific Inter-Regional" held on 24th May, 2011 in Bangkok.

At the High Level Panel, the Secretary General shed light on ECO's

perspective on addressing challenges associated with energy-security. He emphasized that success in achievement socio-economic development is linked with sustainable energy resources. In his statement he also emphasized the importance of enhancing meaningful cooperation among sub-regional organizations to address common challenges related to energy.

The Secretary General also suggested reviving annual Consultative Meetings among the sub-regional organizations and UNESCAP to identify areas of mutual interest, defining priorities and developing concrete projects to achieve sub regional connectivity. He also underscored the need to activate Working Group of sub-regional organizations on Energy trade. The Secretary General remarked that UNESCAP can play significant role in bringing regional organizations closer to each other. ■

dynamics in ongoing statistical activities and highlighted the importance of the enhancement of cooperation among national statistical offices within the region. Effective sharing of the expertise on modern data processing techniques as well as the methodological dimension were named among the prime tasks of statistics in the ECO region. Against this background, the FBS of Pakistan has invited the ECO Member States to benefit from its training program

scheduled in July 2011. With the expression of deep satisfaction with the opportunity of an open dialogue on most salient issues on statistical capacity building using the platform of the 4th HLEGM of ECO Member States, the Delegations spoke on the need for a more dynamic training on reviewed statistical systems. To this effect, the FBS has offered to establish ECO Statistical Training Center in Pakistan to meet such training needs on statistics in the region.

In order to strengthen capacity building, Azerbaijan, suggested improving, among others, the MDG data indicators by focusing on poverty and infant mortality. Turkey's suggestion to develop regional capacity building strategy with due account to specific requirements of individual countries was welcomed by participants. Afghanistan has highlighted the increasing importance to develop agriculture statistics in the region. This point was well supported by all participants of the HLEGM. ECO's cooperation with international partners on statistics has been constructively supplemented by statements delivered by FAO, PARIS 21, IDB and GIZ. of their focal points for ECO Statistical Network. ■





The 11th ECO Summit Meeting was held on 23rd December 2010 in Istanbul, Turkey with the participation of Heads of States / Governments. After the inaugural address of the President of the Republic of Turkey, Abdullah Gül, the Secretary General of ECO called upon to introduce his report and gave an overview of the future strategy for the Organization.

The President of the Islamic Republic of Iraq,

# The 11th ECO Summit Meeting



Celal Talabani in his statement expressed interest that his country after finalization of the necessary process will



become a member of the Organization. The 12th ECO Summit was offered to be held in the Republic of Azerbaijan.

Islamic Republic of Iran has already processed the negative and positive lists of ECOTA. Islamic Republic of Afghanistan, the Republic of Azerbaijan and Kyrgyzstan conveyed their country's intention to become members of ECO Trade and Development Bank and assured that the process is already underway. ■

## 4th ECO Ministerial Meeting

# on Environment Held in Iran



The 4th ECO Ministerial Meeting on Environment was held on 9 June 2011 in Tehran. It was preceded by the Senior Officials meetings (SOM) held on 7-8

ed at the meeting. Sargon Slewa, Minister of Environment of Iraq and Dr. Subrata Sinha, Environmental Affairs Officer of United Nations Environment Program (UNEP) for Asia and the Pacific also attended the meeting.

The meeting was inaugurated by Ali Akbar Salehi, Foreign Minister of the Islamic Republic of Iran, Mohammad J. Mohammadi Zadeh, Vice President and Head of Department of



Environment of the Islamic Republic of Iran and Mohammed Y. Maroofi, ECO Secretary General who in their statements stressed on the need of prompt and closer cooperation among the ECO member states in the field of environment.

During the inaugural session, the "ECO Green Industry Awards" were presented to the representatives of two selected companies in Pakistan and Iran. The meeting appreciated the activities carried out under the Plan of Cooperation among ECO Member States on Environment (2003

June 2011. Afghanistan, Rep. of Azerbaijan, Iran, Kyrgyz Rep., Pakistan, Tajikistan and Turkey as well as ECO Secretary General with his staff participat-

– 2010). The Meeting Adopted the Framework Plan of Action on Environmental Cooperation and Global Warming (2011-2015) and endorsed the Proposed Project Profile for Preparation of Regional Program for its Implementation. ■



## Regional Dimension of the IV Astana Economic Forum



The IV Astana Economic Forum was held in Kazakhstan's capital city on 3-4 May 2011. Over three thousand participants from over 80 countries, including world's key leaders in politics, science and business have gathered in Astana to share views on workable economic models of medium and

long term development in world's regions.

Mohammed Yahya Maroofi ECO Secretary General has participated in the opening of this important forum. His statement has been themed under the "International Monetary Systems:



regional monetary arrangements in Eurasia." The recommendations developed by ECO reflecting practical steps in implementing the guidelines set forth by ECO member states to achieve balanced development in ECO region will be shared through the forum's publications with 80 countries of the world.

During the forum, ECO Secretary General had discussions with Kazakhstan's Prime Minister, Aide to the President, and Minister for Agriculture. He also exchanged views on the issues of interest for the ECO with world's high ranking investors and business executives. On the sidelines of the forum, Secretary General inaugurated the establishment of the 1st Permanent Steering Committee Meeting (PSCM) of the ECO on economic research. Among the participants of the 1st PSCM, he dialogued with Tajikistan's Minister for Economic Development on the issues of cooperation within ECO.



## 168th CPR Meeting Convenes at ECI

New Headquarters Officially Inaugurated

The 168th Meeting of the Council of Permanent Representatives (CPR) was hosted by ECO Cultural Institute at its new location on May 11, 2011. The Meeting, chaired by Ambassador Umit Yardim of Turkey, was attended by the Ambassadors and Representatives of I.R. Afghanistan, I.R. Iran, Rep of Kazakhstan, Kyrgyz Rep., I.R. Pakistan, Rep. of Tajikistan, Rep. of Turkey, Turkmenistan and Rep. of Uzbekistan, as well as delegation of ECO Secretariat.

On the sidelines of the CPR Meeting, ECO Secretary General Mohammed Yahya Maroofi while expressing his appreciation to the ECI President for the excellent arrangement provided, officially inaugurated ECI's new Headquarters in the Aqdasiyah district of northern Tehran.

ECI President, Dr. Hojatollah Ayoubi welcomed the representatives of the Member States and expressed hope that with the relocation of its Headquarters to a much larger and better equipped building, ECI would further expand its cultural activities and better promote the interests of the Member States.

The new building as ECI's new Headquarters had been granted by the Government of the Islamic Republic of Iran during an official ceremony attended by the Ministers of Culture of the Islamic Republic of Iran and Republic of Tajikistan, members of Iranian parliament and ECO ambassadors in Tehran, on March 11, 2011. ■



*Editor's Note:*

*Sitting atop the 10-nation Tehran-based Economic Cooperation Organization, he is aware that the stakes are high and there is not much time to lose. Getting ten governments together is in and of itself a difficult project. Convincing them to agree on major economic issues including trade, transport, transit, tariffs, energy and the likes is a gargantuan task. But ECO Secretary General M. Yahya Maroofi is determined to do just that and more. Given the challenges that lie ahead, the SG's views could hardly be more transparent regarding the need to build a partnership among the peoples and not deny them the advantages of cultural, historical and geographical proximity. Full text of Yahya Maroofi's interview with ECO Chronicle follows:*

■ Excellency, ECO is now eighteen years old. What do you think it has achieved?

First I would like to thank you for providing such an opportunity for us to talk about the performance and progress of the Economic Cooperation Organization. I believe the most important achievement this organization has gained in the recent years is the establishment of an identity as a regional organization in the heart of Asia neighboring Europe. Today ECO is recognized by all governments and international organizations as a regional body which, building on its timeless historical, cultural and geographical commonalities, endeavors to forge ahead a sturdy and robust economic bloc with an overarching goal to further the socioeconomic interests of the regional nations including through facilitating trade exchanges.

Having said that, we have had notable achievements in the area of road transport and communication, and made coordination in the fields of trade & investment, agriculture, health as well

as drug control.

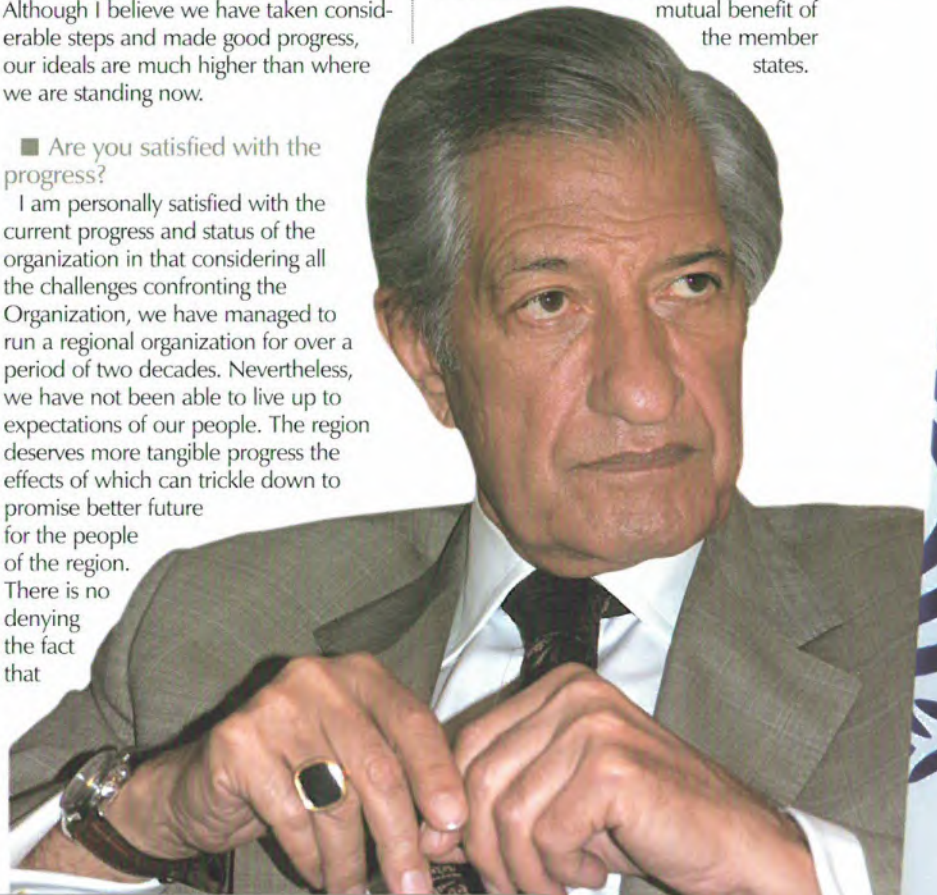
■ Do you think that the progress achieved by the ECO meet the expectations of the Member States?

I'm afraid I don't. Despite its stature as an organization and achievements has not lived up to our expectations and we still have a long way ahead to realize the vision of economic integration as envisaged by its founders. The strategy of ECO and what has been foreseen in ECO Vision 2015 is much beyond what we could witness today. Although I believe we have taken considerable steps and made good progress, our ideals are much higher than where we are standing now.

■ Are you satisfied with the progress?

I am personally satisfied with the current progress and status of the organization in that considering all the challenges confronting the Organization, we have managed to run a regional organization for over a period of two decades. Nevertheless, we have not been able to live up to expectations of our people. The region deserves more tangible progress the effects of which can trickle down to promise better future for the people of the region. There is no denying the fact that

the ECO membership comprising ten countries of the region, throughout their history, have always had good cultural and trade relations with one another and today still enjoy rich mineral and industrial resources and potentials which could be utilized to fulfill the needs and demands of each other within the region. Besides, the region in the past has made tremendous contributions to the advancement of science and technology. The vast potential of the region in terms of human as well as material resources should be harnessed to the mutual benefit of the member states.



# “Our Ideals Are Much Higher”

M. Yahya Maroofi,  
The ECO Secretary General / Exclusive Interview



Towards that end, we have to sustain our efforts through the platform of ECO to reach our common destiny.

■ Excellency, you have taken over the post of the ECO Secretary General at one of the most difficult period in the history of the world economy. What are the challenges faced by the Organization?

Today that I'm talking with you, two years have passed off my 3 three year tenure as the ECO Secretary General. Since my assumption of responsibility, which coincided with the aftermath of the largest economic crisis in the western world with its impacts extending over other parts of the globe, we had been witnessing economic growth downturn and even economic recession in many ECO states. The crisis naturally had its impacts on our plans and programs for development. At the same time, our programs and plans were hit by recession caused by the devastating flood in Pakistan which caused huge damage to the people and economy of the country. Similarly political crisis in Kyrgyzstan and problems in Afghanistan have affected our activities. I personally as the Secretary General, in addition to being active in the international arena to upgrade the status of ECO, tried to encourage the member states to increase the willingness and determination to further cooperate with one another in the context of ECO, and to persuade them to provide more support for ECO in order to help it reach its determined objectives.

■ As per decision of the 11th ECO Summit, Eminent Person Group (EPG) was mandated to review the performance of the Organization and suggest ways and means to enhance ECO's dynamism, efficiency and visibility. What is your expectation of EPG?

Basically, any given dynamic organization, which cares about its future, needs to periodically evaluate its performance for identifying bottlenecks and problems with a view to finding viable solutions to overcome them. Accordingly and considering the global changes on one hand and the fundamental needs of the region

based on years of experience on the other hand, the political leadership decided to establish a panel of eminent persons to undertake review of the Organization. The work of the Eminent Persons is progressing. We hope this could help ECO to achieve its status that it truly deserves and to turn into a success story for the region. I expect that this group which is composed of internationally renowned and experienced personalities from Member States could come up with the vision not only to strengthen the will for cooperation among the members but also to prepare the ground for the implementation of large regional projects so that our organization more than ever becomes efficient.

■ Iraq and Qatar and ... participated in the 11th ECO Summit as special guests. Considering the fact that both are Muslim countries, do you believe it could be seen as a signal that ECO organization is going to grant membership to more countries from the Muslim world?

That's true. In the recent years, Iraq and Qatar have participated in ECO events and expressed interest to become closer to the ECO Organization and we welcome that. In fact, our mindset and approach is based on regional cooperation in a region which fortunately is home to substantial Muslims community. We think that the existing potentials in each and every country of the region is so abundant that could fulfill the demands and needs of the region to some extent, thus we needn't to approach remote economic powerhouses. In view of that, we seek to strengthen further the regional ties and to fortify the fundament of our Organization through attracting other interested parties especially the economically powerful ones. It would be relevant to add here that Article XIV of the Treaty of Izmir provides for ECO to establish cooperation with regional and international organizations, States and Institutions.

■ Some critiques argue that globally ECO is not known as it should. What are you going to do about it? Do you think ECO special agencies could be helpful in this regard?

In comparison with successful organiza-

tions like European Union, ECO's presence at the global level might seem modest. However, considering our modest resources, the circumstances in ECO States, it is fair to say that ECO today enjoys recognition as a serious and committed regional organization. ECO enjoys cooperative relations with such Organizations as the United Nations, OIC, European Commission, IDB, WTO, ASEAN, SCO, CICA, and a host of UN Specialized Agencies, Funds and Programmes, like UNIDO, UNESCAP, FAO, UNCTAD, UNICEF, UNEP, and many other. With most of these organizations, we have ongoing partnership in various sectors such as trade, transport, agriculture, and health and drugs control. The United Nations granted observer status to ECO back in 1993. Further, a biennial resolution is adopted by the United Nations General Assembly on UN-ECO cooperation which provides a framework of cooperation in various fields with the UN system. This shows that, despite its limitations, we have taken meaningful steps to enhance ECO's stature and standing at the regional and international level. Efforts are underway to further strengthen our international ties and to enlist the support of our partners for expeditious and successful realization of ECO's aims and goals.

Having vast experience in the work of international organizations, I believe that ECO in comparison with many other regional organizations has better standing. Then again this does not satisfy us and we wish to be among the most successful organizations. This requires more attention and determination toward cooperation from member states and further supports from their governments.

The ECO Specialized Agencies like ECO Cultural Institute, ECO Educational Institute and ECO Science Foundation can make great contributions to promoting the image and standing of ECO by playing an active role within their mandate. For instance, the ECO Cultural Institute issues a monthly publication titled "ECOTIMES". This is an instrument which can considerably contribute to promote ECO, its culture, history, common bonds, potential in various sectors and achievements. Such instruments must be employed to enhance publicity of the Organization and its work.





# ECO

## The Heart of Global Transit Corridors

In the ECO region cooperation in transport development has a direct bearing on the overall objective of regional economic integration. The ECO region with an area of 8 million square kilometers and more 385 million people has huge potential for development of trade and tourism among the member countries.

With such potential ECO can and should take major strides toward development of regional cooperation in the field of transport that not only helps integrate the economies of its member countries, but also provides a bridge between the East and West. An important development in the region, which augurs well for the transport sector, is that the economies of the Member States are growing fast. With the GDP growth rate as an indication, the ECO average GDP has experienced a surge well above the world average since 2001.

In 2004 GDP growth in the ECO regions was 8 percent while the world average was 5%. Trade of ECO states has

more than doubled since 2000. Average growth rate of exports, which was about 16 percent in 1999, exceeded 26 percent in 2005. Estimates for 2006 and 2007 are more promising. A similar trend was experienced in imports.

To sustain such high growth rates, there is an urgent need to enhance regional cooperation in transportation including development of infrastructure, facilitate transport operations and harmonize and simplify regulations and procedures. All these would help reduce time and cost of regional transactions and generate higher comparative advantage for goods and commodities of member countries in world markets. Regional cooperation in transport development is needed to help address the challenges facing the region. Seven of the 10 ECO states are landlocked.

Some have to cross borders twice to reach a seaport. Their shortest distance to the sea varies from 1,100 km to 3,500 km and thus raises transport costs by up to 50 percent. Poor infrastructure and institutional and physical barriers





ers exacerbate the problem. There is a need to invest in both physical infrastructure and non-physical facilities, in particular missing links and inefficient border facilities. Regional cooperation among the ECO countries in transport is also important to materialize the potential advantages and opportunities that lie ahead.

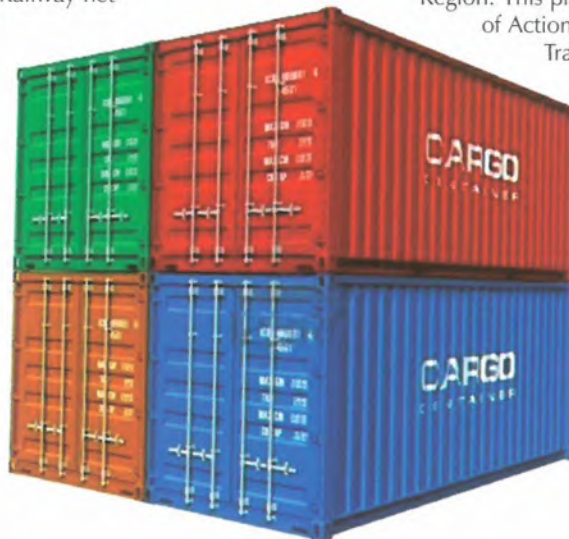
### ■ Twin Corridor

The ECO region lies astride the North-South and East-West corridors of the Trans-Asian Railway network. Out of a total of 81,000km long network, about 46,500km passes through the ECO countries. This amounts to over 57 percent of the total network identified by UNESCAP. In the Asian Highway network too ECO has a strategic role. Out of the total 141,000km transit roads of this network, about 49,000km (35 percent) lies in the ECO region. Total asphalted roads of the ECO states exceed 700,000km. These figures are yet another indication that development of transport

cooperation in transportation. Objectives for development of transport infrastructure were set out in the Quetta Plan of Action, adopted by the ECO Council of Ministers in February 1993. These objectives were reinforced in the ECO Long Term Perspectives (Istanbul Declaration) endorsed at the 2nd ECO Summit in July 1993.

In October 1993 ECO Ministers of Transport and Communications approved the Almaty Outline Plan for Development of the Transport Sector in the ECO Region. This plan was the basis for the Program of Action for the ECO Decade of Transport and Communications

(1998-2007). Within the said Program more than 100 national projects and joint regional projects have been envisaged, including preparation of the ECO Transit Transport Framework Agreement (TTFA), launching the ECO Container and Passenger Trains, Multimodal Project, publication of ECO Road & Railway Maps, and Telecommunication and postal projects.





## ■ Priorities

The methodology applied to achieve the ECO objectives in this Program was three pronged. First, efforts were made to identify the missing road and rail links to build adequate infrastructure. Since the ECO Secretariat had no financial means to finance such capital-intensive projects, member states undertook to complete the missing links through their national budgets.

It was decided that ECO priorities be given a notable place in national development schemes.

Second, through an elaborate system of expert level groups, workshops, meetings, the accession to international agreements and treaties was pursued to harmonize rules/regulations, build common transport policy and initiate seamless transit transport systems.

The objective was largely to remove logistic, administrative and legal impediments generally encountered at border points. Third, measures were taken to strengthen institutional capacity both at the Secretariat and within the Member States to benefit from technical advice from international rail and road associations, UNCTAD, UNESCAP and other international organizations. Many other initiatives have been undertaken beside the above program for development of efficient and seamless movement of cargo and passengers by road, rail, air, and sea.

Moreover, since the expansion of ECO from three to ten members, six ministerial meetings have been held for this sector. Also various committees, working groups and pro-

The ECO region lies astride the North-South and East-West corridors of the Trans-Asian Railway network. Out of a total of 81,000km long network, about 46,500km passes through the ECO countries.

grams have been formed for different sub-sectors, including railway, road, maritime transport, civil aviation, post and communications, and multimodal transport. The ECO Secretariat annually plans 15-20 events for the promotion of this sector alone.

## ■ Transit Transport Framework Agreement (TTFA)

One of the outputs of the regional program for ECO Decade of Transport and Communications was the preparation and finalization of the ECO Transit Transport Framework Agreement (TTFA). It was a way to mitigate the difficulties of landlocked countries in transit operations.

It is a comprehensive document that has emerged as the driving force for all activities related to the removal of non-physical barriers, harmonization of regulations and the





accession of member states to international transport conventions and standards.

Measures envisaged in the TTFA and its eight annexes further include mutual recognition of driving licenses, issuance of multiple entry/transit visas, motor vehicles third party insurance, harmonization of customs documentation and procedures, removal of transport permit limitations, implementation of vehicle regulations and standards, and many other transit related issues that are expected to minimize delays at border crossings. The TTFA was signed in May 1998 during the 5th ECO Summit. Eight annexes of the Agreement were approved by the 3rd ECO Ministerial Meeting on Transport & Communications (Islamabad, April 2000). So far, all ECO Member States, except Uzbekistan, have signed the Agreement ratified by the parliaments of seven countries, namely Afghanistan, Azerbaijan, Iran,

Kyrgyzstan, Kazakhstan, Pakistan, and Tajikistan.

It entered into force on May 19, 2006.

In accordance with Article 36 of the TTFA, a Transit Transport Coordination Council (TTCC) has been set up to monitor, implement and coordinate matters related to transit transport among the contracting parties. The 1st and 2nd Meetings of the TTCC were held in Baku in Sept. 2006 and 2007 respectively.

The Council decided to establish five technical committees on Legal, Insurance, Road, Railway and Transit Trade issues. Sessions of the TTCC and its auxiliary bodies have taken important decisions on the ways and means for effective implementation of the TTFA that are being followed up by the ECO Secretariat at regional level and inter-ministerial committees of member states at national level.

#### ■ ECO / IDB / UNCTAD Project on Multimodal Transport

In the Asian Highway network too, ECO has a strategic role. Out of the total 141,000km transit roads of this network, about 49,000km (35 percent) lies in the ECO region.

Multimodal transport is a transport operation that is carried out using different modes of transport and organized by a single operator.

It is also a legal concept strictly defined in the United Nations Convention on the International Transport of Goods and other international instruments, where the specified liability regime of the operator differs

from those applicable in modal operations.

Multimodal transport is generally considered as the most efficient way of handling an international door to door transport operation. This is so because it allows combining





in one voyage the specific advantages of each mode, such as road, rail and water transport in the best way.

The ECO Secretariat and IDB signed a Technical Assistance Agreement (Grant) on Sept. 11, 1999 under which IDB agreed to provide US \$ 272,000 for this purpose.

The first phase of multi-modal transport and trade facilitation project was accomplished through a workshop held in June 2004 at the ECO Secretariat. In the first phase, trade facilitation and some related issues including physical and non-physical trade barriers, international and local corridors, and customs clearance in member states were discussed. In the second phase, national reports and a consolidated regional report on the situation of multi-modal transport in the ECO region were prepared. The second phase of the Project was accomplished through a workshop on Multimodal Transport and the ECO/IDB/UNCTAD Interagency Meeting on June 25-27, 2007 in Tehran. An important agenda of the above meetings was to plan for the next phases of the Project and identify specific areas of activity and sub-projects to be implemented with the contribution of ECO, IDB, UNCTAD and UNESCAP.

In the next phase of the Project ten national workshops will be held in each member state. During these workshops, around 40 experts/officials will be trained in multi-modal transport.

### ■ Container Train

The preliminary schedule of the proposed demonstration train was presented by Kazakhstan during the 4th Meeting of the Heads of ECO Railway Authorities in Lahore in October 1999. A protocol related to this container train was signed in the city of Van (Turkey) in September 2001 and the train made its debut on January 20, 2002.

Negotiations and follow-ups

on tariff, time scheduling and other issues about operation of the container train are underway. The 9th Meeting of the Heads of ECO Railway Authorities in Astana June 13-14, 2007 took concrete measures to direct the operation of the ECO container train into its full capacity. The meeting finalized the long-awaited transit timetable of the train in the above route.

It decided that the duration of freight movement in the route, ie. 11 days and 18 hours according to the agreed timetable, be further shortened to 9 days to help enhance the competitiveness of the train.

The session also made a decisive move in settling the issue of tariffs by agreeing on a mechanism that was both acceptable to all Member States and would sustain the competitiveness of the route in future.

### ■ Passenger Train

The first demonstration of the ECO Passenger Train was held on March 13, 2001 but due to physical and non-physical obstacles, including visa issues and other technical problems, the project has not







yet become fully operational. As per decision of the 9th Meeting of the Heads of Railway Authorities in June 2007 in Astana, implementation of the project would be pursued in phases similar to the successful strategy adopted by Iran and Turkey. It was then decided that in order to launch the passenger train between Iran, Turkey and Turkmenistan, a joint committee, comprising the three countries and ECO Secretariat be established.

The committee will follow up operational issues of the Istanbul-Tehran- Ashgabat Passenger Train within a reasonable timeframe. For now the train runs regular weekly trips between Istanbul and Tehran. When the next two phases of the project come into effect the train will operate between Istanbul and Almaty and thus contribute to tourism in the region.

### ■ China - Middle East - Europe Rail Corridor

The China–Middle East–Europe Corridor the “Silk Rail Corridor” defined as a global project by the UIC passes from the heart of the ECO region. Since most of the en-route countries are ECO members, the subject was raised at the 3rd ECO Ministerial Meeting on Transport and Communications and the 7th Meeting of ECO Heads of Railway Authorities.

Starting from China, the corridor runs through Central Asia, enters Iran and extends to Turkey and Western Europe. At the 1st ECO Expert Group Meeting on China–Middle East–Europe Rail Corridor (Tehran 2004), an action plan was proposed by Iran for revitalizing the corridor.

The 9th meeting of railway chiefs agreed on specific measures to revise the plan of action and undertake a study on the physical and nonphysical barriers to the revitalization of the corridor. It mandated the ECO Secretariat to contact the relevant officials in China for coordination and cooperation.

Turkey and Kazakhstan were requested to extend the Trans-Asian Railway to Europe and China. Kazakhstan has already opened negotiations with China with China Railways for expansion of Trans-Asian Railway Mainline route to China.

---

*The author is ex-Director of Transportation & Communication, ECO Secretariat.*





# ECO Bank's

## Review of

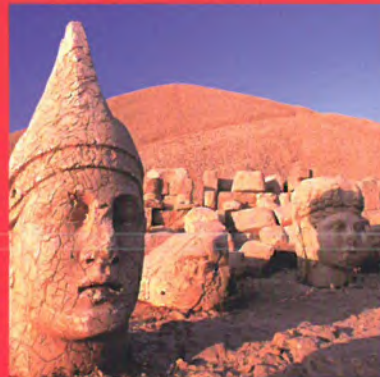
### Key Sectors & Investment Opportunities

**F**or sustainable economic growth and social development, Turkey's priorities are aimed at increasing competitiveness, increasing employment, strengthening human development and ensuring regional development. Growing population with an increasing per capita income provides various investment opportunities for both domestic and foreign firms.

In the past few, record foreign capital inflows and healthy export performance have encouraged the private

sector to have a greater role in the national economy. The sound macroeconomic performance is essential for maintaining the recent successful economic progress. Sustaining the growth rate in exports of the past few years would require improvements in productivity and emphasis on high value added production structure. This would mean that focus should shift from mere manufacturing to design, innovation, R&D, branding, marketing, and advertising.

With regard to public investments Turkey attaches priority





to the investments on education, health care, technological research, transport, drinking water and e-Government. It would like to strengthen its policymaking, regulating and supervising functions. Therefore, privatization process is set to continue. For infrastructural development in transportation, telecommunications and energy, Turkey's is looking for greater private sector investments through the use of public-private partnerships (PPPs) financing model. New law promoting renewable energy also encourages private investment. Turkey's proximity to major markets such as the ECO region, the Middle East and North Africa means that around 1.34 billion consumers could be easily reached.



This provides unique advantages like that of its logistics industry, which has developed significantly since its entry into the EU Customs Union.

Turkey is becoming one of the most attractive countries in the world for international investors and ranked 13th most attractive country in the world in 2007. The country received US\$ 22 billion of FDI in 2007, with financial, manufacturing, transports, and communication sectors among the most attractive sectors. In view of the above, the following sectors should receive particular attention from the Bank in making investments and supporting institutional reform.

## Energy

Total energy consumption of Turkey is around 102 million tonnes oil equivalent with oil and gas making 61 % of it, 93 % of oil and 97 % of gas are imported. Thus, during 2007, Turkey spent US\$ 33.9 billion on the import of energy supplies, including fossil fuels, lubricants and related materials. Demographic and economic growth would add growing energy needs in Turkey. The country is, therefore, encouraging foreign and private sector investors to implement the energy projects to create the additional capacity needed. Turkey would like to diversify its sources of primary energy through oil and natural gas exploration, hydroelectric production and other renewable energy sources.

By 2012, the electricity demand would approach 300,000 GWh (current production is

200,000 GWh). There are plans to privatize publicly held electricity transmission lines and eventually production facilities. Thus ECO Trade and Development Bank (ETDB) would also consider financing establishment of electricity transmission facilitators (private companies).

Turkey is home to an ideal geography for wind and solar energy investments, with an average of over seven hours of sunshine a day and borders with the Aegean. However, the current capacity is around 4,000 MW; therefore the government is planning to open geothermal areas for the operation of private sector. Turkey is also considering establishment of nuclear energy besides the renewable energy. The government wants the private

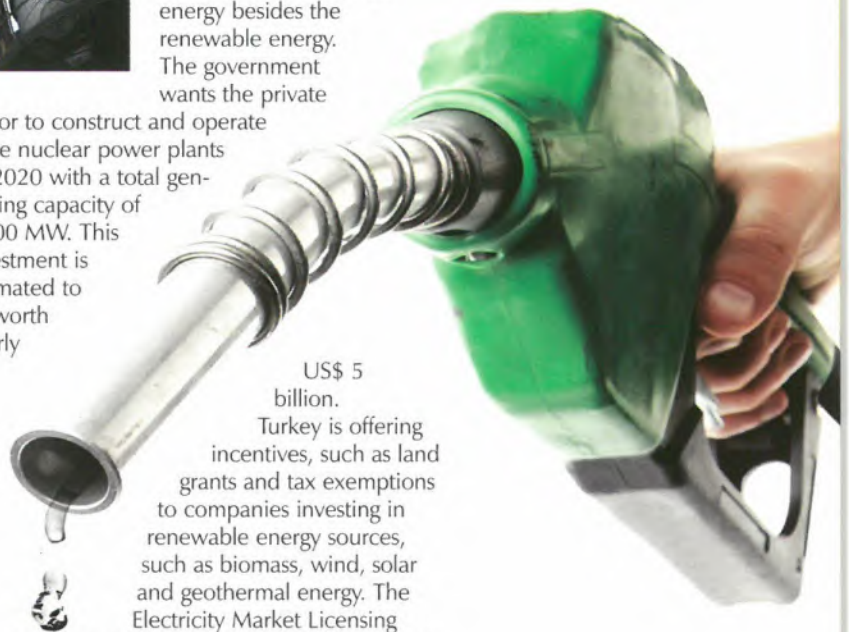
sector to construct and operate three nuclear power plants by 2020 with a total generating capacity of 4,500 MW. This investment is estimated to be worth nearly

US\$ 5 billion.

Turkey is offering incentives, such as land grants and tax exemptions to companies investing in renewable energy sources, such as biomass, wind, solar and geothermal energy. The Electricity Market Licensing

Regulation provides several incentives for generation facilities based on renewable energy resources, such as a reduction in license fees, an exemption from license fees for the first eight years of operation, options to wholesale the private sector, and a degree of purchasing priority.

The ETDB shall consider project opportunities in energy sector in a way to provide financing in the form of equity and/or quasi equity instruments. Turkey aims to be a transit route and hub for the transportation of energy sources (oil, gas and electricity) in the region to the international markets. In this respect, the Bank shall support project on construction of new or rehabilitation of existing





energy transportation infrastructure (pipelines, railways, maritime transportation facilities, etc) and storage facilities.

## Municipal Infrastructure

There are 3,225 municipalities and 81 provinces in Turkey. Turkey also has 16 officially designated metropolitan areas. Developing municipal infrastructure is vital to improve local service delivery.



Infrastructure investment needs at the local level are significant for water supply, sanitation, air pollution reduction, solid waste management, secondary roads and other related municipal services.

Migration from rural to urban areas has further increased the pressure on municipalities to provide safe and reliable

municipal services. Municipalities and their utilities have depended on the central government to subsidize sector investment and operations.

The lack of availability of long-term funds has prevented most municipalities to access private capital for investments, except for the largest metropolitan municipalities. Allocation of public and private funds for maintenance and new investments at the municipal level, greater use of public-private partnerships (PPPs) to operate publicly owned systems and improvement of governance at the municipal and central government levels are being looked at as key objectives. Within this strategy programs/projects related to urban transformation-particularly development of residential houses, urban renewal, and development of infrastructure, water management and solid waste management are the areas where ETDB may provide financial

resources. The Bank may involve in projects with where municipalities or companies linked to municipalities or government play role of the borrower or ultimate guarantor. Projects supporting public-private partnerships may be targeted in order to alleviate bottlenecks in cost-effective ways.

## Transportation

Turkey lies between Asia and Europe serving as a bridge geographically, culturally and economically. Its location on two continents gives the country's transportation and logistics sector a

major advantage in serving the markets of Europe, the Middle East and North Africa. Turkey has the most developed infrastructure in the region. During the last decade, significant efforts were made to renew the transportation and communication systems; As a result, significant improvements were achieved.

The objective is to create a transportation infrastructure, where transportation is conducted safely, economically and in conformity with international standards. Complementary balance between transportation modes and widespread use of combined transport are essential.

Investments in the transportation system have traditionally concentrated

---

The Bank shall provide long-term financing to SMEs, through credit line to local banks for broadening their reach and market penetration

---

on land transportation infrastructure and Turkey has developed one of the largest land transportation fleets in Europe. In Turkey, approximately 94 % of inter-city passenger transport and about 90 % of freight transport are realized

through highways. The use of railway transport is about 3%, maritime transport is 0.4%, and air transport is 2.6%.

This situation shows that a investment strategy should be concentrated on to provide the necessary balance between transport sub-sectors by

way of shifting current intense traffic on road transport through maritime and railway transport.

Therefore, development





and financing of new projects in maritime, civil aviation and rail sectors should be prioritized. The new railways strategy of Turkey focuses on private sector involvement in railway transportation. In this context, supporting private sector train operations should be focused by the Bank. Extension line investments mainly for industrial organized zones should be made through partnership with private sector and private sector investment in railway stock should be encouraged. In addition, emphasis has been put on construction of high

park and inadequate road infrastructure, municipalities are developing many light rail system projects. Several municipalities have built or are building metro systems. Turkey needs some 2,000 wagons only for the rail projects currently under construction.

As the projects in the planning and construction stages, which belong to the 16 metropolis municipalities, are commissioned during the next decade, the requirement will increase to 3,000 representing a purchase of railway equipments worth US\$ 10-12 billion. The Government provides significant support for the inner-city mass transportation projects of municipalities.

Given such support, the Bank shall focus on local transportation projects like metro and light rail transit systems that are implemented by various metropolitan municipalities. Turkey, a country surrounded by sea on three sides, places great emphasis on port development and sea transport. Thus investment in increasing port capacities and facilities through privatization is under implementation by Turkey. The Bank may also focus on projects for construction of ports, marinas and shipyards.

Considering that some 40 percent of Turkey's foreign trade passes through land border gates and 30 percent of entries and exits from Turkey by travelers also take place at these points, modernization of land customs points in order to increase the security and efficiency at the borders is important. In this regard, ETDB may also provide financial assistance to advance customs point modernization projects. In addition establishment of trade centers at the border districts may be also considered by the ETDB and relevant authorities in order to develop the trade between ECO countries.

## Manufacturing Industry

The manufacturing sector plays an important



speed lines, which are in progress.

In international freight transport reciprocal block train runs are being performed from Turkey to Germany, Hungary, Austria, Holland, Slovenia, Iran, Syria, Iraq, Turkmenistan and Kazakhstan. In this connection, ETDB should support projects on revitalization of Silk Road, construction of Van lake pass and Caspian Sea pass for further revitalizing the multimodal transportation in the ECO region.

In order to combat the acute traffic problems in the cities due to the expanding population/urbanization, rapidly increasing car



role in Turkey's economy. The top four most significant manufacturing sub-sectors in terms of value added and employment are (i) food and beverage; (ii) textile, wearing apparel and leather; (iii) chemical, petroleum, coal, rubber and plastic products; and (iv) fabricated metal products, machinery and equipment, and transportation vehicles. In 2007 the industry exports reached US\$ 101 billion with a share of 94.3 % in total exports.

The main export sectors were clothing and textiles, automotive and parts, electrical machinery, iron and steel, food products, chemicals, rubber articles, plastic articles, gold jewelry, ceramics, glass and furniture. Manufacturing industry imports reached US\$ 133.9 billion with a share of 78.2 % in total imports in 2007. The major import articles were machinery, chemicals, motor vehicles, textiles, electronics, food products, rubber and plastics, medical, measurement and optical instruments and paper products.

Sectoral statistics on GDP and export revenue contribution in recent years provide clear indication of a trend in the Turkish manufacturing industry away from traditional low-labor-cost, low-tech industries, such as textiles, garments and leather to medium and high-tech industries, including automotive, machinery and electronics. The Bank will assign priority to manufacturing sector projects having promising export potential. In the industry the main objective is to shift the industry to a stage of medium-high technology and increase the production of high value-added goods with an export-oriented perspective.

Therefore, establishment of new industrial enterprises in industrial zones and shifting existing enterprises to these zones would be encouraged and importance will be given to cooperation activities among the enterprises.

The Bank may look on opportunities to provide financial support for development of special techno-parks, innovation transfer centers and enterprise incubators.

## Tourism

Turkey boasts extremely rich historical, natural and cultural resources. The varied geography means that the country can offer touristic pursuits throughout the year. Istanbul and Antalya are leading the way in developing meetings, incentives, conferences, and exhibitions tourism.

In 2007 around 25 million tourist visited Turkey resulting in over \$ 20 billion revenues from this



sector. Currently most of the tourists come from European Union countries and Russia.

However, the country is increasingly attracting tourists from the US, China, and the Gulf countries were are traditionally high spenders as compared to the European visitors. Turkey aims to double its revenues from the tourism by 2013 to \$ 40 billion. By 2023, the country aims to develop infrastructure and facilities to accommodate 63 million tourists and increasing revenues to \$ 86 billion of revenues from the sector.

This would catapult the country into the top five tourist attractions worldwide. The projects to sup-



port this objective are creation and expansion of cultural and tourism regions in Phrygia, Troy, Aphrodisias, Sogut, and Capadocia, the creation of tourism expansion corridors at Zeytin, Kis, Inanc, Ipek, and the west Black Sea coast, and the development of new yacht harbours. Infrastructure for winter sports and ski centers in Davraz and Sarikamis will be upgraded. The government is also focusing on developing 'Thermal Tourism' in areas such as Trojan, Aphrodisian, and Phrygian. The Bank will support projects launched by established companies in developing new / expanding existing facilities in the identified tourism sites in the country. It may explore opportunities of joining with other commercial banks in supporting large tourism projects, focusing on providing the foreign exchange component of such projects.



rently produces nearly half the world's supply of organic cotton, for example. The ETDB may also develop operations in this sub-sector. In the irrigation sector, efforts will be concentrated on financing expansion of irrigation system promoting conservation and efficient use of water resources. Particularly investment in concrete agricultural projects within the GAP (Southeastern Anatolia Project) region may be

looked at by the Bank.

Moreover, the agricultural machinery sector is expected to further develop with the development and completion of the GAP which takes a new start in 2008. Agriculture based industrial development will capitalize on such products as soybeans, peanuts, corn and sunflowers. Due to these developments, the agricultural machinery industry is expected to increase its capacity, quality and product range and become a primary branch of the Turkish machinery sector. Thus the Bank may also support development of agricultural machinery sector.

## Agri-Business

Turkey has 27 million hectares of agriculture land (excluding pastures and meadows). According to the 2007 figures 26.8% of Turkey's population is engaged in agriculture and livestock production. About 9% of total income in Turkey is obtained from agriculture. Together with the agro industry and agriculture based services sector, the ratio is about 30% of GDP.

Turkey has also attained to a huge agro-industry market containing dairy products, cereal and starch products, processed fruits and vegetables, edible oils, meat and meat products, sugary and etc. The current size of the Turkish agro-industry market is estimated about 50 to 60 billion US dollars. Robust agricultural sector has resulted in a strong agricultural machinery sector in Turkey. The objectives of Turkey in the agricultural sector is to develop a competitive structure with organized producers, taking into account the food security and safety concerns along with the sustainable use of natural resources. In this framework, the ETDB will capitalize on modernization efforts of the agricultural and food industry enterprises especially those who are taking animal health and food safety aspects into account and increase the competitiveness of exports of agricultural products. One area where Turkey's agricultural sector shows strong potential is in organic goods – it cur-

## Telecom and IT

Turk Telecom is the dominant player in the fixed line market.

After liberalization in the long distance segment in 2004 over 40 licenses were granted out of which only 10 have gone into operations. Experts believe that the fixed line infrastructure is overloaded and needs expansion. Turk Telecom is responding to the situation by planning to inject \$ 2.5 billion for systems upgrade.

The fixed line penetration rate in Turkey was around 26% in 2007.

Whereas the penetration rate for the mobile telephone is 90%. There are three main operators in the mobile sector in Turkey. Turkcell being the largest player in the market has a 58% share of the market while Vodafone has 26% share, and Avea has 17% of the market share.

IT sector has seen stronger growth in the last few years. The size of the industry is over \$ 23 billion as per Turkish Informatics Industry Association





(TUBISAD). ADSL subscribers were around 4.5 million in 2007 and are expected to reach 8 million by 2010. Internet usage in 2007 was around 26.5 million which corresponds to 35% of the population. Personal Computers' usage is continuously on the increase fuelling sustained demand for the hardware.

Government is planning to bring in a new legal framework to encourage R & D expenditures which will help the industry to grow. This would facilitate establishment of techno parks as well as provide subsidies for the sector.

Public sector is planning to integrate IT more into its activities which will prove to be a driver for the IT industry's development. Business-to-business segment of the industry is still weak compared to business-to-customer segment.

Turkish companies have a great potential for growth as around 19 companies were placed in the top 500 IT companies in Europe list. ETDB will consider opportunities to support infrastructure development and maintenance for technology

parks. Through its trade finance operations, it will identify opportunities to help

telecom companies to upgrade and expand their network and services.



## Real Estate & Construction

Turkish construction industry is very strong with 22 construction firms included in Engineering News Records top 225 global contractors list. These firms undertake projects both in civil and industrial sectors and make use of latest technology in executing challenging assignments.

In 2007, the construction sector grew by over 16%. With the passage of first ever mortgage law the demand for construction services is likely to go up.

The higher interest rates are still preventing the middle class to afford mortgages. Housing loans stand at 4.8% of the GNP which is low by OECD standards. Turkey's



Association of Real Estate Investment Companies expect that mortgage loans may amount to approximately \$ 88 billion by 2015.

Privatization of major toll roads and bridges is being contemplated.

The proceeds from these transactions will be used for making fresh investments in the roads and highways sector. In the 2008-2012 five year plan the government intends to construct 500 km of roads annually.

Government is working on a plan to set up a network of high speed rail network across the country.

Ankara- Istanbul line has been completed till stage one. While work on the second stage and other sections including Ankara – Konya, Ankara – Sivas, and Bursa – Osmaniye would be started soon. Marmaray project in Istanbul with associated light rail track of 250 km is expected to be operational by 2011-2012.

An amount of US \$ 297.5 million has been allocated for building railways links with Georgia and Azerbaijan.

The Bank will consider opportunities where it may provide financing to local companies in executing housing and commercial infrastructure projects.

## Conclusion

As an emerging economy with varying areas of attraction, the growth and investment opportunities offered by Turkey are vast. In conclusion to the economic and sectoral overview of the country, the following points could be highlighted:

**The noteworthy** economic performance of Turkey since 2002 has opened the country to worldwide attention.

The commitment to prudent fiscal and monetary policies and attractive investment opportunities are expected to enable the country to accelerate the growth momentum once again after the global financial crisis weathers. Restoring sustainable portfolio inflows and FDI through privatization is expected to be the engine of growth as it was during the past years.





**Maintaining** macroeconomic balance, diversifying trade partners, implementing micro reforms for labor market, promoting competition, and continuing its bid for the European Union membership will add the competitive edge the country needs to get ahead of its counterparts.

**Growth** has been driven by mainly private sector, not by a fiscal expansion or monetary loosening. Productivity growth in private manufacturing sector has been increased encouraging the sus-

tion, white goods, machines and electronics, construction, automobile, pharmaceutical, mining/minerals, textile food processing and packaging, etc. Within the infrastructure development framework, especially in energy and transportation the Government would like to implement projects improving technology as well as appropriate contractual and legal framework through PPP/BOT basis.

Along with the economic growth and population increase, significant increases were observed both in primary energy and electricity consumption in Turkey.

In order to increase the security of energy supply in the long term, Turkey would be promoting private sector to invest on electricity distribution and generation, construction of dams, energy efficiency, development of renewable energy sources, e.g. wind, solar, geothermal, etc. In addition, Turkey would like to be a transit route and hub for the transportation of energy sources (oil, gas and electricity) in the region to the international markets.

Turkey would like to benefit from its vast agricultural potential. Thus, appropriate investments in production efficiency, techniques and irrigation systems should be encouraged by the Bank to raise production including organic farming, raising livestock (particularly dairy facilities) and ensure food security and sustainable use of natural resources. The number of tourists who visited Turkey reached 25 million in 2007 and is expected to double within

the medium term. This means there are great opportunities for development of service quality and tourism structure of potential regions and also promote faith tourism, cultural tours, historical places and museums, winter sports, golf, health tourism and 'spa's. Side-industries such as catering etc. are also expected to enjoy the future activities.

tainability of growth process and maintaining the competitiveness of Turkish economy.

The Bank should encourage the growth of SMEs via development of R&D and innovativeness, technology transfer, information and communication technologies and shift to a high value-added production to drive export, employment and expand their role in the economy.

**With an increasing** consumer purchasing power, Turkey offers a huge and dynamic domestic market to investors in various sectors, inter alia energy, information/communication, transporta-

*Part of ECO Bank's Survey: Country Partnership Strategy-Turkey: 2009-10*





Fourth ECO Ministerial Meeting on

# Commerce & Foreign Trade

## Kabul Declaration

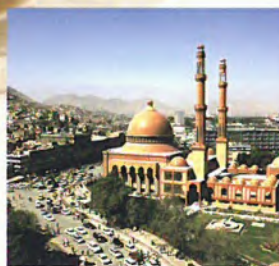


The ECO Ministers for Commerce and Foreign Trade held their fourth Meeting in Kabul, the Islamic Republic of Afghanistan on July 13, 2011. Stressing the need for the economic integration and liberalization of trade, the Ministers/Heads of delegation adopted the following Declaration:

*They:*

- *Urged* for broadening cooperation to support and strengthen existing capacities of the Member States and underlined the need to explore possibilities of offering more direct and meaningful support to the regional business communities and to set achievable targets in regional trade on annual basis.

- *Welcomed* the establishment of a Joint Working Group to



finalize the Multi-Dimensional Regional Trade and Investment Strategy as well as an Action Plan defining the role, responsibilities and timeframe for launching promotional activities by the relevant organizations for the ultimate goal of creating a Free Trade Area in the ECO region;

- *Stressed* the importance of ECOTA for the regional trade integration and reiterated that all the Member States shall become party to it. They also called upon the ECOTA Contracting Parties to remove obstacles for accelerated implementation of the Agreement;

- *Expressed* their satisfaction at the ratification of Articles of Agreement for the Establishment of ECO Reinsurance Company by Pakistan and signing by Iran and Turkey, and stressed the two countries to ratify it at the earliest. They urged other Member States to become party to ECO Reinsurance Company;

- *Appreciated* the efforts of the ECO Secretariat in supporting the non WTO Members of ECO in their accession process to WTO;

- *Stressed* the WTO Member States of ECO to offer assistance in capacity building and share experiences with the non WTO Members and further urged the non WTO members to



identify areas for seeking support of WTO members of ECO;

- *Urged* for early ratification and implementation of the Agreement on Establishment and Operations of ECO Smuggling and Customs Offences Databank and the ECO Agreement on Mutual Administrative Assistance in Customs Matters;

- *Welcomed* the establishment of a Joint Working Group for preparing a draft ECO Trade Facilitation Agreement aimed at simplification of Customs Procedures, harmonizing transit trade mechanisms and putting in place transparent customs regulatory regimes;

- *Welcomed* the setting up of the Trade Promotion Organization Forum and appreciated the progress made during its 1st Meeting (18-19 January 2009, Tehran) for the promotion of intra-regional trade and private sector cooperation. They also agreed to have a Regional Agreement on Organizing Joint Trade Promotional Activities and requested the Republic of Turkey to prepare the draft of the Agreement;

- *Welcomed* the launching of ECO Trade and Investment Network Web Portal to facilitate the exchange of information on intra-regional trade and investment and urged the Member States not having hosted the Orientation Seminars on Web Portal to host these activities;

the cooperation for closer trade and business relations by organizing trade fairs, exhibitions, business forums, commodity forums, buyers-sellers meetings and such other promotional events; they also agreed on adopting a workable mechanism for holding of specialized trade fairs, organization of symposia in key sectors, establishment of sector specific trade associations at regional level and coordination of Integrated Markets Promotion Plans;

- *Appreciated* the participation of the IDB Group, International Islamic Trade Finance Corporation (ITFC) in particular, in the meeting and expressed desire for closer cooperation between the IDB Group and the ECO Countries especially in the area of trade promotion and its enhancement;

- *Expressed* their profound



- *Welcomed* the operationalization of ECO Trade and Development Bank (ECO-TDB) and the opening of its representative offices in Iran and Pakistan and urged all the ECO Member States to join the Bank; Appreciating the SME loan facility and short term trade finance facilities offered by the Bank to the Member States, it urged the Bank to create a Technical Cooperation Fund to finance trade development projects in the region;

- *Appreciated* the measures taken for private sector cooperation in the region and called for further strengthening of

gratitude to the Government and the people of the Islamic Republic of Afghanistan, for extending traditional warm hospitality to the delegates; They also thanked the ECO Secretary General H.E. Mr. Mohammed Yahya Maroofi, and his staff for their valuable assistance and contributions towards the success of this meeting.



**B**anking is considered as one of the key industries in each economy. This can be justified regarding the role of banks in producing value added – whether directly through getting involved in ventures or indirectly through conducting monetary funds towards production units, and playing the role of intermediary in the coincidence of payment dues. In Iran's economy, this is specially the case, as there are little sources of funding projects other than banking sector.

Also, fulfilling privatization has been put on the top priority since the amendment in Principle 44th of the Constitution was issued (2006).

this sector has passed 4 different stages as follows:

#### ■ First Stage: 1888-1949

In Iran, banking started in 1888 through the establishment of two foreign banks' branches in Iran. Then in 1889 the Imperial bank of Iran was established through using the British grant of "Barron Jullio Roiter". Then, Iran and Osmani Bank was established.

All these banks were under supervision of England and Russia. This was the case till the first national bank (Melli bank) was established in 1927. Then, after about 20 years later, the first private bank with Iranian capital was established in 1949.



private). Meanwhile, the number of banking branches increased from 6980 to 8270.

#### ■ Third Stage: 1979-1998

After the Revolution of 1979 and therefore the incidence of various factors such as lapse of public confidence, considerable withdrawals, and increased non performing loans of banks, the operation of most private banks stopped in spite of Central Bank aids.

In such circumstances, "the Bill for Nationalizing Banks, Credit and Insurance institutions" was passed by Islamic Revolution Council of Iran in the 1979, transferring the ownership of all private banks to Government.

# Development of Banking Industry

Furthermore, ownership status in banking sector is also to transform toward enhancing the share of private sector.

This shows the necessity of studying the structure of banking industry.

#### ■ History of Structural Changes in Banking Industry

The review of banking system evolution in Iran's economy indicates that

#### ■ Second Stage: 1950-78

Since the establishment of the first private bank, some other banks with private, governmental, and mixed ownership were established. Also in 1953, banking rules were revised. Gradually, the number of private banks enhanced considerably.

The trend was such accelerating that till 1962, the number of banks reached 27 (10 governmental and 17

Thus, the number of banks were reduced from thirty six to nine.

Then in 1983, the "Law for Non-Usury Banking Operation" was passed. From that time on, facilities are extended in the form of 14 Islamic contracts. Also, interest rates were replaced by banking fees and assured profit.

During this period, the governmental structure of banks and extensive pres-





# Structure in Iran

ence of government in banking operations allowed policy makers to take advantage of banks' monetary fund in favor of their macro/micro priorities.

#### ■ Fourth Stage: 1998-2009

Governmental structure of the banking industry lasted till 1998. By this time, the "Law for Authorizing the Establishment of Private Banks" was passed. Therefore a number of monetary financial institutions began their



operation except for opening demand deposit accounts. Then, private banks began entering; so that until 2009 ten private banks joined the banking industry.

It is now expected that banking market in Iran is on its way to become more competitive.

Performance Indicators in Banking Industry The below Table shows some indicators comparing the performance of Iranian governmental banks with



those of private banks during 2003-2009.

Table1. Performance Indicators in Iran's Banking System (2003-2009)

Index	Private banks	Governmental banks
ROA	2.86	1.42
ROE	45.73	21.42
C/R	36.66	73.43
NIM	3.34	4.04

There are four indices as Return on Assets (ROA), Return on Equity (ROE), The Ratio of Total Cost to Total Revenue (C/R), and Net Interest Margin (NIM) presented in the table. The results show that:

The ROA index, obtained from dividing total profit by total asset, shows that the private banks use assets in more efficient ways governmental banks, hence gaining more profit. The average of this index was equal to 1.42 and 2.86 percent for governmental and private banks, respectively.

The "ROE" index is obtained from the ratio of net distributed profit to average total capital.

The results show that the average return on equity during 2004-2009, in private banks (45.73%) had been much better than governmental banks (21.42 %).

The ratio of cost to revenue (C/R) in governmental banks during 2003-2009 was higher than 60 percent and in some cases it was above 90 percent. Totally, the average of this index during 2003-2009 among governmental banks was equal to 73.93.99 percent.

While the average of this index for private banks is lower and approached

to 36.66 %. Finally, the index of Net Profit Margins obtained from the ratio of received interest to total assets shows that the trend of changes in private banks' profitability was more stable than governmental banks. As, the average ratio in the private and governmental banks were 3.34 and 4.04 percent, respectively.

Review of indices indicates that private banks performed more efficiently than governmental banks during 2003-2009.

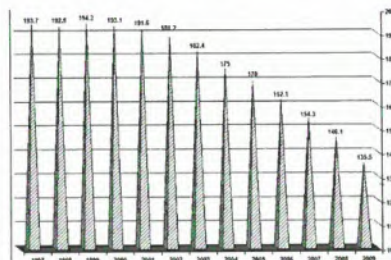
### ■ Measuring structural Changes:

To get more information on the structural changes in Iran's banking it is better to use concentration Index.

In this respect, various measures of market concentration are examined theoretically and the U index of concentration is chosen to be applied in Iran's banking sector for the first time.

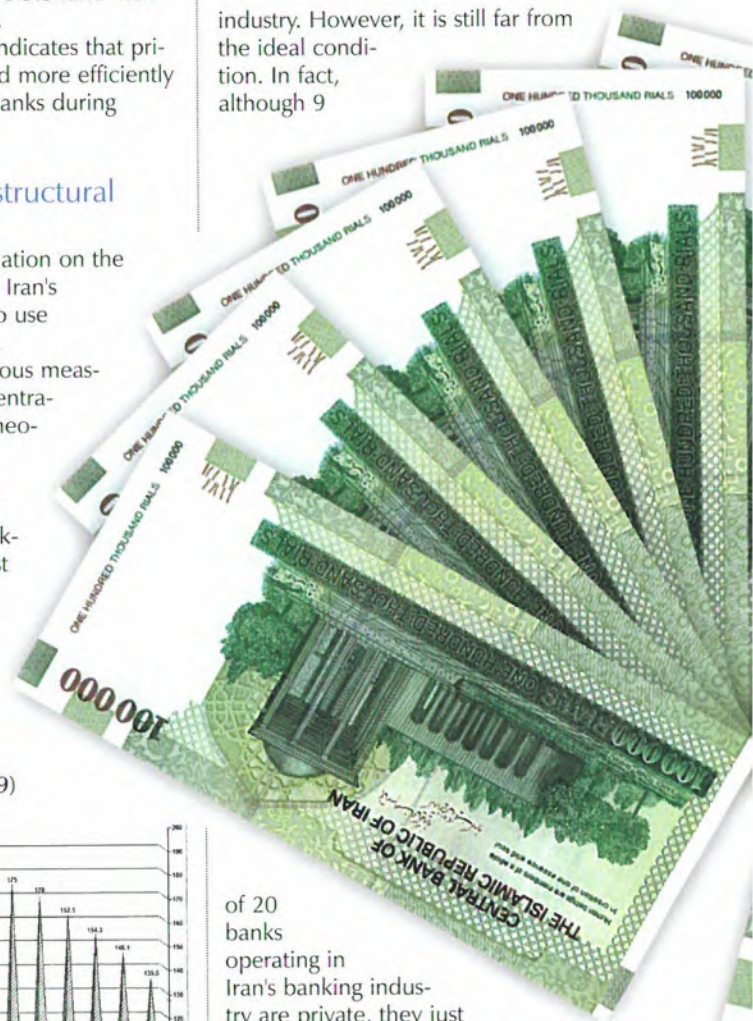
The result is presented in the below figure.

Trend of U Index in Iran's Banking Industry (1996-2009)



As the above figure shows, the value of index has been decreasing from 193.7 in 1997 to 135.5 in 2009, implying that competition intensity is tending to increase in Iran's banking

industry. However, it is still far from the ideal condition. In fact, although 9



of 20 banks operating in Iran's banking industry are private, they just capture about one fourth of the market shares of facilities. This is due to the governmental nature of ownership in key industries which are the major clients of governmental banks in Iran.

There is also another justification which is tight regulations (such as



interest rate ceilings, limitations with new branches, etc) on private banks. Of course, such limitations are also the case for governmental banks, there are some exclusive granting provided for governmental banks to compensate

If private banks were not subject to interest rate ceilings and were permitted to pay for deposits as much as they afford, surely they could attract more share in deposit market and could lend more accordingly, capturing more share in loan market. This was what happened during 2003-2006, that tight interest rate ceilings were not still imposed.

In such environment, acceleration of new banks entry or pushing the process of governmental banks' privatization (under the amendments in 44th principle of Constitution) may not yield expected results, unless regulations are revised.

### ■ Concluding Remarks

Banking industry in the Iran's economy plays the key role in providing financial resources due to capital market limitations. In fact, banking industry in Iran's economy can be regarded as a major link between money demand and supply, to the extent that likely deficiencies in the structure and performance of this sector, may bring about disturbance in other sectors. This implies the necessity of precise understanding of this sector in policy making.

Iran's banking system consists of 11 governmental and 10 private banks. Comparative study shows more efficiency in performance and much better financial indices in private banks in spite of limited market share of these banks (about 23% in loans market and 25% in deposit market in 2010). Other limitations constraining private banks can be classified as: higher costs of financing monetary resources, restrictions with establishment of new

branches, predetermined interest rates, lack of central bank's financial support (which is provided for governmental banks), while facing with similar required reserves.

We can classify the structure changes in Iran's banking sector in four stages. In the first and second stage, private sector was permitted to enter, while competitive atmosphere promoted in the sector. During this period, 36 banks were established, 26 of which were private.

The third stage started with nationalization and merger of banks. The number of banks in Iran's economy reduced to 9, after passing the law of banks nationalization. Therefore, competition turned in to monopolistic condition. The fourth stage initiated from the time "law for banking privatization" was passed (1998). In this stage, banking industry structure tended to get competitive. This can be justified through investigating U index of concentration, indicating intensifying competition. However, competitive condition may not be realized unless in the case of re-regulation in banking system.

#### Authors:

Atousa Goodarzi, President of ECO College of Insurance and an Associate Professor at the Allameh Tabataba'i University, Tehran, Iran.  
(atousagoodarzi@yahoo.com)

Dr. Afsaneh Shfaiee, Senior Expert in the Institute for Trade Studies & Research, Ministry of Commerce, I.R. Iran  
(afsanehshfaiee2003@yahoo.com)



them and make them able to offer

inexpensive loans.

As a result governmental banks hold dominant position even in the case of accelerating entrance of private banks.



**P**akistan is a fairly large country spread over 796,095 square kilometers. It is rich in landscape and cultural traditions. Half a dozen civilizations have flourished here. This diverse background has produced a friendly and cheerful people who greet foreign visitors with pleasure.

Pakistan traces its history back to at least 2,500 years before Christ, when a highly developed civilization flourished in the Indus Valley area. Excavations at Harappa, Mohenjodaro and Kot Diji have brought to light evidence of the existence of an advanced civilization even in most ancient times.

Around about 1500 B.C. the Aryans overwhelmed this region and influenced the local civilization. The Persians ruled the northern region in the 5th century B.C. and the Greeks came in 327 B.C., under the Alexander of Macedonia. In 712 A.D., the Muslim Arabs, led by Muhammad Bin Qasim, landed near modern Karachi and ruled the lower half of Pakistan for two hundred years influencing the life, culture and traditions of the people.

In the 10th century A.D. began the systematic conquest of Indo-Pakistan by the Muslims from Central Asia who ruled almost the whole sub-continent up to the 18th Century A.D. The British became masters of the land thereafter and ruled for nearly 200 years up to 1947. They had to leave as a result of freedom movement for the Muslims of the sub-continent under the dynamic leadership of Quaid-i-Azam Muhammad Ali Jinnah. Pakistan emerged on the map of the world as a sovereign state on 14th August 1947 with the parti-

tioning of British Indian Empire into two independent states: India and Pakistan.

Tourism is a growing industry in Pakistan. The variety of attractions range from the ruins of ancient civilization such as Mohenjo-daro, Harappa and Taxila, to the Himalayan hill stations, which attract those interested in the field and winter sports. Pakistan is home to several mountain peaks over 7000 m, which attract adventurers and mountaineers from around the world, especially K2.

The northern parts of Pakistan have many old fortresses, towers and other architecture as well as the Hunza and Chitral valleys, the latter being home to the small pre-

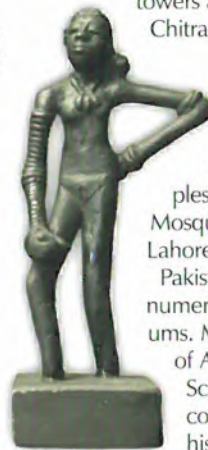
Islamic Animist Kalasha community who claim descendant from the army of Alexander the Great. In the Punjab is the site of Alexander's battle on the Jhelum River and the historic city

Lahore, Pakistan's cultural capital with many examples of Mughal architecture such as the Badshahi Mosque, Shalimar Gardens, Tomb of Jahangir and the Lahore Fort.

Pakistan is an important cultural tourism destination with numerous historical places, archaeological sites and museums. Ministry of Tourism in cooperation with Department of Archaeology and Museums, Lok Virsa, Pakistan Science Foundation and Provincial Governments compile data of foreign and domestic tourists to the historical places, museums and archaeological sites.

During 2008, totally 2.810 million visitors visited the historical places, archaeological sites and museums in the country as compared to 2.882 million visitors during 2007.

Out of the total visitors, 99.2 percent were Pakistani visitors and 0.8 percent foreign visitors. The factors attributed to the decline of foreign visitors were the negative travel advisories issued by foreign gov-



# Pakistan's Unique Tourism





ernments / embassies to avoid visiting public places. The overall visitors to the places of historical interest were 2.120 million during 2008, the visitors to museums numbered 0.602 million and visitors to Archaeological sites witnessed negative trend of 30.7 percent decrease during 2008 over the year 2007.

Some of the important cultural tourist attractions are:

### Mehrgarh

It is a 9000-year-old site of settlement on Kachhi plain South east of Quetta covering an area of 200 hectares. People of Mehrgarh produced some fine terracotta figurine and pottery with exotic geometric designs.

### Indus Valley Civilization

Traces of the Indus Valley Civilization, which appeared around 3300-1700 BC can be found in the ruins of Moenjodaro and Harappa. Moenjodaro is located in the north of Karachi and Harappa in the south of Sahiwal.

### The Maurya Empire

Ashoka (273 BC-232 BC), the grandson of Chandragupta, started his career from Taxila as a governor. He constructed grand stupas to enshrine them; these include Dharmarajika Stupa in Taxila and Butkura Stupa in Swat. Mauryan control over the northern area is attested from the Rock Edicts left by Ashoka, such as at Shah Bazarhi.

### Alexander

Around 327 BC, Alexander entered Pakistan from the northern route at Swat. The Kalash tribe in the North are said to be descendants of Alexander's men. There are relics of Alexander and his armies all over the Pakistan, such as coins and Jandial Temple in Taxila.

### Mughal Empire

The six Great Mughals reigned from 1526 to 1707. Mughals produced unique architecture, such as Badshahi Mosque, Shalimar Gardens, Lahore Fort, Wazir Khan Mosque and Hiran Minar. The Mughal way of architecture was replete with stone carvings, glazed tile decorations and beautiful decorative designs in precious stones in marble. Makli Tombs in Thatta are samples of this splendid architecture and it is considered to be the world's largest necropolis.

### Economic Significance of Tourism

The national income accounts of Pakistan do not show tourism as a separate economic sector because it is considered to be cutting across and entering into various other sectors of the economy viz; transport, construction services, ownership of development and trade etc. The Tourism Sector, however, plays a significant role in the economy of the country. The economic impact of foreign tourism is given below:

During 2007-08, the O.N.P. of the country was Rs. 5926.089 billion, equivalent to US \$ 94.747 billion. During the same period, foreign exchange earnings from tourism as reported by State Bank of Pakistan amounted to Rs. 16.486 billion equivalent to US \$ 0.264 billion. The share of tourism receipts remained the same 0.3 percent of O.N.P. in 2007-08 as earlier in the years 2006-07. The travel balance during 2007-08 was negative to the extent of Rs.82.169 billion equivalent to US \$ 1.3147 billion, which was Rs.80.756 billion or US \$ 1.3312 billion a year earlier, according to the figures of State Bank of Pakistan. The negative travel balance in 2007-08 was mainly due to the maximum amount of foreign exchange consumed by exchange companies and Pakistani nationals on religious travel for Umra and Hajj. During 2007-08, Pakistan's export earnings rose to Rs. 1191.654 billion, equivalent to US \$ 19.052 billion, compared to Rs.1029.341 billion or US \$ 16.976 billion in 2006-07, showing an increase of 15.8 percent. Foreign exchange earnings from Tourism during the year 2007-08 were Rs. 16.486 billion, equivalent to US \$ 0.264 billion, compared to Rs.16.906 billion or US \$ 0.279 billion in 2006-07, showing a decline of 2.5 percent. The overall export receipts during 2007-08, were 68.1 percent higher than their level in 2003-04. The export receipts and foreign exchange earning form Tourism grew by an annual rate of 13.8 percent each over the last five years (2003-04 to 2007-08). The place of Tourism in foreign exchange earnings was 16th during 2007-08 from 15th in 2006-07. According to the data of the State Bank of Pakistan, the average spending per foreign tourist decreased by 10.0 percent from US\$ 328.9 in 2007 to US\$ 295.9 in 2008 similarly spending per tourist per day also decreased by 10.6 percent i.e. from 13.2 US\$ in 2007 to 11.8 US\$ in 2008.



Tourism is a labor intensive industry and provides an ideal mechanism for increasing employment in the services sector. The principal employers in the tourism sector are hotels, restaurants and travel agents/tour operators.

During 2008, the tourism industry comprised 1706 hotels with 40752 rooms, 334 air-conditioned restaurants with seating capacity of 40272 and 2376 (P) travel agents/ tour operators. Other tourism services such as, airlines, road transport, souvenir shops etc. also provide employment to a large number of people besides paying taxes, license & registration fee etc. to the public exchequer. It is estimated that hospitality industry and travel trade will employ 710,000 people.

Although tourism in general is relatively a small sized industry, Culture Tourism is a growing segment realizing the socio-economic significance of culture, history and heritage tourism in the country, Ministry of Tourism has devised a targeted marketing program to attract domestic tourists and tourists from UK, Japan, Spain and USA.

Zafarullah Siddiqui, Economic Analyst  
Courtesy of the Ministry of Tourism, I.R. Pakistan



**O**n 20-21 September, Headquarters of Iran's Ministry of Energy in Tehran was the venue for ECO to hold its High Level Expert Group meeting, having this fact in mind that a few days earlier Mr. Fatih Birol, the IEA's chief economist, told the 4,000 or so energy/petroleum industry executives and politicians who had gathered in Montreal (Canada) for the World Energy Congress (WEC), that the energy/petroleum industry is no stranger to uncertainty, predicting that energy trends are well-known for turning out to be wrong, because they are sensitive to so many factors: technological, commercial and, not least, political.

According to reports from Montreal WEC outcomes, the global energy/petroleum industry still faces uncertainties due to the worst global recession since World War II, the new drilling technology that has enabled USA to become the world's largest unconventional natural gas producer and what will happen in case this new drilling technology and success in the USA can be

The HLEG Meeting paid attention to the delegation's view on the global economic recovery as the biggest uncertainty that the ECO energy/petroleum industry faces for at least next 5 to 10 years. There was a consensus about the fact that the regional and global economic recovery will mean economic activity, which directly and indirectly affects energy/petroleum supply and demand, and, therefore, investment in energy/petroleum industry.

A crucial question, that the IEA's chief economist in his presentation at Montreal WEC gathering, put forward was: "...whether the emerging economies, many of which – to the surprise of most economists – were not severely affected by the downturn, would now struggle because of their trade links with OECD economies, whose recovery has been 'sluggish'". He further expressed his view as the Emerging economies matter because they are where most of the projected growth in energy demand is expected to take place.

What has been happening in natural gas markets is also important to notice, because of the implications not just for the gas industry in particular but also for the energy/petroleum industry in general.

Iranian delegation brought part of OECD/IEA 2009 World Energy Outlook Executive Summary to the attention of HLEG Meeting which says: "The unexpected boom in North American unconventional gas production, together with the current recession's depressive impact on demand, is expected to contribute to an acute glut of gas supply in the next few years". It has been reported that Peter Voser, Shell CEO, during WEC gathering in Montreal expressed his opinion that natural gas could 'change the world's energy landscape for the better'. The chairman of IHS Cera, Daniel Yergin, also mentioned that he believes unconventional gas production – the 'shale gale' – is "the biggest energy innovation since the beginning of the new century".

Shale gas that was only one percent of the USA gas supply around ten years ago, stands around 30 percent today and may be increased to 50 percent within next ten years in supplying USA gas market.

The Iranian delegation also told the Meeting that this is time for ECO to consider its unique position in the world geography as a region of energy/petroleum producer and consumer. They believe that the shale gas will take time to establish its global credentials and it may be years before the strength of the unconventional gas revolution outside North America can be properly assessed. But, in the ECO region, which is rich in natural gas resources Energy/Petroleum industry, needs to follow new developments through implementing its new Action Plan for regional Energy/Petroleum cooperation, as what has begun as the shale gale in the US could end up increasingly influencing the world economy.

The IEA's chief economist also identified the gas market trends as a second major source of uncertainty, cautioning that the shale gale was still in its early days,

## ECO's New Plan of Action for Energy Cooperation

simulated in Europe and other parts of the world.

We in the ECO region can think about the same questions as they were discussed in Montreal WEC which are: When global economic recovery will take place? What the industry in general and Energy/Petroleum in particular should do about the insensitivity of energy/petroleum demand and supply to changes in price? What would be the China's impact on global energy/petroleum supply and demand?

In their opening presentation, the Iranian delegation quoted an Iranian scholar that: "in the ECO region, we cannot solve the 21st century problems with 20th century solutions". They then presented copies of ECO Times in which an article was published about the importance of regional energy/petroleum cooperation and partnership on Asset Based Financing for ECO energy/petroleum projects.



and its prospects therefore highly uncertain. Birol said: "the shale gas boom has led to losers as well as winners", highlighting the plight of key exporters who have lost market share as a consequence. A continuing glut would increase the uncertainty as to how they might react in terms of new investment decisions, 'especially in the upstream sector'. In IEA's chief economist view, the producers currently feeling the pain of the natural gas glut – which has led to low traded-gas prices and pressure to re-negotiate oil-indexed long-term sales contracts – may need to resign themselves to it, as it may last longer than many expect. "The question is: how long will the glut continue?", said Birol. "We try to answer this question [in the new World Energy Outlook]. I can tell you it may well continue longer than some of us thought a year ago."

Regarding the oil market, Birol's said that the energy future may surprise some: "here is a growing insensitivity of the oil demand and supply to price changes. This is crucial to understanding oil markets in the years to come."

Explaining the cause, he further noted: "On the demand side in the past, oil was used by almost all the sectors: in industry, in homes for heating, in electricity generation. But now, when you look at the statistics, in the last five years almost 90% of the growth in oil demand has come from the transportation sector – cars, trucks and jets – where, even if prices go up, you do not have readily available alternatives to switch to." He then added that another factor is that

today the growth in demand for oil is coming from emerging economies, where, in most cases, prices of oil products are heavily subsidized. Even when prices go up, there is little incentive for consumers to change their behavior because there is a cushion between prices charged by producers and prices at the pump station. This means that much higher prices are needed to choke off demand than has been the case in the last couple of decades.

In IEA's chief economist believes that a similar insensitivity is manifesting itself on the supply side, though for different reasons. Birol highlighted to WEC gathering that a general decline in oil output from non-OPEC producers, whose fields tend to be geologically complex, means that production costs are higher than for simpler fields. Higher prices are therefore needed to stimulate investment. Moreover, much of the growth in oil production will need to come from national oil

companies (NOCs). Therefore, in Birol's opinion: "one shouldn't be surprised that we need higher oil prices for oil investment, and for demand and supply to be in equilibrium. This will be an important issue in the oil markets, with implications throughout the energy sector – and, perhaps, the economy."

The HLEG Meeting, while paying attention to new developments in global Energy/Petroleum industry as it was discussed during WEC gathering in their discussion for ECO new Plan of Action for regional Energy/Petroleum cooperation, considered the issue of coal as governments are considering exploiting coal reserves for power generation which could affect the role of gas in power generation and renewable energy.

ECO HLEG Meeting concluded by adopting its report and ECO New Action Plan for Energy/Petroleum cooperation. The proposal by the Iranian delegation for organizing a training program for ECO Drilling Industry (Onshore and Offshore) in cooperation with interested ECO and international companies was welcomed by the meeting. In the closing session,

the Iranian delegation highlighted the fact that the coherent policies of ECO governments will provide stable investment environment, enabling Member States to integrate advanced technologies into their domestic as well as ECO region energy/petroleum markets and enhancing regional economic cooperation that enables the ECO region to overcome current global financial-credit crisis and efficient management of the region's energy/petroleum on the supply side as well as demand side.





# Islamic Republic of Afghanistan



Afghanistan is considered one of the most ancient centers of culture and civilization in the world. It is located in South-Central Asia, bordered by Pakistan to the south and east, Iran to the west, Turkmenistan, Uzbekistan and Tajikistan to the north. There is a short border with China to the far northeast, but in an extremely inaccessible terrain. The current boundaries of Afghanistan were established in the late 19th century in the context of rivalry

with Britain and Russia. Modern Afghanistan became a pawn in struggles over political ideology and commercial influence.

When Alexander the Great entered the ancient country of Ariana, he found well established cities such as Herat and Kandahar, before founding some of his own, such as Ai Khanoumon on the Oxus (Amu Darya river). After the death of Alexander the Great, the Seleucid Empire - one of the successor states of the sprawling Macedonian empire - was







centered on the city of Balkh, and Afghanistan became a political power in its own right. The Timurid and Moghul, founders of one of the great civilizations of the world, have all left their mark there.

Indeed, the Emperor Babur, founder of the Indian Moghul dynasty, is buried in Kabul, amidst one of the most famous gardens in the world.

Since then the city of Balkh, near modern Mazar-e -Sharif, is known as "the mother of cities" (Umm al Bilad) because it maintained its status as an important center of learning and culture through different historical epochs.

In the late 20th century Afghanistan suffered ruinous effects of prolonged civil war (the 90's), invasion by the Soviet Union (1979), and Soviet military presence (1979-89).

Rugged mountains called the Hindu Kush dominate the scenery of Afghanistan. The westernmost extension of the Karakorum and the Himalayas, the Hindu Kush Mountains begin in the Pamirs and run in a southwesterly direction for about 1920 km, before petering out in the vicinity of Herat.

Afghanistan was once known as the "Orchard of Central Asia," but decades of war have uprooted orchards and vineyards throughout the country.

city of Balkh, near modern Mazar-e -Sharif, is known as "the mother of cities" (Umm al Bilad) because it maintained its status as an important center of learning and culture through different historical epochs.

Droughts and floods create additional problems for Afghans who are trying to replant the sources of their former livelihoods.

For centuries, Afghanistan, as an ancient focal point of trade and migration has inhabited a mosaic of people with diverse cultures, religions and languages. Afghanistan's ethnically and linguistically rich and mixed population reflects its important geo-strategic location.

### Real Economy

In the first quarter of 2008 Afghanistan's population reached 25.0 million, of which 23.5 million is settled population and 1.5 million is nomadic. Over 70 percent is involved in the agricultural sector.

In spite of the challenges that Afghanistan faces, it has, over the past seven years, succeeded in rehabilitating its road infrastructure, renovation of the existing schools, construction of new ones and improving health care units.



By end 2007, of the country's total 2,210 thousand kilometers of bypass roads, 1,334 thousand kilometers were upgraded.

Of the total 4,958 thousand kilometers of intra-province connecting roads, 2,061 kilometers were paved with asphalt. Also, 3,363 kilometer transit roads linking Afghanistan with neighboring countries were available for users. These were the result of 17 large scale road-building projects implemented in the country. During 2001-07, 8,400 primary schools were built, 19 universities launched, 106 hospitals and 1033 health care units rehabilitated, providing health care services to over 82 percent of the country's population.

During 2006-07(SY1385,) in the telecommunications sector, over 4.5 million people accounting for nearly 20 percent of the country's population were provided with telephonic lines. In mining, the Government granted Afghanistan's private sector the opportunities

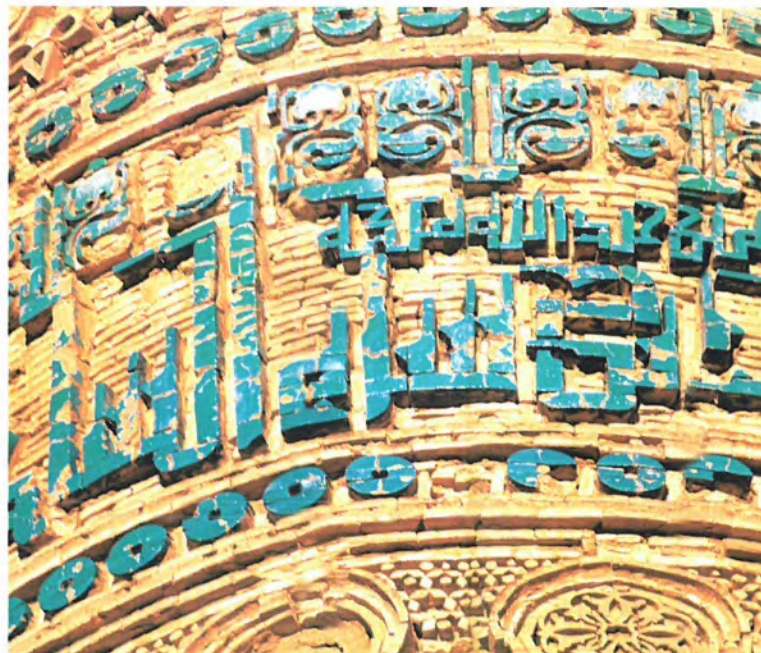
to develop local mining industry, including oil and gas sector, which avails of over 200 billion cubic meters of natural gas and nearly 13 million tons of crude oil. In addition, copper and iron mines have been opened for foreign investments.

During 2006/07, the private sector has become more dynamic with a total of 7,616 projects in construction, services and agriculture. During 2007-08, Afghanistan continued to grow at an annual rate of

16.2 percent of real GDP, which was over 4 percent higher compared to the same period in 2006/07. Over the period 2002 / 2007- 08, Afghanistan's average annual growth rate of real GDP averaged 15.7 percent, which is very reasonable for a transition economy recovering from the consequences of war.

The agricultural sector accounted for nearly one third of the country's real GDP. During 2005-06(SY1384,) there were shortfalls of 6.0 percent in revenue collection compared to US\$8,341million as targeted. As a result, the revenue to GDP ratio declined from 7.6 percent in 2006-07 to 6.7 percent in 2007-08(SY1386,) significant factor behind non-delivery against the target was lower than expected revenue collection in the Herat province, which was a major source of customs tax. In 2007-08, the

In spite of the challenges that Afghanistan faces, it has, over the past seven years, succeeded in rehabilitating its road infrastructure, renovation of the existing schools, construction of new ones and improving health care units.





province generated around 55 percent of the target. Partly, the shortfalls may be attributed to extreme weather conditions that affected the economic activity. A temporary closure of the Afghan-Iranian border added to inefficiencies.

### Price Level

The annual inflation rate reached its lowest 4.4 percent in 2006-07 from 7.8 in 2004-05 and then sharply rose to 20.6 percent in 2007-08. The inflationary pressure attributed to rising food and energy prices. In international markets, the prices for grain started to rise by mid February 2007. The rise in prices triggered the domestic demand for grain. At the same time there was shortage in supply due to unstable weather conditions in major grain exporter countries such as Canada and US.

The agriculture sector of Afghanistan is still suffering from low capacity and productivity. Insufficient irrigation system impacted the country's potential resources to meet the domestic demand in food. Unemployment has been moderate in Afghanistan. Temporary unemployed work force prevailed until 2006-07. This was mainly due to the country's moderate speed of absorption of larger foreign capital inflows. The country faced a rapidly expanding supply of labor, handling of which was not easy.

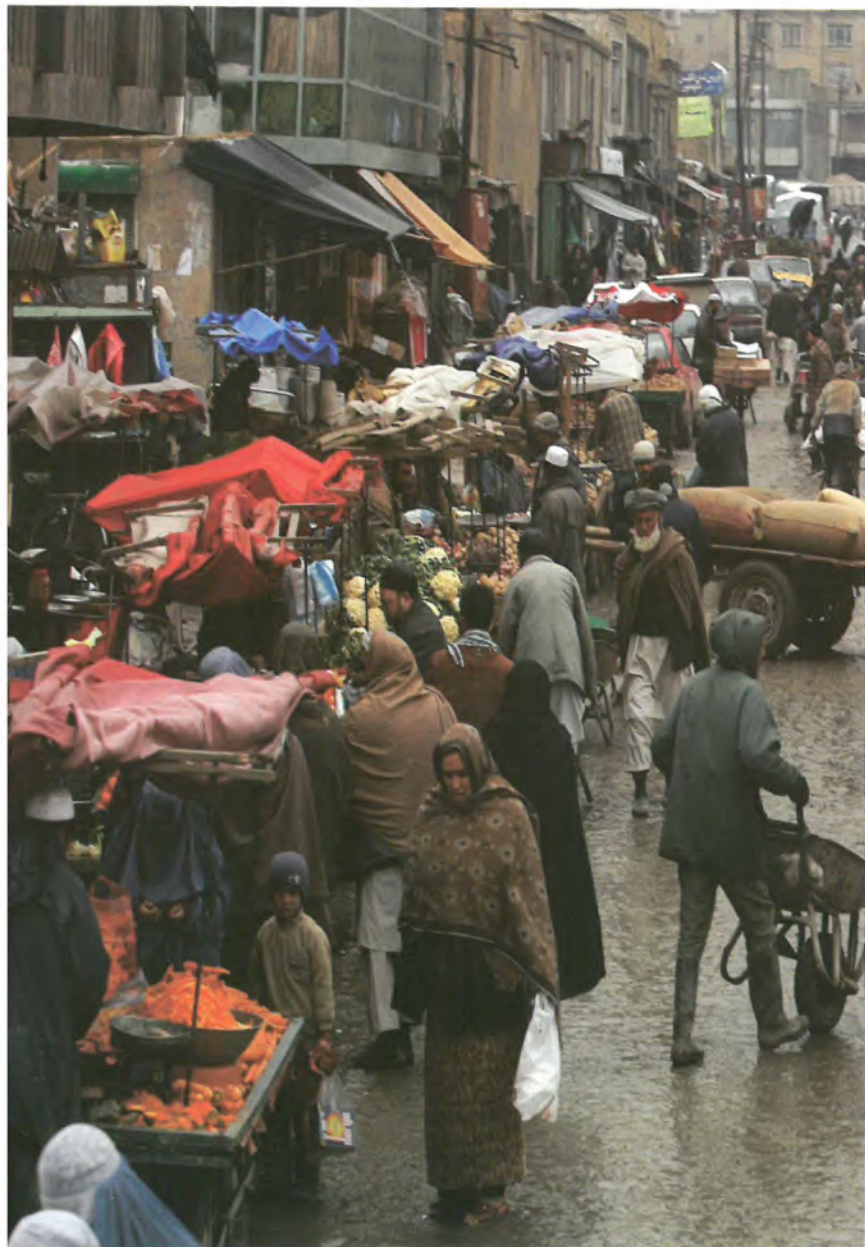
During 2006-07, over 5 million Afghan refugees, who had temporarily been domiciled in Iran and Pakistan, returned home. Afghanistan, having over 9.6 million hectares of land, of which 7.9 million is arable, provided employment in agriculture for its active work force capable of generating over 50 percent of the country's GDP.

### External Sector

According to official data, export of goods and services stood at US\$416 million during 2006-07, imports at US\$2744 million. This figure does not include re-exported goods. The aggregate figure, officially recorded for total imports of goods and services for 2006-07 was US\$3,160 million, meaning that some of the recorded goods and services were re-exported. Afghanistan's major regional partners in cross-border trade are Iran and Pakistan.

Herat and Jalalabad are the two cities through which most of external trade takes place. During 2007\08, exports alone stood at 13.2 percent of total trade turnover.

Whereas these were 13.1 percent lower in 2006\07 compared to a total of exports and imports in 2007-08. During 2007\08 export of carpets alone accounted for 46.6 percent of





the country's total export turnover. Imports recorded a 10.3 percent increase in value during 2007-08 compared to US\$ 2,744 million in 2006-07. Such increase was due to a rise in imports of spare parts, which made 29.8 percent and also petroleum products.

### Fiscal Policy

The Government undertook a number of measures focused on forming the basis for fiscal policy and budgeting to meet priorities within the resource constraints. The measures include such key macro - economic indicators as annual rate for real GDP growth, inflation and national currency unit exchange.

These intend to generate medium term fiscal targets and indicators for revenues, expenditures, donor grants, trade balance and debt financing. The improvements of fiscal transparency and sustainability and prioritized monitoring the expenditures are in place. The Government had plans to finance the operating budget entirely from domestic revenues in the near future. This will also help bring in, more donors funding through official channels. Afghanistan is set forth to cover its operating expenditures from domestic revenues by 2012. The future success depends on a number of factors such as the pace of the ongoing reform process, the need to provide fuel subsidies and the extent of improving educational background of people involved in reforms.

### Monetary Policy

During 2006-07, Afghanistan's fiscal policy was focused on reducing expenditures and strengthening revenues. The government's prime objective was to cover operating expenses from domestic revenues. The ratio of domestic revenues to operating expenditures improved over the period 2002-03 and 2007-08. According to official data, during 2007-08, the primary operating balance stood at US\$9.8 billion, indicating an increase of US\$4.4 billion compared to 2006-07. Such balance was recorded at US\$13.7 billion, which stood at -6.5 percent of the country's nominal GDP. In 2007-08, Afghanistan's monetary policy continued to focus on the measures to curb rising inflation while maintaining the nominal exchange rate stable.

To contain inflation, the Government adopted a decision to lower the fiscal policy rate. By so

doing, it ensured strengthening of the effective monetary policy. It also enabled the country's gross foreign reserves to increase to US\$3,021 million.

Afghanistan's banking sector grew rapidly during 2006-07. It mainly focused on improvements of basic banking







laws. Capacity of financial institutions to manage credit risk improved substantially. The Da Afghanistan Bank repealed the requirement for commercial banks to keep 80 percent of their deposits in the economy. The minimum capital requirement, applicable for new banks seeking licenses, was set at US\$10 million, while incumbent banks will be given five years to comply. These measures helped install a tight monetary discipline in the economy.

### Outlook

As mentioned above, in 2007/08, a real GDP growth rate was estimated at 16.2 percent, a per capita income in current prices reached US\$415. The country's GDP at current prices grew to US\$10,170 million during 2007/08.

The real GDP growth forecast was revised downward to 7.5 percent on account of rainfall shortage during the germination period. The surge in food and fuel price inflation fueled by the imposition of export restrictions on wheat by key regional trade partners continued in the first two months of 2008. The CPI increased to 20 percent and is expected to further increase during 2008/09.

The Aynak Copper Project, which is the largest among

The Aynak Copper Project, which is the largest among Afghanistan's large scale projects with foreign capital involvement, is fully operational.

Afghanistan's large scale projects with foreign capital involvement, is fully operational. The Hajigak Iron Ore Project is currently under preparation. The Government is confident that these projects will contribute to future growth. In 2007/08 the current account balance

registered a surplus of 0.9 percent of real GDP compared to a deficit of 4.9 percent in 2006/07.

Gross foreign reserves increased to US\$3.0 million in the first quarter of 2008/09. Afghanistan's domestic revenues witnessed high collection rates over the period 2003- 2008. These are forecasted to stand at 7.5 percent of real GDP in 2009/10 and 9.2 percentage of total revenue collection ratio.

SOURCE:  
ECO Secretariat



## Background

The drug issue and its implications in terms of both security and health related problems have a tremendous importance within the ECO region and its individual Member States. With the growing drug-related problems caused by illicit drug production and trafficking, the ECO Member States have all strengthened their national drug control systems. However, drug trafficking from Afghanistan to consumer markets in Europe, Asia, and Middle East continues through the territories of ECO Member States.

The ECO countries account for over 90% of the global seizures of Afghan opiates. Due to the considerable drug trafficking in the ECO region, drug consumption in the ECO Member States shows upward trends, thus, urging the ECO countries to take more serious measures to deal with this problem. The most serious drug abuse trend in recent years has been the rise in the use of injected drugs, primarily opiates, and the associated rapid spread of HIV/AIDS.

it destabilizes the overall economic and security situation, not only confined to a particular country but with spillover effects and direct bearing on a larger scale in the whole region. The incentive mechanism behind drug trafficking is very simple that the huge amount of illegal money made out of this business is used for the destructive activities effecting the economic growth in the region and in the world.

Considering the importance of the problem, drug matter was included as a major policy issue in the "Istanbul Declaration" adopted by the ECO Council of (Foreign) Ministers in its Special Meeting held on 5-7 July 1993.

### ECO- DCCU Unit Established

The ECO and UNODC (UN Office on Drugs and Crime) signed a

Memorandum of Understanding on 15 March 1995, to promote cooperation between these two organizations in all areas of drug control, inter alia, in improving coordination of drug control activities within the ECO region. A new unit called Drug Control Coordination Unit (DCCU) was established at the ECO Secretariat. Initially European Commission and Japan funded this Unit. In this context, the ECO Council of (Foreign) Ministers approved a Plan of Action on Drug Control on 11 May 1996 in Ashgabat, Turkmenistan, attended by representatives from three international organizations: UNODC, EU, ICPO/Interpol.

### ECO-DOCCU Born

As per decisions of highest-level meetings within the framework of ECO, which assigned DCCU to work for not only drugs but also for terrorism and trans-national organized crimes, the 18th ECO Council of Ministers Meeting (Tehran, 9 March 2009) renamed DCCU. The full name of this Unit is now "Drug & Organized

# "ECO- DOCCU"

*Fights Against Drugs, Terrorism & Trans-National Organized Crimes*

Intravenous drug use (IDU) has become the major vector for the spread of the disease.

The drug problem not only brings the health hazards to the societies but also undermines the governments and corrupts the legitimate business. Thus,





Crime Coordination Unit" (DOCCU).

**DOCCU Objectives**

The main objectives of this unit are: Exchange of information, preparing analytical reports on drug seizures, appointment of national focal points and drug liaison officers, nomination of focal points for organized crime, terrorism, human trafficking and appointment of national coordinator.

**ECO Police (ECOPOL)**

A number of meetings have so far been organized by the ECO-DOCCU. It is also in the process of establishing the Economic Cooperation Organization Police (ECOPOL). A

**ECO Interior Ministers Meetings**

The Secretariat has so far organized three Interior Ministers Meetings, which were held in Tehran (2006), Ashgabat (2008) and Istanbul (2010), respectively. The Ministers considered a number of security issues of common concern to the Member States, including drugs, terrorism and trans-national organized crimes. They also

Ministers also approved a Joint Regional Strategy on combating Drugs, Terrorism and Trans-national Organized Crime.

**Joint Regional Strategy**

In the light of decisions of ECO Interior Ministers, ECO is implementing a Joint Regional Strategy on Combating Drugs, Terrorism and Trans-national Organized Crime. In accordance with this Strategy, a series of events at Senior Officials' Level, Experts Groups and a number of workshops were planned to be held on enhancing cooperation among the Member States to eradicate menace of drugs, terrorism and trans-national



project titled "Fight against Trafficking from/to Afghanistan with the ECO Member States" with a total contribution of 9.5 million Euros from the European Commission is also under implementation by the DOCCU.

agreed to intensify cooperation and increase exchange of information and expertise to better address organized crimes and terrorism including Illegal Migration and Human Trafficking and their impacts on economic growth and sustainable development. The

organized crimes including illegal migration, human trafficking, arms and ammunition smuggling and money laundering. As a follow-up to the decisions of the Interior Ministers, the ECO Secretariat has held some important meetings:



## DOCCU Activities in 2010

■ **First Experts Group Meeting for evolving a Plan of Action on Combating Trans-national Organized Crime** (Ankara on 6-7 May 2010).

The Turkish National Police hosted this meeting.

■ **1st Meeting of Heads of INTERPOL of ECO Member States** (Tehran on 29 - 30 June 2010)

The meeting was attended by the Secretary General of INTERPOL, INTERPOL Executive Committee Delegate for Asia and the Operative

well as the Operative Coordinator for the EU-funded Project titled "Fight against Trafficking from/to Afghanistan with ECO Member States" reviewed various significant issues and laid emphasis on importance of further strengthening bilateral and multilateral cooperation and developing exchange of information and experiences to properly counter illicit drugs, psychotropic substances, illegal migration, human trafficking, terrorism and other trans-national organized crimes.

■ **2nd HLEG Meeting on Combating Drugs, Terrorism &**

■ **1st Meeting of the Chiefs of Police of Anti Narcotics** (Tehran on 2 - 3 August 2010)

The meeting hosted by the Anti Narcotics Police of Iran, discussed ways and means to identify best cooperation and coordination among the Anti Narcotics Forces of the ECO Member States.



Coordinator for the EU-funded Project titled "Fight against Trafficking from/to Afghanistan with ECO Member States". INTERPOL SG was requested to seek feedback from professional international organizations like EUROPOL, ASEANPOL and AMERIPOL etc.

■ **1st Meeting of Border Commanders of ECO Member States** (19-20 October, 2010)

The meeting, hosted by the Border Police of the Islamic Republic of Iran was attended by delegates of Azerbaijan, Iran, Kazakhstan, Pakistan, Turkey, Turkmenistan as

**Organized Crimes** (Tehran on 1 - 2 November, 2010)

The meeting hosted by the Ministry of Interior of the Islamic Republic of Iran agreed to intensify cooperation and increase exchange of information and expertise to better address drugs, terrorism and organized crimes. The



meeting also welcomed the idea for the establishment of Economic Cooperation Organization Police (ECOPOL) which will serve as an institutional mechanism for enhancing regional police cooperation.

■ 3rd ECO Interior Ministers' Meeting (Istanbul on 24 December, 2010)

The Meetings attended by the delegates from Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey and Uzbekistan, discussed different issues related to terrorism and transnational organized crimes such as drugs, illegal migration, human trafficking, economic crimes, weapons and ammunition smuggling, and renewed their commitment for cooperation in combating these crimes.

The Istanbul Declaration adopted by the Interior Ministers acknowledged that terrorism and transnational organized crimes posed serious challenges to the ECO countries and to regions beyond. The Meeting

### Future Activities of DOCCU

■ Continue organizing training courses for the law enforcement officers of the national drug control agencies on technical matters related to drug supply and demand reduction to improve operational cooperation among the Member States, resulting in joint supply and demand reduction operations;

■ Prepare analytical reports and reference documentation and disseminate these materials to ECO Member States regularly.

■ Continue holding meetings for the National Focal Points to review the functioning of DOCCU, the priority needs for drug control coordination in the region, the strengthening of

Meeting approved establishment of the ECOPOL. The draft Statute of ECOPOL has been sent to the Secretary General of INTERPOL for expert views and comments. The INTERPOL has also been requested to seek feedback from professional international organizations like EUROPOL, ASEANPOL and AMERIPOL etc. regarding their establishment / achievements / challenges for the information of ECO. An Experts Group Meeting followed by the Chief of Police of ECO Member States will be held in Tehran on 21-24 November, 2011 to finalize necessary formalities/documents for the establishment of ECOPOL.

### Relations with Int'l Organizations

#### ECO & IOM

The 1st ECO Interior Ministers Meeting (Tehran, 1st Nov, 2006) named International Organization for Migration as a sole advisor and counterpart for ECO countries to

"The drug problem not only brings the health hazards to the societies but also undermines the governments and corrupts the legitimate business. Thus, it destabilizes the overall economic and security situation, not only confined to a particular country but with spillover effects and direct bearing on a larger scale in the whole region"

agreed to establish Economic Cooperation Organization Police (ECOPOL) which will coordinate regional efforts against transnational crime through intelligence sharing, harmonization of policies and coordination of operations via liaison officers posted in its premises.

drug control coordination contacts among the Member States and the proposals for development of the drug control cooperation framework in the ECO region.

### Statute of ECOPOL

The Third ECO Interior Ministers

provide them with technical cooperation

#### ECO & EC

An MOU was signed between the ECO and the European Commission on 3 February 2009 at the ECO



Secretariat for implementation of the project titled "Fight against Trafficking from/to Afghanistan" with the ECO Member States. The Project is consisting of following four components:

- **Component 1:** Strengthening the capacities of the ECO-DOCCU
- **Component 2:** Establishing I-24/7 as the central communication system for information and intelligence exchange at the regional and trans-regional levels.
- **Component 3:** Developing a



the ECO region, notably with regard to drugs, precursors and forged documents, but possibly also other elements of evidence

The total budget of this project is 9.5 million Euros, funded by the European Commission.

### **General Objectives of the Project**

The general objective is to strengthen the stability of the region, the security and health of the populations living in the countries along the "heroin routes" by supporting the trans-regional cooperation in the fight against illicit trafficking from, as well as to Afghanistan.

Afghanistan, Iran and Pakistan as member states of the Economic Cooperation Organization (ECO) will

Commission for the implementation of this project. An Operative Coordinator for implementation of this Project also started his activities in mid-2010 in Tehran, in close cooperation with the Drug and Organized Crime Coordination Unit.

### **The International Kick Off Conference (Tehran, 24 January, 2011)**

The International Kick Off Conference for the EU-funded Project was organized by the DOCCU on January 24, 2011 at the ECO Secretariat, Tehran.

The Conference marked the start-up of the project and provided an opportunity for the ECO Member States to discuss and assess their current national counter narcotic policies in the fight against drugs and their expectations towards the project. Member States have assured their fullest support for the active implementation of the project. The activities under each of the component have been started by each consortium

network of border control cooperation at Land/Air/Sea Ports of Entry for container control to stem the flow of drugs, precursors and other illegal trafficking

- **Component 4:** Establishing a network of forensic laboratories in

be the main countries targeted during first phase of project implementation.

### **Current Status of the Project**

The German International Cooperation Agency (GIZ) has been commissioned by the European

partners i.e. UNODC, INTERPOL and German Federal Criminal Police.

*Prepared by: Hossein Pourkarami  
Officer In Charge of DOCCU, ECO  
Secretariat*





# *Pakistani Rice*

*It's all about Taste!*



# KazMunay Gas

Kazakhstan's National Oil & Gas Company

22 Kabanbai Batyr Ave., Astana  
Tel/Fax: +7(7172) 976000, 976001  
info@kmg.kz www.kmg.kz



Clear Objectives & Real Actions

