

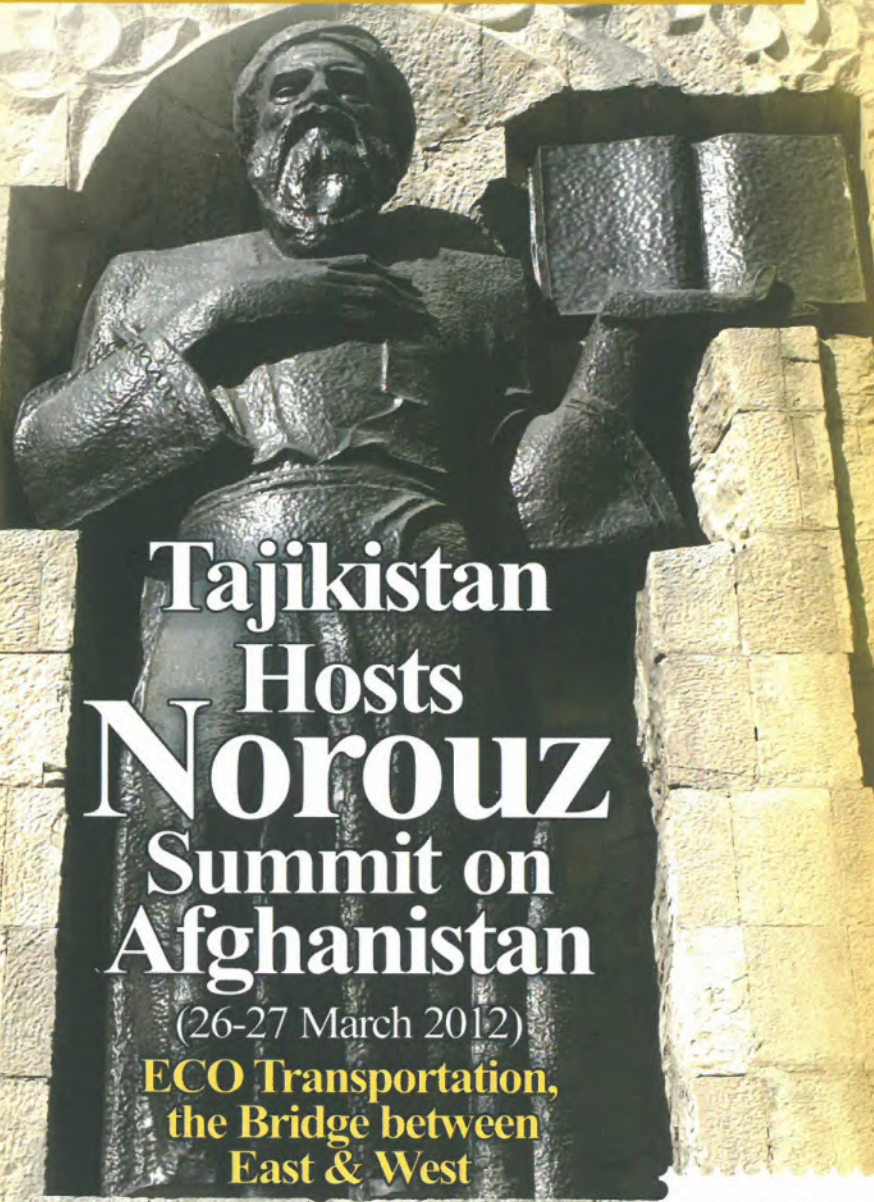
2012

The News Magazine of Economic Cooperation Organization

ISSUE 3



# ECO CHRONICLE



## Tajikistan Hosts **Norouz** Summit on Afghanistan

(26-27 March 2012)

**ECO Transportation,  
the Bridge between  
East & West**

АБҶАБДУЛЛО  
РҶДАКӢ

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

2012





# IRAN Medical Products

## SAIRAN



Saadatmand  
09393210716

[www.sacorp.ir](http://www.sacorp.ir)  
[marketing@sacorp.ir](mailto:marketing@sacorp.ir)



## Caspian Offshore Development

II Oil and Gas Conference and Exhibition

13 - 15 June 2012 • Astana, Kazakhstan

[www.theenergyexchange.co.uk/caspianoffshore](http://www.theenergyexchange.co.uk/caspianoffshore)



# CASPIAN OFFSHORE DEVELOPMENT 2012

Oil and Gas Conference and Exhibition

### Why considering 2nd Caspian Offshore Development Conference and Exhibition:

- The **ONLY** event to bring together the **top decision makers** from **all the major companies** operating on the Caspian shelf
- Meet and do business with the **key offshore stake holders** under one roof including: **state owned operators, the regional governments, IOC majors** and expert solution providers working in **Kazakhstan, Azerbaijan, Turkmenistan and Russia**
- Get updates on and insights into the financing, feasibility, timelines and technologies needed for developing **the most significant offshore fields in the Caspian** such as **Kashagan, Shah Deniz, the Cheleken and the Korchagin**
- Share your experience in **applying the most innovative and reliable solutions** for activities in the **harsh offshore environment** of the northern part of the Caspian Sea, and discuss **how to minimise risks** while operating in environmentally fragile areas of the Caspian
- **NEW for 2012!** Dedicated session to offshore fields investment opportunities; Panel discussions with national officials; VIP lunches and networking opportunities as well as HSE and legal workshops

To find out more please contact

**Rita Sakolnikava** on [r.sakolnikava@theenergyexchange.co.uk](mailto:r.sakolnikava@theenergyexchange.co.uk)

Alternatively you can call on **+44 (0) 20 7384 8014**



### 2011 SPONSORS AND EXHIBITORS:

ConocoPhillips

Tenaris

NCOC  
NORTH CASPIAN  
OPERATING COMPANY

Technip



КазМұнайТеніс  
KAZMUNAITEENIS



### ORGANISERS:

KAZENERGY

The  
Energy Exchange  
CLARION





# CONTENTS

## 2 Contents

## 3 Editorial

## 5 Festivals

- Norouz, The Scientific Basis of the Solar Calendar

## 8 News

- Informal Working Luncheon for ASEAN Ambassadors
- National Conference on Iran & ECO
- Istanbul Hosts 173rd CPR Meeting
- ECO Eminent Persons Group Meets in Kish
- ECO International Conference on Disaster Risk Management
- Meeting & Luncheon to the Honor of

## ECO CPR

- ECO Stepping up Petroleum/Energy Cooperation

## 22 Trade & Investment

- Role of Governments in Promoting Private Sector Investment
- Regional Branding in a Global Market Place, Challenges of Branding in ECO Countries
- Post-Modern Fiscal Theory
- Connecting the Dots...

## 32 Interview

- "The Bridge Between East & West"

## 36 Energy & Minerals

- ECO Gas Supply to Turkey & EU

- Iran's North Drilling Company Taking a Quantum Leap

## 40 Environment

- Biodiversity & Protection in Turkey

## 46 Sustainable Development

- Global Process of Education for Sustainable Development

### Editor's Note:

The views expressed and data contained in this publication are provided by writers/authors from ECO member countries or from outside the ECO region, and are not necessarily those held or agreed by the ECO Secretariat or ECO Chronicle Editorial Board.





## Cover



Front Cover  
Detail of the building facade, Tajikistan's Union of Writers, Dushanbe



### 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  
ecochronicle@ecosecretariat.org

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

## Message of the Secretary General

# Norouz a Message of Peace

The current situation around the world all the more makes it clear that we must re-think about the aspects of the way in which we address issues concerning economy, environment, education and other critical domains. Our region, just like the rest of the globe, is facing major challenges that are much more complex than before and as a result, new remedies and fresh ideas are required to tackle the impasses.

Unfortunately, many of the problems in the past arose due to short-sightedness and short-term perspectives. Although at times, it may appear that individual states could unilaterally make some breakthroughs and find solutions to address the bottlenecks; however, the compounding problems, more than ever before, dictate that we may need to push back some of the conventional thinking and perhaps break new grounds to embark upon novel ways and approaches that are necessary to bring about real sustainable peace and development as our global society teaches us that no man is an island. To quote Albert Einstein, who said, "The world today is one or none", suggests that interactions and cooperation are indispensable.

The present crisis could definitely have more unpleasant effects on the global economy, environment and social situations, if we fail to find appropriate solutions and draw up strategies to counter its effects.

Today, nations and countries need the guidance of universal values...

Next Page ►

### Published by

Economic Cooperation  
Organization

### Patron & Supervision

Mohammad Yahya Maroofi  
ECO Secretary General

### Editorial Board

Fatih Unlu  
Altaf Asghar  
Abolghasem Tahmasebi  
Mahmood Khaghani

### Editor in Chief

Ali Sabzalian

### Graphic Design

Kianoush Saadatmand

### Cover Photo

Kaveh Farahmand



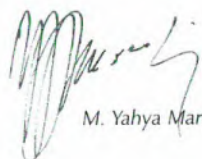
... They have to make the transition from a culture of violence and disintegration to a culture of dialogue, peace and understanding.

On March 21st, the great festival of Norouz was celebrated in ECO countries with great enthusiasm, passion and joy. The ancient tradition has been celebrated for several millennia by the people living in our region because in essence, it is interlaced with the awakening or rebirth of the nature itself after a barren winter.

As the late Iranian sociologist and thinker, Dr. Ali Shariati put it: "while some cultures encourage men and women to leave their workshops, farms, deserts, alleys and streets, gardens and pastures, and then gather up in rooms under the ceilings, behind closed doors in such surroundings as bars, dancing halls, cellars saloons and houses... in places that are heated with gas, lit with light bulbs, filled with smoke, made pretty with artificial colors, decorated with paper or plastic flowers and ornaments, scented with perfumes or burning herbs... Norouz, on the contrary, grabs the people's hands kindly and pulls them out of their small surroundings and cement pavements in and around towns into the splendid vast pastures, green areas and the broad, kind embrace of nature, where everyone feels free and jubilant!"

Apart from being a symbol of Solar New Year, Norouz teaches the lessons of respect and support for traditions, love, kindness, philanthropic and humanitarian acts and feelings of responsibility towards each other in times of hardship, needs and difficulties. We can get together and share our joys and celebrations.

Let us work together and hope that in the year ahead, the egocentric thinking will give way to the benevolence or selfless approach, an approach or attitude that embraces and does not reject others. On the threshold of the great Festival of Norouz, let the spirit of benevolence and peace prevail over the forces of segregation and despair. ■



M. Yahya Maroofi

## Special News

# Tajikistan Holds 3rd International Norouz Celebration



ECO  
CHRONICLE

The 3rd International Norouz Summit was held in the Tajik capital of Dushanbe on March 26-27, 2012. The event was inaugurated by the Presidents of four ECO Member States: the Islamic Republic of Afghanistan, Islamic Republic of Iran, Islamic Republic of Pakistan and the Republic of Tajikistan.

ECO Secretary General, M. Yahya Maroofi, who was among the of the event, highlighted the fact that Norouz is an ancient festivity that promotes peace and solidarity between generations and within families. He further pinpointed that the celebration also encourages reconciliation and neighborliness, thus contributing to cultural diversity and friendship among different peoples and communities.

In the opening of the ceremonies, Afghan, Iranian, Pakistani and Tajik Presidents, Hamid Karzai, Mahmoud Ahmadinejad, Asif Ali Zardari and Emomali Rahmon, respectively stressed the importance of strengthening the existing amicable relations and bonds among their countries.

After the International Day of Norouz was registered on the UNESCO List of Intangible Cultural Heritage of Humanity in February, 2010, the First and the Second International Norouz Celebrations were held in Tehran.

Norouz, which coincides with the first day of spring on the solar calendar, is mostly celebrated in the ECO Member Countries and their neighbors. ■





The Member States of the Economic Cooperation Organisation (ECO) were among the first cultures to employ a solar "Shamsi" calendar, and have long favoured a solar approach rather than lunar or luni-solar models. In general, the sun has always had an important symbolic significance in the ECO region's culture. In spite of its outstanding status, mainly its precision, rationale and the characteristic of relying on detailed

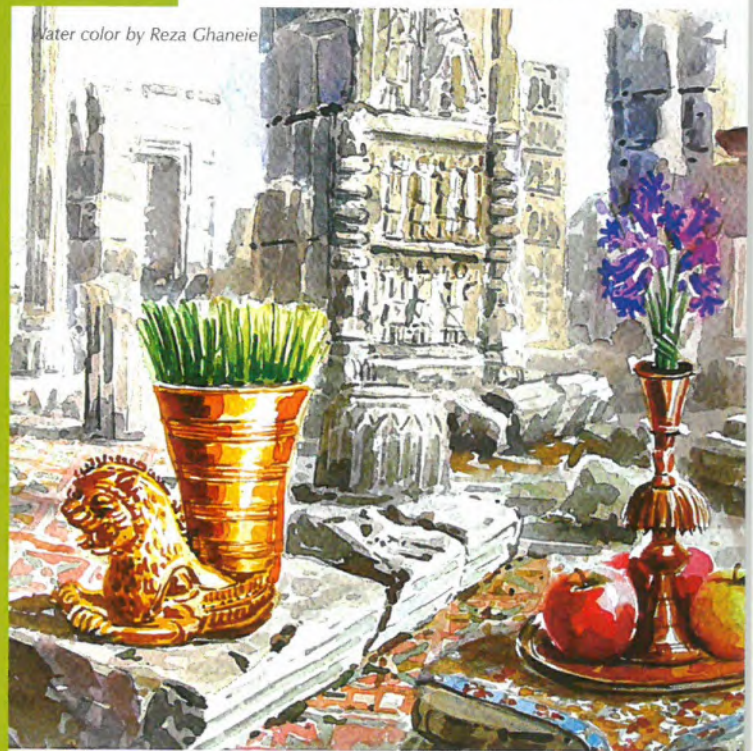
which makes it more accurate than its younger European counterpart, the Gregorian calendar. In 141,000 years, the Shamsi- solar calendar will deviate from the solar cycle by one day.

That, however, is far less than the Gregorian calendar's deviation, which will be one day in 5025 years. On the other hand, the lunar Hijra calendar is indispensable for the Muslim Ummah (Nationals), because of observance of the fundamentals of faith, such as fasts during the Holy Month of Ramadan, the Hajj pilgrimage and the mourning period during the months of Muharram and

dealt with.

It was in the 11th century, during the reign of Jalal ad-Din Malek Shah, that the Shamsi- solar calendar was revised, by a panel of scientists, purportedly including Omar Khayyam, known mostly in the world as a poet, and the king's brilliant vizier (Minister) and political figure, Nezam-ol-Molk, who persuaded Malek Shah to reform the calendar. He appointed a group of astronomers headed by Omar Khayyam who organized an

# Norouz, The Scientific Basis of the Solar Calendar\*



astronomical observations, the Shamsi-solar calendar, currently used in some of the ECO member countries such as Afghanistan and Iran as the Official Calendar of the country, is poorly known in the world.

In fact, few studies have so far analyzed the basic elements of its system in the light of modern astronomical findings, although several works have addressed the historical origins of the calendar. It is based on precise astronomical observations, and moreover uses a sophisticated intercalation system,

Safar, etc. But lunar calendar is required to keep a proper track of the seasons, schedule official transactions, agriculture, harvest and tax collection. However, as in the lunar calendar the months are not related to the natural seasons, the lunar calendar is inadequate.

Even though the origin of the dating of both the solar "Shamsi" calendar and the lunar "Ghamari" calendar, have been initiated from Prophet Muhammad's (pbuh) auspicious migration from Mecca to Medina, for practical reasons, nevertheless, this challenging matter had to be

astronomical observatory in the capital city of Isfahan (some sources have mentioned Rey or Neyshapur). The recalibration was completed during the reign of Jalaal ad-Din Malik, and named in his honour.

According to various sources, up to eight astronomers participated in the reform project. Apart from Omar Khayyam, the other recorded names are: Abu-Hatam Mozaffar Esfazari, Abd-ol-Rahman Khazeni, Meymun ebne Najib Vaseti, and Abol-Abbas Lukari.

Some historians have brought into



question the participation of Khazeni, a slave-boy of Byzantine origin. Marwazi, the treasurer and chancellor of the court at Marv, gave the young man the best possible education in mathematical and philosophical disciplines, so that he became a renowned mathematician/astronomer and physicist. Khazeni established a Zij for the ruler Sanjar, and invented a balance for measuring specific gravities which was as precise as those obtained up to the Eighteenth or beginning of the Nineteenth century.

He passed away in A.D. 1115 or 1130, which is not incompatible with his taking part in the calendar reform. He would have been 36 years old at the time of the reform, and 51 years at the time of calendar reformation. However, the intercalation system he proposed in the Sanjari Zij does not fully agree with Khayyam's scheme, and this may be interpreted as his non-adherence to the calendar reform.

The solar-Shamsi calendar year begins on the midnight between the two consecutive solar noons which include the instant of the northern spring equinox, when the sun enters the northern hemisphere. The calendar consists of twelve months, the first six months are 31 days each, the next five, 30 days, and the last month has 29 days but 30 days in leap years.

The reason the first six months have 31 days and the rest 30, was not a random decision of the designers - it has to do with the fact that the sun moves slightly more slowly along ecliptic in the northern spring and summer than in the northern autumn and winter. In other words, the New Year is determined by noon-time observation of the northern spring equinox. If between two consecutive noons, the sun's altitude rises through its equinoctial altitude then the first noon is on the last day of one calendar year and the second noon is on the first day (Norouz) of the next calendar year.

Placing the beginning of the day at midnight is an ancient practice in the ECO Member Countries, as attested by several sources. For example, the

famous scientist Abu-Reyhan Biruni (A.D.973-1048) deals with this matter in his well-known book "Athar al-Baqia", written around A.D. 1000, where he underlines that the Shahriyar Zij, the astronomical calculations and tables established during the reign of the Sasanid emperor Anushiravan around A.D. 555, was based on the adoption of the midnight as the beginning of the day.

However, that taking up the midnight for the beginning of the day by astronomers is relatively recent in the Western world. In fact until 1925, astronomers used to start and end their

six or seven four-year leap years, the Shamsi- solar calendar produces a five-year leap year.

It usually follows a thirty-three year cycle with occasional interruptions by single twenty-nine year sub- cycles. This general picture of the Shamsi-Solar calendar's leap year behaviour contrasts with less accurate predictive algorithms which are based on confusion between the astronomers average tropical year 365.2422 days, approximated with near



days at noon, so the day in Greenwich Mean Time (GMT) originally used to start and end at mean solar noon in Greenwich, while Greenwich Civil Time used to start at midnight. Nevertheless, the Julian days, used by astronomers, begin at noon (GMT). Typically leap years are devised and used by various solar calendar systems, usually every four years. Four-year leap years add 0.25 day to each year in the period, but that is a slight overcompensation compared to the actual behaviour of the sun. To remedy this overcompensation, after every

128-year cycles or 2820-year great cycles and the mean interval between spring equinoxes 365.2424 days, approximated with a near 33-year cycle.

#### ■ The Pre- Islamic Calendars

The first states in the ancient ECO region were founded by the Medes (728-550 B.C.) and the Achaemenians (550-330 B.C.). We have some information about the calendars used during the Achaemenian period, but documents pertaining to the pre-Achaemenian history are not only scarce but also silent



on the calendar during that period. The first calendars based on religious cosmology appeared during the later Achaemenian period and though they have evolved and changed over the centuries, the names of the months have remained more or less the same till now.

Before this period, old inscriptions and tablets indicate that early peoples used a 360-day calendar based on the Babylonian system modified according to their own beliefs, and their own named days. Months were divided into two or three parts depending on the phase of the moon. Twelve months were named for various festivals or activities of the pastoral year with 30 days in each month. A thirteenth month was added every six years to keep the 360-day calendar in harmony with the seasons.

Under the unified empire of the Achaemenian it was necessary to create a distinctive calendar based on spiritual and religious beliefs. The spiritual aspect of the calendar dedications was very significant. Not only did it fix the pantheon of major deities, but ensured that their names were continuously repeated, since at every Zoroastrian act of worship, the deities of both day and month were invoked. With the new system, the pattern of festivities became clear as well.

For example, Mitrakanna or Mihregan was celebrated on Mithra day of Mithra month, and the Tiri festival of Tiragan was celebrated on Tiri day of the Tiri month. Several historical and archeological clues also point to a luni-solar administrative calendar during the Achaemenian era, probably borrowed from the Babylonians. At the same time, there was a solar calendar widely used by ancient countries in the ECO region. The reason for adopting the Babylonian calendar was certainly political. The Achaemenians (Cyrus- the Great) wanted to use the Babylonian administrative system. Adopting this calendar was also a sign of respect toward one of the peoples making up the Achaemenian empire. Similarly, Cyrus the Great paid official respect to Marduk, the supreme Babylonian God during his coronation ceremony. Many writers give several convincing arguments in support of the

Babylonian influence, while they firmly refute the opinion forwarded by several others that the Achaemenian state calendar followed an Egyptian model.

Briant, a specialist of the Achaemenian era, referring to ancient authors (Plutarch, Diodorus, Quintus Curtius, Dicearchus), believes that there existed a solar calendar of 360 days and 5 epagomenal days, along with the state lunar type Babylonian calendar. Another historical fact corroborates the existence of an ancient solar calendar during that period. We know with certainty that the Zoroastrian solar calendar was taken up by Cappadocians after the conquest of Asia Minor by Cyrus-the Great who entered Sardes in 546 B.C. The Cappadocian solar calendar, with 12 months of 30 days plus 5 epagomenal days, was an imitation of the Persian ancient calendar as is made especially blatant by the names of Persians months and their order. Let us not forget that after Asia Minor came under Persian rule, many Persians settled in that region. We note also that in the 4th century A.D., that is some 700 years after Alexander's conquest, many villages in Cappadocia were inhabited by the Persians descendants of the first colons. The fact that during the Achaemenian domination the Cappadocians borrowed the Zoroastrian calendar and not the official state calendar points to the deep roots of this calendar among Persians, in particular as far as the everyday cultural and religious matters were concerned. And this implies that the Zoroastrian calendar was more ancient than the official adoption.

The historical documents as to the Solar-Shamsi calendar in ancient times are so few that no information should be overlooked. The explanations supplied by Biruni are of paramount importance. Biruni has provided information about the solar-Shamsi pre-Islamic calendar. They have proved to be exact. Biruni, in his Athar al-baqia, tells us about the calendar used by the Pishdadis, the earliest Persian dynasty according to the traditional history. Their first king was the mythological Kiumars. The Pishdadis are followed by the Kiyanis, whose last king Dara (Darius III) was killed during Alexander's conquest of Persia. Since Biruni similarly counts Kourosh (Cyrus)

and Ardashir (Artaxerxes I Longimanus) among the Kiyanis and identifies the Kianis with the Achaemenians, the Pishdadis are more ancient than the Achaemenians. And according to legends, Norouz was established by the Pishdadi king Jamshid whose time goes back to the beginning of Indo- Persian settling process and transition from hunting to animal husbandry.

According to Biruni, the Pishdadis counted 360 days in a year and 30 days in a month. They carried out a leap month every 6 years and called it a leap year. Then every 120 years they performed two leap (Kabiseh) months, one for the 5 uncounted days and the other for the overlooked quarters of a day. The year length in that calendar can be calculated as follows:

One year =  $12 \times 30 = 360$  days,  
6 years =  $6 \times 360 + 30 = 2190$  days,  
120 years =  $20 \times 2190 + 30 = 43830$  days,

$43830/120 = 365.25$  days, that is 365 days and a quarter of the day. Obviously, this is possible in a solar calendar only. Therefore, if we believe Biruni, the pre-Achaemenian Persians used a solar calendar. Moreover, the above specifications point to a Zoroastrian calendar. This implies that, contrary to a prejudice, the Egyptians were not the sole among ancient civilizations to use a solar calendar.

We do not know when that calendar started, even if according to Biruni, Zoroaster introduced the month intercalation. Although we do not know exactly when Zoroaster lived (certain Greek sources have placed him in 6000 B.C., whereas the tradition associates him with 600 B.C.), recent studies concerning the linguistic particularities of the Gathas (the oldest part of the Avesta, attributed to Zoroaster himself) suggest around 1500 B.C. for his time. ■

.....  
*\*This article has been researched and compiled from various relevant sources on the subject including the article by M. Heydari-Malayeri of Paris Observatory in France.*



# Informal Working Luncheon for ASEAN Ambassadors

ECO  
CHRONICLE

The Secretary-General hosted an informal working lunch for the ASEAN

Ambassadors in Tehran on 12 Feb, 2012. The Luncheon was attended by the Ambassadors/Representatives of the five ASEAN countries namely, Brunei Darussalam, Indonesia, Malaysia, Philippines and Thailand. From the ECO side, it was attended by Ambassador Ümit Yardim of the Republic of Turkey in his capacity as the current Chairman of the Council of Permanent Representatives (CPR) and Ambassador Javanshir Akhundov of the Republic of Azerbaijan. In addition, the relevant officials of the Secretariat were also present. The Working Luncheon was preceded by a comprehensive presentation by the Secretariat on various aspects of ECO, particularly the history, organizational structure, activities and developments in various sectors. The Presentation also highlighted an overview of ECO's external relations with special focus on ASEAN-ECO cooperation and the follow-up on the decisions of the 11th Joint Ministerial Meeting of the two Organizations held on 24 Sep, 2011 in New York.



cooperation. While referring to the next (12th) ASEAN-ECO Joint Ministerial Meeting and a senior officials

The Presentation was followed by an informal exchange of views on ASEAN-ECO relationship particularly the status of implementation of the directives of the 11th Joint Ministerial Meeting including the next Joint Ministerial Meeting, Joint ASEAN-ECO Business Forum, and accreditation of Ambassadors of ASEAN and ECO Member States in Tehran and Jakarta to respective Headquarters of the two Organizations.

The Ambassador of Turkey stressed the need for the two Organizations to take appropriate steps to implement decisions of the 11th Joint Ministerial Meeting in a timely manner. He further stressed that the ECO Secretariat should finalize modalities to give effect to the decision concerning accreditation of ASEAN Ambassadors to ECO Headquarters.

The Ambassador of Azerbaijan appreciated Secretary-General's initiative to invite the ASEAN Ambassadors to the ECO Secretariat. He said that both ASEAN and ECO represented two important regions with huge potentials and bright prospects for inter-regional

meeting to be hosted by Azerbaijan on the sidelines of the 12th ECO Summit and 20th COM Meeting in October, 2012, the Azerbaijani Ambassador extended a cordial invitation to the ASEAN Member States for the Meeting and in this regard added that formal invitation letters to the ASEAN Foreign Ministers would be sent by Azerbaijan in due course. He stated that the Joint Ministerial Meeting in Baku would be an important event for member countries of both ASEAN and ECO as it would give further impetus to enhance mutually beneficial cooperation between the two regions. The Ambassador also laid emphasis on the need for the two Organizations to foster cooperation in the field of Transport as well. The Secretary-General, in his brief remarks, expressed firm commitment to promote cooperation with ASEAN in accordance with the outcome of the Joint Ministerial Meetings. In this regard, he also laid emphasis on strengthening regular interaction and coordination with ASEAN Ambassadors in Tehran. ■

## Training Workshop on Project Risk Management

ECO  
CHRONICLE

The 2nd Training Workshop on Project Risk Management was held on 4-5 March 2012 in Tehran in the ECO Secretariat. The resource person from Islamic Research and Training Institute of the Islamic Development Bank provided comprehensive hands-on training for the ECO project involved staff in project management.

Comparative analyses of standards in

international project management and implementation systems, including that of IDB was presented to the participants. Also, the hands-on training for initiation and formulation of project proposals, with due account of risk factors, were also conducted. The workshop resulted in certifying the ECO project involved staff for project's implementation and risk management systems. ■





# National Conference on Iran & Economic Cooperation Organization



ECO  
CHRONICLE

A delegation of the ECO Secretariat including the S.G. and his Deputies attended the National Conference on Iran and Economic Cooperation Organization, organised by the Ministry of Foreign Affairs of the Islamic Republic of Iran on Monday, 20 February 2012 in the IPIS.

In his remarks, the Secretary General highlighted the activities of the Organization with a particular reference to Iran's support toward the Organization. He also alluded that an

Eminent Persons Group has been established by the 11th Summit with the task to review ECO's working/performance and suggest measures to enhance efficiency, dynamism and visibility of the Organization. He commented that the EPG, in its recommendations, could take into consideration the conclusions of this important Conference. The Secretary General thanked the organizers for their timely initiative and considered it an important step towards better understanding of ECO. ■



## ECOSF President-Designate Visits ECO Secretariat

ECO  
CHRONICLE

The President-designate of the ECO Science Foundation, Manzoor H. Soomro, called on the ECO Secretary General on March 13, 2012. Highlighting the potential of cooperation in the field of Science & Technology among the Member States, the Secretary-General expressed the hope that the Foundation would serve as an effective vehicle to harness this regional potential by pooling scientific resources, expertise and knowledge for collective benefit of the peoples of the region. Mr. Maroofi encouraged the President-designate to organize a seminar to enhance visibility of the Foundation and familiarize the Member States with its functions and goals, before the Regional Conference to be held in Pakistan. In this regard, the Secretary-General offered assistance to organize the proposed seminar in Tehran in May/June and asked the President-designate to forward a detailed proposal. ■

ECO  
CHRONICLE

The Ambassador of the Republic of Croatia in Tehran, Prof. Dr. Esad Prohic, called on the ECO S.G. on February 13, 2012 at the ECO Secretariat. The two sides discussed the current activities of the organization with special reference to the ongoing projects on environmental issues. S.G. also briefed the Ambassador on the events relating to disaster management and environment



## Courtesy Call by

## Ambassador of the Republic of Croatia

expected to take place in the near future. He expressed gratitude to the Ambassador for his continued interest in the activities of the Organization. The Ambassador pledged his support to ECO and considered it as an important mechanism to promote regional cooperation. ■



# Istanbul Hosts

## 173rd CPR Meeting

ECO  
CHRONICLE

*The 173rd Meeting of the Council of Permanent Representatives of the Economic Cooperation Organization (ECO) was hosted by Turkey in Istanbul on January 5-7, 2012. The ECO Secretary General M. Yahya Maroofi, the Permanent Representatives of the Member States accredited to ECO and senior officials from the Secretariat participated in the Meeting.*

■ On 5th January, ECO Bank President Dr. Hossain Ghazavi and his colleagues gave a detailed briefing to the CPR members on ECO Bank's vision, ECO Economies in the Post Global Crisis Era, ECO Bank and its Role in Regional Development, Products and Functions of the various departments of the Bank.

■ The members of the CPR also visited the Research Centre for the Islamic History, Art and Culture (IRCICA) in Istanbul, its Library and Yildiz Historical Museum and heard a presentation by Dr. Halit Eren, Director General of IRCICA.

■ On 6th January, CPR had its 173rd Meeting. The Meeting was inaugurated by Ambassador Mehmet Gucuk, Deputy Undersecretary of Ministry of Foreign Affairs of the Republic of Turkey. Mr. Gucuk gave a brief outlook of the current economic situation in the region and perspective for further strengthening of the economic cooperation between the ECO Member States in the light of ECO vision 2015. Secretary General



Yahya Maroofi also thanked the Turkish Chairmanship for the generous hospitality and the opportunity to hold the CPR meeting in Turkey and make them familiar with the economic progress achieved by the country within the last decades.

■ During the Meeting, CPR members heard various presentations by Dr. Vehbi ESER, President of ECOSA, Mr. Haydar OZKAN, Representative of International Road Union (IRU) and finally by Ambassador Numan HAZAR, Chairman of EPG. CPR members dwelt especially on EPG process and its future programs.

■ Project on Seed Sector Development in the ECO Member States was also signed during the meeting by Secretary General M. Yahya Maroofi, Mr. Ferhat Selli, Deputy Undersecretary of the Ministry of Food, Agriculture and Livestock of the Republic of Turkey and Dr. Mustapha Sinaceur, Sub-regional Representative for Central Asian and FAO Representative in Turkey.

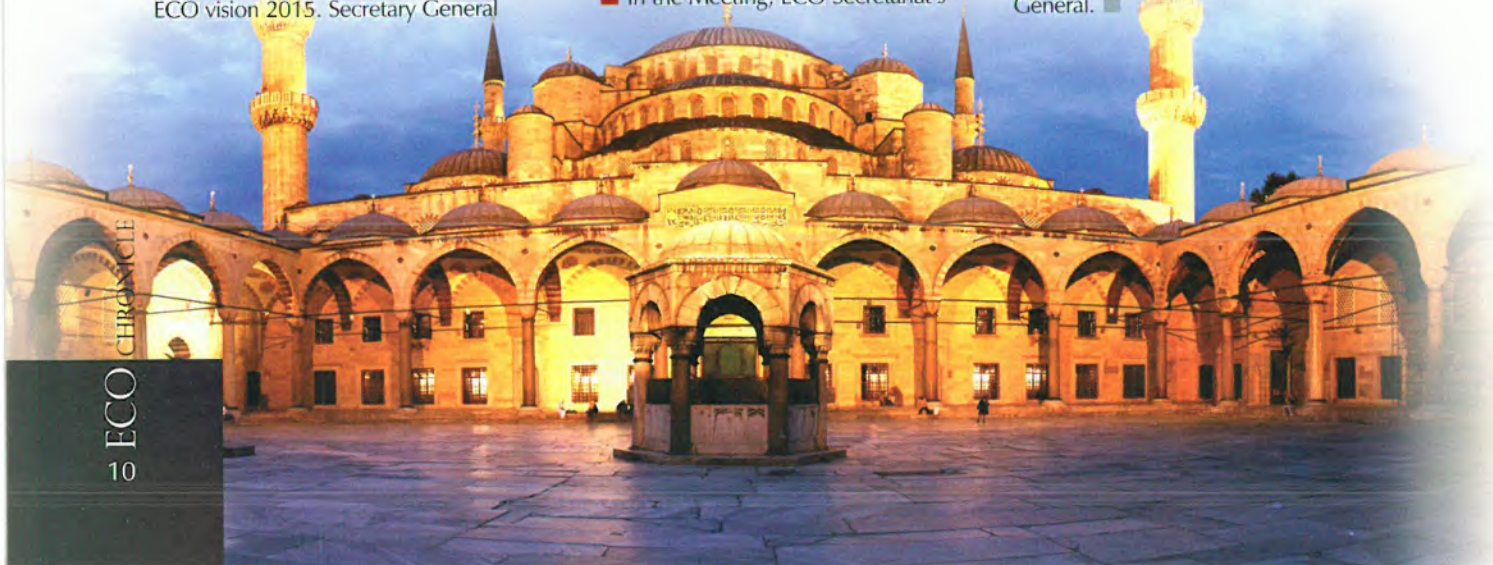
■ In the Meeting, ECO Secretariat's

Budget Proposal for Financial Year 2012 and allocation of an amount of US\$ 50,000/- from FGPF for operationalization of RISCAM were approved by the CPR. Draft MoU on Utilization of ECO Statistical Network (ECOSTAT) between ECO and Statistical Centre of Iran (SCI) and Establishment of a Parliamentary Forum of the ECO Member States was also discussed in the Meeting.

■ After the Meeting, CPR Members visited Istanbul Chamber of Commerce (I.T.O). The representatives of the ITO gave an informative presentation on the economic performance of Turkey in recent years as well as activities of Istanbul Chamber of Commerce, its potential and opportunities for expanding connections with the ECO Member States.

■ The CPR Meetings is rarely held outside Tehran and hosting of the CPR Meeting by Turkey as the current Chairman of ECO in Istanbul constitutes a concrete indication of the importance that Turkey attaches to ECO.

■ "We normally hold our CPR meetings in the Secretariat in Tehran and many of CPRs are also held in other cities of Iran e.g. Bushehr, Gilan, Qeshm Island, Chabahar etc. but this is the first time that we are having a CPR Meeting outside Iran. We think that this is a good practice and by this the Member States will become more familiar with the other Member countries" said Secretary General. ■





# ECO Eminent Persons Group Meets in Kish

ECO  
CHRONICLE

The ECO Eminent Persons Group on enhancing Organization's efficiency, dynamism and visibility, held its fourth meeting in the Kish-Island, I.R. of Iran on March 5-6, 2012 under the chairmanship of Ambassador (R) Numan Hazar, the Eminent Person from the Republic of Turkey. The Meeting was attended by the Eminent Persons from the Islamic Republic of Afghanistan, the Republic of Azerbaijan, the Islamic Republic of Iran, the Republic of Kazakhstan, the Islamic Republic of Pakistan and the Republic of Turkey. In addition, Turkmenistan was represented by its Ambassador/Permanent Representative in Tehran. The Secretary-General and the relevant staff of the Secretariat also attended the Meeting.

During the course of their two-day meeting, the Eminent Persons deliberated such key issues as budgetary matters, evaluation and monitoring mechanism, visibility and image of ECO. After having in-depth exchange of views, the EPG made comprehensive recommendations to address the challenges faced by the Organization in the aforementioned areas. The recommendations would be submitted to the 20th COM Meeting as part of EPG's consolidated Report.

On 7 March, the Eminent Persons also participated in the 175th CPR Meeting held in the Kish Island. The occasion provided a welcome opportunity to the Permanent Representatives and the Eminent Persons to discuss matters of mutual interest concerning work of the EPG. ■



## RECCA-V Conference on Afghanistan

ECO  
CHRONICLE

The 5th ECO Regional Conference on Afghanistan (RECCA-V) was held in Dushanbe, Tajikistan on 26-27 March 2012. The Conference was inaugurated by Presidents of the Republic of Tajikistan, the Islamic Republic of Afghanistan, the Islamic Republic of Iran and the Islamic Republic of Pakistan. The Conference was co-chaired by the Foreign Ministers of the Republic of Tajikistan and the Islamic Republic of Afghanistan. High level delegations and senior representatives from over seventy states and organizations took part in this historically significant gathering.

In his statement to RECCA-V, H.E. Mr. Mohammed Yahya Maroofi, the ECO Secretary General stated that Afghanistan was an important member of ECO and signatory to all ECO agreements aimed at fostering cooperation in trade, investment, visa facilitation and transport. He remarked that the ECO Member States, especially the neighboring economies play a significant role as trading partners and Afghanistan's joining the ECO Trade and Development Bank was a welcomed step in this regards. He said that visible progress for the construction of the Afghan Railway Lines along the main transit routes of the ECO region was made with main focus on the Shirkhan Bandar-Kunduz-Mazar-i-Sharif-Herat segment which is crucial for the completion of the project for the construction of a standard gauge railway from China to Europe through Kyrgyzstan-Tajikistan-Afghanistan and Iran. A project for the development of a road corridor between the Kyrgyz Republic, Tajikistan, Afghanistan and Iran to connect China to western hemisphere was under way.

The Secretary General called on His Excellency Mr. Imamali Rahman, the President of the Republic of Tajikistan. The Honourable President of Tajikistan while expressing support to the ECO initiative on enhancing regional cooperation with the emphasis on development of transit and trade between Afghanistan and its neighboring countries, notably the projects for development of road and rail corridors, also considered the holding of the 2nd Meeting of the Ministers of the countries enroute the Kyrgyz-Tajikistan-Afghanistan-Iran Railway Project in Dushanbe in 2012 as a positive step in this direction. ■



## S.G. Makes Official Visit to Austria & Germany

On the invitation of the Executive Director of the United Nations Office on Drugs and Crime, S.G. participated at the 3rd Ministerial Conference of the Paris Pact Partners on Combating the Afghan Illicit Opiate Trade, which was held in Vienna on 16th February, 2012.

In his statement, the Secretary General briefed the meeting on the activities of ECO and assured the Conference of its cooperation towards the implementation of the Paris Pact Declaration.



The occasion also availed an opportunity to meet the ECO Contact Group comprising of Vienna-based Permanent Representatives to the UN over a luncheon hosted by the Turkish Ambassador and discuss future prospects of ECO's activities including the role of the Contact Group with regional/international organizations. On his return to Berlin, S.G. met the State Secretary of the German Ministry of Interior and other officials of the German International Cooperation Agency (GIZ) and discussed matters related to the ECO-GIZ EU-funded project on Fight against Trafficking in the region focusing on Afghanistan. During his stay in Berlin, S.G. also visited the SIEMENS and AEG Companies who expressed their interest in the private-sector activities of the organization. ■

## S.G. Attends 25th Khwarizmi Int'l Awards

The 25th International Khwarizmi Award was held on Sunday February 5, 2012 in Tehran's IRIB International Conference Hall with a speech by the IRI President Mahmoud Ahmadinejad.

Researchers, innovators and inventors from 46 countries participated in the biggest scientific event in Tehran, I. R. Iran. ECO Secretary General, M.Yahya Maroofi, was among the VIP Guests



invited to the prestigious annual event. ECO was among the International Sponsors of the 25th Khwarizmi International Award. Thirty one laureates were selected and given awards at this session of Khwarizmi festival, 24 of them Iranian and the rest, scientists from other countries. Foreign laureates spoke about their fields of research. Some of the scientific projects were put on display on the sidelines of the event. ■

## Int'l Conference on Global Movement of Moderates

Upon the invitation of the President of International Islamic University of Malaysia, ECO S.G. participated at the International Conference on Global Movement of Moderates under the patronage of the Prime Minister of Malaysia held in Kula Lumpur on January 17-19, 2012. In his keynote address, the Prime Minister of Malaysia emphasized on the need for an integrated world to confront the menace of terrorism through global approach of mod-



eration. While lauding the multi-national, multi-religious and multi-cultural structure of South Asia, the Prime Minister launched the Global Movement of Moderates (GMM) and the centre for coordination of Moderates Movement. Academicians, theoreticians, former Prime Ministers of Malaysia and high-ranking officials were present at the Conference and S.G.'s statement on this occasion was distributed as an official document of the Conference. ■





## ECO International Conference on Disaster Risk Management

ECO  
CHRONICLE

The 6th ECO International Conference on Disaster Risk Management was organized by the Afghanistan National Disaster Management Authority (ANDMA) in collaboration with the ECO Secretariat on 28-29 February 2012 in Kabul, Islamic Republic of Afghanistan.

The Conference was inaugurated by Ustad M. Karim Khalili, Second Vice President of Afghanistan and Chairman of National Disaster Management Committee.

ECO Deputy Secretary General, Abolghasem Tahmasebi, also participated the Conference.

At "Previously public policy initiatives were limited to providing humanitarian and rehabilitation assistance to the victims whereas today, the concept of the disaster management has developed from post disaster relief and reconstruction to pre-disaster prevention and preparedness of the people through the training, media and simulation programs", he said.

He further continued to say that "This approach can be strengthened by sharing of information on best practices by education, early warning and other preparedness measures, placing local communities at the centre stage of risk assessment,

mitigation and response, backed by a strong legal, institutional, technical and financial support from the national and international authorities".

The objectives of this Conference were to share the latest breakthroughs on disaster risk management with a particular focus on earthquake, drought and floods.

The conference provided an opportunity for participating government representatives and experts to discuss these issues among a wider group of governmental and non-governmental stakeholders coming from countries with similar challenges.

It also provided an opportunity to share knowledge on various aspects of natural disaster risk reduction programs with member countries.

The representatives of seven ECO Member States namely Islamic Republic of Afghanistan (Host), Islamic Republic of Iran, the Republic of Kazakhstan, Kyrgyz Republic, Islamic Republic of Pakistan, Republic of Tajikistan and the Republic of Turkey participated at the Conference. The representatives of the UNOCHA, WFP, IOM, Afghan Red Crescent Society, MAIL, MRRD and Faculty of Geo-Sciences also participated in the event. ■



To honour the participants of the 173rd Meeting of the ECO Council of Permanent Representatives (CPR) held in Istanbul, January 5-7, 2012, ECO Trade and Development Bank organised a meeting and luncheon on January 5, 2012 which was attended by the Ambassadors as well as other high level officials of ECO Member States plus ECO Secretary General M. Yahya Maroofi. Following the welcome speech delivered by Dr. Hossein Ghazavi, ECO Bank's President, staff members of the Bank made presentations on the subjects including: Economies of ECO Region in the Post Global Crisis Era; ECO Bank

## Meeting & Luncheon to the Honor of ECO CPR



and Its Role in Regional Development as well as Products and Functions of the Banking & Non Banking Financial Institutions and Corporates plus Project Financing Departments of the ECO Bank.

During presentations, brief information was given on medium-term business perspectives, products and their lines as well as ECO Bank's services. Facilities available for small and medium sized enterprises and trade finance were also dealt with during the presentations. After the questions and answers section, President Dr. Ghazavi invited all ECO Member countries to join to the Bank in order to reap the benefits of the Bank's financial products. ■

ETDB Finances Building of

# Wind Power Farm in Jhampir



ECO Trade and Development Bank signed a loan agreement with Zorlu Energy Pakistan Limited for the amount of USD 20 Million jointly with ADB, IFC and Habib Bank for the establishment of a 56.4 Megawatt Wind Power Farm in Jhampir, Southern Sindh, about 100 kilometers northeast of Karachi. Loan will carry a tenure of 12 years with a two-year grace period.

The project will help to lower reliance on fossil fuels and realize the government's target of renewable energy in the total power mix by 2030.

The project will also contribute to employment opportunities and economic growth in the region.

Zorlu Energy operates Turkey's largest wind farm and it is 68 percent owned by Zorlu Holding A.S which is one of the largest conglomerates in Turkey. ■



# Loan for SME Development

ECO  
CHRONICLE

ETDB signed a medium term loan agreement with Orix Leasing of Pakistan for the amount of USD 10 million with a tenure of 4 years and a grace period of 1 year. The total amount of the loans issued by the Bank for the SMEs in Pakistan has includes USD 10 million of Orix Leasing.

ETDB strongly believes that SMEs have a vital role to play as engines of economic growth in the ECO region. This facility would encourage Orix Leasing as an intermediary to expand and strengthen its financing of SME operations in Pakistan in line with the Bank's mandate to become



a driving force in the economic development of ECO member states. SME Development Loan can be utilized for the purpose of Export Financing and Import Financing (Import Financing is limited to Economic Cooperation Organization Member States) and Working Capital needs of the small and medium sized companies.

Orix Leasing Pakistan Limited is a subsidiary of ORIX Corporation, Japan's leading integrated financial services company, spread over 26 countries including Pakistan providing leasing and other financial services to various segments of the market with a niche in the SMEs segment. ■



## Afghanistan to Join ECOTD Bank

ECO  
CHRONICLE

Noorullah Delawari, the Governor of the Central Bank of Afghanistan signed the "Articles of Agreement" for the membership of Afghanistan to the ECO Trade and Development Bank.

Signing Ceremony had taken place on March 12, 2012, at the ETDB's headquarters in Istanbul. Membership of

Afghanistan had been initially declared by the President Hamid Karzai during the 11th ECO Summit Meeting on 23 December 2010.

With the signature of the agreement, Afghanistan is expected to finalize the national procedures for ratification/ acceptance soon after to formally become a member of the ECO Bank. ■



## ETDB Finances 3 Projects in Pakistan

ECO  
CHRONICLE

On November 22, 2011, a loan agreement to finance 3 projects was signed between ETDB and DG Khan Cement Limited (DGKCC). The Loan will carry a tenure of 5 years with one-year grace period. DG Khan Cement Company Limited (DGKCC) is part of Nishat Group and one of the largest as well as oldest cement manufacturing companies of Pakistan with its two production plants located in Khotli Sattai and Khairpur.

One of the projects that ECO Trade & Development Bank is providing a loan to DGKCC for the establishment of a waste heat recovery plant (WHR) for power generation with a capacity of 8.6 MW at the Khairpur Cement Plant. Other two projects, which are financed by the Bank, are for the establishment of Refuse Derived Fuels (RDF) facilities in both plants, which will replace coal with alternative fuels in energy production. Both projects are eligible for carbon credit and are environment friendly.

By using renewable source of energy instead of coal and furnace fuel, the projects will pave the way for diversifying the fuel mix of the power sector in Pakistan and decrease its current heavy dependence on the fossil fuels. The RDF projects, being one of the first in Pakistan will be a sample for other cement companies and other industries. ■





## Turkmen President Re-elected

ECO CHRONICLE

Turkmen President Gurbanguly

Berdymukhammedov won a new five-year term in office following a landslide election victory, Turkmen News Media reported. The Central Election Commission declared Berdimukhammedov the victor of the February 12 election, saying he captured more than 97 percent of the vote. Officials said more than 96 percent of registered voters cast ballots. The second-place finisher, Energy and Industry Minister Yarmukhammet Orazgulyev, won just 1.2 percent. The head of an observer mission from the Commonwealth of Independent States, CIS Executive Secretary Sergei Lebedev, said he received no complaints of irregularities. Lebedev said his "heart rejoiced" at an electoral process that showed no sign of sliding into the social unrest seen in Libya and Egypt. ■



ECO CHRONICLE

According to APP, the Economic

Growth of Pakistan would reach 4.7 percent by fiscal year 2014 while the growth during the current year is expected at 3.8 percent, official document revealed.

"GDP growth is expected to be around 3.8 percent for FY12, with growth momentum increasing in the following years, reaching 4.7 percent GDP growth by FY14," according to projections given in Pakistan Debt Policy Statement 2011-12 published by the Ministry of Finance.

According to the document, current projections indicate that inflationary pressures from within and outside the economy will subside in the medium-term, with increase in CPI falling to 12.0 percent in FY12, and further to 9.5 percent in FY13. The rate of increase in CPI is projected to fall to 8.0 percent by FY14, it added. On the

## Pakistan Economy to Grow at 4.7pct by 2014

basis of successful implementation of tax and tax administration reforms, revenues are expected to grow by an average of 17 percent per year (in nominal terms) over the next three years.

On the other hand, expenditures are expected to be growing at a slower pace till FY14 while the quantum of increase is projected to be higher in FY14 owing to an increased outlay on development projects.

On the back of successful reforms in revenue generation, public sector enterprises and a shift from general to targeted subsidies, the fiscal deficit is projected to decline to 3.0 percent by FY14. Exports are expected to increase by an average 5.1 percent over FY12-FY14 while growth in imports is projected to increase to 7.5 percent during the same period, resulting in an increase in the current account deficit in the medium-term. ■

## Azerbaijan Sees Economic Growth of 5.7% in 2012

ECO CHRONICLE

According to Reuters, the Republic of Azerbaijan expects its economic growth to slow to 5.7 percent in 2012,

from an estimated 7.6 percent in 2011, while budget revenues and spending are expected to rise next year, the 2012 state budget draft shows. ■





# Dushanbe Airport Upgrades

ECO  
CHRONICLE

Tajik Prime Minister Oqil Oqilov met with the French Ambassador to Tajikistan Henry Zipper de Fabiani and senior representatives of the French company VINCI in Dushanbe on February 24, 2012, Asia Plus reported.

According to sources quoted by news agencies, construction of a new terminal at Dushanbe International Airport will be implemented as planned and the French company VINCI will continue construction of the terminal. In the course of the talks, the Tajik prime minister reportedly empha-

sized that delays in the implementation of the project should be prevented as delays will lead to increase in its cost. The sides noted that the issue of additional financing of the project would be solved in the near future.

The project for construction of an international terminal at the Dushanbe airport is being planned under financial support of France. France has provided Tajikistan a long-term, low interest 20 million Euro loan to fund the 27 million euro construction of the terminal; the remaining 7 million Euros will be provided by Dushanbe International Airport. The overall space of the international terminal at the Dushanbe airport is expected to be 11,000 square meters and it will receive more than 5,000 passengers per hour. ■



# Optimistic Scenario for Kyrgyz Government

ECO  
CHRONICLE

The Kyrgyz Government approved a basic and optimistic scenario of the country's socio-economic development for 2012 and the forecast for 2013-2014, reported KG News Agency. As noted, changes were introduced in the Government regulation adopted earlier in order to bring in balance the budget and the forecast of socio-economic development stated in the Medium-Term Development Program. According to the program,

the KRG plans to cut down expenses, increase revenues and reduce the budget deficit significantly. In the case of implementation of all measures and investment projects provided by the program, the economic growth in 2012-2014 is forecasted at 8 percent annually. According to the base scenario of socio-economic development, the indicators include economic growth of 6.6 percent in 2012, and an average of 5.9 percent per year in 2013-2014. ■





## Iran's Inflation Rate to Decrease 10% in 2012: IMF



ECO CHRONICLE

The International Monetary Fund has predicted that the inflation rate in Iran will decrease around 10 percent in 2012 from the estimated figure of 22.5 percent in 2011, Tehran Times reported. In its quarterly World Economic Outlook report, IMF said that Iran's inflation will reach 22.5 percent by the end of 2011, showing 10.1 percent growth in comparison to 2010.

The growing trend of inflation in Iran in 2011 is the direct impact of the subsidy reform plan, which was kicked off in December 2010. It is projected that by stabilizing the subsidy reform plan, inflation in the Islamic Republic will down 10 percent in 2012 in comparison to 2011, reaching to 12.5 percent by end of 2012. The decreasing trend will continue in 2013 and the inflation rate will drop to the unprecedented record of 7 percent. According to the report, the growth forecast for the country in 2011 was around 2.5 percent, which will increase to 3.4 percent in 2012.

While governments of the region have recently been under pressure to increase current spending - to support both increased social spending and commodity subsidies - the Islamic Republic of Iran is an exception for implementing the subsidy reform plan, the report added. ■



## 4% Growth Target for 2012 Turkish Economy

ECO CHRONICLE

Turkey may beat the 4 percent economic-growth target set out by the government for next year as its current-account deficit ceases to be a risk, Bloomberg quoted the Industry Minister Nihat Ergun as saying. The government will identify areas that are contributing to Turkey's 12-month cumulative trade deficit of \$78.6 billion, or about 10 percent of gross domestic product, and create investment incentives to plug the gap, Ergun told reporters in televised remarks from a conference in Istanbul today.

Turkey's 8.2 percent economic

growth in the third quarter, the world's fastest behind China, is a "good" development, he said. Exports are growing faster than imports and helping the world's 17th-largest economy reduce its trade gap, Ergun said. "This shows that certain steps we took about the current-account deficit problem are becoming effective and we're seeing the results," he said. "I believe 2012 will be a very good year for Turkey, and the rising trend will continue." The International Monetary Fund said on Dec. 7, 2011 that GDP expansion in Turkey will "slow sharply" to 2 percent due to weaker capital inflows. ■

## Kazakhstan Starts Third Gold Refinery

ECO CHRONICLE

Kazakhstan plans to begin construction of a third gold refinery next year to process an expected increase in volumes of the precious metal, Reuters quoted the country's Industry Ministry as saying. State miner Tau-Ken Samruk will run the refinery, which will have capacity to produce 25 tones of bullion per year and could cost up to \$30 million to build. Kazakhstan, Central Asia's largest economy, has ambitious plans to raise annual gold output to 70 tones or more by 2015. It produced 27.5 tones of gold in the first nine months of 2011, including 12.5 tones of refined gold, official data show.

The central bank has committed to augment its gold reserves and ease exposure to the dollar by purchasing Kazakhstan's entire bullion output during 2012 (\* Refinery construction to begin in 2012) until at least 2014 or 2015. ■





## Member States Praise ECO Pub.

**ECO CHRONICLE** The Council of Permanent Representatives (CPR) during its 174th Meeting held at the ECO Secretariat, Tehran, February 7, 2012 under agenda No. 7 in "Any other business" appreciated the efforts of the Secretariat to publish the ECO Chronicle Magazine. The Council decided to support the magazine and urged the Member States to provide

advertisements to the magazine for its continuous publication. Furthermore, in a letter sent to ECO Secretariat, the Ministry of Foreign Affairs of the R. Kazakhstan congratulated the ECO Secretary General for the publication of ECO Chronicle and emphasized that according to ECO Vision 2015, the issue of regional cooperation in the new era of development has been clearly reflected in the ECO Chronicle. ■



## Uzbekistan China Cooperation

**ECO CHRONICLE** The first meeting of the Uzbek-Chinese intergovernmental committee resulted signing documents related to oil and gas projects that was approved by Uzbek President Islam Karimov. The first meeting was held in October 2011.

The framework agreement was signed with China's Xinjiang Guanghi Industry Investment Group to establish a joint venture producing lique-



fied natural gas. An agreement on basic principles of cooperation for the joint development of the Mingbulak field was signed with the China National Petroleum Corporation. ■

## Ministerial Meeting

# ECO Stepping up Petroleum/Energy Cooperation

**ECO CHRONICLE** According to ECO Secretariat, the third ECO Petroleum/Energy Ministerial Meeting will be hosted by the government of the Islamic Republic of Iran during 25-27 June 2012. The ECO Second Petroleum/Energy Ministerial Meeting held in Tajikistan on October 1st, 2010, adopted ECO Second Plan of Action for Petroleum/Energy Cooperation (2011-2015). ECO Petroleum/Energy Ministers during 2nd meeting highlighted the importance of stability in petroleum and energy markets that will enhance efforts for facing current global economic crisis. Moreover, closer cooperation in ECO-Caspian Sea offshore energy resources development was noted and ministers welcomed organizing ECO Drilling training programs. ■







## Kazakhstan Redirects Oil Volumes

**ECO CHRONICLE** Kazakh shippers redirected the oil volumes to the Black Sea and Baltic Sea, which are economically more attractive for Kazakh oil companies than the supplies by transit through Ukraine, because Ukrtransnafta increased the tariff for the oil transportation services through the territory of Ukraine through the system of trunk oil pipelines. ■

## U.S. Supports Turkmenistan's Initiatives to Ensure Energy Security



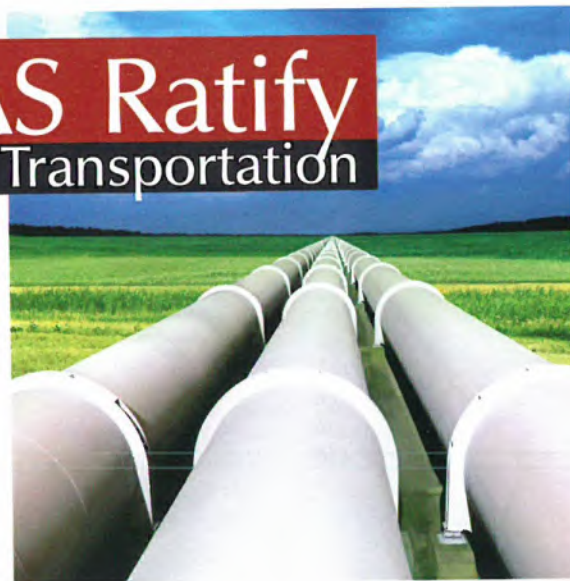
**ECO CHRONICLE** Turkmen President Gurbanguly Berdimuhammadov received U.S. Assistant Secretary for South and Central Asian Affairs Robert Blake. The U.S. diplomat said that the U.S. supports Turkmenistan's international initiatives aimed at seeking optimal solutions to urgent problems, ensuring global energy security. He also said that "the U.S. government welcomes Ashgabat's leading role in promoting the project of Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline". The length of TAPI can hit more than 1,700 km, its design capacity - 33 billion cubic meters of natural gas per year, the cost is estimated at \$7-8 billion. ■

## BP, SOCAR, BOTAS Ratify All Accords on Shah Deniz Gas Transportation

**ECO CHRONICLE** On November 25, 2011, BP, SOCAR (the Republic of Azerbaijan State Oil Company) and BOTAS (the Turkish Petroleum Pipeline Corporation) have formalized a set of 14 agreements underpinning the operations of the BTC Pipeline and the full development of the giant Shah Deniz gas field.

The agreements provide a legal framework for the sale of Shah Deniz gas to Turkey and its transportation to

the European markets through Turkey, starting in 2017. Moreover, the State Oil Company of the Republic of Azerbaijan (SOCAR) has commissioned a new gas-condensate well in the shallow part of the Guneshli field in the Azerbaijani sector of the Caspian Sea. According to published data about 140,000 cubic meters of gas and 10 tons of condensate are extracted daily from the well on the interval of 3,665-3,625 meters. ■





## ECI Holds 2<sup>nd</sup> Monthly Discussions on Shams Tabrizi



**ECO CHRONICLE** In cooperation with Shams Tabriz Foundation, ECO Cultural Institute has organized the second in a series of roundtable discussions, called "Rumi, a mirror of Shams" on February 20, 2012 at its Educational Center located in Pardis St., Molla Sadra Ave., Tehran featuring top, renowned Iranian literary researchers on Rumi. The series of roundtable discussions, called "Rumi, a mirror of Shams", organized by ECO Cultural Institute in cooperation with Shams Tabriz Foundation and hosted by Dr. Ahmad Jalali are planned to receive Iranian and foreign researchers and enthusiasts on monthly scheduled dates. ■

## ECI Coordinates 2<sup>nd</sup> ECO Printing & Packaging Exhibition



The 2<sup>nd</sup> ECO Int'l Printing and Packaging Exhibition (PECO 2012)

kicked off in February 8, 2012, in the Iranian North-Eastern city of Mashhad. Representatives of national as well as ECO Member States' printing and packaging companies participated at the show. Among the VIP guests present at the inauguration ceremony were Ali Moghani, the Governor of the Khorasan Razavi Province and members of international diplomatic corps stationed in Mashhad. ■



## ECI Calls Artists for

# 1<sup>st</sup> ECO Int'l Visual Arts Festival

**ECO CHRONICLE** ECO Cultural Institute is planning to hold the 1<sup>st</sup> ECO International Festival of Visual Arts with the aim of strengthening and broadening the level of cultural exchanges among the contemporary artists with a focus on the major theme of cultural identity in the works of contemporary artists from the ten ECO Member States. The theme of the competition is Norouz World Festival, its customs & traditions. ■

## Pakistan's Contemporary Arts Exhibition

**ECO CHRONICLE** The exhibition of Pakistan's Contemporary Arts was opened at ECO Diplomatic



Art Gallery on February 2, 2012. Present at the inaugural were Hojatollah Ayoubi, ECI President; Ambassador of Islamic Republic of Pakistan to Tehran, as well as Ambassadors of other ECO Member States plus a group of celebrated Iranian and Pakistani contemporary artists. The event put on display more than 50 paintings and miniature works created by 12 Pakistani artists. The exhibition concluded on February 17, 2012. ■

\*Note: this page contains selected news on ECO Cultural affairs. For further information please visit [www.e-ecotimes.org](http://www.e-ecotimes.org)



# Role of Governments in Promoting Private Sector Investment

By: Fatih Unlu  
ECO Deputy Secretary General

Recent decades have witnessed an increasing role of private sector in the economy. This also led the structural changes in the modalities for international economic and commercial cooperation. The increasing role of private sector in economic activity has a logical explanation from several aspects: With some exceptions, private sector has the ability to produce more output per input. It is also fast, dynamic, pragmatic, adaptable, profit and result oriented. Such characteristics make it the forerunner in most of the economic and commercial activities.

Throughout their history, state mechanisms had, at sometimes, been able to accomplish enormous economic achievements especially at the times of intense idealism or in some cases, under heavy oppressions. But reaching the desired objectives under such circumstances, especially the latter, was neither sustainable in the long run nor humanitarian.

Islamic civilizations respect and protect the rights of individuals in a way to protect the whole society. In the ECO region as well, we have a long history of private sector activity. ECO region has contributed to the invention and usage of various commercial tools including the "cheque".

In our civilization, trade and merchants are at the center of economic activity. For that reason, private enterprise and property rights have been usually respected very carefully in the history of the region. Having said all these, we should not presume that private sector functions perfectly in all cases. There are, of course, some limitations to the efficiency of the private sector especially during the times of crisis. Moreover, their profit orientation and profit maximization habits may not always suit the interests of the society. Thus, here arises the need for regulations by the state mechanism. Well designed regulations do not restrict but maximize the operational efficiency of the private sector. Needless to say, even a world class footballer needs world class or at least a suitable stadium and encouraging environment to show his full skills. Businessmen and investors, as the major actors of economic activity, can immensely contribute to the economic and commercial cooperation among the countries through their evident skills.

On the other hand, public sector, with its traditions, regularity and political will for





establishing the legislative framework and setting up the institutional, financial and economic infrastructure may help the private sector and open new avenues for cooperation through harnessing the positives of both. In line with the prominent role of private sector in international economic cooperation, establishing a suitable environment for cooperation among the private sector and improving investment climate became essential for a successful economic cooperation.

This compilation will very briefly cover what the governments do to facilitate private sector investment at national level in a non-exhaustive manner which may also reveal some clues for regional cooperation. There are several international arrangements which have implications on government support to private sector. These implications may/should be taken into consideration by concerned countries when policies are formulated.

Main contribution of the governments to the economic processes is to improve investment climate in the country. Improving investment climate, as its ultimate objective, aims at the establishment of a totally investment friendly atmosphere both at national, regional/international levels. Adopting a positive outlook and approach for investments at governmental, bureaucratic and societal level is one of the most important components. At the first instance, governments facilitate investments by alleviating bureaucratic obstacles before investments. Although this step is extremely crucial, it will not suffice to fuel an economy. The governments may also help the investments and hence industrial development through various ways and means including:

#### ■ 1. Ensuring economic stability

Economic stability is indispensable for a sound investment environment and industrial development. Meanwhile, healthy investment environment in turn helps economic stability. This may include pro-investment economic policies, channellizing savings to investments, introducing a suitable exchange regime, industrial restructuring - privatization and proper management of possible economic crisis. As an example, macroeconomic uncertainty and high, unpredictable inflation rates have a deterring effect on investments.

#### ■ 2. Improving Infrastructures i.e. Transportation, telecommunication, education etc.

Infrastructures are visible signs of civilization. The importance of good infrastructure in improving investments is self explanatory. Investments usually flow to places where facilities are available. Even for most sought after raw materials and minerals, availability of infrastructure will be an asset.

As an example, Turkey's intense investments for transportation and telecommunication infrastructures along with its programmes towards encouraging entrepreneurship in 1980s paid back in a very short time. Then Turkey became the fastest growing economy for years in the OECD and established a good production base with a booming external trade. As a bonus, in 2010, Turkey ranked 2nd in the world in the foreign construction sector.

#### ■ 3. Providing Dedicated Infrastructures, Industrial Development Zones, techno- parks - technology development regions, incubators, organized industrial zones, free trade zones

Governments support investments by providing dedicated infrastructures. Various types of supports provided in these areas include land allocation and support to the infrastructure, exemption from certain taxes, duties and fees, etc. These infrastructures also led to greater interaction among especially SMEs and therefore promote learning from each other.





■ 4. Reducing burdens on private sector, especially heavy tax burden

Tax is a social responsibility and an efficient tax system is an asset for an economy. But unreasonably heavy tax burdens negatively affect the economic activity and leads to scarcity of money in markets if not properly re-injected into the economy. Therefore the money that flows to investment and employment may be supported in a priority framework. This may include alleviating fiscal burdens: exemptions from certain taxes, fund levies, import duties and deduction from social security contributions and introducing tax holidays (i.e. exemption from tax for the initial 5 years) etc. Reducing input costs for production e.g. Electricity especially in exporting sectors is also of paramount importance.

■ 5. Setting up plans and programs / long term strategies for the economy - determining sector-wise priorities; providing guidance and information to firms and business institutions especially on possible global/regional trade/investment opportunities, prospects.

Long Term Development Plans, Mid-Term Programs are designed and prepared by the governments. In most of the countries, private sector and other stakeholders are also involved in the process. Although private sector is highly skilled in investing in efficient productive sectors and discovering potential markets, the governments are also best equipped to make detailed economic analysis to determine priority areas and specific sectors and industries commensurate with the strengths and capacities of that country in terms

of human resources, geographical location and natural resources.

Governments may also help the private sector in discovering remote potential markets. Providing guidance and updated information, supporting institutions and organizations producing/providing trade and investment related information and conducting regular "surveys of investment areas," can also be considered within that framework. Monitoring and sectoral early warning systems which closely follow national and international developments will also be great help to private sector especially before or during crises.

■ 6. Capacity Building and Human Resources Development

Human resource is considered as the most important social asset, a capacity which may give a way out for developing and least developed countries. In this framework, continuous training of the workforce so as to make them more compatible for hi-tech industries is crucial for the countries that wish to produce better, attract more hi-tech FDI and transfer technology to their countries.

Capacity building should also include programs for development of entrepreneurial, organizational and managerial skills, introduction of new (i.e. quality improvement) techniques and developments.





■ **7. Research and Development Assistance, Innovative development, Measures for Closer University - Industry - Inventors - Government Cooperation**

Launching programs for increasing industrial and technological capacities of individual firms including the establishment of R&D and technology development funds is one of the most important functions of the public sector. This will also encourage the private firms to invest more in R&D and therefore enhance value addition.

For a sustainable pace of development, scientific skills in the country should be improved and updated regularly and be transferred to the relevant productive units under a suitable framework.

Closer industry and university cooperation will enhance innovative capacity and result orientation in the firms as well as the universities.

As stated in OECD, Science, Technology and Industry Outlook 2000, "The nation that fosters an infrastructure of linkages among and between firms, universities and government gains competitive advantage through quicker information diffusion and product deployment."

■ **8. Preparing the required legal, administrative, financial framework for investments including introducing international norms and standards.**

This aspect will include preparing a set of sound regulatory framework for investments, developing a suitable financial system and adopting contemporary international standards and norms along with signing and ratifying required international investment guarantee agreements.

■ **9. Measures to Attract Foreign Director Investments**

Attracting foreign direct investment provides fresh money to the economy, helps transfer of technology, capacity building, product differentiation, quality improvement and overall economic performance.

It also forces local industries to be more competitive. As compared to short-term speculative foreign capital, this is a rather stable type of attracting foreign capital. As for the incentives for foreign investments, they usually expect the same type of facilities, rights and exemptions as for the local investors which is called as the "principle of national treatment".

Since large transnational companies have enormous capital, facilities and expertise, any attempt for attracting foreign direct investment should be carefully planned so as to be not detrimental to promising industries and promising local firms. In relation to FDI, Foreign Investment Promotion Agencies may also be established to promote FDI and attract higher quality investment.

■ **10. Trade Facilitation and promotional of export oriented production**

Trade facilitation at regional and global levels is a main duty of the governments. Participating in or initiating regional preferential trade agreements, free trade areas, customs union and adopting measures to help the private sector for establishing greater market links are among the functions of the government.

Promoting an export oriented production culture and producing at global standards, assisting the companies in opening up overseas branches, participating in fairs, conducting market surveys and similar support may also be considered under this item.

■ **11. Financial Assistance, Concessional loans**

This method is applied by governments to support private sector investment especially SMEs through concessional /suitable financing and help improving new investments and modernization of production base.

Finance is also used for promoting external trade.

However that should be planned in line with international frameworks. Especially subsidized long -term export credits may have a trade diverging effect and cause unjust competition.

■ **12. Risk management and guarantee services,**

Public sector may not be involved in risk management and guarantee services directly, but they should definitely act as facilitator for reducing investment and trade risks and decrease costs of guarantee services.

Concluding bilateral or multilateral investment promotion and protection agreements and establishing /adopting an effective arbitration framework also fall under this item.

■ **13. Launching Necessary International Initiatives, mobilizing international financial and technical resources for private sector and industrial development**

Governments may also take a leading role or act as a mediator in retrieving and introducing various technical and financial sources of support (from UN institutions, donor institutions, other international organizations) for private sector development and investments. This is especially relevant for LDCs and some developing countries.

■ **Conclusion**

Government policies and programs have a director impact on private sector investment and activities as evident from various modalities presented above in a brief and non-exhaustive manner.

Therefore, detailed studies about the problems and potentials of private sector in various sectors may be conducted before and during the formulation of government policies and programs. Active involvement of relevant parties including the private sector may also be ensured in the process. ■





By Ambassador Esad Prohic, P.h.D.\*

# Regional Branding in a Global Market Place Challenges of Branding in ECO Countries

## Definition

The word "brand" is derived from the Old Norse "brandr" meaning "to burn." It refers to the practice of producers burning their mark (or brand) onto their products. The American Marketing Association defines a "brand" as a "Name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers."

Branding as an economic component and procedure strongly depends upon the market structure and its characteristics. In spite of regional, or historical and even more cultural connections among ECO member states, differences exist in the market structure. At least we can divide (with respect to market characteristics) these countries into three main groups: those with (at least some kind or mostly) economically independent markets (Iran, Turkey, Pakistan); those with legacy of centralized state government (Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, as former Soviet Union countries) and Afghanistan's developing market. As we are looking for the common standpoint (regional approach) we should, in most of our discussion, allocate to the former SU countries (here for the sake of simplicity we can call these countries also as "countries in transition"). The transition from central planning to a market economy and from a one-party system into a pluralistic and democratic society involved a systematic identity and image transformation as well. In transition countries,

the reality is changing which means that this transformation is both "internally and externally driven". The ECO countries took the opportunity to invent themselves rather than being invented by others. Branding has had an important role in this process and has generated discussion about identities. Branding may not provide the best answers as national identity is more complex and not subject to "selling" but it can certainly help define a certain type of "country identity" that can be communicated to other nations. So, creating "ECO conform" identity could be of crucial importance for most countries.

## ■ Regional Branding Benefits

Regional branding can be an important component in marketing efforts. Combined with an effective marketing campaign, regional brands can serve as source-identifiers for consumers. These brands identify goods originating from a specific territory, region or locality within that territory with reputations for unique qualities. In addition, regional brands provide legal protections that help preserve benefits developed through a firm's or region's marketing efforts. Some empirical research has shown that geographic origin plays a role in consumer decisions, including willingness to pay a higher price for regionally branded food products. These issues could be particularly critical in ECO markets where product market structures-traditionally centered around countries, are now becoming more interlinked. This could create pressures for firms to integrate their brand strategies across markets within the ECO. As the firm expands in international market; issues relating to brand architecture or brand structure become even more complex. In addition to considering the number of levels in the hierarchy, another dimension, namely



the degree of brand coordination or standardization across countries, needs to be determined. Especially if the company expands through acquisition or strategic alliances, the question of whether and how brand architectures of different firms are merged, arises. Irrespective of the expansion process, companies have to determine an appropriate brand architecture that transcends national boundaries and how far branding is integrated or standardized across countries.

### ■ Political & Economic Integration as Benefit of Regional Branding

Increasing political and economic integration in many parts of the world has been a key factor stimulating the growth of international branding. As governments remove tariff and non-tariff barriers to business transactions and trade with other countries, and people and information move easily across borders, the climate has become more favorable to the marketing of international brands. Firms no longer need to modify products to meet local requirements, and develop specific variants for local markets, but can market standardized products with the same brand name in multiple country markets. In many instances, harmonization of product regulation across borders has further facilitated this trend.

### ■ Consumer Mobility

A final factor underlying the power of regional brands is increased consumer mobility. While global media provide passive exposure to brands, increasing international travel and movement of customers across national boundaries provides active exposure to brands in different countries. Awareness of the availability and high visibility of an international brand in multiple countries enhances its value to consumers, and provides reassurance of its strength and reliability. Increased exposure to and familiarity with new and diverse products, and the life-styles and cultures in which they are embedded also generates greater receptivity to products of foreign origin or those perceived as "international" rather than domestic. All these factors help to create a climate more favorable to international brands.

### ■ Regional vs Local Brands

**Frequently asked question :** "Does it mean that with the promoting regional branding instead of promoting local brand country lose its national identity and even sovereignty?"

**Answer :** Instead of losing it is more appropriate to say that country transfer part of its identity (sovereignty) to the new brand as a new market (and political) regional value .

### ■ What Could Be ECO Regional Brand?

Answer is not simple and for sure asked for serious project in which all characteristics of the member states should be put under consideration and judgment, like:

- Tradition;
- Consumer needs and culture;
- Economic parameters;
- Market tradition and practice;
- Political system and structure of decision making process; (centralized or not market)
- And many other elements,

If we look to this procedure as an simple mathematical approach the answer will be, in general: We should bring all considered parameters under the the common denominator.

### ■ Could We Find it in the Case of ECO Member States?

However, a marketing tool, called regional branding may be useful to new political and/or economical associations as their marketing strategies. Used to identify a product with a particular geographical region or country, regional branding has been practiced for years. Regional or geographic branding has been facilitated by various legal methods, including Geographical Indications (GIs), marks and appellations.

Geographical Indications (GIs), a broad regional branding method, can be used by all qualified producers within a specific region (or country), giving them access to the brand and brand protection. Most commonly identified with European Union (EU) products, GIs are increasingly recognized and protected under provisions of the World Trade Organization (WTO). GIs are typically used to convey an assurance of product quality and distinctiveness that is attributable to geographic origin, although some GIs are used to define quality and distinctiveness attributable to a particular manufacturing process as well as to the region (e.g., Roquefort cheese manufacturing in France).



### ■ Green Brands Concept

Green brands are those brands that consumers associate with environmental conservation and sustainable business practices. Such brands appeal to consumers who are becoming more aware of the need to protect the environment. A green brand can add a unique selling point to a product and can boost corporate image.

### ■ Other Possible Regional Brands

Of course there are many other possible regional brands for ECO region, among others:

- Agricultural products
- Handicrafts
- Tourism
- Etc. ■

*\*The author is former professor at the Faculty of Science, University of Zagreb, Croatia and currently he serves as Ambassador of R. of Croatia to I.R. Iran. The article is a shorter version of a lecture presented by the author in the 6th International Brand Conference held in Tehran from February 16th to 18th 2012.*





# Post-Modern Fiscal Theory

By: Chris Cook

**W**hat is Value anyway? As J. A. Wheeler put it, "Reality is defined by the questions you put to it". Value is in my view definable only in relative terms, by reference to a standard unit of measure for value or unit of account. This standard unit is akin to a meter as a standard unit of measure for length, and a kilogram as a standard unit for weight.

What are the sources or bases of Value? My analysis is as follows:

- **Location** - 3D Space - an immaterial, effectively finite and rivalrous resource;
- **Energy** - material and immaterial, static or dynamic - a mix of finite (non-renewable) and effectively infinite (renewable) rivalrous resources;
- **Intellect** - (i) subjective - i.e. what is between our ears including knowledge, skills, experience, intuition, contacts, gumption and so on; and (ii) objective - energetic

patterns or records, independent of location, and above all... infinite and non-rivalrous resource.

Location, Energy and objective Intellect are productive assets subject to rights of ownership and use. Since slavery was abolished, productive individuals cannot be owned, but they can enter into obligations such as debt. More to the point, they may contract the use of their Manpower (energy - or unqualified Labor) and the use value of the subjective Intellect (qualified Labor) with which they put their energy to best use.

## ■ Back to the Future

The financial instrument which will underpin what Gillian Tett calls a 'Flight to Simplicity' goes back many hundreds if not thousands of years. Its very existence underpins the MMT case, and it has been airbrushed from economic history for over 100 years.

For some 500 years sovereigns financed their expenditure through issuing 'Stock' to suppliers and investors in exchange for value received. This stock - which took the form of half of a wooden tally stick - was returnable to the Exchequer in settlement of tax obligations. It was not a receipt for (say) gold held in custody, or for value received: stock was and still is (gilt-edged stock is a dated credit instrument) an IOU or credit instrument.

The very phrase 'rate of return' derives from the rate at which stock may be returned to the issuer, and that rate depends upon the existence and rate of the value flow. By creating a new generation of stock from the flows of value derived from productive people and from productive assets, such as rental value, or energy value, we may com-



pletely re-base credit and currency and enable direct 'Peer to Asset' investment and 'Peer to Peer' credit.

As Minsky said: "Any economic unit can emit currency; The serious problem is in getting it accepted."

### ■ Law is Code

A new generation of legal code is now emerging; or rather, ancient code is re-emerging in modern form. Prescriptive one-way agreements imposed under the Anglo Saxon 'Rule of Law' to manage conflicted relationships are replaced by simple consensual agreements to a common purpose. This is normal practice East of Suez: the joke is that there are as many Sumo wrestlers in the US as there are attorneys in Japan.

The issue and acceptance of a new generation of Stock or currency requires such consensual agreements - frameworks of trust - within which the various stakeholders will interact. One of the key outcomes is that intermediaries will transition to a new role as service providers.

For skeptics, I point out firstly, that dis-intermediation is already happening. One of the reasons for the current bubble in commodity prices is that banks no longer have the capital to intermediate market risk and have convinced risk adverse investors to do so on a massive scale. Banks make juicy returns on minimal capital, demonstrating that dis-intermediation is actually in their financial interests.

exchanges of value. A unit of energy is the only absolute, and in the same way that carpets are not measured in light years or angstrom units, the 'Energy Standard Unit' should be relevant to everyday experience, e.g. the energy equivalent of 10 Kilo Watt Hours. Note that this unit of account is not the same as the varied units of energy-based currency which may evolve and be exchanged by reference to the standard. I foresee two great parallel trends:

Firstly, resolution of unsustainable mortgage (land-based) debt into a new generation of stock based upon rental values in a debt/equity swap on a massive scale. Secondly, transition to a sustainable economy through direct 'energy stock' investment and the Big Trade of the 21st Century will be the exchange of intellectual value for the value of energy saved: Nega Watts and Nega Barrels. Adoption of an Energy



Secondly, P & I Clubs based in London have long mutually insured and pooled risks which insurance intermediaries are unwilling or unable to take, and for 135 years, a service provider, Thomas Miller, has managed these clubs and the risk.

### ■ An Energy Standard

While we will in future see people-based credit and asset-based currencies, the question remains as to what standard unit of account should be used to price

Standard leads to a new calculus forming the basis of all economic decisions. Dollar Economics becomes Energy Economics. ■

*\*The author, Chris Cook is a former director of the International Petroleum Exchange. He is now a strategic market consultant, entrepreneur and commentator.*



By: Sam Barden

# Connecting the Dots...

I remember as a child learning how to draw pictures and color in shapes. I have to confess I was anything but a gifted artist.

When it came to drawing, I was hopeless except when I was drawing a dot-to-dot picture. A dot-to-dot picture was one where you draw starting at number one and connect the dots in ascending numerical order. At the end of doing these drawings, a picture would emerge.

At the outset, even though all the numbers are on the page, you cannot see the picture until you have connected all the dots.

Our trading and financial markets are undergoing fundamental and structural change, and 21st century markets will be networked, decentralized and on a peer-to-peer basis. Is it the case that global markets of tomorrow are in fact a lot closer than we think and need little more today to bring them about than to connect the dots?

In executing world trade currently, we are heavily reliant on the current banking system, or more appropriately the banks. The instrument of choice for settling trade is the Letter of Credit, or LC as it is known. The English name "letter of credit" derives from the French word

*You can't connect the dots looking forward; you can only connect them looking backwards. So you have to trust that the dots will somehow connect in your future. You have to trust in something - your gut, destiny, life, karma, whatever. This approach has never let me down, and it has made all the difference in my life." (Steve Jobs, Stanford Commencement Speech, 2005)*

"accreditation," a power to do something, which in turn derives from the Latin "accreditivus," meaning trust. A letter of credit is actually nothing more than a messaging system. It is a bank-to-bank system





which allows for the transfer of title of commodities like oil, gas, gold, rice or any commodity against a transfer of title for money, usually U.S. dollars or the euro between the buyer and the seller with the bank in the middle.

The LC market however, as with much of the current financial system, is seizing up. Banks need trust not least between each other for the LC market to work and for trade to settle, and as we know the one thing banks are short on at the moment is trust. It goes without saying that global trade is suffering not least because the current messaging system, Bank-to-Bank LCs, is becoming obsolete.

The dots are definitely out there at the moment for a new decentralized 21st century market and our ability to connect them is becoming clearer. The current sanctions on Iran are highlighting, or illuminating if you will, the dots of the new system. The sanctions seek to limit Iran's ability to be part of the bank-to-bank LC system, which relies on U.S. dollars and the euro to settle. However, Iran's trading partners such as India, China, South Korea and Russia to name a few, are actively seeking new ways to settle their bilateral trade with Iran, while not damaging their trade with the United States and

We assume wrongly that banks must be in the middle of world trade and that we can only trust banks using U.S. dollars or euros to facilitate and settle trade. This is plainly not the case; we are quickly building a picture of how trade will work without traditional LCs.

Europe.

A new system of trade settlement will require a pool of assets other than the U.S. dollar and euro.

This pool of assets might include national currencies such as the rupee, the ruble, the yuan, or it may include other assets such as gold, silver, oil, gas, or even soft commodities like wheat, rice or other grains. These new pools of assets will need to have title registries, in order to register ownership and title transfers. These title registries would be linked to custodians or warehouses around the world, monitoring the stock of commodities in and out, and linking to the title registries. The new stocks of commodities registered with custodians or in warehouses would in fact form securities depositories. This new stock of securities could then be traded on stock exchanges.

If we keep looking for the dots, we will find that if we unitize energy or indeed other commodities and make them redeemable in units of the underlying, then the newly formed securities

depositories will not offer the holder of the security the right to redeem U.S. dollars or euros, but rather a barrel of oil, or a unit of gas, or a tone of wheat, or a kilogram of gold. This creates the very basis of value for networked markets.

The ongoing global banking crisis is clouding our view of the dots in the market and limiting our ability to connect them to create new markets. We assume wrongly that banks must be in the middle of world

trade and that we can only trust banks using U.S. dollars or euros to facilitate and settle trade. This is plainly not the case; we are quickly building a picture of how trade will work without traditional LCs.

The new picture is 21st century global trade consisting of a pool of assets accounted for through a registry of title, stored in a warehouse or kept safe with a custodian, whose value is denominated by varying national currencies or directly in the underlying asset, where the stock of security is traded on a network of stock exchanges. As Steve Jobs said, you just have to trust that your dots will somehow connect in your future. ■

\*The author, Sam Barden is founding Partner of SBI Markets DMCC, a Dubai-registered commodities trading and advisory company.





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 kilometres and close to 400 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 help integrate the economies of its member countries, but also provides a bridge between the East and West.

To sustain the high economic growth rates, which ECO Member States have been experiencing in the past few years, there is an urgent need to enhance regional cooperation in transportation including development of infrastructure, facilitate transport operations, 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 Member 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, institutional and physical barriers exacerbate the prob-

lem. 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.

The ECO region lies astride the North-South and East-West corridors of the Trans-Asian Railway network. Out of a total of 81,000 km long network, about 46,500 km 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 141,000 km transit roads of this network, about 49,000 km (35 percent) lies in the ECO region. Total asphalted roads of ECO states exceed 700,000 km. These figures are yet another indication that development of transport in the ECO region will not only benefit its members but also help serve the world at

large.

ECO Chronicle had an opportunity to discuss about aspects of ECO Transportation and Communication with Altaf Asghar, the energetic Deputy Secretary General of Economic Cooperation

Organization at his office in ECO Secretariat:



# "The Bridge Between East & West"

ECO Transportations,  
Communications, Achievements,  
& Challenges



■ What are the objectives of "ECO Decade of Transport and Communication"?

Transport plays a very important and vital role in the economic development of a country. ECO connects several important world markets that need initiatives in the field of transport to interlink the regional countries as well as the neighbours of the regions. To achieve this objective, a framework for transport between Member States was required.

Accordingly, we developed a comprehensive document called Transit Transport Framework Agreement (TTFA). It is a broad based framework agreement with 8 annexes dealing with a range of transit related issues. This agreement has already been ratified by eight Member States. We are pursuing the remaining Member States to do the same.

In accordance with the relevant clauses of the TTFA, Transit Transport Coordination Council (TTCC) has been set up to monitor, implement and coordinate matters related to transit transport among the Contracting Parties. The TTCC is assisted by four technical committees on road, rail, transit and insurance.

Under the auspices of ECO/IDB (Islamic Development Bank) joint project on implementation of the TTFA, a very comprehensive package of priority infrastructure projects have been identified and documented along the main transit routes of the region. The package is due to be released in April 2012. A similar work is also underway for border crossing points in collaboration with UNCTAD. We know that without proper connectivity no country can realize its objectives to achieve progress in the fields of trade, tourism, agriculture, etc. Keeping in view this perspective, the ECO Decade of Transport and Communication was designed to integrate all the Member States through road, rail and sea. So far, more than 110 large size infrastructure projects have been completed or are ongoing under this programme.

■ Since the early years of ECO's establishment, Transport & Communications sector has been on the top of its agenda. What are its achievements?

The main achievement in transport sector, as I earlier mentioned is that we have at least some framework, although every country has its own transport policy but our agreement has provided equal playing environment to all countries. TTFA is the agreement, which integrates all the countries through road, rail and sea.

ECO has also set in place several projects on different corridors. Some of these projects carry regional or global importance because, once completed, they would facilitate transit from Asia to Europe in both East-West and North-South directions.

Another important achievement, in communication sector is that we are going to start the ECO online system for money transfer through post offices, shortly. Turkey has developed software for this project, and as a pilot project it has already been started between Turkey and Azerbaijan. Now, four countries: Iran, Turkey, Azerbaijan and Kyrgyzstan, have agreed to start this system among their countries. ECO has circulated the final version of the Standard Operating Procedures (SOP) for this system. The moment, the interested Member States will give us a green signal, we will start this money transfer system, which will enable every citizen of these countries to transfer US\$ 3,000 through the post offices of Contracting Parties at a time.

■ ECO has taken major steps for the creation of the East-West and North-South Corridors. Would you brief us on these developments?

We have initiated rail and road projects to develop East-West and North-South Corridors. In rail sector, we have initiated Islamabad-Tehran-Istanbul container train to practically operate traffic on East-West corridor and to develop North-South corridor. We have launched Bandar Abbas - Almaty train in October, 2011 and now we are considering to start regular run of train on this corridor.

Furthermore, we have initiated a proposal to establish two road transport cor-

ridors, one between Islamabad-Tehran-Istanbul, and the other between Iran, Afghanistan, Tajikistan and the Kyrgyz Republic. The aim of these projects is to promote and develop the transport corridors by launching the regular run of trucks along these corridors. We are awaiting proposals from other Member States to undertake similar corridor studies.

■ Many ECO countries, which are landlocked, wish to reach major seaports or European markets. Any plans for these Members?

Yes, we have three projects, which are connecting Persian Gulf to landlocked countries, one is Bandar Abbas to Almaty through Turkmenistan and Uzbekistan and Kazakhstan. Second project on which we are working very actively is trilateral railway project between Iran (Gorgan) - Turkmenistan (Barakat) - Kazakhstan (Uzen). We hope that the construction work on this project will be completed in the first half of 2012. Kazakhstan has already finished the construction in its territory.

There has also been good progress in the Turkmen side. Iran has started the construction work in 2011. The third project, we are working on is Iran, Afghanistan, Tajikistan, Kyrgyzstan and China corridor. Inside the territory of Afghanistan, the construction work has already been initiated from Iran borders up to Herat (Afghanistan) by the Iranian side, with good progress.

ADB (Asian Development Bank) has completed the financial feasibility study for the rest of the route in Afghanistan. Whereas, inside Tajikistan, the Islamic Republic of Iran has allocated an amount of US\$ 1 million to conduct feasibility study. The study has already been started and is about to finish soon. For Kyrgyzstan, it was decided during a Ministerial Meeting held in Dushanbe that China will give us some help to carry out this feasibility study. So if we succeed in developing these corridors, then these landlocked countries would be connect-



ed to Europe through Iran and Turkey which will improve the socio-economic condition of these countries.

As regards the North-South Corridor, recently the Secretariat intensified contacts with Azerbaijan and Iran to expedite the construction of the missing links in their respective territories.

■ **In the process of ECO transportation development, is it subjected to international rules and regulations?**

Yes, it has to abide by certain rules and conventions. The most important one is TIR Convention. TIR stands for Transports internationaux routiers (International Road Transport). It is an international Customs transit system for goods carried by road, which facilitates international movement of goods across the borders of countries that have ratified the TIR Convention. According to TTFA, the TIR Convention 1975 is recognized as a transit system among the Member States. ECO has a mandate to strengthen the implementation of the TIR system in the region and facilitate the operation of this system in those Member States who are not applying it yet. Application of TIR Convention, in all the ten Member States will help to reduce the cost of doing business.

COTIF is the Convention Concerning International Carriage by Rail. Its aim is to establish a uniform system of law applicable to the carriage of passengers and goods through rail between the Member States. In our region, Iran and Turkey are members of COTIF. Pakistan has initiated the

accession process with the assistance of ECO and OTIF, the international organization which oversees the implementation of COTIF. This convention is applicable in Pakistan, Iran and Turkey. Organization for Cooperation between Railways (OSJD) is the intergovernmental organization of 27 Member States. Seven out of ten ECO member states are parties to OSJD: Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Cooperation within the frameworks of OSJD is carried out on two levels: first at the level of governments and second at the level of railway administrations. This agreement is applicable in Russia, CIS and some other countries.

We are facing problems because of the fact that both regimes are operational in our region. When a train starts its operation from Turkey to Almaty, or COTIF rules and regulations are applied.

The moment the train enters into the territory of Turkmenistan, OSJD rules become functional so we have to prepare two kinds of documents and this creates problems for operators and logistic providers. This problem has been resolved temporarily by using Iran as an intermediary, being party to both organizations. But to resolve this issue once for all, we are working on the unification of COTIF and OSJD rules and regulations to save the time and money.

■ **Considering that many non-ECO countries would benefit from ECO transportation initiatives, how are the international organizations supporting ECO's activities?**

We have started and interacted with almost all the relevant international organizations dealing with transit transport. We have close working relations with UNECE and regularly participating in their Meetings in Geneva.

We have also developed a good cooperation mechanism, with the Islamic Development Bank (IDB), under this cooperation mechanism they have allocated US\$ 421,000 for preparation of a regional programme for implementation of TTFA.

We are also actively participating in the activities of UNESCAP. We are currently preparing a joint programme for implementation of a trilateral Memorandum of Understanding between ECO, UNESCAP and IDB for development of transport in the ECO region.

■ **One of ECO's successful programs in the area of Transportation and Communication has been the launching of the "ECO Truck Caravan". Can you brief us on that development?**

In 18th Regional Planning Council Meeting held in Iran, Pakistan proposed to launch truck Caravan among ECO





Member States. Accordingly, in September-October 2010, the Truck Caravan, comprising of trucks from all Member States except Kyrgyz Republic and Uzbekistan, made an 11,500 KM journey across Pakistan, Iran, Turkmenistan, Afghanistan, Tajikistan and Azerbaijan. The Caravan provided excellent opportunity to examine the challenges in the implementation of the TTFA and bottlenecks in smooth flow of transport in our region.

The successful completion of that Demonstration Truck Caravan instigated the 8th Ministerial Meeting on Transport and Communication (28-29 June 2011, Ashgabat) to establish two road transport corridors, one between Islamabad-Tehran-Istanbul (ITI), and the other between Iran, Afghanistan, Tajikistan and the Kyrgyz Republic (KTAI Corridor). The Coordination meeting of the countries enroute (KTAI Corridor) was held on 24th February 2012 in Herat (Afghanistan). The Meeting agreed on all technical matters related to the development of this corridor. Back to back with this event, an ECO/IRU joint meeting was also held in Herat for revitalization of the TIR system in Afghanistan after about 40 years.

I am happy that for the first time in the history of Afghanistan, two Afghan trucks were dispatched for transit under the coverage of TIR. We feel it is a great achievement, because now Afghan truck would be able to enter Europe and Russia and it will not only enhance the trading activity in Afghanistan but also improve employment opportunities which would reduce poverty level in that country.

■ Taking into account the prime need for higher participation of the private sector in transport matters,

what are your recommendations to institutionalize dialogue between private sectors in transport?

In this regard, we are establishing ECO Logistics Providers Associations Federation (ECOLPAF). It is an umbrella organisation for the national associations of international freight forwarders associations and logistic service providers throughout the ECO member countries. The ECOLPAF aims to facilitate transport, trade and logistic development; to safeguard, promote an advance professional interests of its members. It will also provide common regional platform for freight forwarders and private sector to largely contribute in the multilateral cooperation process underway in the ECO Region.

We have finalized its statutes and soon there will be a meeting of General Assembly of ECOLPAF in Karachi in which all the stakeholders from private sector will participate. Let me further explain that the statute prepared by the members of ECOLPAF will be submitted to the upcoming COM for its approval. Once the COM will give its green signal for its implementation, the ECOLPAF will become functional. We hope that this organization will help to improve economic and trade relations between private sectors of the Member States.

■ What are the future plans of action?

Our objective is to enhance connectivity by land between Europe and China. ECO has initiated many projects for this purpose. I have already mentioned the projects, which we are trying to implement. We feel that without proper inter-connectivity we will not be able to realize the trade potential available in the region.

■ Are you personally satisfied with the current progress?

How can I be satisfied with the current

progress when I know that we have great potential and this potential is not being fully utilized due to some operational, structural and financial problems. Our organization is working with a small budget. We do not have sufficient budget to implement our projects, therefore, there is a dire need to find other sources to finance our project.

■ Any proposals to remedy the problems?

We have established ECO Trade and Development Bank with a capital of US\$ 450 million. The Bank is providing trade financing to Member States and their private sector. During the last two-years, it has earned a reasonable profit on its financing. I will suggest that ECO TDB may be directed to allocate at least 10% of their profit to ECO Secretariat to implement the projects identified by the Member States and the Secretariat.

■ Although ECO is relatively a young organization and its overall achievements in many areas including the Transport sector have been rather significant, yet the level of expectation for more progress is continually growing. Where do you see the bottlenecks?

Before taking this question, let me first express my appreciation and thanks to my colleagues in the Directorate of Transport and Communications who are working hard to achieve these projects. But our bottlenecks and shortcomings are also manifold. We need full cooperation from some Member States to resolve problems in our implementation process. Since all of our projects are approved by COM and Summit, therefore, there should not be any bureaucratic hurdles on its way. We cannot do anything without the cooperation of Member States. ■

We have initiated rail and road projects to develop East-West and North-South Corridors. In rail sector, we have initiated Islamabad-Tehran-Istanbul container train to practically operate traffic on East-West corridor and to develop North-South corridor. We have launched Bandar Abbas - Almaty train in October, 2011.



Some energy experts are of the view that Ankara's determination to take off Azerbaijani gas for domestic purposes has been a major factor in holding back the Southern Corridor.

With Iran providing a cushion for imports, Turkey may be more flexible, allowing Europe to benefit from Iran's gas supply. Chris Cook ex-Director of the International Petroleum Exchange of London and current Director of Wimpole Energy Consultancy - told ECO Chronicle that he is of the opinion that Shah Deniz Phase 2 and Iran's new Caspian Sea find could be a catalyst for the transition of ECO nations' gas to a resilient and sustainable regional energy economy.

With this end in view, Iran's Minister of Petroleum, Rostam Ghasemi recently made the far-sighted strategic decision to establish the Global Gas Study Center (GGSC) with the objective of bringing together the public, academic and private sectors for the purpose of research and development of new gas-based technology, policy, and economic development.

Minister Ghasemi made

gic initiative to create in the ECO-Caspian Sea a neutral ECO-Caspian energy hub free of politics. Reuters reported on January 23rd, 2012 that BP Plc, the British government and the European Union lobbied U.S. lawmakers to have a BP-led oil and gas project in the Caspian Sea exempted from proposed new U.S. sanctions which seek to stop Western companies doing business with Iran. The National Iranian Oil Company-NIOC's subsidiary, Naftiran Intertrade Co (NICO), owns a 10 percent stake in the Shah Deniz project in the Republic of Azerbaijan which is co-led by BP and Norway's Statoil and estimated to contain 1.2 trillion cubic meters of gas. Production at the deposit began in 2006, while second phase production, which is expected to help fulfill Europe's future energy needs, is expected to begin by late 2016 or early 2017.

A British government source said to Reuters that: "the EU has requested that the United States exempt Shah Deniz

the moment that we will not be captured by any change or escalation in the sanction's process". The Azerbaijan representative at the conference also confirmed that the Shah Deniz natural-gas field off the coast of the Republic of Azerbaijan will remain exempt from U.S. and European Union political sanctions on Iran. NICO has a 10 percent stake in Azerbaijan's biggest gas field which may help supply fuel to the 7.9 billion-euro (\$10.9 billion) planned Nabucco link and bring gas to Europe via Turkey from 2017. Garlick stated further that: "Big projects like this are all about risk and about managing risk and the Iranian sanctions are a risk that we have to manage." BP and Statoil ASA each own stakes of 25.5 percent in Shah Deniz. Other partners with 10 percent stakes are State Oil Co. of Azerbaijan, OAO Lukoil, Naftiran Intertrade Co. and Total. Turkiye Petrolleri AO owns 9 percent.

#### ■ Essential Role of Azerbaijan in the Future of EU Energy Security Highlighted in the UK House of Lords

ECO Chronicle has learnt that on 16 February 2012, the



# Azerbaijan Republic / Iran Cooperation for ECO Gas Supply

clear when announcing this initiative at a recent Ministerial meeting of the Gas Exporting Countries Forum (GECF) how important it is to 'take politics out of energy'.

#### ■ Sanction-Free Status of Shah Deniz in Azerbaijan

The sanction-free status of Shah Deniz demonstrates the importance of a strate-

gic initiative to create in the ECO-Caspian Sea a neutral ECO-Caspian energy hub free of politics.

According to an ECO Chronicle representative who participated at the European Gas Conference during 24-27 January 2012 in Vienna, BP Plc representative Steve Garlick - a marketing manager for BP on Shah Deniz, at the conference said: "We are confident at

European Azerbaijan Society in UK organised a lecture in the UK House of Lords on the increasing importance of the Republic of Azerbaijan energy resources to the UK.

Energy expert Professor Alan Riley, City University of London, delivered a lecture, hosted by Lord Laird, titled: "Post-Nabucco? The Options for the Southern Gas Corridor".



Over 70 participants in the meeting heard Professor Riley outline how current and future Azerbaijani gas production will supply an additional 16bn m<sup>3</sup> (bcm) per annum when the Shah Deniz 2 field comes on stream in 2017, much of which will be supplied to European customers.

He commented: "This will be significant to European energy security, away from over-reliance on Russian Gazprom. The Republic of Azerbaijan also has the potential to become a major gas transit hub, supplying to the EU from resources across the Caspian region, particularly Turkmenistan."

He went on to outline the changing dynamics of world gas supply and Russia's realisation that the game has dramatically changed regarding the relationship between Europe and the Caspian and Central Asia region.

As Chris Cook puts it: "Gas is tomorrow's oil" and he sees the Caspian Sea -ECO petroleum producers playing a significant role

reason is that the Republic of Azerbaijan could only fill one-third of its 31bcm capacity; and the final, political reason is that the proposed Nabucco project appears to compete with Gazprom, which derives two-thirds of its revenue from EU customers.

Professor Riley then went on to outline the issues impacting other competing pipeline projects, including the Interconnector Turkey-Greece-Italy (ITGI), which has been cast into doubt



would use many of the permits and agreements agreed for Nabucco.

Chris Cook told ECO Chronicle: "The participation of Iranian gas in these projects would completely change the game, and would be a 'win/win' situation for all nations involved, particularly with Russian participation, which I see as perfectly possible within the right legal and financial framework."

Furthermore, he considers that there is an opportunity for collaboration of all stakeholders in creating a Caspian gas market contractual framework; a Caspian Gas Hub and Balancing Point gas pricing benchmark; and generic gas market instruments which could revolutionise the financing and funding of the infra-



By: Mahmoud Khaghani\*

# to Turkey & EU

## A Win / Win for All Nations Involved

in securing EU's future energy needs.

Professor Alan Riley is of the view that it is unlikely that the Nabucco pipeline, in its originally proposed form, will be constructed, despite gaining considerable political support across the EU. The financial reason is its astronomic cost of €14-20bn (£11.6-16.6bn); the second, logistical

by the Greek and Italian financial meltdown. However, he acknowledged that the Trans-Adriatic Pipeline (TAP) is viable in the wake of the recent transit agreements signed by Turkey and Azerbaijan, and since it costs a relatively modest €4bn (£3.3bn). So, too is the South-East European Pipeline, costing around the same. These projects

structure necessary to produce and distribute ECO-Caspian Sea gas region. ■

*\*The Author is ex-Director of Energy, Minerals and Environment at the ECO Secretariat. Currently he is a member of the ECO Chronicle Editorial Board*





## From Shallow to Deep Waters of the Caspian Sea and the Persian Gulf

# Iran's North Drilling Company Taking a Quantum Leap

In February 2010, North Drilling Company (NDCO) Managing Director Hedayatollah Khademi announced that the Iran Amirkabir Semi-Submersible Drilling Unit (SSDU) started exploration drillings in the Caspian Sea to bear the country's first deep water (700-800 meters depth) exploratory well at a depth of 1,550 meters under the seabed.

The drilling rig weighs 14,000 tons without its attachments and facilitated exploration in deep waters in the southern part of the Caspian Sea.

NDCO's services and exploration efforts have so far led to the discovery of more than 46 petroleum fields in the Caspian Sea, where other neighboring countries are also developing major crude deposits.

Iran's oil minister said the country has discovered a gas field of some 50 trillion cubic feet (1.42 trillion cubic meters) in the Caspian Sea. "The field's gas reserves are estimated to be several times higher than previously thought," the official website of Iran's Oil Ministry, Shana, quoted H.E. Qasemi as saying on Sunday 12th December 2011.

Khademi said that previously, Iran's natural gas reserves in the Caspian Sea were estimated at about 11 trillion cubic feet and NDCO is proud that its successful Operations led to the discovery of the new field which has made the figure several times higher.

He said that the new gas field is not shared with any other country and is located within Iran's maritime border. Earlier, Iran's petroleum industry discovered 13 new oil and gas fields





with in-place reserves of 14 billion barrels of oil and 45 trillion cubic feet of natural gas from August 2009 to August 2010. Kazakhstan plans on producing crude oil in the Northern Caspian at Kashagan, the world's fifth-largest oil field.

Petroleum industry in the Republic of Azerbaijan is pumping oil at the Azeri-Chirag-Guneshli project, which is the largest field under development in Azerbaijan's sector of the resource-rich body of water. The contract to develop the offshore Shah Deniz field was signed on June 4, 1996. Amongst the participants to the agreement is Iranian company Naftiran Intertrade Company with a 10 percent share. The field's reserves are estimated at 1.2 trillion cubic meters during the first stage. An additional 16 billion cubic meters is planned to be produced within the second phase of the field development.

Gas, which will be produced during the second phase of Shah Deniz field development, is considered as the main source for the projects within the Southern Gas Corridor. Within the Shah Deniz-2 project, Azerbaijan plans to export 10 billion cubic meters of gas to Europe.

According to some international energy experts, the Southern Gas Corridor shall become only economically viable by including Iran gas Exports to Europe. Khademi, the NDCO Managing Director is of the view that: "The new Iran giant gas field discovered in the Caspian Sea shall undoubtedly enhance ECO region's position in securing the global energy supply".

According to Khademi, the operating of the domestically built Iran Amirkabir SSDU at a location of more than 250 kilometers offshore port of Neka in very often hostile conditions, with powerful forces of nature, has been a great challenge and NDCO employees, under their key principles "best service" made every effort to achieve operational excellence.

Furthermore, during a telephone conversation with ECO Chronicle, Khademi highlighted the company's policy from technology investment to customer care, seeking to maintain its position as the first Iranian privatized upstream company, thriving to provide its cus-

tomers with services characterized with the highest degree of quality, efficiency and reliability as well as close cooperation and possible partnership with its counterparts in the ECO/Caspian region.

Khademi said NDCO's Jack-up rig "SAHAR-1" has arrived to drill offshore wells in the Persian Gulf. The SAHAR-1 is the first jack-up rig that is owned by an Iranian drilling company in the Persian Gulf in more than two decades. NDCO is working to bring another two Jack-ups to the Persian Gulf at the earliest. The SAHAR-1 is currently undergoing technical operations in preparation for a drilling program. Crews are preparing to jack up the rig platform, set the casing and install blowout preventer equipment.

The arrival, though, is only the beginning. SAHAR-1 is preparing to drill in a challenging period and location. "SAHAR-1 conducts all operations in a safe and environmentally responsible manner. "We have been monitoring all activities and been in constant contact with our employer to ensure that no corners are being cut," Khademi, Managing Director of the North Drilling Company (NDCO) said in a statement after the rig arrived in Kish Island in the Persian Gulf.

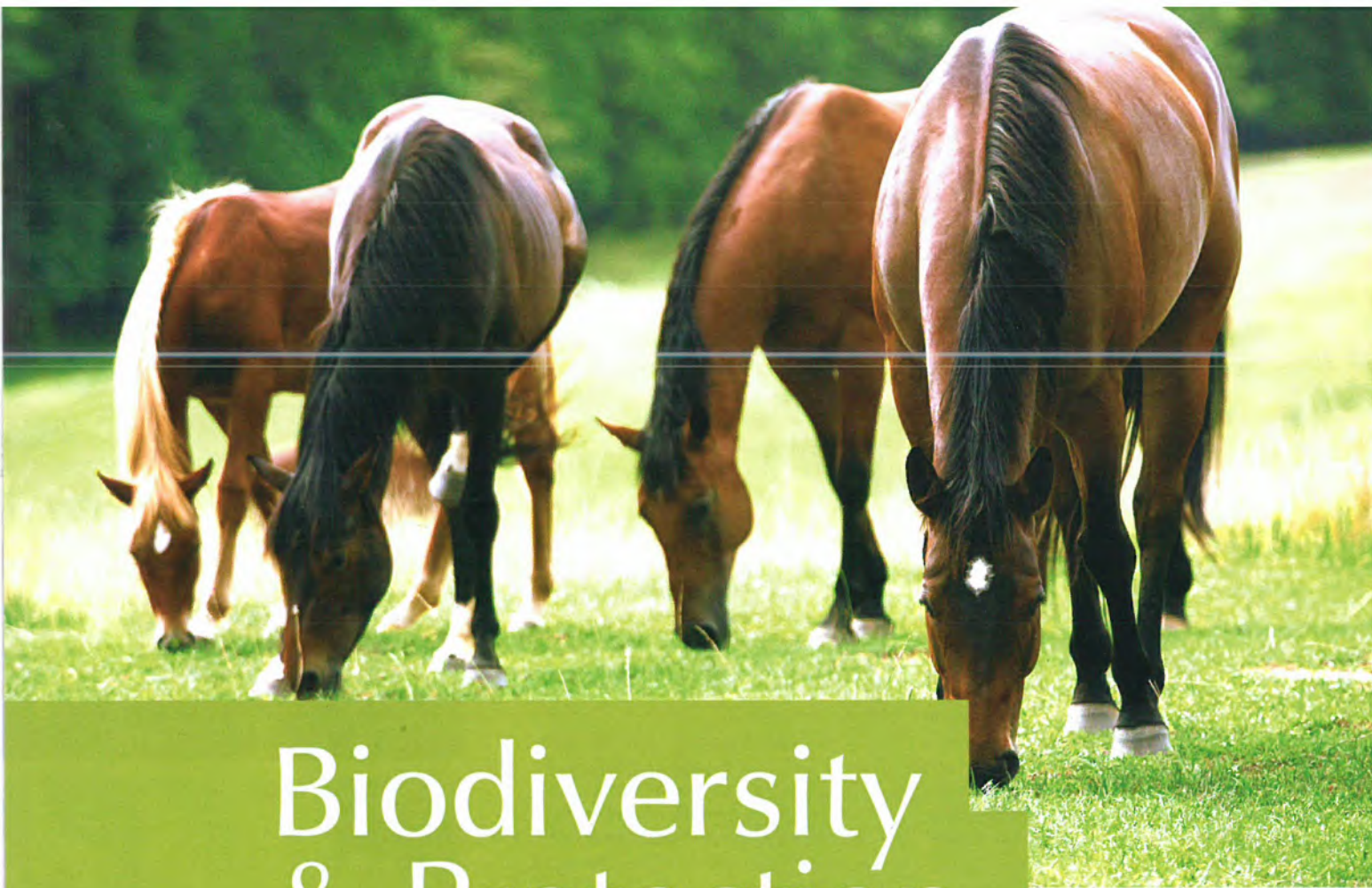
### Stepping up ECO Regional Energy Cooperation

Referring to the 2nd ECO Ministerial Meeting on Energy/Petroleum which was held on 1st October 2010 in Tajikistan and the 3rd Ministerial Meeting that shall be held in the Islamic Republic of Iran during 2012, Khademi said NDCO is proud of its role in cooperating with ECO Secretariat for preparation of the "ECO New Plan of Action for Petroleum/Energy Cooperation during 2011-2015." And, in accordance with the 2nd Ministerial Meeting report, Khademi expressed its company's readiness in cooperation with its counterparts in the ECO region to organize drilling training programs as well as partnership in establishing ECO Drilling Company (ECO-DC). ■

*\* This article has been prepared by ECO Chronicle field correspondent.*







# Biodiversity & Protection in Turkey

By: Ersin Özek\*

## ■ 1-What is Biodiversity?

Biological diversity means the diversification of living organisms in all sources including the terrestrial, marine and other aquatic ecosystems and the ecological structures that are part of these ecosystems. It refers to the differences exhibited by the living environments (habitats or, more broadly, ecosystems), of species in terms of various biotic and abiotic factors, to the differences between living things in ecosystems and between living and non-living things, which vary according to place and time, and to all of genes, species, ecosystems and functions.

Biological diversity is considered in three hierarchical categories: genetic diversity, species diversity and ecosystem diversity.

## ■ 2- Importance of Biodiversity

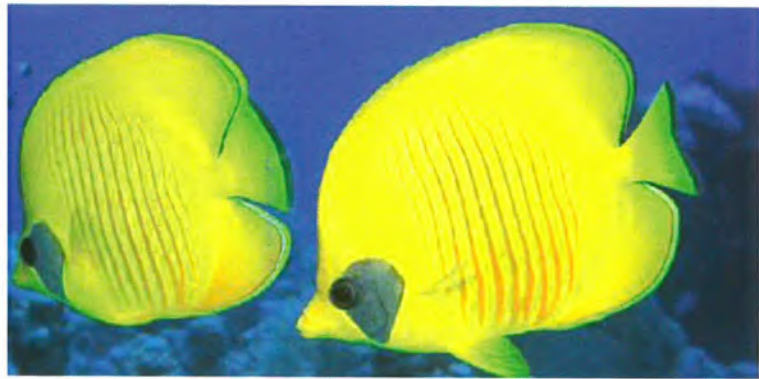
Biological diversity is the basis of living resources which have an essential place in meeting the basic needs of

human beings, including food in particular. Biological diversity provides services such as decomposition, the chemical structure of the atmosphere and the world climate which are of vital importance for human beings and can only be secured through the existence of healthy and complex ecosystems. Half the drugs used in medicine originate from wild living things.

All types of agricultural products, that is, plant and animal species under culture, are rooted in their wild relatives. Also today, wild species are made use of to obtain new types of agricultural products or to improve the existing ones for the needs of human beings.

For wild species to maintain their existence, to evolve, to diversify and to acquire new genetic characteristics, ecosystems have gained complex and differing structures and functions through the interaction of living and non-living things with each other and within themselves, also depending on the environmental conditions. The integrity and diversity of ecosystems perform important functions in the





continuity of natural balances such as climate, rainfall and species' sociology.

### ■ 3- Importance of Biodiversity to Turkey

Turkey is one of the fortunate countries in the world because of possessing vital resources for people's food security and has the responsibility to protect and use this important wealth rationally for the welfare of the future generations. Since it has three biogeographical regions called Euro-Siberian, Mediterranean and Irano-Turanian and their transition zones and because its climatic and geographical features change within short intervals of space due to its position as a bridge between two continents, Turkey has acquired the character of a small continent from the point of biological diversity. Turkey has forest, mountain, steppe, wetland, coastal and marine ecosystems and different forms and combinations of these systems.

This extraordinary ecosystem and habitat diversity has produced a considerable species diversity. It is noted that fauna biological diversity is quite high in this country compared with the biological diversity of other countries in the temperate zone. Despite the lack of data, the invertebrates consti-



tute the largest number among the identified living species. The total number of invertebrate species in Turkey is about 19,000, of which about 4,000 species/subspecies are endemic.

The total number of vertebrate species identified to date is near 1,500. Of the vertebrates, over 100 species are endemic, including 70 species of fish. Anatolia is the home of the fallow deer and the pheasant. The fact that the country is located on two major bird migration routes in the world, makes it an important place as a feeding and breeding area for birds.

#### 3.1 Genetic Diversity

Turkey is at the crossroads of two important Vavilovian gene centers: The Mediterranean and the Near East, each important for the origin of field crops as well as horticultural plants. Some of the cultivated plant species originating in Turkey are *Linum*, *Allium*, *Hordeum*, *Secale*, *Triticum*, *Avena*, *Cicer*, *Lens*, *Pisum*, *Vitis*, *Amygdalus*, *Prunus*, *Beta*, etc. There are 5 "micro-gene centres" in Turkey :

- 1-Thrace-Aegean Region,
- 2-Southern-Southeastern Anatolia,
- 3-Samsun, Tokat, Amasya,
- 4-Kayseri and environs,
- 5- Agri and environs,

#### 3.2 Species Diversity

Turkey has 75% of the total number of plant species found in the whole Europe.

One third of Turkish flora, which is more than twice as diverse as that of neighbouring countries, are found only in Turkey. Cherries, apricots, almonds and figs all originated in Turkey.

Turkish flora includes many wild relatives and genetic diversity of important domestic species (e.g. wheat, chickpea, lentil, apple, pear, apricot, chestnut, and pistachio). Turkey is also home to a number of ornamental flowers, the most notable being the tulip. Among continental countries, Turkey ranks 9th in terms of biodiversity richness with over 33% of its flora being endemic.

Turkey is one of the leading countries known for plant endemism; about 33% of the plant species in

the flora are endemic to Turkey. The richest family in endemism in Turkey is Compositae having a total of 431 species, 40% of which are endemic. Of the 400 species of Leguminosae, 41% are endemic, and of the 306 Labiate species, 57% are endemic.



Also there are 10 genera, which are endemic to Turkey. It is this exceptional amount of endemism that places a huge responsibility on Turkey to ensure that these species are adequately protected so as not to become endangered or extinct, particularly those, which provide crops upon which much of the world depends. Anatolia is similarly rich in fauna, with over 80.000 species. It is the original homeland for the fallow deer and the pheasant.

### 3.3 Ecosystem Diversity

Turkey has biogeographically three different regions which are Europe-Siberia, Iranian-Turan, and Mediterranean. These regions consist of different types of ecosystems with their transition zones. Economically, the most important ecosystems are steppes, since most of the crops grown as a food supply are derived from wild species.

Wetlands, as favorable nourishment, reproduction and housing places for lots of species, have high level of biological diversity after Tropical forests. These ecosystems have vital significance for endangered and endemic species. Significant degradation exists in each of the mentioned ecosystems, and endemic, endangered, threatened, or extinct species have been identified in each of them. Loss of biodiversity is highest in step ecosystems and coastal regions.

## ■ 4- Biodiversity Conservation Activities

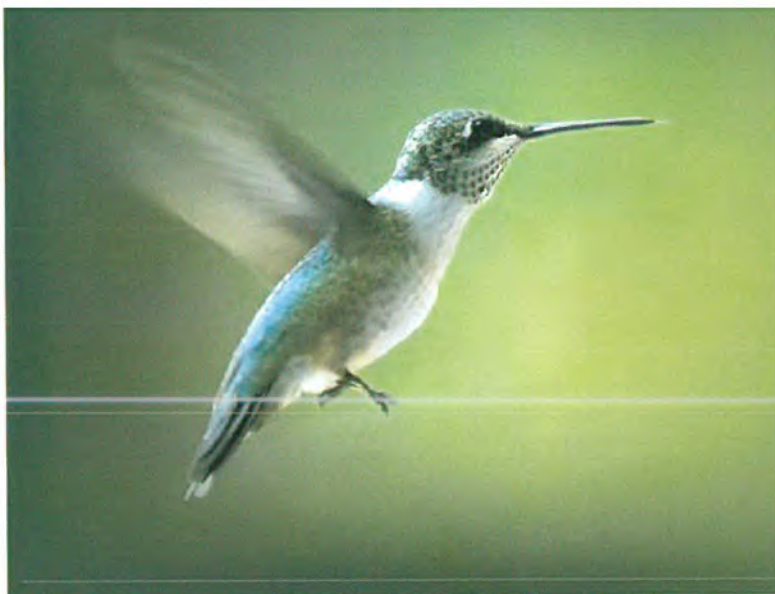
Ex-situ (conservation outside the natural habitat or artificial conservation) and in-situ (conservation in the natural habitat or conservation on site) approaches are followed to protect biological diversity. Both approaches are generally accepted programmes with their own applications. Ex-situ conservation is implemented through organizations such as gene banks, seed banks, zoological gardens, botanical gardens, etc. However, the process of evolution is halted in ex-situ conservation since the interaction between the species and the environment does not continue.

On the other hand, damage that may result from natural processes which it is not possible to prevent at in-situ conservation sites makes it necessary to protect species also outside such sites. For this reason, ex-situ and in-situ conservation activities are conducted as programmes that complement each other.

### 4.1. Ex-situ Conservation (Conservation Outside the Natural Habitat or Artificial Conservation)

Ex-situ conservation activities in Turkey were started in 1964 at the Aegean Institute of Agricultural Research, affiliated to the MARA, and seed specimens belonging to our country's plant genetic resources began to be preserved for the long term (basic collections) and for the short and medium term (active collections) at the national seeds gene bank established in 1972 within the same institute.

The seeds of endemic plants collected under the "Turkish



Endemic Plants Project" with SPO support between 1992 and 1997 are also preserved in the National Gene Bank. Today, some 50,000 materials distributed over about 600 genera are kept in the National Gene Bank. Of those materials, about 10,000 belong to 2,400 wild species.

Outside the MARA, the Gene Bank of Osman Tosun within the Field Plants Department, the Faculty of Agriculture, the University of Ankara, has been active since 1936 and has medium term preservation facilities. Atatürk and Çukurova Universities and other universities with a Faculty of Agriculture are also engaged in similar activities.

Among these activities contributing to ex-situ conservation, one may count the Botanical Garden of the Aegean University, the Botanical Garden of the Istanbul University and the Atatürk Arboretum of the Istanbul University. In addition, other botanical gardens and arboretums have been established through private initiatives in recent years (Nezahat Gökyigit Botanical Garden, Karaca Arboretum, etc.).

Ex-situ conservation efforts for forest trees (seed gardens, origin trials, progeny trials) are made by organizations affiliated to the Ministry of the Environment and Forestry, especially by the Directorate of Forest Trees and Seeds Improvement and Research.

### 4.2. In-situ Conservation (Conservation in the Natural Habitat or Conservation On Site)

The conservation of species in their own ecosystems is an approach based on the idea that species depend on the natural environment for their survival. In-situ programmes such as National Parks, Nature Conservation Areas, Nature Parks,





Wildlife Development Areas, Special Environmental Protection Zones, Natural Sites, Natural Assets and Gene Preservation and Management Areas have been conducted in Turkey since the 1950s. The in-situ conservation sites are given in Table in terms of their status, number and surface area. The proportion of protected areas under various statuses to the country's total surface area increased from 4 % to about 6 % after 2000.

#### *In Situ Conservation Programs in Turkey*

<i>Conservation Programs</i>	<i>Foundation Year</i>	<i>Responsible Institution</i>	<i>Number</i>
1. <i>National Parks</i>	1958	MEF	41
2. <i>Nature Parks</i>	1983	MEF	42
3. <i>Nature Monuments</i>	1988	MEF	106
4. <i>Nature Conservation Areas</i>		MEF	31
5. <i>Biyosfer Rezervi</i>	2007	MEF	1
6. <i>Wildlife Improvement Area</i>	1966	MEF	80
7. <i>Wildlife Breeding Stations</i>	1966	MEF	22
8. <i>Special Environment Protection Regions</i>	1988	MEF	14
9. <i>Ramsar Areas</i>	1994	MEF	114
10. <i>Natural Assets</i>	1973	Ministry of Tourism and Culture	1226

The Environmental Law, dated 09.08.1983 and numbered 2872, aiming at the protection of the environment, the common asset of all living things, in accordance with the principles of sustainable environment and sustainable development, determines and provides for the basic principles related to protecting and improving the environment and preventing its pollution.

Law 5491 of 26.04.2006 "Amending the Environment Law" states the importance of protecting biological diversity in Article 6 and introduces penal sanctions against damage to the environment, including the destruction of biological diversity, when detected through inspection and audits. The regulations issued on the basis of the Environment Law specify rules on the prevention of pollution and on environmental impact assessment.

The laws and regulations for species and site protection in Turkey are as follows:

1. Law on National Parks (2873 - 09.08.1983)
2. Law for the Protection of Cultural and Natural Assets (2863 - 23.07.1983)
3. Decree-Law Establishing the Special Environmental Protection Agency (383- 19.10.1989)
4. Terrestrial Hunting Law (4915- 01.07.2003)
5. The Regulation for the Protection of Wetlands
6. Law on Aquatic Products (1380-04.04.1971)
7. The Forest Law (6831-31.08.1956)
8. The Regulation on the Collection, Production and Exportation of Natural Flower Bulbs
9. The Regulation for Implementing the Convention on International Trade in Endangered Species of Wild Fauna and Flora





10. The Law for the Protection of Animals (5199-24.06.2004)

11. The Apiculture Regulation

### ■ 6- International Conventions

The international conventions to which Turkey is party have the force of law and are part of national legislation. The international conventions for the conservation of the environment and biological diversity to which Turkey is party are as follows:

- UN Convention on Biological Diversity (CBD) (1997) and the Cartagena Protocol on Biosafety (2004)
- UN Framework Convention on Climate Change (FCCC) (2004)
- UN Convention to Combat Desertification (CCD) (1998)
- Convention on Wetlands of International Importance, Especially as Waterfowl Habitat (RAMSAR) (1994)
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (1996)
- Convention for the Protection of World Cultural and Natural Heritage (1983)
- International Convention on Plant Genetic Resources for Food and Agriculture (2006)
- Convention for the Conservation of European Wildlife and Natural Habitats (BERN) (1984)
- European Landscape Convention (2001)
- The Convention for the Protection of Marine Environment and the Coastal Region of the Mediterranean

(Barcelona Convention) (1981) and its protocols including the Protocol on Special Protected Areas and Biological diversity in the Mediterranean (1988)

- Convention for the Protection of the Black Sea Against Pollution (Bucharest) (1994) and its protocols including the Protocol for the Protection of Biological and Landscape Diversity in the Black Sea (2004)

### ■ 7-National Environmental Strategies, Plans and Programmes

- National Environmental Action Plan (1998)
- National Plan for In-Situ Conservation of Plant Genetic Diversity (1998)
- National Biological diversity Strategy and Action Plan (2001)
- National Agenda 21 Programme (2001)
- National Wetland Strategy (2003)
- Turkish National Forestry Programme (2004)
- Turkish National Action Programme Against Desertification (2005)
- National Environmental Strategy (2006)

### ■ 8-The Institutional Structure

It is the responsibility of the MEF and its affiliated organizations to formulate the policies concerning the conservation and sustainable use of the environment and biological diversity, to designate and manage protected areas under various statuses, to develop and implement plans and programmes, to carry out activities in this scope and to ensure





biological diversity as a result of their duties and authorities in the management of non-living natural resources are the following:

- Ministry of the Interior
- Turkish Coast Guard Command
- Undersecretariat of Maritime Affairs
- Ministry of Public Works and Housing
- Ministry of Energy and Natural Resources

In Turkey, there are many national and local non-governmental organizations contributing on a voluntary basis to the conservation and sustainable use of biological diversity, including public awareness- raising in particular. The Scientific and Technological Research Council of Turkey and universities as well as the research institutes of the MEF and the MARA take part in the investigation of biological diversity.

### ■ 9- Important Projects Conducted At National Level

- Project for In-Situ Conservation of Turkey's Plant Genetic Diversity-GEF 1 Project(1993-1998)
- Biological diversity and Natural Resource Management Project - GEF II Project (2000-2007)
- Protection and Sustainable Development of Natural Resources and Biodiversity in the Yildiz Mountains (2008-2009)

- CBD Implementation Project
- Ecosystem Conservation and Management for Threatened Plant Species Project (LIFE-2000)
- Capacity Building in the Field of Environment for Turkey -TWINNING Project
- The "Adaptation to Climate Change and Protection of Biodiversity through Conserving and Sustainably Using Wetlands in Turkey" Project
- Natura 2000 Project ■



coordination among different institutions. These duties and responsibilities are performed through the central and provincial units of the Ministry and its affiliated organizations. The main service units of the central organization of the MEF are the following:

- 1-General Directorate of Nature Conservation and National Parks
- 2-General Directorate of Environmental Management
- 3-General Directorate of Environmental Impact Assessment and Planning
- 4-General Directorate of Afforestation and Erosion Control
- 5-General Directorate of Forest-Village Relations
- 6-Department of Research and Development
- 7-Department of Foreign and EU Affairs
- 8-Department of Training and Publication



The Ministry of Agriculture and Rural Affairs is another important institution with authority and responsibility in the conservation and sustainable use of biological diversity. The Ministry of Culture and Tourism is another institution with authority in the designation of protected areas. The other main institutions involved in the conservation and sustainable use of

.....  
\*The author works at Turkish Ministry of Environment and Forestry - General Directorate of Nature Conservation and National Park. He holds Msc. Degree in Agricultural Environment.





# Global Process of Education for Sustainable Development & Its Progress in Kyrgyzstan's Environment Sector

— By: Ms. Jyldyz Duishenova\* —

**T**oday, specialists as well as the community recognize the urgency and necessity of education for sustainable development. For the last few years, positive tendency has been observed all over the world. Sustainable Development is actively introduced into the educational activities of the countries, programmes and initiatives at all levels and in various forms.

This is quite explainable. The current situation dictates the necessity of learning the principles of sustainable development in all fields of countries' activities. Since 2005, Kyrgyzstan is striving to contribute to the global process of education for sustainable development such as the realization of the UN Decade of Education for Sustainable Development (2005-2014) and due to its unique geographical location, the country is actively cooperating with two

regions in this field: Europe for the implementation of ECE Strategy on ESD and Asia-Pacific Region - DESD Global Monitoring (UNESCO-Bangkok).

In 2006, Kyrgyzstan hosted the 5th Sub-regional Workshop on Education for Sustainable Development (ESD) in Bishkek with the support of Kyrgyz Government, Regional Environmental Centre for Central Asia, Cluster Offices of UNESCO, OSCE and other international organizations. The Workshop was attended by the Representatives from the President's Administration of Kyrgyzstan, Executives of Kyrgyzstan's Government, Deputy of Zhogorku Kenesh, Ministers for Education and Environment of Central Asia, school teachers and University professors, Representatives of Academic organizations, civil-sector and international organizations such as UNESCO, UN University in Japan (UNU IAS), OSCE and others. Outcome of the





Workshop and the recommendations of Ministers were submitted to the 6th European Ministerial Conference on Environment for Europe held in October, 2007, in Belgrade.

In 2007, with the support of the best practice research institute of UN University in Japan, the Regional Centre of Expertise on Education for Sustainable Development was established, which is the platform for integrating the efforts and initiatives on ESD. Kyrgyzstan is taking active participation in DESD Global Monitoring in Asia-Pacific Region.

Moreover, with the support of Ozone Center of Kyrgyzstan, the State Agency has been implementing projects aimed at increasing the public awareness on issues related to the protection of ozone layer in Kyrgyzstan through education. This partnership was appreciated by Regional Steering Committee on ESD and was included in the best practices on ESD as a successful practice in the field of ESD.

Furthermore, the State Agency supports the development and publication of educational literature through the Republic Fund for Environment and Forest Protection, which has so far supported a number of projects on development of bibliographical indexes of literatures on economic education and ESD as well as the development of educational modules for increasing teachers' competence in Education for Sustainable Development.

UNECE Steering Committee on Education for Sustainable Development holds its meetings on annual basis during which the country progress reports on ESD are considered. Taking into account the country's contribution towards the global process of education for sustainable development, Kyrgyzstan was nominated in 2005 as a Bureau member from Central-Asia. In 2008, at the 3rd UNECE Steering Committee on ESD meeting, the Kyrgyz Republic was supported by the meeting participants and elected as the Vice Chairman.

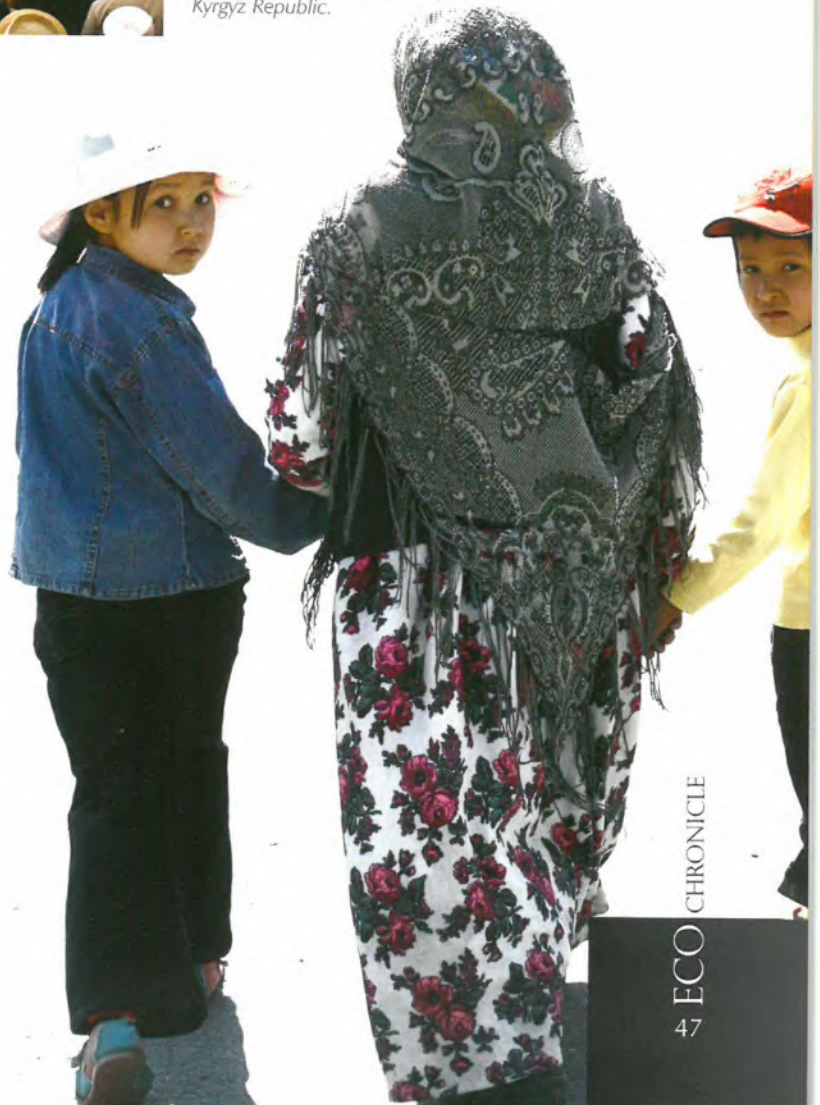
Despite our success, we have to take a number of decisions to implement the UN Decade of Education for Sustainable Development successfully in Kyrgyzstan. First and most important is holding events on ESD capacity building for managers and officials of decision making bodies (Government, Zhogorku Kensch of Kyrgyzstan and etc.) which is the main tool for ensuring sustainable development with the further Parliament hearing on ESD. National Strategy and Plan of Action on ESD in Kyrgyz Republic are to be developed to implement the UN Decade of Education for Sustainable Development. The Program on Human Resources and Experts' Competency Building on ESD in Kyrgyzstan should also

be developed first of all for school teachers of and university professors.

There are concerns that ESD has not been prioritized by international organizations and donors in Kyrgyzstan. However, thanks to the active role of the State Agency, the OSCE Centre in Bishkek supported the implementation of the project on integration of ecological issues and ESD into education system of Kyrgyzstan in 2010. This project introduces key issues on ESD in secondary and higher education. The project is still pursued aiming at establishing the Introductory School Net in Kyrgyzstan along with arranging chemical laboratories on quality assessment within the educational structures of the country. Kyrgyzstan seriously follows the implementation of the program and is continuing to play its active role in promoting initiatives and principals of democracy and sustainable development. ■



*\* The author is forest management state agency, focal point on ESD in Kyrgyz Republic.*







# 17<sup>th</sup> International Oil, Gas, Refining & Petrochemical Exhibition

Tehran Int'l Permanent Fairground  
April 17-20, 2012

**Saloon No. 8**



**National Iranian Gas Export Company**

[www.nigec.com](http://www.nigec.com)  
[info@nigec.com](mailto:info@nigec.com)

Tel : 021 - 885 111 00  
Fax : 021 - 88 51 86 00



## Foundation Background Of the Company

Having the Latterly-designated policy so as to turn into a key-role player within the natural gas market world-wide, the National Iranian Oil Company (NIOC) laid the foundation of a subsidiary named National Iranian Gas Export Company (NIGEC). In so doing, NIGEC was brought into being in December 2002. Aiming at initiating three huge LNG plants, NIGEC embarked on an extensive studies and relentless efforts from the outset. Apart from LNG projects, NIGEC stepped into carrying out national gas export projects via pipe line.

## NIGEC Vision Statement in 2025

NIGEC is to emerge as an international company, possessing 25% of gas global market, byproducts and LNG, an influential hub in natural gas purchase, sale, exchange and transfer, both globally and regionally enjoying a distinguished geographical status, wisely utilizing the opportunities in global gas trade, committed to her customer needs, providing safe, quality and environment-friendly products, enjoying a globally qualified and professional work force, turning out as an agile, creative, innovative and state of the art corporation.



# NIGEC



[www.nigec.com](http://www.nigec.com)  
[info@nigec.com](mailto:info@nigec.com)





www.ndco.ir

Caspian Sea

Turkmenistan

NDCO is always prepared to face challenges with confidence

# Born From More Than 100 Years of Iran's Oil & Gas Industry to Drill

oil/gas wells onshore/offshore in shallow & deep waters in the Caspian Sea and the Persian Gulf

A Reliable Partner for the ECO Petroleum Industry

Persian Gulf

**Iran's Minister of Petroleum, congratulates NDCO, for successful discovery of giant gas field in the Caspian sea**



**NDCO values its clients' business interests**

No 8, 35th St, Alvand St, Argentin Sq, Tehran Tel: +9821- 88783264 Fax: +9821- 88795312