

2012

The News Magazine of Economic Cooperation Organization

ISSUE 5



ECO CHRONICLE



The 20th ECO ANNIVERSARY

1992 - 2012



**Promoting Sustainable Economic
Development & Integration
of ECO Region**

www.etdb.org

2012

The 20th ECO
COM

The 12th ECO
Summit

The 12th ECO Summit and the 20th COM Meetings are scheduled to be held in Baku, Republic of Azerbaijan on October 15-16 2012 with the participation of ECO Heads of State / Government.

The main challenge for the ECO Member States is to develop their economic potentials through regional cooperation on the basis of mutuality of benefits. Special efforts towards regional cooperation are concentrated in the priority areas such as trade, transport, communication and energy. In the past 20 years of ECO activities, the Summit Meetings have

enhanced the stature of the Organization and provided the necessary blessing and requisite guidance from the highest echelons of the leadership of the Member States.

The Summit Meetings lend reaffirmation of highest level commitment of ECO Member States to the goals and objectives of the Organization. Furthermore, Summit Meetings provide a befitting venue to the ECO Heads of State/Government for the exchange of views on regional and global issues of common interest. Since 1992 eleven summits have been held in the Member States as follows.



1st ECO Summit

Tehran, 16-17 February 1992



2nd ECO Summit

Istanbul, 6-7 July 1993



3rd ECO Summit

Islamabad, 14-15 March 1995



4th ECO Summit

Ashgabat, 14 May 1996



5th ECO Summit

Almaty, 11 May 1998



6th ECO Summit

Tehran, 10 June 2000



7th ECO Summit

Istanbul, 14 October 2002



8th ECO Summit

Dushanbe, 14 September 2004



9th ECO Summit

Baku, 5 May 2006



10th ECO Summit

Tehran, 11 March 2009



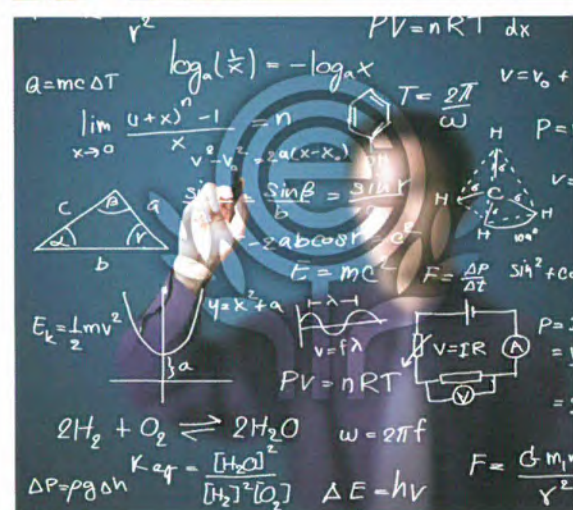
11th ECO Summit

Istanbul, 23 December 2010



12th ECO Summit

Baku, 16 October 2012



CONTENTS

2 Contents

3 Editorial

4 Messages

6 News

- Amb. Shamil Aleskerov, Newly Appointed ECO Secretary General
- ECO Parliamentary Forum
- 22nd RPC Meeting
- Baku to Host 12th Summit, 20thCOM

16 Interview

- "Seizing the Advantages of Regional Economic Cooperation", Amb. Shamil Aleskerov, ECO Secretary General

20 Trade & Investment

- Trade Financing
- Kazakhstan, An Investment Revolution

24 Environment

- Iran's Strategies to Address Climate Change

26 Interview

- ECO Educational Institute to Serve the Region

28 Drug Control

- Combating Organized Crimes & Money Laundering in the ECO Region

32 Economy

- Branchless Banking in Pakistan
- Construction Reforms in Turkey

34 Tourism

- Brief History of Baku

38 Industry

- Sitting on Potential Goldmine

40 Outlooks

- A New Era of Energy Cooperation

44 Science & Tech.

- Iran's Technological Progress

Editor's Note:

ECO Chronicle is a non-profit making news magazine. 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.



ECO 1992-2012 20 Years of Cooperation

The year 2012 marks the 20th anniversary of ECO's expansion from a three-member, regional-forum to an expanded regional grouping of ten countries. ECO has successfully established itself as a dynamic regional organization dedicated to ensuring the economic and social development of its Member States.

Having common boundaries with China and India in the east, Russian federation in the north, European Union in the west and Middle East and Africa in the south and south west, it links up vast regions in closer trade and economic relations and in essence, it could be said that the ECO region contributes to the economic integration of the whole world.

The ancient Silk Road is a natural symbol of our region which embodies its role as a bridge between East and West.

In today's globalized world, regionalism is gaining more significance. The regional approach offers collective solutions to collective challenges that transcend the boundaries of a single nation.

At ECO's 20th anniversary, we have many successes to celebrate. Mandated to develop appropriate mechanisms for deeper integration of regional economies, ECO has already achieved many the milestones in a wide range of economic fields. The Organization has successfully engaged Member States in intensifying cooperation in priority areas such as trade, transportation, energy, agriculture etc.

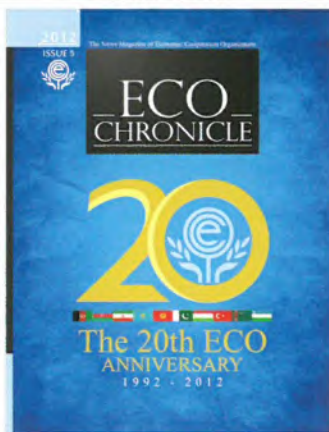
Nonetheless, this should not prevent us from recognizing the fact that many challenges lie ahead in the months and years to come and in the era of regional competition, we are expected to be more visible in terms of our achievements. As an organization geared to carrying out its mandates, ECO is by all means aware of the shortfalls affecting fulfillment of its objectives.

We must mobilize our efforts and strengthen institutions to improve the quality of life of the people residing within our region. We should accept that social and economic development can only be attained through the pooling of all our respective talents and resources.

This would require that ECO's initiatives receive the active support and greater involvement of all Member States. Policy and decision makers in the ECO region can and should continue rising above short-term, local interests and focus more on long-term regional goals.

Editor in Chief

Cover



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ECO
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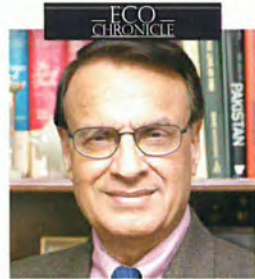
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Messages of Felicitation on the ECO 20th Anniversary

1992 - 2012



Shamshad Ahmad Khan
(Pakistan)
ECO Secretary General
1992- 1996

■ It gives me great pleasure to address this message of felicitation in my capacity as a former Secretary-General of the Economic Cooperation Organization (ECO) to the ECO member-states on the occasion of its 20th anniversary. Indeed, the trend of our times is peace and development through regional cooperation. We are witnessing a new upsurge of freedom, democracy and unprecedented economic growth in many regions of the world. ECO assumed a new dimension and a global identity with its transformation in 1992 from a trilateral entity to a ten-member-state organization with the induction of six newly-independent republics of the former Soviet-Union, plus newly freed Afghanistan as its members making it after the European Union the world's second largest regional cooperation organization. At that crucial stage in ECO's evolution, I had the privilege of being its Secretary-General. I vividly recall the widespread enthusiasm and expectancy among the newly independent republics of the former Soviet Union on becoming part of this important regional group that not only provided

to them, all landlocked countries, a natural access to the outside world facilitating the transition of their political and economic systems into the global mainstream but also promised them, as independent nations, a multi-sectoral socio-economic growth framework through regional cooperation.

Most importantly, ECO served to revive the historic cultural and emotional links among the peoples of our region who had been kept apart for decades through artificial barriers.

Since its inception, ECO on its part has made steady progress. Today, our Organization can boast of a solid framework of cooperation, a forward looking agenda and economic strategy and an expanding horizon of activities. Yet, we have a long way to go to accomplish the objectives of the Treaty of Izmir. Our organization has yet to harness its full potential and bring tangible benefits to the ECO community. This inevitably requires peace and harmony in the region and a fresh regional impulse with unity of purpose among the ECO member-states.



Onder Ozar
(Turkey)
ECO Secretary General
1996 - 2000

■ It is a great pleasure and privilege for me to convey (to all concerned) my congratulations on the occasion of the 20th anniversary of the Economic Cooperation Organization.

Regional organizations are, as a matter of fact, the flag bearers of the general awakening witnessed particularly in the developing world in the aftermath of World War II, for a better environment conducive to economic and social welfare. The ECO asserted itself as a good example in this respect. In spite of political instabilities and economic turmoils on the global scale and to some extent, surrounding its borders with impact inside its perimeters, ECO could stand resilient and determined in the attainment of its objectives. In this context, I would like to highlight, among other achievements, the trade facilitation agreement (ECOTA) and the ECO Trade and Development Bank. Thus, ECO is taken as a serious regional inter-governmental institution with shared commitment and collective responsibility. I would like to take this opportunity to express my viewpoint that the report

elaborated recently by the Eminent Persons Group may be adopted as a road map laying out the objectives, strategies and actions for the upcoming decade.

Rich in natural resources, the ECO region provides essential goods and services not only for its peoples but also for the world. Thus, in carrying out the common projects and actions, the ECO member countries have to assess them with a strategic approach and show the political will and solidarity in overcoming eventual bottlenecks and shortcomings.

Finally, may I stress an important point regarding the visibility and upgrading of ECO in the public opinion of its member countries and worldwide. I firmly believe that the private sector, the media, the civil societies, the universities and research institutions will play an important role in uplifting of the image of our organization. Let's unify our endeavours for a resilient and sustainable economic and social growth and look forward for a promising future.

Messages of Felicitation on the
ECO 20th Anniversary

1992 - 2012



Askhat Orazbay
(Kazakhstan)

ECO Secretary General
2004 - 2006

■ Please accept my heartfelt congratulations on the occasion of 20th Anniversary of expansion of ECO. During this time, thanks to efforts of our states, ECO managed to achieve certain progress in different fields, became a platform for developing and implementing multilateral economic projects with the participation of member states in such fields as trade, transport, agriculture, energy, finance etc.

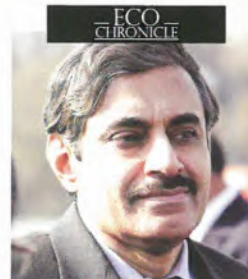
At the same time, due to different reasons, that huge potential that our states possess, was not utilized in full for effective and fruitful cooperation within ECO.

ECO is a unique structure which unites 10 member states from South Asia to Europe which are neighboring

and close to one another not from the geographical point of view but also have spiritual, cultural, religious commonalities.

ASEAN, with its headquarters in Jakarta, where I am now, is a proof of how successful an organization can be, though it includes countries with very different level of economic development, political system and religion.

Therefore, I would like to sincerely wish that in the next period of time, our Organization would be more active and efficiently achieve implementation of given goals and objectives on the development of multilateral cooperation for the good of nations of our countries and prosperity of our region.



Khurshid Anwar
(Pakistan)

ECO Secretary General
2006 - 2009

■ It is with great pleasure that I felicitate the ECO fraternity on the 20th anniversary of the founding of this regional organization. This happy family of key contiguous countries of our region is bound together by many a commonality. The shared ties of faith and culture, history and geography as, of course, also converging interests in diverse fields lay at the root of the decision twenty years ago to create ECO.

Regional cooperation is about a joint struggle to achieve common objectives. It is about marching hand-in-hand and soaring higher heights. It is about a shared vision of a future bright and shining. The ECO stands for all this and much more. It has the strength and potential of being the primary vehicle of cooperation in our region. ECO has grown in strength and substance over the past twenty years. Today, it encompasses key areas of trade and transport, industry and agriculture, energy and communication as well as education and banking. A credible insti-

tutional framework has been laid to underpin cooperation in these areas. A string of agreements is in place to carry forward the aims and ambitions of ECO.

Of course, like many of its peers in other regions, the ECO has its share of challenges. These are, though, no match to the will of its member states to work together. Their determination to forge ahead together in an increasingly competitive world is stronger than all obstacles. They realize full well that the sum total of their resources is far greater than the individual weight of the member states. Guided by this spirit of unity, the organization can contribute most meaningfully to the uplift of this region and its people.

I feel proud to have served this organization between August 2006 and August 2009. I am confident of ECO's many strengths and have a firm faith in its future. I wish it every success as, indeed, I wish all its member states continued progress and prosperity.



Farewell call on Iran Foreign Minister

ECO CHRONICLE At the end of his tenure, M. Yahya Maroofi, Ex - ECO Secretary General, called on Ali Akbar Salehi, the Foreign Minister of the Islamic Republic of Iran.

While referring to ECO's activities, the Secretary General elaborated on the achievements of the Organization in various sectors and expressed his appreciation for the support rendered by the Islamic Republic of Iran as well as the Foreign Minister personally.

Salehi also expressed his satisfaction over the activities and progress made by the Organization during the tenure of Maroofi and stated that S.G.'s diligence and good performance has much contributed to the improvement of the stature and visibility of the Organization in the international arena. ■



Amb. Shamil Aleskerov New ECO Secretary- General

ECO CHRONICLE Ambassador Shamil Aleskerov was born on March 29, 1946 in Baku, the Republic of Azerbaijan. He enrolled in the Azerbaijan Oil and Chemistry Institute in Baku in 1963 and graduated as an Engineer in 1968. Then, he received his PhD in Energy Economy from the Azerbaijan Oil and Chemistry Institute of Baku in 1976. It was in 1978 that he joined in the All-union Academy of Foreign Trade of Moscow and graduated with distinction as International Economist in 1981.

As for his professional background, Aleskerov has served in several key positions in the Foreign Ministry of the Republic of Azerbaijan and abroad. He has a diplomatic rank of ambassador extraordinary and plenipotentiary. As far as regional organizations are concerned, he has served as ECO Deputy Secretary General and Director of

Department of Energy, Minerals and Environment at the ECO Secretariat in Tehran from August 2000 to September 2006, and prior to that as Assistant to the Secretary General and Projects Coordinator in the Black Sea Economic Cooperation Organization (BSEC) at its Headquarters in Istanbul from May 1997 to May 2000. He also worked at the UNIDO Secretariat in Vienna from 1981 till 1987 and

at the Energy Charter Secretariat in Brussels as National Expert on secondment from Azerbaijan in 1996.

He has participated in numerous international conferences and meetings of UN, EU, BSEC, ECO, ECT and others. He has authored a number of articles on international economic cooperation. Aleskerov is fluent in Azerbaijani, English and Russian languages, with knowledge of Turkish and German. He is married with two children. ■



ECO CHRONICLE Speaker of the National Assembly of Pakistan, Fehmida Mirza, proposed the establishment of an ECO Parliamentary Forum during her meeting with former ECO Secretary General, Mohammad Yahya Maroofi, in March 2011. The proposal was based on the conviction that the proposed forum could offer opportunities to respective parliamentarians to play their due role in cooperation and economic prosperity in the ECO region. The idea of establishing a Parliamentary Forum of ECO Member States dates back to the 3rd ECO COM held in Quetta in 1993. The 3rd COM, while recognizing the importance of promoting greater contacts between the parliamentarians of the ECO countries, noted the proposal by the Speaker of the National Assembly of the Islamic Republic of Pakistan to establish an ECO Parliamentary Association. But at that time, a conclusive decision could not be reached regarding the proposal. Nevertheless, some ECO parliamentarians have participated in various ECO high level gatherings including 19th ECO COM as well as 11th ECO Summit held in December 2010 in Istanbul

, Turkey. Pakistan's recent proposal to establish ECO Parliamentary Forum was discussed in detail during various Council of Permanent Representatives (CPR) meetings. So far, eight Member States namely Afghanistan, Azerbaijan, Iran, Kyrgyz Republic, Kazakhstan, Pakistan, Tajikistan and Turkey have conveyed their support on the proposal. For discussing the Concept Paper and

ECO Parliamentary Forum

the draft Charter regarding the establishment of ECO Parliamentary Forum, Pakistani authorities organized the ECO Parliamentarians Meeting on September 4-5, 2012 in Islamabad. The meeting's outcome will be presented to COM for appropriate action. ■



ECO at Non-Aligned Movement Summit

ECO CHRONICLE ECO Secretary General, Ambassador Shamil Aleskerov and DSG Fatih Unlu attended the 16th NAM (Non-Aligned Movement) Summit held on 30-31 August in Tehran, Islamic Republic of Iran. On the sidelines of the Summit, Secretary General met with Ahmad Mohammed Ali, IDB President to discuss the ongoing IDB - ECO cooperation in various sectors including trade, transport, energy and agriculture.

Secretary General expressed that ECO intends to develop further this successful cooperation and would like to forward some project proposals to IDB to that end. IDB President, expressing the deep interest of IDB Group in the ECO region, welcomed the initiative and invited the Secretary General to the IDB Headquarters to discuss the project proposals in detail. ■

ECO CHRONICLE

On June 4, 2012, ECO Secretary General and his Deputy paid a visit to Nourredin Mona, Resident Representative of FAO in Tehran.

During the visit, both sides discussed the ongoing fruitful cooperation between FAO-ECO in the field of agriculture, especially the Technical Cooperation Project Agreement on "Support of Development and Implementation of

More ECO-FAO Cooperation Discussed

Country Statistics in ECO Member States," signed on 29 May 2012. They also discussed the emerging

priorities of both organizations and the ways and means for enhancing the mutual cooperation. ■



Kabul Holds

"Heart of Asia" Ministerial Conference

ECO CHRONICLE

The "Heart of Asia" Ministerial Conference was convened on 14 June 14, 2012 in the capital of Afghanistan as the first follow-up ministerial meeting of the Istanbul Process organized earlier in Turkey in November 2011.

Afghanistan, and Ahmet Davutoglu, Minister of Foreign Affairs of the Republic of Turkey. The conference was attended by 14 ministerial and high-level delegations from the "Heart of Asia" countries, 14 ministerial and high-level delegations from the supporting countries and 11 high-level delegations from regional and international organizations. The Afghan President, Hamid Karzai, in his inaugural address remarked that his country has experienced much from the last several decades of war and conflict and needs high cooperation from the regional countries.

The President also called for joint understanding to strengthen regional security and to ensure peace in Afghanistan as desired by the Afghan people. He reaffirmed his country's commitment with the international community on reforms and good governance in Afghanistan.

"We would take consultation with the national assembly members on the issue as soon as possible", the President promised, recalling that Russia and China have announced their support on Afghanistan's

long-term strategic agreements with the international community particularly, the U.S. He continued to say that Afghanistan would continue its cooperation with the international community, especially the regional countries. ■



The Conference was inaugurated by President Hamid Karzai and co-chaired by Zalmay Rassoul, Minister of Foreign Affairs of the Islamic Republic of

ECO Parliamentary Assembly Convenes

ECO CHRONICLE On September 4-5, 2012, Pakistan hosted a successful Meeting on the Establishment of ECO Parliamentary Assembly. The Meeting, held in Islamabad, was attended by the parliamentarians and experts from seven member states who considered and finalized the draft of the Charter of the Parliamentary Assembly of the Economic Cooperation Organization (PAECO). The draft Charter, as finalized by the meeting, will be submitted to the 20th COM to be held in October 2012 in Baku, Azerbaijan for consideration/approval.

The ECO Secretary General along with relevant ECO officials also participated in the Meeting where participants agreed that parliamentary dimension was the missing link in ECO cooperation and expressed their thanks to Fehmida Mirza, Speaker of the National Assembly of Islamic Republic of Pakistan, for her proposal to establish ECO Parliamentary Assembly.

During their stay in Islamabad, the delegation also visited the Parliament House of the Islamic Republic of Pakistan and witnessed the proceedings of the National Assembly which was in session. Deputy Speaker, Faisal Kerim Kundi and Members of the National Assembly warmly welcomed the delegations from ECO member states and expressed their support for ECO parliamentary cooperation. The delegations also held a meeting with the Deputy Speaker to express their ideas and comments on the initiative.

During a phone conversation, the ECO Secretary General expressed his gratitude to Fehmida Mirza, the Speaker of the National Assembly, for the initiative and exchanged views for the future course of action. Mirza further expressed her belief that new Parliamentary Assembly would play an important role in the ECO region. ■



WTO Accession for ECO Member States Discussed

ECO CHRONICLE The Seminar on "Doha negotiations and accession process to WTO for the ECO Member States: Experience of the Republic of Turkey" was organized by the Ministry of Economic Development of the Republic of Turkey in collaboration with the Islamic Development Bank and Economic Cooperation Organization on June 18-20, 2012 in Istanbul, Turkey.

Present at the Seminar were the representatives of Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Rep. Pakistan and Turkey along with the representatives of ECO Secretariat, IDB, UNCTAD, WTO, academicians and experts. The Seminar aimed to assist the Member countries to strengthen their human and institutional capacities for better understanding and implementation of the WTO agreements and also to prepare them for an effective participation in the negotiations on WTO-related issues.

The Seminar provided an opportunity for the officials of ECO Member States to exchange information and views regarding WTO accession and the recent status of the negotiations on Doha Development Agenda.

At present, only three ECO Member States namely Kyrgyz Rep., Pakistan and Turkey are members of the WTO, whereas Afghanistan, Azerbaijan, Iran, Kazakhstan, Tajikistan and Uzbekistan have observer status in that organization. ■

The Twenty Second Meeting of the Regional Planning Council (RPC) of the Economic Cooperation Organization (ECO) was held on 9 - 11 July, 2012 in the Institute for Political & International Studies (IPIS), Tehran. Preparatory/Review meetings were held on the sidelines of the Meeting.

The Regional Planning Council (RPC) is composed of the Heads of the Planning Organization or the equivalent ministry of the Member States and meets at least once a year prior to the annual meeting of the Council of Ministers under the Chairpersonship of the representative of the Member state holding Chairpersonship of the Council of Ministers.

It evolves basic strategies/policies and plans in accordance with the objectives and principles of regional cooperation laid down in the Treaty of Izmir, as well as policy guidelines and directives of the Council of Ministers.

Inauguration of the Meeting

The 22nd RPC Meeting was inaugurated by Mohammad Mehdi Akhoundzadeh, Deputy Foreign Minister for International Affairs of the Islamic Republic of Iran. In his inaugural address, Mohammad Mehdi Akhoundzadeh extended a warm welcome to all delegates for participation in this important meeting and expressed the hope that the outcome of this Meeting will significantly

Progress Reviewed, New Programs Considered at the 22nd RPC Meeting

impact the preparatory work of the upcoming Summit. He acknowledged that RPC is the right place where well-prepared policies and well-organized follow-up actions would be crafted to put ECO projects on the right and accelerating track. In his assessment, ECO is suffering from less than full solidarity, feasibility, visibility and viability.

The ECO Secretary General, thanked the Islamic Republic of Iran for their generous hospitality to the delegations of the

22nd RPC Meeting and making impeccable arrangements. He reviewed the main activities of the organization, the progress made in some of the areas during 2011 and the challenges that still lay ahead in others. He apprised the Meeting that ECO Trade Agreement (ECOTA) which envisages eight years trade liberalization program is now in the implementation phase. He further shared that the Islamic Republic of Afghanistan has signed the Articles of Agreement on March 12, 2012 to join the ECO Trade & Development Bank and the Republic of Azerbaijan will also sign it soon. He accentuated that after an inordinate delay of more than a decade, the two core regional institutions, ECO Science Foundation in Islamabad and ECO Educational Institute in Ankara have become operational in December, 2011 and April, 2012 respectively.

ECO Member States

The Meeting was attended by delegations from the Member States, namely, the Islamic Republic of Afghanistan, the Republic of Azerbaijan, the Islamic Republic of Iran, the Republic of Kazakhstan, the Kyrgyz Republic, the Islamic Republic of Pakistan, the Republic of Tajikistan, the Republic of Turkey and the Republic of Uzbekistan.

Each Delegate from the Member countries made statements, outlining their countries' policies and views on the programs and activities of the Organization.



The Preparatory Committees

The Preparatory Committees of the Council reviewed the progress on the implementation of the decision of 21st RPC Meeting and Calendar of Events for the year 2011. The Committees also deliberated in detail the programs and proposals for 2012-2013 contained in the Working Papers prepared by the ECO Secretariat.

Progress Reviewed, New Programs Considered

The Council reviewed progress on implementation of ECO's approved programs of action and projects. New programs and projects for the year 2012 were considered in the following areas:

- Trade and Investment;
- Transport & Communications;
- Energy, Minerals and Environment;
- Agriculture, Industry and Tourism;



- Human Resources & Sustainable Development;
- Drug and Organized Crime Coordination Unit
- Projects and Economic Research & Statistics;
- Inter-Regional ECO Activities:
- ECO Regional Institutions and Specialized Agencies
- International Relations

ECO Regional Institutions and Specialized Agencies

The Representatives of ECO's Regional Institutions and Specialized Agencies i.e. the ECO Cultural Institute (ECI), the ECO Science Foundation (ESF), the ECO Educational Institute (EEI), the ECO Chamber of Commerce & Industry (ECO-CCI), the ECO College of Insurance (ECO-CI), the ECO Trade & Development Bank (ECO-TDB), and the ECO Reinsurance Company (ECO-RC) delivered statements highlighting their activities and perspective for 2012. ■

SG Meets

Iran's Deputy Foreign Minister



ECO CHRONICLE Shamil Aleskerov, the Secretary General of the Economic Cooperation Organization, met with M. Akhundzadeh the Deputy Minister for Legal and International Affairs of the Ministry of Foreign Affairs of the Islamic Republic of Iran on Tuesday September 18, 2012.

Akhundzadeh extended congratulations to Aleskerov on his appointment as the new Secretary General of ECO and expressed hope that his past experiences in ECO and other international organizations will enhance the Organization's move towards its aims and objectives.

During the course of the meeting, both parties discussed ways for improving cooperation and enhancement of activities in the framework of ECO among the Member States in line with their national interests.

Meanwhile, both sides emphasized on adopting a clear roadmap for future plans and activities of the Organization. ■



Two ECO Cities Bid to Hold 2020 Olympic Games



Ecotourism Meetings Convene in Antalya

ECO CHRONICLE The ECO Region Ecotourism Development Training Program and the 3rd Ecotourism Experts Group Meeting convened in Antalya, Turkey, September 16-21 2012.

The program was aimed at increasing the awareness on ecotourism in the ECO Region and strengthening the cooperation amongst the Member States in line with the Plan of Action on Ecological Tourism in ECO Member States.

The program focused on areas including International trends and approaches, constrains and opportunities, advantages and disadvantages, services and infrastructures, planning on ecotourism and practice case studies. ■

ECO CHRONICLE Two out of five cities, which have been bidding to host 2020 Olympics, are in the ECO Region. The competing cities are Istanbul (Turkey), Baku (Azerbaijan), Doha (Qatar), Madrid (Spain) and Tokyo (Japan).

In the preliminary rankings, Tokyo and Istanbul are given the edge as frontrunners with Madrid tied for second or close to third. Doha makes a respectable fourth and Baku a distant fifth. Both indices suggest there is still much to be evaluated and it is expected to be a volatile race.

Istanbul was nominated on 7 July 2011, at the 123rd IOC session in Durban and was confirmed as Turkey's bid on 24 July 2011. Istanbul 2020 is the city's fifth bid for the Olympic Games. Istanbul is home to various modern sporting venues. The Turk Telekom Arena, Ataturk Olympic Stadium and Sukru Saracoglu Stadium, which were built or renovated in the first decade of the 21st century, are three UEFA Elite Stadiums in Istanbul.

Istanbul, Tokyo and Madrid will com-

pete to host the 2020 Olympic Games after Doha and Baku were dropped from the list of applicants. The International Olympic Committee announced the shortlist at its executive board meeting in Quebec City. The winner will be elected Sept. 7, 2013, in Buenos Aires. The three remaining candidates have 15 months to lobby for votes and impress the IOC's evaluation commission, which will compile a detailed technical assessment and report on each bid for IOC members to review in July 2013. In 2012 Summer Olympics where approximately 10,500 athletes from 204 countries participated in 302 events in 26 sports, over all the ECO Members did relatively well as follows:

Kazakhstan placed 12th with 7 Gold, 1 Silver, 5 Bronze (Total 13 Medals), Iran ranked 17th with 4 Gold, 5 Silver, 3 Bronze (Total 12 Medals). Azerbaijan placed 30th with 2 Gold, 2 Silver, 6 Bronze (Total 10 Medals), Turkey ranked 32nd with 2 Gold, 2 Silver, 1 Bronze (Total 5 Medals). Afghanistan and Tajikistan both ranked 79th with 1 Bronze each. ■



Ankara Hosts HLEG Meeting on Energy



ECO CHRONICLE

The 2nd High Level Expert Group (HLEG) Meeting on Energy was held on 24-25 September, 2012 in Ankara, Turkey.

The Agenda of the Meeting included items on concerned status of implementation of the Plan of Action on Energy/Petroleum Cooperation in the ECO Region (2011-2015), new platforms for cooperation of Member States. ■

Baku to Host 12th Summit, 20th COM & ECO-ASEAN Ministerial Meetings

ECO CHRONICLE

The 20th Meeting of the Council of Ministers (COM) of the Economic Cooperation Organization (ECO) as well as the ECO-ASEAN Ministerial Meeting will be held on 15th October 2012 in Baku, Azerbaijan to be preceded by the Senior Officials Meeting scheduled for 13-14 October 2012.

The COM will account for the reports of ECO and its institutions on the progress achieved in

ECO's main activity area focusing, among others, on transport, trade, energy, environment and agriculture



covering the period of 2011-2012. The Meeting will adopt substantial decisions on the new initiatives and activities reflected in the Work Program planned for 2012-13. The meetings will be concluded by the 12th Summit of ECO Heads of State / Government which will make nearly two decades of sustainable

functioning of the regional organization, 2nd

largest in the world. The

Summit will be held on 16th

October 2012 in Baku. A Baku

Declaration, encompassing

vision and guidance for the organization,

will be issued at the end of the Summit. ■

Tehran to Host Heads of Privatization Administrations Meeting

ECO CHRONICLE

The 6th Meeting of the Heads of the Privatization Administrations in ECO Member

States and the 5th Meeting of the High Level Expert Group (HLEG) on Privatization and Private Sector Development will be hosted by Iran Privatization Organization (IPO) on 29-30 October 2012 in Tehran.

The meeting will focus on areas of common interest to promote intra-trade and stimulate economic liber-

alization, privatization and gradual integration of the ECO region into the world economy. The participants will share their experiences, achievements, obstacles

faced by presenting their detailed country reports/ presentations on privatization process, and also their future prospects/objectives.

The meeting may deliberate the ways for collaboration of ECO Member States and exchange of experience/information in the field of privatization. ■



Uzbekistan Observes Independence Day



On Monday September 1, 2012 a ceremony was held at the Embassy of the Republic of Uzbekistan in Pasdaran neighborhood of northern Tehran to mark Uzbekistan's Independence Day and the 20th anniversary of the establishment of diplomatic relations between the Republic of Uzbekistan and Islamic Republic of Iran.

The Ambassador of the Republic of Uzbekistan to Tehran, Ilhom S. Akramov, received the VIP guests at a well attended function.

Present at the ceremony were Ambassadors, heads of diplomatic missions stationed in the I.R. Iran, members of press, academicians, scholars plus the officials of ECO Secretariat.

Uzbekistan declared independence from the ex-Soviet Union on September 1, 1991. It is the first and most important public holiday of the country. This national holiday symbolizes all dreams and hopes of Uzbek people which lean on the main principles of friendliness, solidarity, charity and mutual respect. ■

“Marine Mammals Mortality in Persian Gulf & Sea of Oman”

Published by DOE



The Marine Environment Division of Iran's Department of Environment (DOE) released the results of a series of field operations conducted to identify and evaluate the status of environmental security of the endangered marine mammals of the Persian Gulf & Sea of Oman in a book titled "Field Guides to Species Identification and Factors Affecting Stranding and Mass Mortality of Marine Mammals and Rescue Operations, in the Persian Gulf and the Sea of Oman". The book features scientific reports, atlases and information gathered from other authentic sources both in English and Persian languages.

A major part of this book presents the results of the

researches done by Jillian T. Braulik on the biology and ecological conditions of

marine mammals in the Persian Gulf and the Sea of Oman together with reports by Dr. Fernandes (An IUCN colleague and university lecturer in Marine Mammals Pathology).

The book has three chapters. The first chapter provides detailed Mass Mortality factors in Sea Mammals. The Second presents a Field Guide for rescue operations of these mammals along with detailed description of coastal features, common behavior in marine mammals at the time of danger, rescue and rehabilitation procedures, samples and feasible information regarding their mortality, stranding and rehabilitation as well as protection methods.

Chapter three contains comprehensive data on different species of dolphins, porpoises and dugongs residing in the Persian Gulf and the Sea of Oman. The last part of the book deals with the morphological features essential for the identification of species, the distribution pattern of each species in marine and pelagic waters, along with color photos of each specie and pictures of their head skeletons. ■



Pakistan
Hosts

ECO National Statistical Meeting



ECO
CHRONICLE

The 4th Meeting of the Heads of ECO National Statistical Offices was hosted by Pakistan Bureau of Statistics (PBS) in joint cooperation with Economic Cooperation Organization (ECO) on 26-27 September 2012 in Islamabad. The Meeting considered the most important issues for the promotion of statistical cooperation in the region and development of regional harmonized statistical system such as "Design and Implementation of National/Strategic Statistics Plan by National Statistical Offices" in the region and shared the experiences of the ECO NSOs in the field.

Implementation of statistical capacity building program, development of the ECO Statistical Network (ECOSTAT) and follow up of Regional Harmonized Statistical Methodology were also among the most important issues discussed. ■

ECO
CHRONICLE

In collaboration with Iran University of Science and Technology (IUST), the Marine Environment Division of Iran's DOE recently developed water quality as well as wastewater discharge standards for the Northern Coastal Waters of the Persian Gulf and Oman Sea. Having reviewed the international coastal water quality and coastal discharge standards as well as methods of standards developments around the world, a combinational method for the development of Iran's national standards for marine water quality and discharges was created based on the similarities of water quality of the seas (standards of which are available) with the Persian Gulf and Oman Sea water quality on the basis of Euclidean concept. Standards of selected seas plus the standards of Sea of China were used as the reference for coastal water quality standards.

The water quality standards were prepared for the following water usage classes:

1. Natural Protected areas: Coastal

Development of Water Quality & Wastewater Discharge Standards

water zones considered for environmental and habitats protection including the marine regions under the supervision of the Department of Environment of Iran.

2. Coral reef areas and mangrove forests: including coastal water zones containing coral reefs or mangrove forests that should be protected.

3. Aqua cultural zones: including coastal water zones used for aqua culture and fisheries purposes.

4. Tourism regions: coastal water zones including regions with the potential capabilities for coastal or ecotourism activities.

5. Residential / agricultural and small industries regions: coastal water zones with residential/ agricultural / small industries in coastal zones in their vicinity.

6. Industrial/ Port activities regions: coastal water zones with coastal industries/ports/ marine transportation terminals. ■



Q

2012 is the year of the 20th anniversary of the Economic Cooperation Organization (ECO). How do you see its future?

A: I am quite optimistic in this respect. I share the hope and aspirations of the people of the region for peace and prosperity and the conviction that social and economic development of the region can only be attained through the pooling of our respective talents and resources. ECO as a regional organization has laid down important foundations and institutions to attain these objectives.

To be exact, it is the 20th anniversary of the Organization with its present membership. In 1992, the then ECO consisting of three member states (Iran, Pakistan and Turkey) was joined by 7 new member countries, namely Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. The ECO region is very rich in natural resources as well as abundant human resources, enjoying favorable and strategic geographic location. Also the member states' strong commonalities represent greatest asset.

Q: The 12th ECO Summit to be preceded by the 20th COM Meeting are approaching in less than a month from now. What results do you expect it to bear?

A: The outcome of the Baku Summit will have great importance, giving policy guidelines for the Organization as the 10 Member States' leaders will discuss matters of the regional cooperation in various fields. Before the Summit, a meeting of Foreign Ministers of ECO Member countries (COM) would be held to finalize the agenda for the Heads of States and Governments.

Q: You have taken over the crucial job of the Secretary General of

ECO since less than a month ago. What are your priorities in advancing ECO's aims and objectives?

A: We will be guided by the outcome of the 12th ECO Summit and 20th COM meetings to be convened in Baku in mid- October 2012. I believe the outcomes of those meetings would pave the way for ushering ECO region into an era of accelerated economic prosperity, surmounting the challenges of the current times and transforming the Organization into a more dynamic and efficient vehicle to support a socioeconomic uplift of the region.

In my view, accelerating the process of the cooperation and integration with the world economy of the regional economies deserves to be given top priority and it is possible first of all through enhanced trade and investment cooperation.

We should step-up our efforts to interconnect our Member states through efficient transportation and railway links. Our efforts to interconnect Europe and China will also be continued to make ECO region a major transit region as its geo-strategic location deserves.

ECO Trade Agreement (ECOTA), which is now at the implementation phase, would help liberalize and open up regional trade. A more active role by the Member States in the implementation of ECOTA and other initiatives in the fields of investment promotion, cooperation in customs affairs, visa facilitation, banking and strengthening private sector cooperation could certainly help advancing towards the fulfillment of the ECO's objectives. Negotiations on the ECO Free Trade Agreement will be initiated soon after the full scale implementation of ECOTA. It would be a big step forward towards establishing a Free Trade Area in the region.

Q: What do you think ECO has achieved during the past twenty years?

A: Back in 1992, with the expansion of ECO to a 10-member regional economic cooperation organization of countries with deep cultural, historical and geographical affinities, we embarked upon a journey towards eco-

nomical and social development of the region. We are cementing our centuries-old bondages embedded in common culture and history by defining a common vision for the development of the region and joining hands to transform that vision into a reality by taking practical steps through concerted efforts for the uplift of the region.

ECO has laid credible institutional framework for cooperation in a number of fields, which include trade and transport, energy and environment, industry and agriculture and also the fight against narcotics, money laundering, human trafficking and other trans-national crimes.

We are moving closer to reducing tariff rates of the goods traded. We have started implementing the Transit Transport Framework Agreement to strengthen rail and road links among member states.

Plans have been elaborated to shortly issue the ECO White Insurance Card, covering the entire region. Inter-connecting the electricity networks of the Member States would help facilitate power trade and efficient energy management. A joint strategy for cooperation in industry is in place. Activities are

Seizing the Regiona

underway to promote food security, quality seed and agro trade.

Cooperation in these and other key areas is monitored and developed through regular meetings at various levels - from ministers to senior officials

and experts, and also promoted through seminars and workshops. ECO has the potential to maintain this upward trend and, indeed, further improve it in the months ahead. That remains our objective. We intend to pursue it persistently.

Q: Are you completely satisfied with the current trend? As the new Secretary General with vast experiences in managing regional organizations, what would be your overall strategy in heading the organization?

A: Despite our joint and continued efforts in various areas of cooperation within our organization, ECO's achievements still do not match the enormous economic potential existing in our region. We must intensely endeavor to achieve tangible results in the priority areas, further expand and diversify the Organization's activities as required and feasible, and move towards further strengthening ECO as an efficient and dynamic



Shamil Aleskerov, ECO Secretary General

the Advantages of Economic Cooperation

organization. We have succeeded in establishing ECO as a full-fledged organization. However, we need to ensure that it operates efficiently and in full concert.

To this end, common and shared

vision, as well as strong continued commitment and engagement of all the ECO Member States are essential. The private sector has to be involved more actively in ECO activities. Our activities should become more focused, particularly in the planning and implementation phases. Moreover, they should be matched by our organizational capaci-

ties and available resources. We are confident that the prioritization of the activities as well as the increasing of the efficiency of ECO's working and expert groups would boost the overall effectiveness of the Organization.

Q: What do you consider to be your main challenges and how would you tackle them?

A: Like any other active and vibrant organization, ECO is facing some challenges and we need to take all necessary measures to overcome them. We are trying to have more and more of our Member States sign and ratify ECO agreements. We should pursue faster and fuller implementation of the agreements so that they may produce the desired impact.

We need to intensify cooperation for the accomplishment of joint projects, for early completion of feasibility studies and for accelerated follow-up actions. We have no obstacles as such to further strengthen the cooperation. Some apparent handicaps have been turned into positive advantages. Six of our Member States are landlocked. However, this factor has contributed to closer linkages, dependencies and cooperation.

Q: Some ECO critiques argue that unless Member States would fully engage in ECO activities and genuinely follow its aims and objectives, ECO's goals are not fully achievable. As the new ECO Secretary General, how would you respond to this question and what is your message to the ECO Member States?

A: So far, ECO has proven its worth, resilience and vitality by steadily improving its performance. We hope to

see it gaining greater momentum, and stepping up the implementation of several agreements and plans of action reached in different fields that constitute ECO's top priorities. We should pursue our targets in all fields of cooperation with undiluted commitment. We should continue rising above the short-term, local interests and focus more on long-term, regional goals.

I believe that given the political will and commitment of the Member States, ECO has all the potential to become one of the most dynamic and effective regional organizations in the world. With the active participation and support of the Member States, this organization has the potential to transform the challenges into opportunities for the common good of the ECO region and its people. I believe ECO's objectives are perfectly achievable but just through the concerted efforts of all its Members and all the concerned partners. The comparative advantage of ECO as a

regional economic cooperation organization should be fully utilized. That is, in essence, the message I would like to put across.

Q: How would you assess ECO's relations with other regional organizations?

A: ECO attaches priority to close cooperation with regional peers, UN and international organizations. We should not only perform our regional responsibilities but also cooperate with all relevant international organizations. Fortunately, many such organizations consider ECO as a strong and useful regional mechanism for cooperation.

The cooperation agreements with individual organizations, United Nations and all other specialized agencies provide a very solid ground for our future activities. We have institutionalized these relations by signing agreements and MOUs and exchanging formal cor-

respondence. The UN General Assembly passes a resolution once in two year on UN-ECO cooperation. We have signed MoU with ASEAN and have agreed similar arrangements with Shanghai Cooperation Organization and CICA.

We appreciate and value the support of the Islamic Development Bank, World Bank, ADB as also EU, FAO, UNIDO, ICARDA, UNOCHA and UNISDR. These are our partners in important projects. We hold periodic meetings with them to review and reinforce our cooperation with international organization achieving synergy in the activities carried out in the region. As the new ECO Secretary General, I intend to expand and develop this trend.

Q: How does the Global economic slump affect Member States' economies and how can they ward off the negative side effect of that crisis?

A: Currency fluctuations and uncertainties of exchange rates pose a serious impediment in boosting trade and investment in the Member countries. Some other factors connected with the latest world economic turmoil also affect the economies of our region. But I believe, overall, our Member States have been rather successful in maintaining performance of their economies. However, greater cooperation among the Member States in diverse fields of financial and banking sectors may be helpful for dealing with global economic slump and reducing its impact.

Q: What is the role of the new ECO Trade & Development Bank in facilitating ECO's projects?

A: The ECO Trade and Development Bank (ECO-TDB) was established on August 3, 2005 with a capital of SDR

ECO's achievements still do not match the enormous economic potential existing in our region. We must intensely endeavor to achieve tangible results in the priority areas.

300 million, contributed equally by Iran, Pakistan and Turkey. The Bank successfully started its operations in 2008. The representative offices of the Bank in Tehran and Karachi are fully functional. Other ECO states, including

Afghanistan, Azerbaijan and Kazakhstan have shown interest in joining.

The primary objective of the Bank is to provide financial resources for the accomplishment of projects and programs in Member countries. The Bank also offers a range of medium-to-long term products i.e. project finance, corporate finance, trade finance and loans to support small and medium-sized enterprises directly or through financial intermediaries to private and state owned entities. The bank is in the process of building relations with its peers in other regions.

Q: With its vast potential, the ECO region needs to concentrate on growth and development. What challenges in terms of conditions does this entail ?

A: ECO is an economic organization working for the economic development of the region. We have no politi-

cal role, but the region has its share of problems that bear on peace and political stability. We would like the region to steer clear of destabilizing factors. This is necessary in order to concentrate on growth and development which require

Q: Looking into the future, what about the factors reinforcing the present unity which exists among the ECO Member States?

A: ECO members are friendly neighbor countries, whose historic backgrounds in many ways are connected with each other. These are the bridges linking us, the bonds holding us together. The historic cities of Balkh and Bukhara, Esfahan and Samarkand, Osh and Ashgabat, Ganja, Multan and Istanbul are seats of our common heritage.

In literature, Hafiz and Saadi, Iqbal and Bedil, Rumi and Rudaki, Nizami and Abai, make us all feel equally proud. This is also true of architecture, cuisine, customs and traditions. These are our strengths. ECO seeks to build on them. We have a special institution to pursue that goal. The ECO Cultural Institute

focuses exclusively on the promotion of cultural cooperation. It organizes helpful events in Member States and produces publications for that purpose.

Thus, while concentrating on economic cooperation, ECO also devotes attention to the cultural cooperation, cooperation in education and science, etc. I believe all this strengthens the relations between the Member States, bringing them closer to each other. ■

ECO members are friendly neighbor countries, whose historic backgrounds in many ways are connected with each other. These are the bridges linking us, the bonds holding us together.

Trade Financing Vital for Enhancing Trade

By: Fatih Unlu
ECO Deputy Secretary General



Regional trade cooperation holds a critical part of the overall objectives of ECO. The founding fathers of the regional grouping declared trade as the top priority of this regional grouping and one of the main objectives of ECO has been the promotion of trade and investment among its member countries. In pursuance of this objective, the organization has been laying down necessary regulatory framework for the promotion and expansion of intra and inter-regional trade and investment. It has actively spearheaded the agenda of regional integration by taking measures for trade facilitation and progressive removal of trade barriers. The forward movement on various ECO initiatives in the field of trade including the ECO Trade Agreement (ECOTA), establishment of ECO Trade and Development Bank (ECOTDB), reactivation of ECO Chamber of Commerce and Industry (ECO-CCI) and cooperation in Customs matters is now much more pronounced and visible. The following is the response made by the ECO Deputy Secretary General in trade and investment Fatih Unlu, to the following question put forward to him by the Editor of the ECO Chronicle:

How could we improve the present regional trade cooperation among the Member States?

Trade is the basis for regional cooperation and integration as always underlined by ECO. With that in mind, ECO has endeavored to enhance trade among its members since its inception. To that end, among others, ECO Trade and Development Bank and ECO Chamber of Commerce and Industry have been established and ECO



Trade Agreement and ECO Transit Trade Agreement (TTFA) have been put into force. I believe that in ECO context, it is relatively easy to enhance trade to a certain level with some interventions at regional level. These interventions include:

1. Providing financing for intra-ECO trade - This will help the traders to discover regional trade opportunities;

2. Alleviating customs duties and reducing technical barriers to trade through; establish a regional trade preferential system and other relevant initiatives;

3. Interlinking main commercial hubs in the region through a network of roads and railways;

6. Implementing regional trade facilitation programs especially facilitating passages in the customs, for example establishment of regional single window and electronic exchange of custom documents;

7. Visa facilitation for businessmen and normal visitors. Tourism helps enhancement of both trade and investment;

8. Increasing the direct flights and their frequency among the main cities of the region;

9. Conducting regional trade promotion activities including fairs, road shows, business forums, e product catalogues;

10. Improving financial infrastructure and financial cooperation;

11. Implementing required agreements, i.e. prevention of double taxation, protection and promotion of Investments etc.

In most of the above issues, ECO has made some initiatives; some of them are already finalized and put into operation. Trade financing is one of the most important elements for enhancing trade. As a case point, robust trade financing provided by Islamic Development Bank in recent years for the trade among Islamic Countries can be given as a success story. As a result of this and of course other factors like increase in energy prices, the total intra-IDB exports have sharply increased over the last ten years from USD 55.3 billion in 2000 to USD 263 billion in 2010 at an average 16.9 annual rate of increase doubling the global average in the same period.

In that respect, ECO also gives high importance to trade financing. ECO Bank, with its total paid-up capital of 460 million USD, gives special attention to trade financing. The Bank yearly allocates around 250 million USD for trade financing as well for supporting exporting companies including SMEs in the member countries. ECO Bank is also providing guarantee and LC facilitation services

for trade transactions among the member countries. These contribute to the enhancement of intra ECO trade as well as ECO countries' exports to other parts of the world. But as this amount is rather limited to have wide regional impact, we have to augment the resource base of ECO Bank including increasing its paid-up capital.

As a result of these efforts and other conjectural developments, ECO countries' overall trade performance as well as intra-ECO trade is at steady increase in recent years. Overall trade volume of ECO countries has reached to US\$768 billion in 2011 denoting a 12 percent increase as compared to 2010. Intra-regional trade over the period 2006-



2010 has been around 7 percent. However, in 2011, most of the ECO countries have registered significant increases in their trade with other ECO member countries. Having said these, we believe that the real boost to enhancement the regional trade will, Inshaallah, be realized after the implementation of ECOTA. This step is also critical for enhancing competitiveness of the member countries. We have to expedite the implementation of ECOTA. After its implementation, we can embark on more ambitious trade arrangements. ECO has also various programs for trade facilitation including e-trade, trade promotion activities such as business forums, buyers - sellers meeting in various sectors and trade fairs, due to limitation of time,

I will not go into details. With all these initiatives, we believe that we will reach much higher levels in intra -ECO trade. When we reach that certain level, enhancing trade further would become more and more challenging.

Therefore, we have to lay the foundations from now for longer term trade enhancement among our member countries. I believe that without reaching a certain level of development, establishing a sound production base at national level and manufacturing high quality branded products at international standards, trade enhancement will always be limited.

To carry the trade further, we have to do a lot of homework regarding our national economies i.e. upgrading our human resources, regulations and institutional efficiency. For example, we have to develop a culture of innovation, and high quality production in our countries. If we produce at global standards with highest quality or good quality with reasonable prices, we can sell our products anywhere in the world including regional economies. But if we cannot produce in good quality, we will have difficulties in selling our products even in local markets.

Substantial increase in trade is directly related with economic development and requires a certain level of welfare for all segments of the society. For boosting our economic development and competitiveness and for enhancing welfare of our people, among others, we

have to do our best to ensure economic and political stability, and peace. We have strengthen our private sector, reduce unnecessary burdens on them especially heavy tax burden, help them in exploring global markets, promote innovation and value addition, specialize in specific sectors and areas commensurate with our skills, resources and potentials, improve our transportation, telecommunication, education infrastructures, guide the economic processes by our wise development plans, programs and long term strategies, help capacity building and human resources development, provide R&D assistance for innovative development and try to attract quality Foreign Direct Investments. ■

Kazakhstan

An Investment Revolution

By: Kairat Saidenov - Almaty in Association with Chris Cook

Since the onset of the financial crisis in 2007/2008, serious investors have been directing their attention to developing countries, particularly Kazakhstan. There are good reasons for this attention, which I will now explain.....

My experience of this remarkable country began in the lobby of the Fifth Astana Economic Forum where I was not expecting the high level participation and insightful strategic discussions which took place in respect of the global economic transformation taking place. Not only did the Kazakh President propose a common approach on a G-Global basis but many of the recommendations of the forum were subsequently accepted within the G8 and G20 fora of nations.

As a result of this experience of Kazakhstan's constructive and far-sighted approach, I have keenly followed news of Kazakh development and was particularly interested in a survey conducted by the Russian 'Sberbank' experts.



■ Investment - Diversification Phase

Kazakhstan is resource rich, and stands in 6th place among CIS countries for stocks of resources, and some 5004 deposits have been identified including oil, gas, uranium, tungsten, silver, lead, chrome ores, copper, molybdenum and gold.

Like many resource rich countries, Kazakhstan is not only aware of the need to diversify from reliance on sales of 'raw' resources such as energy



and commodities, but it is quite striking how quickly action is being taken to achieve this. In just four years, according to Sberbank, the gap between sales of raw resources and other sales has halved.

The modest demand from Kazakhstan's small population of 16m meant that domestic demand for processed goods and services was limited, but the customs union with Russia and Belarus has opened up a massive new market.

While it could have been expected that Russia and Belarus would also benefit from inward investment in these new businesses, but in fact its investor friendly policies have seen investment increasingly flowing into Kazakhstan. So we see that in the ratings of the World Bank Doing

Business 2011 survey, Kazakhstan had risen by 34 places in a year in respect of the 'protection of investors' indicator.

Moreover, Kazakhstan has for the past two years, led the list of the ten countries most successfully creating favourable conditions for enterprise.

■ Investment-Second Phase

Having successfully attracted more than \$146bn of inward investment since 1993 Kazakhstan has identified a need to address the quality of investment in order that the investment outcomes may be optimised, enabling more value to be re-invested. In order to achieve this, Kazakhstan aims to take advantage of a key strategic and geographic position since the main transcontinental routes which connect the Middle East/Europe with the Asia/Pacific go through Kazakhstan. An East Europe -East China transport corridor is being constructed which some observers refer to as a 'New Silk Road'. This project aims to double Kazakhstan's freight flow capacity to 50 million tonnes by 2020 in order to take advantage of the route's much shorter length than the competing Suez Canal

seaway. There is also the added attraction of opening up tourism and technology hubs along this historic route, where there are many unique wildlife habitats and national parks, as well as more than 100 health and well-being treatment centres. Kazakhstan's political stability, and reputation for peaceful co-existence of many varied religious traditions makes these facilities an attractive destination in turbulent times. Domestically, Kazakhstan has given serious attention to simplifying procedures; removing administrative barriers; increasing legal and regulatory effectiveness and streamlining tax administration. Special economic zones are to be developed and other forms of concessions are planned to attract the right kind of investment.

■ Kazakhstan & ECO

Kazakhstan is therefore can to be a leading member of ECO, and the precedent of Kazakhstan's active chairmanship of OSCE shows the potential of co-operation between nations with common interests.

Kazakhstan has been an active participant in ECO transport co-operation in pursuing the above mentioned strategic transport links, and can well placed to extend economic co-operation more widely in fields such as energy co-operation.

In this context, Kazakhstan's President has long advocated new financial tools - even a petro-currency - aimed at ensuring that the value of Kazakhstan's energy resources are brought to bear domestically and regionally.

In conclusion, having discovered this remarkable country for myself, I can confidently say that Kazakhstan's stability is based upon a highly educated and tolerant population. If a revolution does take place, it will be a technological and perhaps even a financial revolution. ■



Iran's Strategies to Address Climate Change

During the preparation of the National Communications for the United Nations Framework Convention on Climate Change (UNFCCC), significant capacity was built to streamline climate change considerations into the national development action plans. A brief description of the goals, strategies and action plan are presented here based on the following guiding principles:

■ Guiding Principles:

- Sustainable development is the paradigm for climate change planning process;
- Global and regional cooperation as a necessary part of the management;
- Development and reinforcement of different integrations;

■ Sustainable Development (SD) Paradigm

Many of the policies and actions that can protect us against the harmful impacts of climate change meet SD compatibility. Fortunately, many of both the climate change mitigation and adaptation strategies, SD policies and actions have been considered in our national and provincial development plans.

■ Global & Regional Cooperation

Although present climatic situation has been mostly caused by developed countries, poor countries and regions are more vulnerable to its impacts. Nevertheless, all societies are experiencing and will experience its adverse impacts in one way or another and thus all countries should share in challenging this "common" responsibility. The arid and semi-arid region wherein we reside will experience, more likely, high

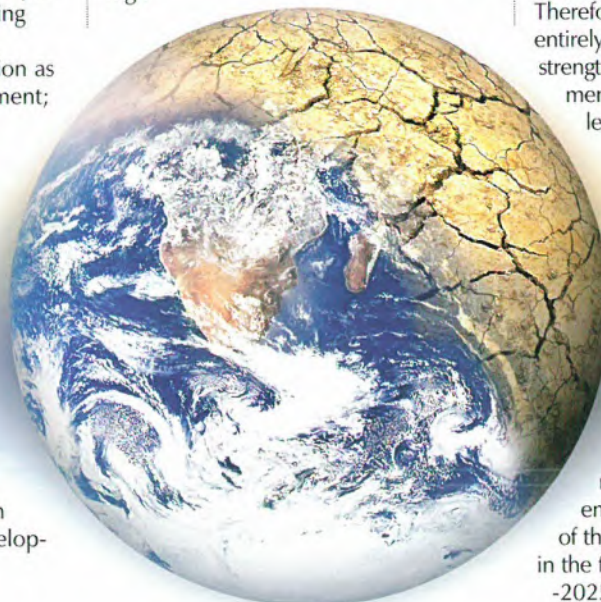
degrees of vulnerability which requires further regional cooperation.

■ Development & Reinforcement of Different Integrations

While provision of a well-defined plan is very important, the existence of consistency and homogeneity (integration) among those who develop the plan and those who implement it is more essential. Substantive, methodological, procedural, institutional, and policy integrations are, in a sense, pivotal challenges. Therefore, realization of the action plan entirely binds to development and strengthening of institutional arrangement both at national and provincial levels.

■ Vision

Our vision is "The prevention and control of negative socio, economic and environmental impacts of climate change through national integrated management and international and regional cooperation so as to incorporate necessary measures at national and provincial development policies and measures and ensure the sustainable development of the I.R. Iran" which is incorporated in the following formal documents:
-2025 Development Vision of I.R.



Iran

- Macro Policies of the Country
- 5th National Development Plan
- All sectoral strategic plans and policies

1) Strategies

To realize this Vision, the following strategies have been addressed :

- Mitigation of GHGs;
- Adaptation to new climatic condition;
- Promotion of climatic compatible management.

2) Action plan

The respective action plan consists of the following items:

- Strengthening the institutional arrangements in the relevant organizations;
- Modification of the national plan on water resource management with respect to the climate change impact;
- Economic diversification in order to reduce the adverse impact of climate change on the national economy and dependence on oil revenue;
- Enforcement of laws and regulations on climate change.

Institutional Arrangement for the Implementation of Action Plan

The climate change action plan of the IR. Iran was originated from the by-law of the Cabinet which was approved on July 2009. It can be an efficient and effective outset and like any other plan, needs to be reviewed and upgraded. Due to the existing institutional situation,



and in order to achieve more efficiency and efficacy, an organizational arrangement has been devised so that the linkages among the pertinent ministries and organizations can be facilitated. A Climate Change Working Group, led by DoE's deputy, has been introduced to undertake the responsibility for the cooperation and implementation of the by-law (strategies and action plan) that includes many principal policies and actions, reduction of GHGs and provision of adaptation programs. Therefore, it brings about both regulation and organization which require institutional support. Nevertheless, due to the changes in the management system, i.e the new cabinet, the by-law has not been yet put into full operation.

Regarding the close relationships between mitigation and adaptation policies and actions as well as the national development policies and actions, all aspects of institutional arrangement, regulation and organization require the engagement of higher levels of decision making. The High Council of Environment, with the President as its Chairperson and 9 ministers as its mem-

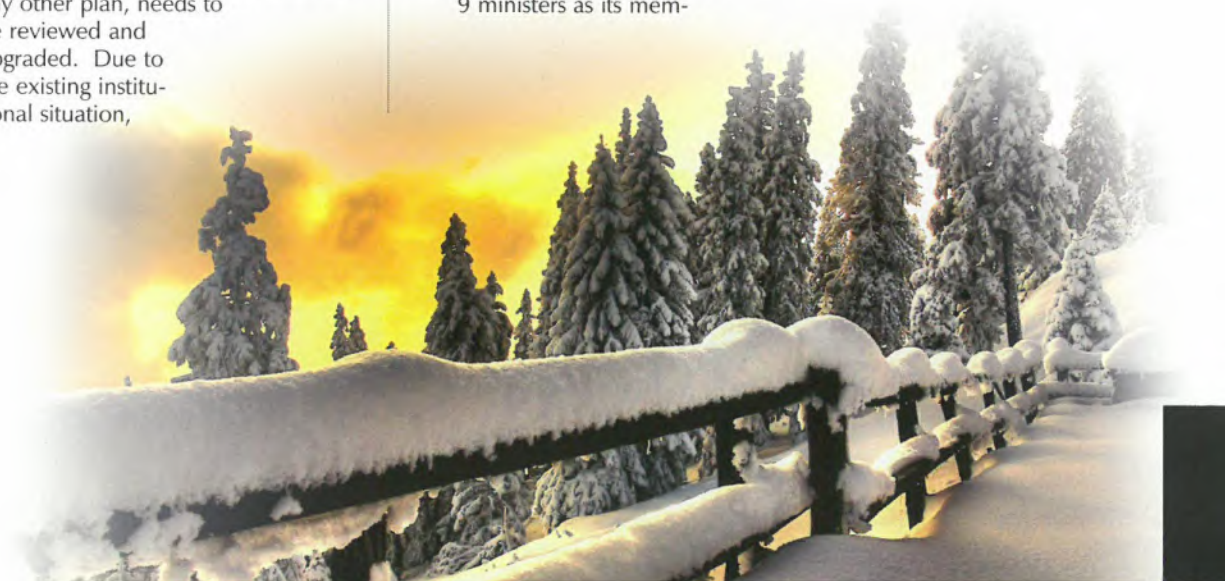
bers, is commensurate for political, administrative and technical support of the implementation of the by-law. It can also prop up integration of climate change in the national and provincial development plans. Under the supervision of the High Council, a national

committee takes on the responsibility to implement the strategies and action plan. This Committee consists of the deputies of:

- "Department of Environment (Head)
- "Ministry of Agriculture
- "Ministry of Industries, Mines and Commerce
- "Ministry of Energy
- "Meteorological Organization
- "Ministry of Foreign Affairs
- "Ministry of Petroleum
- "Ministry of Science, Higher Education and Technology
- "Deputy to the President in Strategic Planning and Supervision Affairs
- "Ministry of the Interior

Another important issue pertains to the regional and provincial roles which need to be dealt with at the National Climate Change Working Group and it seems that the provinces are the most appropriate places for undertaking the management of climate change impacts. ■

Source: Iran's Department of Environment



On April 3, 2012, the Ministers/Deputy Ministers of Education of the ECO Member States formally inaugurated the ECO Educational Institute (ECOEI) as the specialized agency of ECO with its headquarters in Ankara. On the sideline of the 22nd ECO Regional Planning Council (RPC) Meeting in Tehran, the Editor of ECO Chronicle had an opportunity to talk to the President-designate of ECO Educational Institute, Selahattin Turan. Turan did his undergraduate studies in "Educational Administration & Policy" in Ankara University. He holds Masters and PhD degrees in "Educational Leadership" and "Educational Policy". He has

been quite involved with many international organizations and has published several books and articles. He has also served in many Turkish educational institutions during the past 10 years.

He was in charge of restructuring the educational system including developing the capacity of Turkish National Ministry of Education and other scientific projects. Currently, he is the Dean of College of Education at Eskisehir Osmangazi University in Turkey and also the Editor of the Journal of Education and Humanity which is published bilingually in Turkish as well as in English.

ECO

Educational Institute (ECOEI)

To Serve the Region

Could you briefly tell us about the ECOEI and its establishment procedure?

In order to promote the common welfare of the peoples of the Region through ensuring better education and training, ECO Educational Institute has been rendered operational as a Specialized Agency of the Economic Cooperation Organization after a lapse of 14 years.

The Institute is mandated to promote development of educational institutions at all levels of education, enhance contemporary educational technologies among the Member States, encourage and coordinate educational and training exchanges programs of scholars, academicians, teachers and students, organize in-service training programs for teachers,

stimulate interest and public awareness among peoples for effective solution of the existing educational problems of the Region, provide scholarships to the academicians, students and teachers, etc.

Furthermore, I hope that with the establishment and activation of the ECO Educational Institute, notions of

civilization depending on the unique culture of member countries will resurrect and reproduce deep rooted ties amongst people and the Member States. The ECOEI has a President, an Academic Council and an Executive Committee. The Institute has its headquarters in Ankara and a focal point in each Member State to facilitate the implementation of the approved programs.

■ What was the reason that it took 14 years for ECOEI to launch activities?

Actually 14 years is not a long lapse of time for the formation of an educational infrastructure. We have to think about the next 50, 100 and even 200 years, because when you get into the deep civilization of ECO countries, such a short period of time is really insignificant. Besides,



creating any new development for a multilateral organization involves many countries, and in this case, the 10 ECO countries require longer period of time.

How could education contribute to the development of ECO countries?

Education is one of the most critical issues of ECO region. It plays a key and strategic role in the development of these countries and their peoples. I hope that the ECOEI will reflect regional values for inventing, sustaining and improving educational initiatives to create and share authentic educational policies. In this respect, education bridges the gap between these countries.

The Member States will learn from each other and their best practices and experiences at every level, from elementary to higher education. Education helps us reinvent and rediscover our past civilization. Most ECO countries take pride in their commonalities in culture, arts and literature and the luminaries like Farabi, Molana and others.

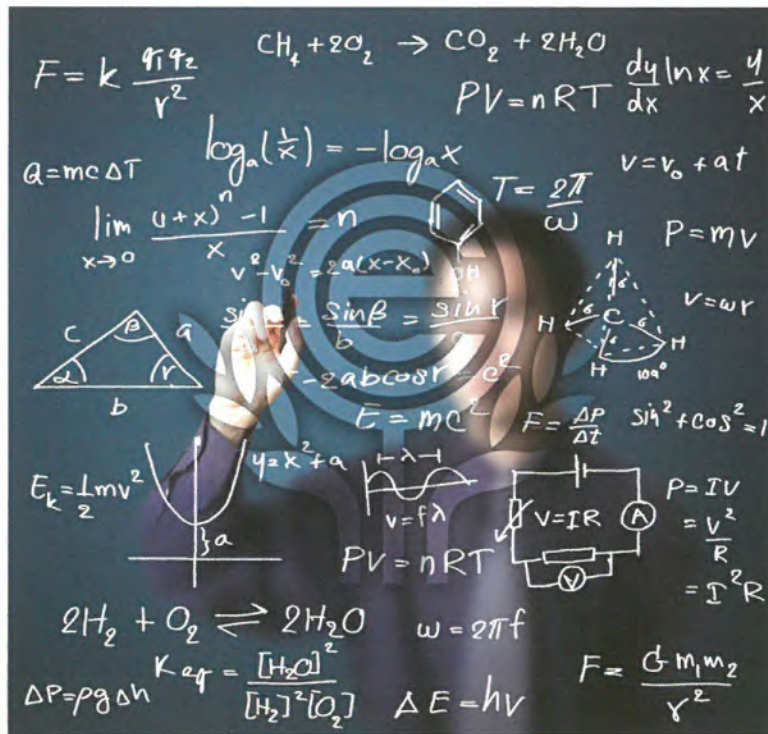
In the past, many leading scholars and philosophers carried notions of civilization even to the West. Our natural resources may end in the future but our human potential will never come to an end. I feel most of the people in the ECO region talk about politics but not about education and our educational experiences as much. Of course, politics is important but we should go beyond it to manage our lives. In fact, we should take education more seriously.

To what extent are you familiar with the educational system of ECO Member States?

I am familiar with the educational system and policies of many western countries and I have a good knowledge of ECO countries' culture and traditions but we do not know much about education and teaching systems in ECO countries. For example we cannot find any text book in this regard.



We initially need a lot of groundwork to get started. I hope by means of a thoughtful planning process and exchange of scholars, teachers and students we will recognize our capacities and could identify the priority areas that we need to focus on. I would say



that we can organize annual conferences to discuss over the problematic issues we involve in our educational system and provide solutions for them. We can benefit from many scholars in the region who are researching in educational fields through organizing advance seminars and workshops. In light of our integration and interaction, we could create the platform to benefit the ECO countries and also to provide models to the rest of the world.

What strategies shall be considered to materialize ECOEI objectives?

Our strategy rests on long term plans and objectives. Education takes time; as for children it takes at least 25 years from their first school experience at kindergarten to post doctoral degree. We are currently working on our long term strategic plan.

Among other entities, our Academic Council is in close contact with the Member States and we are also in consultation with other ECO Specialized Agencies. I hope that ECOEI will create awareness and promote initiatives reflecting peer learning environments in which national educational systems are introduced; problems and prospective solutions are identified and discussed; and communication platform is settled to find out best practices as well as to promote and to fund joint research projects and publications addressing the full range of educational issues within the Member Countries.

As a final remark, I would like to state that good jobs can only be realized through creating synergy and common language that originated from our common cultural paradigm and intentions.

The ultimate goal of most of the criminal groups is to benefit from the crime. Through money laundering, the illegal origin of proceeds gained from the criminal activities is concealed. In this process, criminal groups cover up all evidences of illicit destination of their financial assets. They utilize these unlawful methods in order to evade the suspicious law enforcements and judicial authorities.

There are complicated linkages among drug trafficking, corruption and money laundering. It is a fact that money laundering could prepare the ground for corruption and other types of transnational organized crime. Nowadays, criminal groups strongly rely on the corrupted officials to launder proceeds of their illegal activities varied from drug and arms smuggling, human trafficking to terrorist activities. As United Nations Office on Drugs and Crime (UNODC) points out "Money-laundering can erode a nation's economy by changing the demand for cash, making interest and exchange rates more volatile, and by causing high

bating money laundering in line with international standards. UNODC through its Global Programme against Money Laundering (GPML) alongside other international,

Inter-governmental and regional organizations such as World Bank, Asian Development Bank, International Monetary Fund, Financial Action Taskforce (FATF) or Egmont Group of Financial Intelligence Units are providing various types of financial and technical assistance to the member states.

While there is still no specific convention on money laundering, three main UN conventions are covering this subject. UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988), United Nations Convention against Transnational Organized Crime (2000) and United Nations Convention against Corruption (2003) are considered as internationally accepted legal instruments with specific regulations on anti-money laundering.

These documents are providing required legal tools for updating and amending domestic legislations in order to promote best practices and comply with international best standards while



Combating Organized Crime & Money

inflation in countries where criminals are doing business".

In recent years, governments are taking this menace more seriously and try to combat with it through regional and international collective and collaborative measures. Meanwhile, international organizations are providing them with various types of technical assistance and model legislation in order to develop their national policies on com-

facilitating mutual legal assistance among various jurisdictions.

■ Combating Money Laundering

One of the main objectives of the Economic Cooperation Organization (ECO) is to prepare the ground for state members to improve their regional economic integration. There is no doubt that security is one of the main pillars for creating of such a healthy and peaceful environment. Meanwhile due

to the geographical/geopolitical position of the region and globalization of economy, most of the Member States are tackling with various types of organized crimes namely drug trafficking, human smuggling, terrorist activities and money laundering which are all acting as obstacles to ECO's mandate and goals. In this respect, ECO Secretary General has always emphasized on the importance of strengthening coopera-



this menace through a collaborative approach.

During various events namely "Meeting of Heads of Anti-corruption Organizations and Ombudsmen of ECO Member States (Tehran, May 2011)", "Meeting of Chiefs of Police of the ECO Member States (Tehran, November 2011)", "Meeting of Heads of Central Banks of ECO Member States (Karachi, April 2007)", "Expert Group Meeting on Corruption and Money Laundering (Ankara, May 2008)" the importance of the cooperation among the Member States in the fight against money laundering were reaffirmed by all representatives.

ing money laundering the necessity of following joint actions have been reconfirmed and follow-up by the Member States during various events:

- Enhancing exchange of information and experiences on their monetary policy
- Benefiting from technical assistance of the relevant regional/international organizations
- Developing national regulations and legal instruments in line with international best practices

Country	UNTOC	UNCAC	Anti money laundering Law
Afghanistan	24 Sep 2003	25 Aug 2008	Anti Money Laundering and Proceeds of Crime Law (2004)
Azerbaijan	30 Oct 2003	1 Nov 2005	Law on "Preventing Legalization of Money and Property Obtained in Criminal Ways and Financing of Terrorism" (2009)
Iran	12 Dec 2000 (signature)	20 Apr 2009	The Islamic Republic of Iran Anti-Money Laundering Law (2008)
Kazakhstan	31 Jul 2008	18 Jun 2008 (accession)	Law on Anti Money Laundering/Counter Financing Terrorism (June 2009)
Kyrgyzstan	2 Oct 2003	16 Sep 2005	The Law on Counteracting the Terrorism Financing and Legalization (Money Laundering) of Proceeds from Crime July (2006)
Pakistan	13 Jan 2010	31 Aug 2007	Amendments to the Act on Combating Terrorist Financing and the Legalization (Laundering) of Proceeds of Crime (Act No. 179 dated 2009) Anti money laundering Act (2010)
Tajikistan	8 Jul 2002	25 Sep 2006 (accession)	Anti Money Laundering/Counter Financing Terrorism Law (2011)
Turkmenistan	28 Mar 2005 (accession)	28 Mar 2005 (accession)	Anti Money Laundering/Counter Financing Terrorism law (2009)
Turkey	25 Mar 2003	9 Nov 2006	Law on Prevention of Laundering Proceeds of Crime (2006)
Uzbekistan	9 Dec 2003	29 Jul 2008 (accession)	Law on Anti Money Laundering/Counter Financing Terrorism (2006) amendments (2009)

Laundrying

in the ECO Region

tion among the Member States in their fight against all forms of transnational organized crimes including money laundering in his statements.

Therefore, ECO member countries are taking money laundering as a threat to the security and economic integration of the region and aiming to combat with

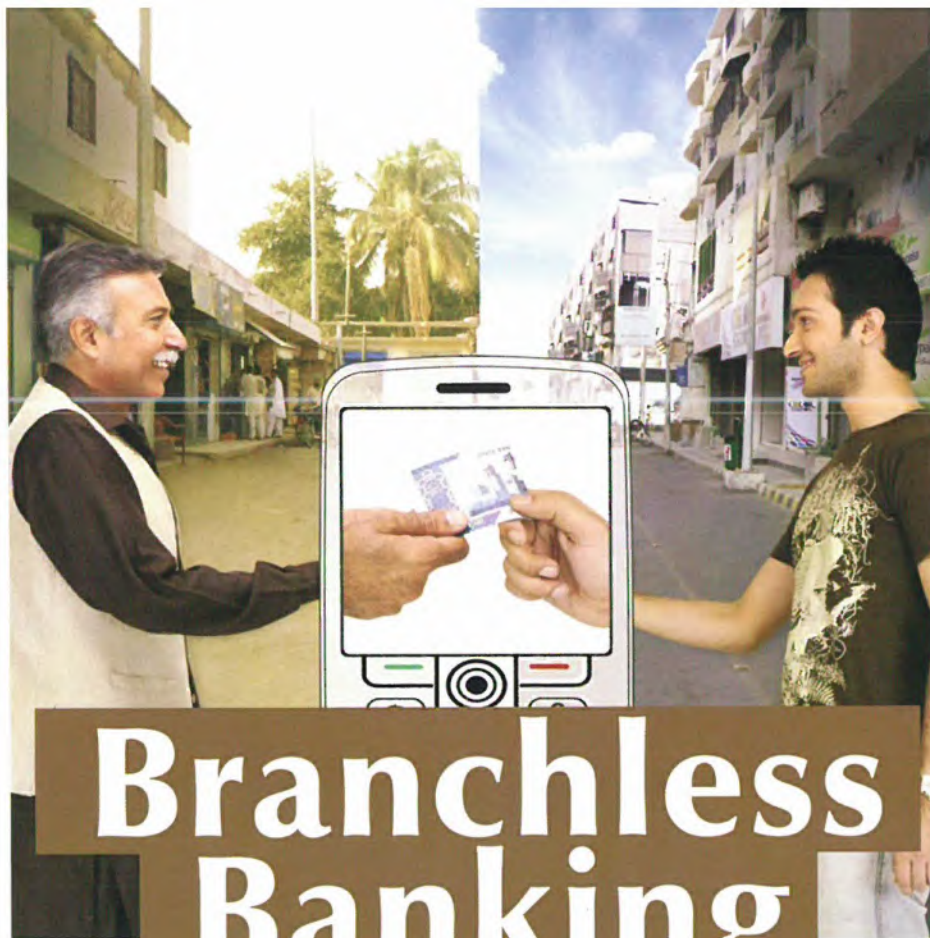
■ Ways Forward: Anti-Money Laundering Measures Within ECO Region

While, most of the ECO Member States ratified the related international conventions and enacted Anti Money Laundering/Counter Financing Terrorism Law as part of their national policies to combat all forms of transnational organized crime includ-

Promote inter-agency/inter-department coordination and joint operational investigation missions

Adopting a common strategy at the regional level specifically to tackle money laundering. ■

Source: Drug Control Unit - ECO Secretariat



Branchless Banking

Flourishing in Pakistan

Talking on a global scenario, almost 4 billion people are unbanked—with more than two-thirds of the un-banked population in the world's low and middle-income countries. However, evidence from countries like Brazil, South Africa, India, Kenya and Pakistan strongly suggests that there is rapid popularity of these new phenomena called as 'branchless banking'.

According to Juniper research, amount of mobile payment transaction is expected to reach 300 Billion USD by 2013. Going further, service providers have an enormous revenue opportunity through mobile money transfer. Lead by Africa & Middle East, the total revenue generated is predicted to be 5000 Million USD per annum by 2013. The figure is forecasted to be around 3700 Million USD per annum by 2013 in South Asian region.

The most critical enabler of branchless banking relates to the role of payment systems technology, principally the use of mobile phone as a banking channel and payment device. The pervasive availability and use of mobile phone around the globe and familiarity amongst its users makes it a very cost effective distribution channel to improve accessibility to financial services to the unbanked and underserved segment of the population. This is further

complemented by the proliferation of payment cards, particularly electronic money, which enables banking and payment services to be conducted without a bank account or visits to traditional bank branches.

According to data from the Consultative Group to Assist the Poor (CGAP), there will be more than 120 mobile money schemes in developing countries in the near future.

■ Branchless Banking in Pakistan

Pakistan is witnessing the beginning of a new retail banking revolution whereby a large segment of the population previously unbanked, have started entering into a new realm of financial services thanks to branchless banking penetrating rapidly in remote parts of the country. Five mobile phone companies have brought the entire country under comprehensive network coverage, with steady growth in number of mobile phone subscribers (already well above ninety million, in a total population nearing one hundred seventy million), and also with ample information processing capacity to engage in partnerships with licensed and regulated financial service providers to devise and introduce innovative cost effective means of introducing new segments of banking. There are 22,512 agents network of

branchless banking which have set up their retail shops of different money transactional services mainly for home and international remittances, utility bills, mobile upload, airfare and tec. Besides, the wide agents'



network has been allowed to facilitate old-age pensioners.

The agents' network now covers the entire length and breadth of the country having foot print in 86 of the total districts. The network has a high concentration of 43 in 10 districts. The better infrastructure and strong Fast Moving Consumer Goods (FMCG) market was behind the high concentration, however, new strategies are needed to penetrate into rural and remote areas where the demand for financial services lies most.

A restraining force at the early stage of branchless banking is the nearly total reliance of the two Branchless Banking models on agents for cash-in and cash-out services. Since the agents have to bring in their own liquidity to offer cash-in/cash-out services to customers, liquidity management poses challenges to agent's business case. The paradox is that if banks incentivize agents on cash-in/cash-out transaction, it adversely affects the proposition for clients and vice versa. Because agents development is a critical success factor and it takes more time than just agents' acquisition. This is evident from the fact that only 34 of agents have been authorized by their banks/super-agents to open account. The average monthly transactions through branchless banking has increased to 7 million involving Rs. 27 billion whereas the average daily size of transaction is Rs. 3,855 showing that technology is reaching previously unbanked poor. In October-December 2011 period, there were Rs 79.410 billion transacted through different branchless services. In the second model of Branchless Banking, which is considered as advanced mobile-banking on the rise. More than 929,000 mobile accounts have so far been registered with majority in level 1 accounts by 92% followed by level 2 by 5% and level 3 by 2%. Seemingly, this is a good achievement in a brief period; however, this is much behind the potential.

A major limitation in registration of new accounts is that Easypaisa, which leads the account opening market, is currently registering only Telenor SIM-holders. Other reasons include issues relating to agents liquidity, single-channel payment infrastructure, and price sensitivity. These factors have also led to accounts dormancy which is as high as 50% at this early stage.

Mobile accounts registration remains a key policy objective. The mobile accounts can catalyze a shift from cash-based to bank-based transactions. Besides improving financial access, this will also help in improving savings rate and reducing currency to de-deposit ratio in the country.

This early uptake of branchless banking has clearly stimulated

the market players. But the Mobile Banking is the new market segment for both banks and telecom operators; and many of them are now preparing to enter into this exciting market in a big way. A workable partnership between the banking and telecom sectors will make dreams true as a large portion of population has access to mobile phones because the central bank aims to provide basic banking services to every adult and bankable citizen in Pakistan. State Bank of Pakistan (SBP) is working closely with Pakistan Telecommunication Authority (PTA) and signed a Memorandum of Understanding (MoU) for enabling the Interoperability Framework where all banks and telecom companies can join hands to serve the customers. Interoperable systems are essential to mass adoption of mobile commerce that at present, financial institutions and telecom companies can choose whatever business model suits their needs i.e. One-to-One or One-to-Many. The banks and the telecom would not be affected with the proposed regulatory framework with prospective of One-to-Many arrangements.

The common challenge is to ensure that all banking transactions, irrespective of the technology platform, are cost effective, efficient, and pose the lowest risk for the consumers.

This requires close coordination among the stakeholders in the area of regulations especially monitoring, licensing, provision of technological infrastructure and ensuring maximum benefits for consumers. Presently, third party agent model is being considered for proposed model in which the limitation of customers with their subscription of banks and telecom will never matter but it needs an ecosystem to which all stakeholders including financial institutions, different regulators, private sector, application developers and telecom companies will work together happily. This step will develop an appropriate technological and regulatory framework through a consultative process. The framework will strengthen and support the provision of banking services through mobile banking as authorized by the central bank. The year 2012 is expected to see a sizable expansion in the supply side of the market.

As competition further unfolds, new dynamics will drive innovative approaches for clients' acquisition, effective distribution strategies, price-reduction and quality of service. More players including telecom operators and banks are flexing their muscles to enter the branchless banking industry. ■

Source: International Business World Communicator- Karachi





Construction Reforms,

Essential for Earthquake-Proof Turkey

The Turkish government may have embarked on the one of the largest earthquake-proofing campaigns in history, but a massive effort to regulate the country's construction industry will also be needed if Ankara wants to save lives in the next big quake.

Turkey's construction sector is made up of a whopping 300,000 firms, an especially astonishing number given that "this figure doesn't exceed 25,000 for the whole of the rest of Europe," said All Civil Contractors Federation (TMF) head, Tahir Tellioglu, in a recent interview with Sunday's Zaman.

Tellioglu says the runaway numbers are a sign that the industry lacks any meaningful regulation, licensing standards or tradition of legally prosecuting regulation breakers, all steps he says are desperately needed to prevent earthquake fatalities in

According to a UN Special Representative for Disaster Risk Reduction, earthquakes were the deadliest natural disasters in the past decade, accounting for 60 per cent of deaths caused by such hazards, stressing the importance of investing in disaster risk reduction. Earthquakes remain a serious threat for millions of people worldwide especially here in the ECO region where some of the most populous cities are built on earthquake fault-lines. According to the figures released by the UN (CRED), 3,852 disasters killed more than 780,000 people over the past 10 years, affected more than 2 billion others and cost a minimum of \$960 billion.

the coming years.

Failing to take such steps could also undermine the government's hundred-billion dollar earthquake-proofing project, which was green-lighted this August and will see the demolition and reconstruction of as many as 6.5 million buildings throughout Turkey by the year 2023.

That project, says Tellioglu, has to be joined by reform of a sector where "for the most part, contractors operate without backgrounds or competency in construction. We don't even have an industry-specific body to

provide regulation. It is, so to speak, easier to get into construction in Turkey than to become a taxi driver," Tellioglu says in a bleak assessment of the industry.

Absence of oversight and do-it-yourself construction methods have long been the rule in Turkey, where a massive wave of migration in the '60s, '70s and '80s saw millions of Turks

build their own homes on the outskirts of major cities, creating sprawling landscapes of low density, village-like settlements known as the *gecekondu*, a term which translates as "built overnight." Many of those settlements have since been rebuilt as the four- to six-story concrete apartment blocks which dominate nearly every city and town in Turkey today, but the construction industry remains remarkably low profile -- the Ministry of Public Works and Settlement estimates in a recent study that around 65 percent of buildings in Istanbul were built by companies which did not bother to obtain permits.

Compounding the problem brought on by lacking regulation is the intense competition facing the small, under-the-radar firms that dominate the residential construction sector. Competition and meager construction budgets often mean that small firms add insufficient rebar and mix beach sand into concrete, both steps that Tellioglu says make concrete buildings brittle and prone to collapse during an earthquake.

Such corruption led to tragedy in October and November of 2011, when two earthquakes in the province of Van killed nearly 650 people. The quake showed how little progress had been made in the 12 years since the Izmit earthquake killed between 17,000 and 35,000 people.

A look at the country's building codes suggests that neither earthquakes should have led to such a losses of life. Turkey's building codes, says assistant professor of construction and architecture at Pamukkale University Ceyhan Ozcelik, have for decades given strict guidelines for earth-



quake proofing. "The problem is that nothing in the law is applied. We have a country where most economic activity has been in the informal economy for decades. The construction industry has always been one of the worst sectors in this regard," he says. "That has to change. The first rule of disaster is that it isn't the efforts taken after the disaster which save lives, it's the

measures which are taken before it."

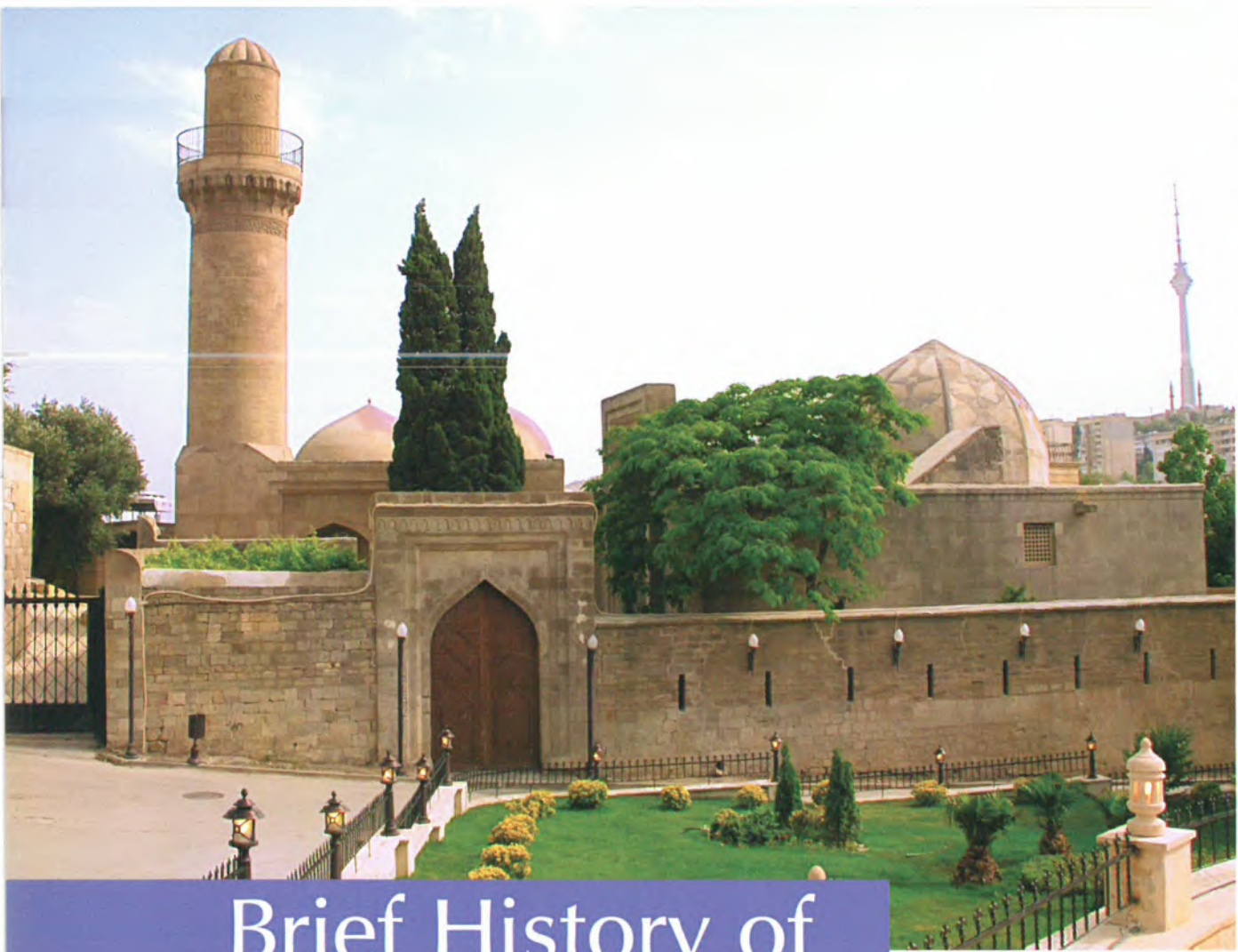
Even as the government and the administration which is spearheading the anti-earthquake efforts, the Housing Development Administration of Turkey (TOKI), pour state funds into inspections, demolition and reconstruction, they may not be able to avoid reforming the private sector. The contractors hired by the state may have the same incentives to cheat if regulations aren't enforced, as the death of 11 in a Samsun TOKI housing complex during a flood this July proved. Faulty state planning and poor construction of a water barrier near the housing complex were eventually singled out as a reason for the deaths.

When a major natural disaster strikes Turkey next, it will test how successful the country has been in regulating its myriad of builders, says Ozcelik. As major questions are also raised about the country's huge, urban renewal project, which threatens to dislocate communities and which has already uprooted some of Istanbul's most historic neighborhoods, "at the very least this project must succeed in making

Turkey safer," says TMF chief Tellioglu. ■

Source: Today's Zanman - Turkey





Brief History of Baku,

The Venue of the 12th ECO Summit & 20th COM Meetings

History of Baku traces its roots back to antiquity, though exact date of its establishment is not known up to present. Territory of Absheron peninsula, where the city is located, has very favorable geographic location, comfortable bay, warm dry climate, fruitful soil, natural resources, so the appearance of the ancient settlements here is quite understandable.

Baku, its oil 'burning land' were known far from its boundaries long time ago. "Eternal fires" in its outskirts are always reminded in the written sources of the middle ages related to Baku.

Undoubtedly, Baku is a source of white and dark-gray oil. Caravans from the whole Near East, Slovenian, Byzantine, Chinese, Venetian, Indian merchants were coming here for the oil.

In the second half of IX century Shirvanshah state was established and along with Shamakhi, Baku had turned into one of the main cities of Shirvan and enclosed with the fortress walls. A lot of castles and minarets, madrasahs and towers, caravanserais and bathes, mosques and living houses were built in that period. A fortress, which is under the water at present, was built in 1232-35 in Baku bay to defend Baku from the seaside.

The whole country was under Mongolian yoke in XIII century. After the long siege, Baku was occupied by the Mongolians. The city was grimly destroyed as a "punishment" for the opposition. Oil production and trade fell into decay.

At the beginning of XIV century trading, in particular, naval had been bucked up. Ships of Italian merchants from Genoa and Venetia were arriving at Baku bay. Baku was



dealing with Gold Horde, Moscow Princedom, European countries. Oil, carpets, other goods were exported from here.

In XV century, at Shirvanshah Khalilullah I ruling (1417-62), large constructions were carried out. Complex of the Shirvanshah Palace was built on the highest point of the city - one of the biggest monuments of Azeri architecture.

In 1501, armies of Shah Ismayil I laid siege to Baku. The city was surrounded with the lines of the strong walls, which were bounded with the sea on one side and wide ditch on the offshore side.

70 eminent Baku citizens with Koran in their hands, swords on the necks and shrouds on the backs came to Ismayil and expressed their devotion to him. Ismayil occupied the fortress immediately. A lot of gold and valuable items were taken from the captured Shirvanshah's treasure. Though this campaign of Shah Ismayil to Shirvan dealt a strong blow on the state of Shirvanshah's, it continued existing until 1538. In 1538, Sevefid ruler Shah Tahmasib put an end to the rul-



ing of the Shirvanshahs and adjusted the whole Shirvan including Baku to the state of the Sefevids.

In the period of the Sefevids, Baku was producing brass coins, carpet weaving, oil and salt sales an impulse to the prosperity of the city life.

■ Russian Rule

As a result of Russian-Iranian wars, Baku khanate was adjusted to Russia. Gulustan agreement signed between Russia and Iran in 1813 legally formalized inclusion of Baku khanate into the Russian empire. Upon completion of the last Russian-Iranian war, Turkmenchay agreement was signed in 1828, according to which Azerbaijan was divided by the river Araz between Russia and Iran and officially assigned the captured lands, including Baku, to Russia.

Baku boundaries were limited with Icheri Sheher - Inner city- then surrounded with the fortress walls, where nearly 300 houses and 3000 inhabitants were living.

After the Caucasian region was ruled by governor, in 1846, new administrative-territorial division of the land took place, by which Baku district was included in newly established Shamakhi province.

In 1859, the province center moved to Baku and the province was renamed into Baku.

Oil production was playing a big role in the development of the city. Baku was involved in the industrial develop-

ment of Russia, economies of which had sharply increased its demands for the oil. Oil fever that started was comparable to the gold fever in Klondike.

Intensive exploitation of Baku oilfields started, which provided large inflow of the capitals of the foreign oil companies. Representative offices of Sweden, English, French, Belgian, German, American firms were based in Baku in a short period.

"Oil belt" of Baku known as the "Black City" had become developing in 1873. Later on, Baku industrial region including "oil villages", Surkhani, Bibi-

Heybat, Balakhani, Sabunchi were established. First oil well in the world was drilled here and the first tankers for the oil transportation were built, oil pipeline Baku-Batumi was laid.

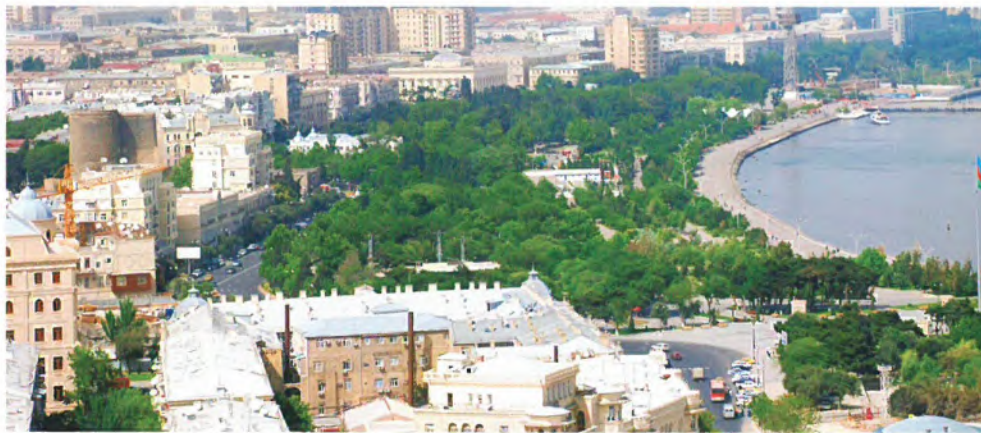
"Oil business" magazine was published in Baku - the first edition dedicated to oil and its production issues. Baku was producing almost half of the world oil production in early XX century.

Along with the oil industry, other fields of economics started developing - 40% of the naval transportation was carried out in the Caspian. In 1883, first railway was opened connecting Baku and Tbilisi, in 1890 - the first railway Baku - Petrovsk (present Makhachkala) was constructed, which had accesses to the central provinces of Russia and then to Europe. In 1868-1879, the first telegraphic lines between Baku, Tbilisi and Krasnovodsk were constructed, in 1886 the first telephone station was constructed.

The city on Absheron peninsula was developing at very high rates, which Russia and even Europe could not even imagine. People of various nationalities in the search of work and luck were coming to Baku from all over Russia and foreign countries. There were over 45 thousand citizens in Baku by 1883 and this figure reached up to 200 thousands in 1913. City outskirts were equipped with modern amenities; number of the private residences was growing distinguished with magnificent elegance. So, economical upturn of late XIX century turned Baku into one of the largest centers of Russia and the biggest and considerable cities in Caucasus.

On May 28, 1918, Democratic Republic of Azerbaijan was declared. This was the first republic in the Muslim East. Baku had become a capital of the Democratic Republic of Azerbaijan. New bodies of state power were establishing.

On April 28, 1920, XI Red Army subdivisions entered Azeri capital, the city of Baku. Soviet



power was declared in Azerbaijan. New period in the history of the city of Baku had started.

During the World War II, Baku was providing the front with the oil. Baku's contribution in the successful destruction of fascism was quite heavy.

Oil reserves of Baku totaled to 75% of the whole oil reserves of the country, airplane fuel consisted of Baku oil by 90%. Old wells were reconstructed and exploited.

Thousands of oil-industry workers were going to the front to fight and their places were occupied by the women.

Considerable volume of the military technique, and ammunition were produced here as well.

Baku was an important transport junction in the provision of the USSR with military humanitarian assistance through the allies carried out via Iran. Being a back city, Baku had received nearly 440 thousand wounded from the front for the years of war.

Oil Stones, which have become the first practical exploration of the offshore wells, had been constructed in





1949. Baku had become one of the largest industrial centers of the former USSR.

Azerbaijan's Main Attractions

■ Gobustan State Historical Artistic Reserve

Gobustan is a rocky region situated among north-eastern spurs of the Great Caucasus mountain chain and the Caspian Sea, 70 km from Baku.

The historical reserve of Gobustan is a museum under the open sky, where evidences of the epochs of Stone and Bronze Ages are concentrated- rock paintings and ancient human sites where people lived for centuries.

More than four thousand petro- glyphs are preserved in Gobustan: images of people, animals, scenes of labor, collective hunting and dance.

■ Complex of Shirvanshahs' Palace

Museum preserves unique residence of rulers of Shirvan State -palace of Shirvanshahs

(XV century). The Ensemble is situated on the highest point of one of the hills of Icheri Sheher and contains dwelling house with 52 rooms, divankhane, Shirvanshahs' tomb, palace mosque with minaret, mausoleum of Bakuvi, and portal of eastern gate.

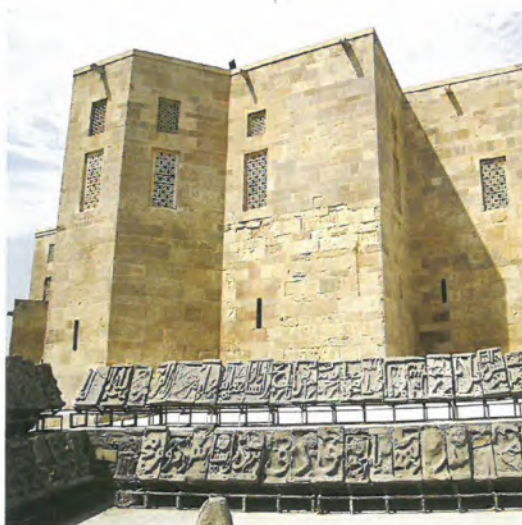
■ Maiden Tower

Maiden Tower is a monumental construction at the height of 29.5 meters and diameter of 16.5 meters. Maiden

Tower situated in the southern part of Icheri Sheher is a symbol of Baku. The Tower is an eight-stories cylindrical-shaped structure built on the coastal rocks.

■ Ateshgah Temple

Ateshgah Temple "House of Fire" is located in 30 kilometers from the centre of Baku. The Temple was constructed in XVII-XVIII centuries at the old place of the ever burning eternal fires. These fires have been revered from the ancient shrine of Zoroastrians. ■



Sitting on Potential Goldmine

— A Promising — Marble Future for Pakistan

Marble is among the top sources of income among the natural stones. Along with granite, marble leads the list of Pakistan's economically viable stone deposits. Despite various problems like power shortages and the fluctuating law and order situation, Pakistan has achieved high rate of marble export with an increase of 72.34 percent during 2010 and 2011.

The marble industry offers the possibility of an economic revolution in the country. Marble is a higher-earning sector as compared to the agricultural sector. Like wood, every piece of marble stone can be sold. Marble is a sector independent of nature the way agriculture is, as it needs water and is affected by climatic conditions that are not in human control.

Marble arriving from the mines in the form of blocks is converted to sheets and rods, while just 2,500 tons of scrap is produced daily at 400 factories in Karachi's Manghopir area. This scrap can be utilized in producing world-class cement, in building dams, repairing roads and also in products such as talcum powder and medical capsules.

Major deposits of high quality dimension stone available in a wide range of colors, shades and patterns in Pakistan have not been exploited so far due to lack of modern quarrying and manufacturing facilities which has hindered the development of marble and granite sectors.

It is unfortunate that this is one sector where neither the federal nor the provincial governments have extended any support. The entire industry is so far largely geared to local consumption which is worth more than \$1 billion.

Starting from Dera Ismail Khan, all of Punjab, Sindh and Balochistan have beige color marble deposits, the type that consists of nearly 60 percent of the global marble trade while the other 40 percent consisting of granite and other colors of marble stone.

Marble working was declared an industry over a decade ago. The federal and provincial governments and other stakeholders such as the Pakistan Stone Development Company (PASDEC) have initiated many projects to uplift the marble and granite sector. These projects have been set up as per international prac-



tices. They employ modern technology and are based on detailed technical studies. There is a plan to create about 10 model quarries and a number of marble cities in Pakistan. These projects are expected to add great value to Pakistan's dimension sector.

The mining and quarry sector contributes nearly 0.6 percent to Pakistan's GDP with an estimated value addition of more than Rs. 16.5 billion.

Besides huge exports to China, Pakistan exports marble and granite to almost 52 countries, including the UAE, UK, India, China, Iraq, Italy, USA and Malaysia. According to industry sources, Pakistan could earn a huge amount at the current market rate of \$1,300 per cubic metric ton, if the issues related to the sector were reliably

addressed. However, Pakistan's major marble exports to Europe and USA were affected by 9/11 and the trade shifted to China and the Middle East.

The current major consumption is in the Middle East, particularly in Saudi Arabia, Qatar and Iraq. But more importantly, the Ministry and trade bodies should send well-informed representatives to the embassies and commercial consulates, as particularly Pakistani people recruited in the Middle East do not have much knowledge about the quality of marble that Pakistan offers.

The global demand for Pakistani marble, considered among some of the best qualities in the world, is increasing. New city projects in Saudi Arabia offer great potential for export of Pakistani marble on a large scale. Saudi Arabia also has plans for erecting the world's tallest building (up to 1000m) while close to 300 civil construction projects are already either in progress or at the design stage across Saudi Arabia. This could spell good prospects for the export of Pakistani marble.

Europe has had a marble industry for the past four thousand years and is termed as the founder of marble art and craft. Architects and craftsmen in India are known to have been working with marble for the past 800 years. The history of the Ottoman's era shows that Turkey has also had a tradition of working with marble for 6 to seven

hundred years.

To expect Pakistan to take a leap and reach the same level is rather unjustified. In comparative terms, Pakistan has progressed faster in the past 30 to forty years without any substantial support. If the marble sector were to be treated as a proper industry, it would offer huge economic gains.

On export potential to China, Sanaullah Khan, Chairman, All Pakistan Marble Mining, Processing, Industry and Exporters Association (APMMPIEA) says: "We have identified that the duty and tax structure on the import of semi-processed and unfinished materials in China is considerably higher than that on raw products, thus encouraging the import of only raw materials."

Khan stresses that if the duty structure were changed in China, there the importers could start demanding processed products from Pakistan. Semi-processed marble, granite and onyx products if placed on the FTA with China would help the local industry to expand activities and also generate comparatively better revenue while taking the industry towards value addition.

The benefit of marble exports to China is that there is no duty under the Free Trade Agreement between Pakistan and China. The problem, he says, is that Pakistanis have opened their companies in China and are providing the country with marble. Yet almost 90 percent of the Chinese industrial companies does not know that the marble is coming from Pakistan.

He says they should be informed about this fact and enter joint ventures with Pakistan or establish their industries in Pakistan.

There is an increasing need for frequent visits of business delegations to China to explore market potential of marble and other stones from Pakistan. The APMMPIEA has invited Chinese importers and buyers to establish joint ventures for enhancing trade ties in the marble sector. ■



Source: ENTERPRISE
International Journal on Trade & Investment - Pakistan

The former ECO Secretary General M.Yahya Maroofi met Iran's Minister of Petroleum, Rostam Qasemi on 30 May 2012 in preparation for the 3rd ECO Energy /Petroleum Ministerial Meeting, which was scheduled to take place during 25-27 June 2012 in Tehran but was later postponed to late 2012 or early 2013.

Shana News Agency reported that the outcome of this meeting was the emergence of an innovative concept for the creation of what was termed an "ECO Energy Charter". The idea was subsequently discussed at the ECO 22nd Regional Planning Council and the Institute of International Energy Studies (IIES), which is affiliated to Islamic Republic of Iran's Ministry of Petroleum,

principally on the extractive industries and the production of non-renewable oil and natural gas in particular.

The Energy Charter - the political declaration that forms the foundation of the Energy Charter Process and exists since 1991 - was signed by 58 countries. Seven of ECT member countries, including the USA and Canada, did not sign the legally binding Energy Charter Treaty, which was adopted three years later, in 1994, and entered into force in 1998. Five other ECT member states including Norway, Australia and Russia signed the treaty, but have not yet ratified it.

According to the newly appointed Energy Charter Treaty (ECT) Secretary-General Dr. Rusnák, who speaks seven languages and started his job on the 1st of January 2012, the Energy Charter Treaty (ECT) is in a difficult, if not crucial phase of its development (1).

■ ECO Energy

The ECO region comprises an area of around 8 million square kilometers endowed with rich energy resources and a diverse population of more than 400 million sharing cultural heritage, common economic interests and common geographical borders and hinterland, such as watersheds.

In order to access the massive investment necessary in energy resources, many ECO Member States are members of the above Energy Charter Treaty (ECT) which provides a legally binding set of rules for international energy investment.

But as the region develops economically and competes in the global economy it is increasingly using the region's energy resources domestically which results in a reduction in energy export potential.

A New Era of Energy Cooperation

Foreseeing the 4 Seas Energy Accord

By: *Mahmood Khaghani**

offered to study and submit the outcome to ECO decision making meetings.

■ What is the Energy Charter?

There appears to be general confusion - since the meaning has literally become 'lost in translation' - as to what exactly the "ECO Energy Charter" proposal actually is and in particular how it relates to the existing framework of the Energy Charter Treaty (ECT) based in Europe.

In simple terms the Energy Charter is a framework for investment in energy resources, and its principal purpose is to enable investment by the advanced nations, particularly in Europe, in securing energy supplies. The focus - which reflects the energy security concerns of the sponsoring nations - is therefore prin-



One of the key economic questions to solve is how to optimise the use of finite carbon fuel resources and to manage the transition to a sustainable ECO economy in the long term.

There are several policy issues addressed by the proposed ECO Energy Charter and this article will address the most important.

■ Energy Security

The basic principle is simple: energy producers require security of demand, while energy consumers require security of supply.

During the recent Euro- Med E&P: Oil & Gas Exploration & Production Summit (24-26 September 2012, Larnaca, Cyprus) Dr. Saleh S. Jallad, Chairman &

Publisher of Middle East Economic Survey (MEES) had much to say in relation to energy security.

In his view the energy security rationale for consuming countries is:

- Energy Security = Stable Supply = Economic Growth

Whereas for energy producing countries the rationale is:

- Uneconomic alternatives below certain levels of oil prices, yet rapid technical progress are being achieved.

- Geographic imbalance of energy sources & users

- The increasingly important role of transit countries (Land & Sea)

- Demand growth in developing nations as incomes increase

- Vast capital investments at all stages of the energy supply chain

- Critical environmental issues

dence in the basic Economic and Political institutions of advanced countries and the need for new and complementary solutions.

■ Energy Investment

Observers generally agree that the ECT has yet to create the firm legal bonds necessary to provide a safe investment



- Energy Security = Stable Demand = Economic Development

Finally for countries through which energy flows, the requirement for stability may be expressed as

- Energy Security = stable input, output, transmission = Economic & Human Development.

In Dr. Jallad's view the global challenges currently are:

- Volatile Prices of Hydrocarbon sources

- National, regional and international political instability

- The Palestine Question and its dangerous implications

- Civil, regional and limited cross-border wars, terrorism, piracy

- Globalization of Losses and Privatization of Profits

There is an increasingly prevalent view among nations that the financial meltdown has led to a severe loss of confi-

environment for energy resources development and transit guarantees.

Amongst the ECO countries, the Republic of Azerbaijan, Kazakhstan, Turkmenistan, Kirgizstan, Uzbekistan, Tajikistan and Turkey are members of ECT. Pakistan and Afghanistan are in the process of becoming member of ECT, and Iran enjoys the observer status.

Dr. Iranmanesh is the President of the Institute of International Energy Studies (IIES) in Tehran which was nominated by

Minister Qasemi to cooperate with ECO Secretariat on the new regional energy/petroleum cooperation initiative which was named the ECO Energy Charter.

Iranmanesh, who is a noted expert on systems architecture and engineering, told ECO Chronicle: "Holistic systems thinking are necessary in ECO energy policy. The energy market is evolving rapidly; new economies are emerging;

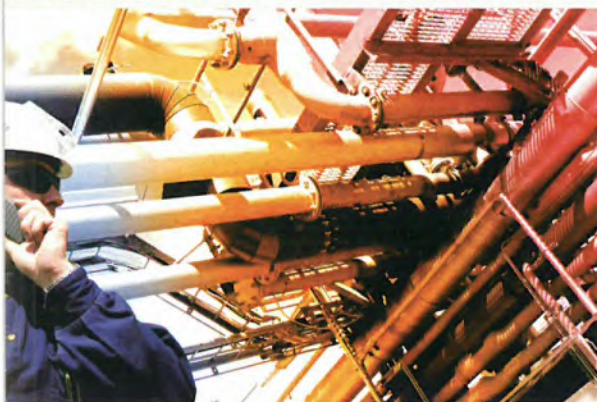
Khanbutayev during a brief talk with ECO Chronicle said: "This is a new idea that may pave the way for ECO cooperation with Energy Charter Treaty and therefore ECO Secretariat may become observer to the ECT."

Director Khanbutayev, who played a major role in preparation and adoption of the 2nd ECO Energy/Petroleum Cooperation Action Plan (2011-2015), is further of the view that: "the ECO member states should also pursue the implementation of the Action Plan in parallel to studying this new idea".

energy strategist and market expert, Chris Cook, who first introduced the concepts in his presentation on 'Transition through Gas' in November 2011 at the 15th IIES Conference.

As Cook says:

"I advocate the strategic energy policy first adopted by Denmark after the 1973 oil shock when they saw their oil fuelled energy costs increase tenfold almost overnight.



but energy prices are unpredictable and unstable, with fluctuations which make investment decisions particularly difficult for emerging market participants. Investments in the energy industry are mostly agreed on a bilateral and therefore fragmented and short-sighted basis rather than within a regional framework. ECO energy co-operation is essential for the necessary 21st century networked energy systems."

Director, Energy, Minerals and Environment at the ECO Secretariat, Ali

While appreciating Iran's readiness to host the 3rd ECO Energy/Petroleum Ministerial Meeting during 2012-2013, he expressed his hope that: "This new idea will be supported by the ministers and the ECO Energy Charter may become a reality that will serve the region's economic growth."

■ Energy Economics

The originator of the thinking which underpins what became known as the ECO Energy Charter is the leading global

The Danes approach this question 'at the other end of the telescope'. They commence with the outcome of the energy system - Heat, Power and Transport - and then work back to identify the optimal mechanisms giving rise to the least possible consumption of carbon fuels.

In other words, the Danes mandate least energy cost solutions, as distinct from the least \$ cost, least € cost, or least £ cost solutions which typically offer short term financial benefits at the

expense of medium and long term problems".

Cook therefore proposed firstly that a new, but complementary ECO framework agreement should be promulgated, discussed, and implemented, and secondly that energy investment could be financed and funded within that framework through the use of complementary energy market instruments. These are based on techniques which pre-date the modern banking system, but are increasingly once again in use, and use the dollar as a pricing reference.

■ **An ECO Energy & Power Accord?**

Cook is disappointed at the semantic confusion which has obscured a crucially important neutral policy initiative based upon energy co-operation.

"Had I been asked for my view, I would have suggested that the proposed initiative, which could lead to a transition through gas to a low carbon economy, might better be described as an "ECO Energy & Power Accord". This is because in my opinion, ECO members' national interests are best served by optimising heat and power production while minimising wasteful and profligate use of non-renewable oil and gas resources."

At the recent 22nd RPC meeting, while oil and gas energy policy makers were distracted by semantics, Cook's view received support from power generation policy makers, and it was agreed that a report should be prepared for consideration by the ECO energy ministers when they next convene.

It is envisaged that the initiative will be carried out by the neutral ECO Secretariat who would bring to bear whatever consultancy and professional resources are necessary to pursue this important task. This initiative will constitute a separately resourced addition to the existing ECO Energy Action Plan for the period 2011 to 2015 which may include the following:

So what then does the proposal look like?

■ **ECO Energy & Power Accord**

The Accord consists of two protocols or

agreements for promulgation, discussion, agreement by decision makers and implementation...

ECO Energy Principles - an outline Statement of the proposed principles and values which will underpin ECO energy strategy and policy;

ECO Energy Doctrine - outline statement of proposed ECO strategic energy policies.

The proposed ECO Energy Principles are as follows:

Accessibility - open access to energy consistent with geographic and resource constraints and open access to energy investment in order to address energy imbalances.

Equity - fair sharing of risk and reward between ECO members in energy interaction and projects in accordance with



cultural and religious values

Neutrality - recognition of the sovereignty of ECO members within a neutral framework for ECO energy collaboration and solidarity.

Resilience - the enduring power and capacity of ECO Members for transformation, renewal and recovery through the flux of energy interaction and projects

Security - security of demand for ECO energy producers and security of supply for ECO energy consumers.

Stability - minimizing energy price volatility to enable sustainable investment in energy production and energy efficiency.

Sustainability- meets ECO member needs now without compromising future requirements.

Transparency - open access between

members to energy data and knowledge.

■ **Looking Forward - Foreseeing Four Seas Energy Co-operation**

Based upon more than 30 years experience of regional and international energy policy and the geophysical realities which underpin them, I foresee a Four Seas Energy Accord, linking the resources of the Caspian Sea, Persian Gulf, Black Sea and Mediterranean Sea.

I have long believed that the starting point - the source, if you will - of such a 21st century energy initiative will be the energy resources of the ECO-Caspian Sea and the littoral nations generally, and the creation of a ECO-Caspian gas market hub, benchmark and market instrument in particular.

Moreover, I believe that the Republic of Azerbaijan - as the gateway to the ECO-Caspian Sea from the West - will be crucial to leading a new era of energy co-operation, and it is a source of pleasure to me that the new ECO Secretary General, His Excellency Shamil Aleskerov is so well versed in the energy field generally and energy diplomacy specifically.

Indeed, this was essentially the subject of the 2006 Baku Initiative aimed at the progressive convergence of energy market integration of the Black Sea and Caspian Sea region with the EU. Such a process implied progressively converging energy policies on issues of trade, transit and environmental rules as well as standards.

I believe that there is now an opportunity to transcend existing groupings based upon conventional economic competition and a dysfunctional financial paradigm - the G-7, G-8, G-20 and soon - to new groupings based purely upon energy co-operation: an E-3 or E-10. ■

Reference:

1-Interview Urban Rusnák, Secretary-General of the Energy Charter
By Karel Beckman, 7 June 2012,
European Energy Review

*Mahmood Khaghani, held the position of the Director for Energy, Minerals and Environment at the ECO Secretariat 1996-2000.

By: Akbar E. Torbat

Iran's Technological Progress



In the past few years, Iran has rapidly progressed in various scientific and technological fields. Particularly, it has advanced in petrochemical, pharmaceutical, aerospace, defense, and heavy industries. In spite of being under economic sanctions by the United States for about three decades, the country has clear signs of having progressed in its path toward an emerging industrialized economy.

In spite of the government's emphasis on Islamic subjects in the education curricula, Iran has significantly advanced in secular sciences. Studies reveal that Iran

has been the in the world's fastest growing country in science capabilities over the past two decades. Using the number of science publications available in the Web of Science database, Eric Archambault has found that overall growth of science based publications in the Middle East has been four times the

world's average growth. Iran has had the fastest growth rate followed by Turkey, while the share of contribution by the countries in North America to world's science has dramatically declined since 1980.

The growth of Europe and Africa has remained unchanged over the past three decades. In his paper, Archambault has tabulated the data showing that Iran's science based findings in the area of organic and nuclear chemistry, nuclear and particle physics, and other subfields of physics have increased much faster than the world average. Archambault remarks that Iran's scientific achievements in the past few years may be in part due to its nuclear technology development program. Based on his growth index measure, Iran has progressed 11 times faster than the world average, 2 times faster than Turkey and about 12 times faster than Israel in the past three decades. According to his paper, Iran's scientific advancement has been faster than in any country, including Brazil, Russia, India, and China. Even though this study is based on quantitative measurement of growth by the number of publications and not qualitative achievement, it still shows tremendous progress achieved by Iran.

Furthermore, success of Iranian students in international arena is a clear evidence of Iran's progress in scientific field. Students from top Iranian universities have achieved high ranks in the international Science Olympics, winning prizes in the areas of physics, mathematics, chemistry and robotics. Bruce A. Wooley, a former chairman of the Electrical Engineering Department at Stanford University, has said Sharif University of Technology in Tehran has one of the best undergraduate electrical-engineering programs in the world. The genius of Iranian scientists and engineers is the key to Iran's technological progress. Iran's scientists and engineers are native as opposed to the United States and the (Persian) Gulf Cooperation Council (GCC) countries that employ a large number of foreign born scientists and engineers.

Technological progress is commonly referred to as a new and better way of performing customary tasks in production of goods and services. It is thus the most important contributor to economic growth. Despite the West's unwillingness to provide Iran with advanced technology, the country has rapidly progressed using its own resources in science and technology. The tangible evidence of Iran's technological progress is the breakthrough it has achieved in heavy industries, aerospace, advanced weapons, and in many engineering and scientific fields.

While before the revolution, Iran's manufacturing was mostly limited to assembly of foreign produced items; at present, Iran manufactures a variety of advanced civilian and military products. Iran has its own indigenous defense industry, which builds



fighter jets, helicopters, drones, rockets, satellites, tanks, armored personnel carriers, torpedoes, and various kinds of missiles. Iran's progress particularly in nuclear technology has been a concern for the West because of dual application in the development of nuclear

weapons.

On February 3, 2009, Iran announced that it had launched its first domestically made satellite called Omid into the earth orbit.



Launching of the satellite stunned the West as it did the Soviet's launching of Sputnik into space in 1962. "The Guardian" reported "another achievement for Iranian scientists under sanctions, Iran launched its first homemade Omid satellite into orbit"...Also, the "New Scientist" reported that "the evidence is mounting that the Iranian rocket recently used to launch a satellite was more powerful and advanced than initially thought." Referring to Iran's recent successes in buildup of its advanced defense capabilities and launching its first home grown

satellite , on the thirtieth anniversary of Iran's 1979 revolution, President Ahmadinejad said "Iran today is a real and true superpower", and the country no longer faces threats from abroad.

In the modern world, competition among nations for power has become competition for developing advanced technologies.

Following progress in technological innovations, the leading European countries beginning with Britain in the eighteenth century became industrialized and emerged as great powers.

Subsequently, prominence of Germany in military technology during the first half of the twentieth century made it a great power.

Later, Russia became a superpower after achieving some technological breakthrough in 1950s and its success to put the first man in the earth orbit. It remains to be seen how much Iran's national power has increased as a result of its recent progress in science and Technology.

For a country that underwent eight years of imposed war with Iraq, suffered a severe brain drain during the period after the revolution of some of its best professionals and entrepreneurs, and has been under sanctions for almost three decades, it is impressive to see the level of technological progress that has been achieved. But what is the reason behind this startling progress, even though it can be rudimentary as compared to technological breakthroughs in the advanced industrialized countries?

The answer must be Iran's policy of self-reliance. That proves dependency is a barrier to industrial development. Some may argue that oil revenues are the underlying reason for Iran's recent progress. That could be a significant factor but it is not the primary reason as the other oil exporting countries in the region have not progressed to that level. Industrial develop-

ment in most oil exporting countries has been negligible and commonly less than some resource- poor countries. Despite large increases in their oil revenues, they have not been able

to establish their basic industrial infrastructure. They are still largely dependent on the industrialized countries for basic manufactured products.

That is largely the case for the oil-rich (P)GCC countries.

Iran's success in industrial development is an exception in the region.

Periphery

Center

■ The Dependency Theory and Development

In recent years, the dependency theory has re-emerged as an analytical framework to explain the economic relations between the developed and the developing countries. In 1950s, Raul Prebisch argued "real world economic relations between the mainly industrial center and the mainly agricultural-and extractive periphery (terms made famous by Prebisch) did not conform to principles of classical or neo-classical theory." In his view, a better metaphor or theory to explain such relations was unequal exchange.

Classical free trade theories such as the absolute and comparative advantage theories do not adequately describe gains from trades between the developed and developing countries. One criticism is that these theories are examined under too many unrealistic assumptions and in particular ignore the dynamic of international trade. The developed countries commonly export manufactured products and "soft" goods to developing countries in exchange for primary goods such as raw materials. For example, a computer software package that has negligible mar-

ginal cost can be exchanged for some amount of crude oil, a scarce nonrenewable resource. Hence, the developed countries obviously gain much more from this kind of trade than the developing countries, for that reason, such trade is referred to as unequal exchange.

Dependency theorists argue that external factors in general and the dependency of underdeveloped countries on economic powers in particular have caused underdevelopment. The position of underdeveloped countries that constitute the "periphery" in the circle, as shown in the above diagram, have been pre-arranged by the countries in the "center" of the diagram. Any country in the periphery that wishes to be out of that type of dependency will be faced with sanctions and military interventions by the countries in the "center".

That explains why Iran has been under pressure of economic sanctions and threat of military interventions because it has attempted to release itself from such dependency. It is in the benefit of the industrialized countries to keep the resource-rich countries in the periphery status and do not help them to be industrialized. They want to continue to export manufactured products in exchange for the primary goods and raw materials that they increasingly need to import.

This trade arrangement will help them to balance out their trade deficits.

Dependency theorists say that the industrialized countries possess monopolies on some key technologies and manufactured products that are exported to the Third World countries by the multinational corporations (MNCs) and that leads to unequal exchange. Transfer of technology through MNCs is very limited due to the fact that they rigidly control key information on their design and manufacturing process that is referred to as internalization. This leads to centralization of research and development in their home base that is in conflict with the developing countries' desire for domestic technological independence.

This makes the underdeveloped countries dependent on the advanced technologies invented and produced in the developed countries. Technology dependence refers to lack of means in the underdeveloped countries to master know-how to produce advanced technology products. If a country cannot possess the means required to produce such products, it has to be dependent to import them from advanced countries at unequal exchange.

This arrangement normally benefits the advanced countries that exchange manufactured goods for primary goods in terms of trade in their favor.

This trade arrangement perpetuates underdevelopment and technology dependency that results from the influence of advanced countries over the economic and political sovereignty of the Third World countries. A number of elites in the developing countries act as compradors sacrificing their countries' interests for personal gains to bring about that trade relationships.

Furthermore, some developing countries are dependent on financial capital from the developed countries. They need to borrow from the financial institutions in the developed countries for financing their development projects. The oil-rich countries such as Iran normally do not need much to borrow



from abroad if they receive sufficient exported oil revenues. The international financial institutions commonly make restrictions on the budgetary and economic policies of the developing countries that borrow in exchange for



giving loans that causes them more dependency. In short, technological and financial dependency undermines political sovereignty of the developing countries.

There are two widely known strategies for promoting industrialization in the developing countries. One strategy advocates import substitution industrialization (ISI) and the other support export led industrialization (ELI). The decision to adopt one versus the other is contentious and largely depends on economic and natural resources of a country as well as the geopolitical factors that affect the country.

ISI originated from the works of dependency theorists. It is theoretically based on the Prebisch-Singer thesis and is intended to support the infant industries. It is argued that a country should attempt to reduce its foreign dependency through domestic production of manufactured products that can be substituted for imported products. ISI discourages external competition from imports into the markets of the targeted industries by tariffs, devalued currencies and other factors.

This strategy was adopted by advanced countries in early stage of their industrialization in order to promote their infant industries.

ELI is another strategy that speeds-up the industrialization process in a country through exporting goods for which the nation has a comparative advantage. Export-led growth implies opening domestic markets to foreign competition in exchange for market access in other countries. It encourages reducing tariff barriers, floating exchange rate, and often devaluation

of national currency to facilitate exports.

ELI policy was employed by the national economies of the Asian Tigers: Hong Kong, South Korea, Taiwan and Singapore, even though, these economies had strong barriers on imports in the beginning of their industrialization during the 1960s-1980s. The Asian Tigers began their industrialization by assembling manufactured products for US and Japan markets. They now have reached to the stage that they exports advanced technical products in competition with advanced countries.

S. Korea became industrialized with the help of government investments and export led policies, but this has rarely happened in the resource-rich countries especially in the Persian Gulf region and Latin America. An explanation for lack of progress in these countries' industrializations is the constraint within the center- periphery relationship that has lingered from the colonial era. This constraint however was changed in Iran after the 1979 revolution. Even though the country has been subject to external pressures under economic sanctions, but it has strived to become rather autonomous of political influence of the great powers and is on its way toward becoming industrialized. Most developing countries undermine their political

sovereignty due to dependency to the developed countries for their industrial development.

Iran's technological progress can be a proof of success in independent industrial development. Because of its self-reliant policies, Iran was not affected by the global economic crisis in 2008-10 as some developing countries did in Eastern Europe that are dependent on capital flow and technological know-how from the West, or the countries in East Asia that are dependent on exporting their manufactured products



to the West.

The Asian Tigers' export dependency to the West caused them economic downturn due to lack of demand for their products in the West. Iran's self-reliance policy has worked better than the Asian Tigers' export led development strategy. The economic sanctions imposed on Iran have been a blessing in disguise because they have curtailed the country's external economic dependency.

Yet Iran's economy is still heavily dependent on crude oil export, but this dependency is rather asymmetric; which means oil importing countries are more dependent on Iran's oil than Iran is dependent on their products. Whether Iran can continue to show rapid technological progress depends on how successful the West will be to suppress Iran's progress with tightening sanctions. President Mahmoud Ahmadinejad has said repeatedly that sanctions of the West would only strengthen Iran's technological progress by encouraging it to become more self-sufficient. ■

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