

**REGIONAL ECONOMIC COOPERATION IN
SOUTH-WEST ASIA: A STUDY OF ECONOMIC
COOPERATION ORGANISATION**

*Dissertation submitted to the Jawaharlal Nehru University
in partial fulfilment of the requirements
for the award of the Degree of*

MASTER OF PHILOSOPHY

PALACHANDRA BANSY KALAPPA

CENTRE FOR WEST ASIAN STUDIES
SCHOOL OF INTERNATIONAL STUDIES
JAWAHARLAL NEHRU UNIVERSITY
NEW DELHI-110 067
INDIA
1995



Centre for West Asian and African Studies
School of International Studies

जवाहरलाल नेहरू विश्वविद्यालय
JAWAHARLAL NEHRU UNIVERSITY
NEW DELHI-110067

21 July, 1995

Certificate

Certified that the Dissertation entitled *Economic* **Regional Cooperation in South West Asia: A Study of Economic Cooperation Organisation**, submitted by **Palachandra Bansy Kalappa** in partial fulfilment of the degree of **Master of Philosophy** has not been previously submitted for any other degree of this or any other University. To the best of our knowledge, this is a bonafide work.

We recommend that this dissertation be placed before the examiner for evaluation.

Dr. (Mrs.) Gulshan Dietl
Chairperson

Girjesh Pant
Supervisor

ACKNOWLEDGEMENT

I wish to acknowledge with gratitude the guidance received from my supervisor Dr. Girijesh Pant. His critical comments and insights have enhanced the value of this work. He has been kind and supportive during the difficult moments of the past year.

I also wish to remember my family and friends for their affection and support.

CONTENTS

Topics	Page
1. REGIONAL ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES: A CONCEPTUAL STUDY.	1-24
2. REGIONAL COOPERATION FOR DEVELOPMENT	25-33
3. ECO REGIONAL PROFILE	34-100
4. INDIA-E.C.O	101-110
5. BIBLIOGRAPHY	111-113

CHAPTER 1

REGIONAL ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES A CONCEPTUAL STUDY

The world has undergone dramatic changes through the eighties and nineties. The three areas of the globe that is often divided, into, for economic purposes : industrial, countries, former centrally planned economies now in transition and developing countries have witnessed varying changes. The economic transformation has several aspects. The principal one was a shift toward greater reliance on market forces in all three areas as governments became less involved in economic processes : markets were deregulated, import barriers were lowered, income taxes were reduced, state owned enterprises were privatised and central planning, where it existed, gave way to direction by the price system. Another change was that 'globalization' in both industry and finance was intensified. World trade continued to grow faster than world output. And what we call 'World Products' came into being: for example an automobile or computer can now be assembled from parts made in several countries. The international mobility of capital increased greatly binding national financial markets closer together. One consequence of these developments has been a heightening of the interdependence among nations eg., in the completion of negotiations in December 1993 on the GATT (General

Agreement on Tariffs and Trade), the most comprehensive world wide trade liberalization in history. Interdependence shows up in efforts at policy co-ordination among groups of countries in intensification of regional trading and financial arrangements as in the European union (formerly the European community), in the North American Free Trade Agreement (NAFTA), Asia Pacific Economic Community (APEC), Association of South East nations (ASEAN) and Economic cooperation organization (E.C.O). The world became divided into several regions and the region came to play a progressively important role.

References to international regions are common in everyday language of politics. Such references identify geographic clusters of states, such as those in "western Europe" or the "middle east". Bruce Russett's criteria¹ for identification of a region are social and cultural homogeneity, political attitudes on external issues as manifested in voting of governments in the united nations, political interdependence as indicated by participation in intergovernmental network, economic interdependence as evidenced by intraregional trade in relation to national income and geographic proximity.

Feld and Boyd identify regions with emphasis on geography utilizing the insights of area specialists who are

sensitive to factors such as consciousness of regional identify, felt cultural and other affinities and perceived interdependencies.² According to them the member states constituting E.C.O would lie across three regional systems namely middle East, U.S.S.R and Eastern Europe and lastly South Asia. According to later area specialistsn members of Economic cooperation organization belong to four geographical units. Turkey and Iran are normally regarded as West Asia, Pakistan has links with South Asia, while Afghanistan, Uzbekistan, Tajikistan, Kazakhstan, by Kyrgyzstan and Turkmenistan belong to central Asia, Azerbaijan lies in Transcaucasia.³

Regional cooperation as a concept "can denote any form of concerned action in order to enhance the common interests of nations involved".⁴ It has been closely a definition of Balassa too⁵. Regional economic cooperation has become a feature of world politics in the latter half of the twentieth century. A number of agreements for regional economic cooperation have been signed and ratified. And in some cases international institutions have been established too, to oversee the implementation of these institutions.

The reasons for the prominence of regional economic systems would be that the production processes have outgrown most nation states. In simple terms it means that most

nationstates are too small territorially, population wise or economically to be effective economic units. There are not many states who can boast of self-sufficiency of resources or for that matter a population sufficiently large to allow manufacturers or producers to take advantage of opportunities of scale. Modern technology is quite expensive for individual nation states or for that matter even for individual firms in small nation states to acquire.

On the other hand the rise of multinationals which spread beyond national boundaries are difficult to be monitored or controlled effectively by individual states besides these a compelling case is made out for regional economic co-operation by factors such as desire for greater power influence and security etc.

Regional economic co-operation as not confined to one region or one set of nation states it encompasses various types of economies and regions. Regional economic co-operation has not been confined to one type of economies alone such as capitalist or centrally planned economies. It has been successfully used by all three types of economies, capitalist industrialized economies, centrally planned economies and by the less developed economies.

Regional economic co-operation has devised ways and means to overcome resistance imposed by national boundaries.

Nation states have erected barriers to international trade in the form of tariffs. Tariffs negatively speaking makes imports expensive and therefore economically unviable and positively speaking protects home industry besides being a revenue earner to the Government. States have imposed all sorts of restrictions on free trade, some have introduced quantitative restrictions some have organized monopolies for foreign trade, controlling product type, quantity and states to be traded with etc.

Regional economic Co-operation helps in easing the effect of these restrictions through concerted action by members towards better trade ties with each other. Regional economic cooperation cannot be understood as meaning simply more trade, but it has many more meanings. But common to virtually all of them is the mutual granting by members of regional system of preferential treatment with respect to limitations of trade".⁶

Doctrines dealing with regional economic co-operation such as the classical liberal economic doctrine have defined different types of regional economic Co-operation.

- (a) In a free trade area tariffs and other barriers to trade are eliminated among the states participating in the system.
- (b) In a customs union in addition to

eliminating barriers to internal trade the member states adopt a uniform tariff for trade with third parties. (c) A common market is a customs union in which there is a free flow of factors of production labour and capital can move from one state participating in the system to another without restriction. (d) An economic union includes the features of a common market and in addition the economic policies of member state are harmonized. (e) Complete economic integration would add full unification of economic institutions and policies including the adoption of a common monetary system. However in practical terms these ideal types of are often mixed. In fact the greater problem arises out of the usage of the above terms quite inaccurately.

The classical liberal economic doctrine suggests that since global free trade provides the maximum welfare it is the best option. The regional economic cooperation is only the second best and the benefits of regional economic co-operation are possible even in a free trade perspective.⁷

The theoretical and philosophical background for the discussion on Economic co-operation and integration, emerged among the less developed countries in the early 1950s mainly as a result of the Latin American structural paradigm⁸ on

the one hand and the classical customs union theory of Joseph viner (viner 1950) on the other. The practical experience of cooperation and integration too could be considered as a source of inspiration such as the European union.

The early structuralists based their arguments on the conviction that the prevailing world trade system inherently tends to exploit the less developed countries and increase their poverty. It implied that development in some parts of the world necessitates under development in other parts of the world (Blomquist Lundahl 1992 : 48).

In a call to change the system the studies showed that L.D.C's were better served by promoting regional cooperation by lessening their dependence on the M.D.Cs. (c.f. Johnson 1967 : 28-32 and Hunt 1989 : 141+43). In theory the rewards for exchange of primary goods is less favourable than of for secondary goods therefore L.D.C's have to increase their exports of secondary goods against the barriers installed by M.D.Cs showed that they discouraged exports of manufactured goods and industrialization and economic cooperation too appeared an attractive option for many less developed countries. The L.D.C's sought concerted action as a group to improve their position in the world economy and import substitution was the best solution. Eg. in the proposition

put forward by the UNCTAD from the 1960s onwards.

Viner's study of the effects of a customs union on trade flows, resource allocation and welfare too had an effect on the growth of regional co-operation among developing countries. Viner showed that the results of a customs union depended on whether trade creation⁹ or trade diversion¹⁰ dominated. Viner's analysis had many shortcomings and it was modified by Meade (Meade 1955) who made a distinction between the production and consumption effects of a customs union. There have been others like Lipsey who looked at the welfare effects of economic integration by connecting the theory of customs union to the theory of second best. (Lipsey 1957 and 1960). These theoretical perspectives provided encouragement for the growth and development of regional co-operation.

The classical liberal economic doctrine suggests that since global free trade provides the maximum welfare it is the best option. And regional economic co-operation as it introduces restrictions to trade is only the second best option. But the benefits of regional economic co-operation is possible even in a free trade perspective. Viner and later Meade and Lipsey have shown through static and dynamic effects dynamic effect which could be the creation of a

larger market.¹¹ Larger markets could at once stimulate investment in the region. Firms that were in a previously privileged position in national markets could come under threat of competition from firms in other member states, and this competition should result in greater efficiency of the product. There is an advantage of accelerated economic growth in the member states of such a co-operation, which could lead to increased trade within the members and between the members of the co-operation and contributing to increased global welfare. The classical liberal economic doctrine does not allow a general answer unless it analyses the projected consequences of an agreement and therefore does not have a ready answer.

There are other doctrines justifying regional economic of the other doctrines justifying regional economic co-operation, one of which is a variant of the classical argument. It was developed in the context of market economies, and it is particularly applicable to such economies where the market forces of supply and demand as expressed in prices determine what should be produced and how it should be distributed. The argument rests heavily on the principle of comparative advantage, the notion that welfare will be maximised by states specializing in the production of these items in which they are most efficient, or which they can produce at the least cost.

A variant of the classical liberal doctrine is applicable to the centrally planned states ¹² too, but with some modification. In planned economies, planners rather than market determine what should be produced, how it should-be distributed and the prices. Trade is based on provisions towards Production and distribution by the national planners. Centrally planned economies even incorporated the advantages of the doctrine of comparative advantage by the system of division of labour and specialization amongst states.¹³ "Since the principles contain no guidelines for the harmonization of these objectives with that of promoting efficiency in the absence of prices determined by market forces it is difficult when central planners attempt to arrange international trade among countries with centrally planned economies, the process can involve at least as much bargaining as the application of rational analytical techniques".

As the above passages suggest there definitely are differences between the practice of regional economic co-operation amongst centrally planned economies and amongst states with market economies. It follows that there is also a difference in rationale between them.

There is another variant that is used to justify regional economic co-operation among less developed countries. The classical liberal economic theory treats such co-operation among less developed countries as unconventional because it considers the less developed countries as essentially competitive and not complementary, the reason being that they have a limited range of their primary products as against the M.D.Cs who have more product specialization and variety to exchange between primary secondary and tertiary sectors. Essentially the liberal economic doctrine assumes a sizeable trade network amongst co-operating states and these could work towards reducing obstacles to such trade thereby permitting economies of scale by enlargement of market and promotion of greater efficiency by increasing competition and greater specialization. Raul Prebisch¹⁴ suggested a different rationale for regional co-operation among less developed countries. His suggestion rested on the assumption that industrialization was essential for economic development. He argued that developing countries should reduce imports, by indigenous production of goods and achieve industrialization through import substitution which would be greatly boosted if larger markets were made available for such goods indigenously manufactured. Regional economic co-operation would bring about larger markets. Prebisch also suggested

protection¹⁵ in what was a turnaround from the classical liberal economic doctrine. Prebisch proposed that protection could be followed by first adopting a course of import substitution "The doctrine that they propounded argued that through industrialization the less developed countries could in addition to raising their level of per capita G.N.P diversify their exports and reduce their dependency on the export of one or a few basic products to one or a limited number of developed countries for earning foreign exchange.¹⁶

The difference between regional economic cooperation among M.D.C's and L.D.C's is that the former seeks to eliminate inefficient producers while the latter has no choice but to support nascent industries in spite of their comparative primary inefficiency in relation to similar industries in the former. Prebisch's argument would be contrary to the classical liberal doctrine because the former suggests protectionism which is so essentially opposite to free trade which the latter proposes.

"Given the importance attached to the development of new industry the weakness of market mechanisms in L.D.Cs and the tendency of undirected new investment there to concentrate in the already more developed areas among them, the doctrine postulates that a considerable measure of central direction will be required at both the state and

inter-state levels to direct investment so as to ensure an equitable distribution. Thus the doctrine has elements in common with that created to guide regional economic cooperation among states with centrally planned economies".¹⁷

Regional economic Cooperation among developing countries has been recognised as essential and beneficial to the trading partners. But one question that comes up quite frequently is that if regional economic cooperation between developing countries is superior to regional economic cooperation between developed and developing economies. The latter appears to be economically sound as it means that the less developed South and more developed North will have a lot more to give and take which in effect means better trade opportunities. But economic logic seems to suggest the opposite and the consideration which prompt such a conclusion are as follows. The fact that interdependence among unequals usually leads to the dependence of the weak on the strong. This outcome familiar from history, with particular force in today's North South relations, where the South is handicapped by a series of circumstances which cause it to become dependent. The export-oriented syndrome forces them into a vicious circle of dependence on exports to developed countries to earn foreign exchange from them in return under progressively worsening commodity as well as factor terms of trade.¹⁸ Apart from this another problem that

the developing countries face is that of debt-accumulation syndrome. In recent years developing countries have borrowed taken loans in increasing amounts although neither their own governments nor the benevolent creditor states have considered in depth as to how these debts can be repaid, or what the economic consequences of their repayment will be. As a result third world countries find themselves oppressed by the accumulated debt burden. The other major limitation on the pursuit of intensification of North-South relations in coming years is the 'Austerity syndrome'. It is usually the result of I.M.F's philosophy and is the financial counterpart of the export oriented syndrome. Third world productive powers tend to fall more sharply than consumption due to the frequent changes of government, political disorders and other civil disturbances, that have become a hall-mark of IMF stabilization programmes. As a result developing countries suffer from a cumulative disequilibrium weighed downwards.

The syndromes reinforce each other in imposing poverty dependence and austerity on third world countries. Their solutions do not lie on the North South level, although some progressive industrialized nation can help in breaking the vicious hold of these syndromes, it is essential for the South to try and locate an answer to these problems at an

indigenous level. The best answer to break these vicious effects could be greater reliance on South-South co-operation, these could be the appropriate too. The other reasons which make such an action necessary are firstly that the industrialized countries will have relatively lower rates of growth¹⁹ and cannot be depended upon to provide a thrust to the economic growth of the world. The developing countries necessarily must achieve better growth rates to break their dependence on the developed countries to fuel their economic growth. One of the more successful ways for the developing countries is to seek measures to cooperate amongst themselves. This cooperation amongst developing countries shall in no way hamper relations between the developed and developing countries, it instead shall strive to complement it. Secondly, it is time the south realized the ills of their individual economies and set about correcting them. The economies of the developed world too are facing the onslaught of economic ills like inflation, unemployment etc. and are less equipped to handle developing world's problems. It is best the South device ways to help themselves and not seek assistance from the North by means of a 'common negotiating front' vis a vis the North. The developing countries of the South would be best served by cooperating with their regional neighbours²⁰. Thirdly the major problems of the developing world and their efforts to

seek solution by weans of imports only deteriorates the situation further. They would be ensnared by the vicious cycle of seeking more financial assistance to easen their situation and this measure is least practicable as assistance come with strings attached. Mostly assistance would demand austerity from the borrowing states inorder to lessen expenditure and to earn greater amounts of money they resort to exports (as has been discussed earlier in the three syndromes). The major economic problems of the third world are best solved by pooling in their resources and seeking solutions to common problems. Lastly the countries of the south have several common illls that affect their economies jointly. In most cases the illls are the result of contributing factors which too are similar to them. Complementarities and joint interests among developing countries in the area of resource endowments, levels of agriculture, industrial development, financial as well as human resources and social and cultural preferences have become decisive elements in their mutual economic relations. Regional co-operation among developing countries can and must make full and proper use of such factors."²¹

Another important reason why that makes South-South Co-operation more feasible is the immense diversity of resources, both natural and other. This diversity provides for greater areas of interest and opportunities for co-

operation. South-South co-operation was suggested as the ideal vehicle for economic growth. But modern day exponents of co-operation or its more intense form integration suggest that these ideas²² are part of history. Presently the circumstances are much more different from what it was in the 1970's. World trade is freer now than then. "The goal of G-77 was Import Substitution Industrialization (ISI) by closing their markets to developed country exports. Today most developing countries are independently engaging in substantial "Unilateral Trade Liberalization" (UTL) and often applying for GATT membership. This time around developing countries are seeking to associate with large developed country partners to insure market access."²³ It means quite a turnaround from the earlier days of South-South cooperation. Regional co-operation or even its more intensive form regional integration has changed considerably in its methods and techniques to achieve such co-operation. There is a renewal of interest in regional integration (and regional cooperation as it is close in meaning to the former) among the less developed countries of the world. The costs of such cooperation and integration will not be low, unless these are accompanied by simultaneous 'Unilateral Trade Liberalization' with UTL even the benefits could increase.²⁴ Another factor about the new regionalism is the fact that greater benefits are accrued as developing

countries include large developed countries in their regional membership, most of these had been missed such as "catch-up, Partly cooperation leading to technological transfer and more rapid development of human capital. There should also be benefits coming from an increase in the confidence that macroeconomic policies will be more reasonable in the less developed members, and the reforms undertaken to reach an agreement or to accede to membership will stick".²⁵ Thirdly the issues such as government procurement policies, standards and competition policies etc have not been dealt with effectively within the multilateral process of the GATT inspite of the developed nations addressing them. And lastly developing countries will lose a lot in terms of benefits if they do not join groupings. This is under the circumstances that the blocs turn inward rather than onward and deny market access won-members ²⁶.

Regional co-operation has thus undergone very important changes in its orientation and it has sought to address issues which earlier considered beyond its scope. The Models of regional co-operation have undergone changes too in their structure, methods etc.

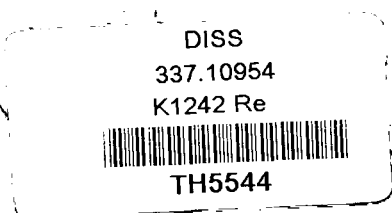
R.C.D.C. even in its more advanced forms need not affect the sovereignty of individual member states. R.C.D.C. can exist inspite of great diversity (as is evident in the

ECO too) as long as the agreed objectives are pursued through coordinated policy instruments. Complementarity can guide economic interaction when they are not uniform in their economic strength, growth etc and this is particularly important in the case of the E.C.O. Differences are bound to exist as far as natural resources, levels of capital accumulation, skills and technological capacities and other geographic and human factors which can form the basis on which to build schemes consolidating the comparative advantage and adopting mutually beneficial common fronts vis-a-vis economic financial relationships with other regions. Some countries or some regional groupings might be allowed preferential treatment in matters of trade and investment. Some might receive aid and investment from developed countries and this has a tendency to have a multiplier effect²⁷ on the recipient regional grouping. The future of regional cooperation is linked with the future of inter regional cooperation and thereby with the future of the entire world.

NOTES

1. "Regionalism made a comeback in the eighties after laying dormant in the 70's. The process heated up in the early 90's with a new initiative almost every month". Pg 1-2 De Melo. J, Montenegro.C, Panagariya. A, 'Regional integration old and New.' Working papers. World Bank publication, Washington, WPS 985.
2. Pg-2, Solomon, Robert; 'The transformation of the world economy. 1980-1993, Macmillian press Ltd., London, 1994.
3. Pg-4, Feld. W and Boyd. G 'Comparative regional systems - west and east Europe; North America, The middle east, and developing countries', Pergamon Press, Newyork 1980.
4. Pg-4 Ibid.
5. Pg-7, Prof Wizarat Talat, 'ECO as an instrument of regional integration', 'Pakistan and Gulf economist'; Islamabad December 18-24, 1993.
6. Pg-49 Blomquist.H.C, Lindholm.C, Lundahl.M, Schauman.S 'Some experiences from regional co-operation between third world (Reprint Series No.103), Stockholm School of Economics, 1993, Stockholm Sweden.

7. Pg-91 Feld.W and Boyd.G, (same as above).
8. Pg-58, Ibid.
9. Pg-59, Ibid.
10. Trade Creation occurs when the replacement of higher cost domestic production by lower cost imports from partner countries.
11. Trade diversion occurs when replacement of lower cost imports from third countries by higher cost imports from member countries.
12. Pg-58, Feld.W and Boyd.G, (same as above).
13. A loarger market comes about by eliminating obstacles to trade among members of the cooperating group.
14. COMECON - Council of mutual economic cooperation formed in January 1949 by Soviet Union, Bulgaria, Czechoslovakia, Hungary and Romania. The charter was published in 1960.
15. Comecon worked through specialization agreements and joint projects. The first procedure was intended to permit larger production runs by reducing duplication and at resulted in bilateral and multilateral agreements for the delivery of goods. In the first



stage of a joint project there was a poolint of capital, construction equipment, and qualified personnel. One the project was underway the out put was showed among participating countries according to their contribution of capital and services. The most notable joint projects were the Druzhba oil pipeline, which transported oil from the erstwhile USSR to Hungary, to the German Democratic Republic, Poland and Czechoslovakia.

16. Pg-60, Feld.W and Boyd.G, (same as above).
17. First in his capacity as executive secretary of the united nations economic commission for Latin America (ECLA) and then as secretary General of the united nations conference on trade and development (UNCTAD).
18. Pg-61, Feld.W and Boyd.G, (same as above).
19. Blomquist.H.C, Lindholm.C, Lundahl.M, Schauman.S, (same as above). It is aggravated by the fact that even for food and other necessities raw material exporting countries have been led to compete with each other than with industrial nations on which they have become increasingly dependent.
20. Pg-5, Ed. Lazlo Ervin with Kurtzman.J and

Bhattacharya.A.K, 'Regional cooperation among developing countries'; Pergamon press, Newyork, USA, 1980. (See also) Economic and technical cooperation among developing countries. (The group of 77 in action 1983-94) Vol.2, Dobracina, 6-8, Belgrade 1988. (Also see) S.Nanjudan, 'Industrial cooperation among developing countries and the role of UNIDO (present and future perspectives). RIS, New Delhi, 1989. (Also see) 'South-South cooperation' 1970, U.N.publication, Washington.

21. Ibid Regional Cooperation and Developing Countries Page 5-6, and 'South-South Cooperation'; Pg 16-23, (same as above).
22. 'South-South Cooperation', Pg 16 (same as above).
23. Pg 2, Demelo J, Montenegro.C and Panagariya.A, 'Regional Integration old and new', working papers, World Bank Publication, Washington, WPS 988.
24. Pg 3, Ibid.
25. Pg 4, Ibid.
26. Pg 4-5, Ibid.
27. For example technical assistance programs could accelerate progress in devising and implementing schemes of regional cooperation by developing

countries, and transfer of resources could bolster regional funds and pools to enable them to compensate the poorer members of a regional grouping for short term losses due to their weaker agricultural and industrial production sectors and trade potentials.

CHAPTER 2

REGIONAL COOPERATION FOR DEVELOPMENT

The origins of Regional Cooperation in South West Asia can be seen in the Baghdad pact of 1955 its members were Iran Iraq Pakistan and Turkey. After Iraq withdrew from it in 1958 it was called as the CENTO (Central Treaty Organization). This was primarily a coldwar Security alignment with certain agreements regarding matters mutual defence of members. In 1964 during the heights of the cold war there came about an initiative for regional cooperation by the three members of CENTO. They decided to co-operate not only in defence but in other areas as well. RCD thus came into operation after the meeting in the Turkish city of Izmir in 1964 where the to broadly integrate their economies.

Regional cooperation for development (R.C.D.) came into being following a summit meeting in IZMIR (Turkey) in 1964. The objective was to bring the members closer for greater regional cooperation and broadly greater integration of their economies.

The working of the R.C.D. was handled by its organs they were :

- (a) The Ministerial Council (which was the highest body).
- (b) The Council of Deputies.
- (c) Regional Planning Council.

There were other specialized committees, namely (a) Industry and Petroleum Committee. (b) Trade Committee. (c) Transport and Communications Committee. (d) Technical Cooperation and public administration Committee. (e) Cultural affairs Committee. (f) Tourism and Information Committee. (g) Agriculture Committee. Besides the above committees, there was the R.C.D. secretariat situated at Tehran which coordinated and guided the actions of its various organs and committees.

R.C.D. was one of the two promising Asian regional cooperation efforts started in the 1960's the other was the Association of South East Asian Nations (ASEAN) started in 1967 by Indonesia, Malaysia, Philippines, Singapore and Thailand.¹ (Brunei joined the grouping in 1984).

R.C.D. began in the sensitive South West Asian region usually termed the soft underbelly of the then U.S.S.R naturally invited a lot of attention. Its policies included security concerns of the three partners in this sensitive region but the greater achievements of this regional grouping lay in economic cooperation. R.C.D. worked to promote trade among members by defining common interests and on a bilateral level identifying priority areas for cooperation such as, industries, transport and communication etc [most of the areas identified by RCD continued to be priority areas in the rechristened

organisation, economic cooperation organisation E.C.O.] .

The members worked out Joint purpose enterprises creating an element of regional interest and solidarity (little - 1966) and (Brewster - 1971). Brewster also proposed such a course in their alternative model to full integration of a region. The J.P.Es were characterized by public ownership, long term purchase or sourcing guarantees¹ given by non producing member states and guarantees referring to profit participation and repatriation in currencies in which equity payment was made.

The ventures were selected in such a manner as to benefit their national development programmes and develop greater complementarity and to take advantage if the expanded size of the market and economies of scale.

The ventures executed around the 1970's included three joint purpose enterprises (JPE's) all in the field of industry. They included a project to produce aluminium in Arak (Iran)² - Iran was chosen as it had immense potential in metal manufacturing. The other industrial venture was a bank note paper printing plant located in Karachi (Pakistan). Pakistan's potential in this and in the third venture i.e., to manufacture ball bearings in Karachi were decided on the basis of its industrial strength in these two industries and other natural advantages. Several other industrial joint purpose enterprises followed on off take

basis such as ultra marine blue, Tungsten carbide borax and boric acid, centrifugal and special filters for chemicals industry and tetracycline. The reason for basing all these industries in Turkey could be for the important reason that Turkey had the most developed Infrastructure and technical know how for such ventures. To elaborate further the distribution manufacturing value added by percentage in Turkey⁴ 1970 sector was out of a total of \$ 1930 million of which food, beverages and Tobacco were 26%, Textiles and clothing were 15%, Machinery and transport equipment were 8.%, Chemicals were 7%, other were 45%. Most of the above industries were related to or chemical industries. Product specialization was thus the most important reason for basing the plants in Turkey. R.C.D. thus had a sound economic rationale for its joint ventures in Industry.

Standards so essential for the development of Industry too were not ignored. Twenty four common standards were adopted by the R.C.D. and the institutions of standards of all the members agreed to follow System International (S.I.). Cooperation in standardization is important as it creates fewer hurdles in matters of setting up JPEs and even in matters of trade.

The R.C.D. concentrated on expanding trade between members. The early efforts to promote Co-operation were directed toward building infrastructure. R.C.D. followed up

infrastructure building with establishment of R.C.D. union for multilateral payment arrangements to facilitate trade payments between member countries. All the operations of debits and credits were made by the central banks of the member countries.⁵ The R.C.D. had agreements on Free Trade Areas (FTA) too. In 1976 they decided about the phased introduction of total free trade by ten years but this plan had to be discontinued after Iran became a non-participant in 1979.

One of the important organs of the RCD was the RCD Chamber of Commerce and Industry it comprised the chambers of commerce and industry of the member countries. They had an R.C.D. trading company which organized R.C.D. pavillions at Izmir and Tehran in 1977 and 1978 respectively.

Transport and communication so essential an infrastructure for regional development was placed on priority. In 1970 total length of paved roads in Iran, Turkey and Pakistan were 10,484 km, 18,990 km, and 24,776 km, respectively, after transport and communication was identified as a priority area for regional development the total length of paved roads in Iran, Turkey and Pakistan were 33,780 km, 35,632 km, and 38,035 km, respectively clearly showing a more than three fold increase in the case of Iran, Twofold in the case of Turkey and over 50% increase in the case of Pakistan⁶. A Special R.C.D. highway linking

the three members country capitals was constructed it measured over five thousand kilometers in length.⁷ Railroad tracks too was part of their programme to step up infrastructure. Rail road track between 1970 and 1980 increased in Iran, Turkey and Pakistan from 4,412 km to 4,567 km, 7985 km to 8,193 km - 8, 564 km to 8,815 km respectively.⁸ The figures do not show any substantial increase in railroad tracks of any of the members countries. An area not very greatly influences by cooperation in transport and communication. But this was more than compensated by cooperation in shipping and air travel. Shipping was another priority area under the regional cooperation for development (R.C.D.). In a significant move they agreed to pool their cargo of all major shipping companies.⁹ Air transport was a rise in customer strength when they allowed for agreements on routes and airfares in all three countries.¹⁰

Cooperation in communications were carried out in postal and telecommunication facilities. Technology was shared between members nations related to telecommunications. Facilities for microwave links were provided. The postal system was made efficient.

Agriculture was a key sector in all three states. The shares of agriculture in the G.D.P. of Turkey and Pakistan in 1970 was, 30% and 37% - not available for Iran with

average annual growth rates for them being 3.4% and 2.3% respectively.¹¹ They exchanged information on techniques, exports and trainees. Conservation, irrigation and other water management areas related to agriculture were debated. A committee on agriculture worked to solve problems related to evolving new crops, procurement, storage and marketing. It even looked into matters of fisheries and animal husbandry.

R.C.D. did not aim at full integration such as in Europe; there was a move to introduce Free Trade Areas (FTA's)¹ within a period of ten years starting with 1976. But the R.C.D. could not survive the revolution political changes in Iran in 1979 and ceased to effectively function there after.

R.C.D. was a pioneering venture in regional economic cooperation by the three states. It had several shortcomings and setbacks which acted as obstacles to a greater integration. But the R.C.D. helped increase intra-regional trade even if it was in a small way. Percentage share of intra-regional exports in all three countries grew from 1.63% in 1960 to 8.24% in 1983 and percentage share of intra-regional imports in all three countries grew from 0.98% to 7.79% in 1983.

Tourist traffic between the members states did not show substantial increases although all three states abound in

tourist sites of historical importance. Intra regional labour migration was marginal compared to extra regional labour migration and probably the policies of the member states were to blame for it.

The problem of the R.C.D. were firstly although the intra-regional communication channels improved its returns were poor as ignorance among individual citizens of R.C.D. members were as high as ever before. Secondly although trade and other contacts increased the barriers to it continued (both tariff and non-tariff). Sometimes narrow national interests on the part of leader created barriers to trade.

It has to be noted that private participation in any of the R.C.D. ventures was rather negligible and served as a major set back to any greater integration. Fourthly Pakistan, Iran and Turkey began to drift gradually away from the R.C.Ds goals and policies. Turkey was attracted by the E.E.C., Iran under the Shah too was keen on the E.E.C. membership. There were other obstacles such as the existence of a large number of disparities between the countries in economic levels infrastructure etc.

Strictly speaking R.C.D. was quiet successful in its programmes and policies. There cannot be greater proof of R.C.Ds success than the fact that it has been restarted under a different name. And further it has included seven new members.

NOTES

1. pg 52/53 Lang Hammer and Heimenz etc..Regional Integration among Developing Countries.
2. Purchase or sourcing guarantees acted as substitutes for preferential tariff treatment and thus stimulated more trade diversion than would have been possible under conditions of preferential margins only.
3. WDR 1994. Fuels minerals and metals in 1992 their share in merchandise exports was 90% of total mercandise exports of \$18,235 million dollars. Also see relevant parts of Iran Almanac 1994. And Pakistan & Gulf economist, Feb. 12-18-1994, pg. 8-12.
4. World Development reports 1994. pg. Table..
5. "The agreements operated through the central banks of the member countries with each of the banks extending credit of upto 2 million dollars to the other two. The settlement of account took place at the end of the calendar year. In case a balance remained in any account 50% of it was paid by the debtor to the creditor within thirty days and the remaining 50% was adjusted against the credit of the next year. No interest was charged and balanced. The Border trade and invisible were outside the scope of the agreement. pg.70. A.M.KHAN RCD to ECO.
6. Details from world development report 1994 physical measures of infrastructure provision from pages 140 and 141.
7. Parts of the incomplete work is being handled now.
8. The world development report 1994.
9. A.M.Khan, pg.72, 73.
10. They allowed 40% discount within the region for personal travel to diplomats assigned by a member country to another, and officials and students too received 50% discount.
11. Check World development report..

[FOOTNOTES AND REFERENCES]

divisions are not too obvious such societies manage to project a homogenous image. The first type of society where deep divisions exist which could undermine any national consciousness are a) Afghanistan and b) Tajikistan.

The second group which manage to project a homogenous image inspite of minor social frictions are the rest of E.C.O. members i.e. Turkey, Pakistan, Iran, Kazakhstan, Uzbekistan Kyrgyzstan, Turkmenistan, and Azerbaijan.

To the first type of society with deep social fissures and divisions belongs Afghanistan. It has a majority Pushtu populace speaking pushtoon and large ethnic minorities of Turkmen, Tajiks and Uzbeks creating multiple fissures.³ Afghanistan presents a society deeply divided against itself. It has to first undergo societal changes to quell these differences before embarking on any exercise of regional co-operation. Tajikistan is the other national society with divisions that make it difficult to call itself united. It is a Persian speaking nation surrounded by Turkic speaking people. Fictional Interclan, and intertribal conflicts erupt frequently between the clans of khodzents in the north, kulyab in the Southwest and Badakshan in the east. The Khodzents are communist and non-communist in orientation and constituted the ruling elite during the old Soviet days. The South-West has a strong Islamic presence.

Badakshanis are Ismails unlike the rest who are sunni and expouse secular western democratic ideas. There are other influential clans who change allegiance depending on the current state of the relationship with the other clan groupings.⁴ The mixing of ideology to clan tension has not improved the situation but only worsened the existing tensions.⁵

Among the above two states the situation represents a divided society. The above mentioned societies are deeply divided vertically and laterally by linguistic, ethnic, cultural, religious and class cleavages. This results in a minority consciousness with alienation from and distrust of the national policy. Co-operation with the nation may thus become different; while ruling groups which themselves may be divided by social cleavages may be immersed in the problems and support garnering from the various sections of society and thus become exposed to very regional or parochial forms of socialization. They can't be an asset within the E.C.O.

The other states of the E.C.O. have more homogenous societies it is not to be mistaken that all national societies in the E.C.O. are unbecoming in their attitudes to nation building. Pakistan the most populous member of the E.C.O. has a dominant Punjabi populace speaking Punjabi the

CHAPTER 3

ECO REGIONAL PROFILE

The area constituting E.C.O includes the elements of the near east and middle east namely Turkey and Iran, and the transcaucasian region of Azerbaijan, Central Asian region of Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan and Turkmenistan, and finally the South-Asian region of Pakistan. Although these areas lie contiguous to each other from one end to another with no major geographical obstacles and although they share commonalities like common Islamic faith, yet there autarkic and antagonistic policy orientations and marked disparities in Economic power.

The Characteristics of national policies of states are shaped in multiple patterns of causation.¹ The national policies of the states of E.C.O are no exception, they are decided by societal factors, political cultures authority and influence patterns, policy processes and performance levels.² In order to understand the national policies we look at the national societies of E.C.O.

ECO Regional social profile

ECO Regional Social Profile

The national societies of a few of the E.C.O. member states are deeply divided, in a few other states the

rest are Sindhi speaking Sindhi, Pushtu speaking Pustoon, Baluchi and there are the minority Mohajirs, In spite of central tensions⁶ and dissensions Pakistan is a United National Society.

Iran the next most populous country after Pakistan is primarily Persian speaking. Persian is spoken by about 50%, Azerbaijanis speak Turkic and form about 25%. The above two groups are mostly shia. The other 35% percent is formed by the Kurds, Baluchis, Arabs and Turkomans they speak different languages and are mainly Sunni. Iran has social tension just like any other country. But they are of a negligible nature as it is able to hold on to its largely revolution induced Islamic national identity.

Turkey the third most populous member of E.C.O. too has large ethnic minorities. The largest and most troublesome so far have been the Kurds, an Islamic hill tribe. The Kurds have been carrying out an insurgency⁷ in 24 of the 76 provinces of Turkey. Turkey has between 10-20 million Kurds⁸ roughly a 1/6th to a 1/3rd of its population. Turkey has other ethnic minorities like the Circassians and the Laz of the Black sea coast besides smaller groups of Arabs, Greeks, Armenians and others. In spite of ethnic tensions, Turkey stands united and has a strong sense of national culture.

Uzbeks the Central Asian entrant to the E.C.O. has 71% Uzbeks and 8% Russians. It has other minorities like Tajiks, Turkmen etc.⁹ There were uprisings in Ferghana and Osh during the Gorbachev period.¹⁰ Presently Uzbekistans Karakalpak an autonomous republic seeks to be independent and this is a major source of conflict. Uzbekistan on the whole inspite of tensions and divisions is still a largely homogenous society with over 80 ethnic clans. Its social conditions shall help it to be included within E.C.O. without any difficulty and shall be an asset to the E.C.O.

Kazakhstan the largest of all the E.C.O. members has the 5th largest population. It is by and large peaceful with 40% Kazakh, 38% Russians and 5% Ukranian. it has large number of Uzbeks and other's including Uighurs. It has a healthy social setup with no major divisions and infighting etc. It could look foward to a healthy participation in E.C.O.

Azerbaijan has 7.4 million¹¹ population of which 70% Shia and 30% Sunni, its ethnic composition¹² is 82% Azerbaijani 7% Armenian, 5% Russian and 5% other. It has a war situation over the province of Nagorno-Karabakh mostly inhabited by Armenians. The country is otherwise largely homogenous and presents no major divisions or social tensions within.

Kyrgyz Republic with 4.5 million population¹³ has 50% Kyrgyz 18% Russian and 18% Uzbeks.¹⁴ Minor social tensions exist due to the large presence of Uzbeks and Russians. Uzbeks are suspected to entertain ideas of larger Uzbek nationalism cutting across different Central Asian States. But that is not immediate cause for concern for E.C.O. Kyrgyzstan presents itself as a united society.

The smallest member of the E.C.O. is Turkmenistan (war affected Afghanistan may have lesser population but that is only temporary) with 3.9 million population.¹⁵ 72% Turkmen, 9% Russian and 9% Uzbek. It has other Persian speaking minorities too. It has been relatively free of ethnic unrest.

The above societies have maintained their unity inspite of internal social tensions. They have relatively fewer tensions and fissures. They have managed to collectively accept a national identity. Their relatively advanced social systems allow for spontaneous organization and for development of institutions on a national level. In spite of linguistic ethnic, cultural religious and class cleavages the majority of the E.C.O. members are open to interchange and cooperation with foreign societies. Their social systems have significant capacities for spontaneous self organization and development and support of political institutions on a national scale.

ECO Regional Political Profile

Political cultures based in national societies shape political behaviour and statecraft. Relatively advanced political cultures are necessary for the support of wide ranging regional co-operation. The Third world divisions and parochial tendencies restrict the growth of such co-operation.¹⁶ In the region constituting E.C.O. we see four broad groupings of political cultures. They are (a) Turkey and Pakistan belong to the first type with strong stable democratic governments and a strong opposition in parliament. (b) Islamic republic of Iran belongs to the second type with a strong stable government; it has banned political parties and there is no real opposition. It has a government run by a religious order, (c) The Central Asian states belong to the third types of political cultures where opposition is non-existent, these are new democracies emerging after years of single party rule of the U.S.S.R. They have a strong central executive and has a tendency to assume dictatorial powers. (d) The states of Afghanistan, Tajikstan are the type which could be called chaotic political cultures marked by civil war situations there is no strong representative government and the whole state could break down if situation aggravates.

The first type under which Turkey is grouped has a strong democracy. It has a free democratic tradition. Turkey has a stable government. It has many political parties based on different ideologies. The present government headed by Tansu Ciller is a coalition between (D.Y.P) True path party with 176 seats and Social Democratic Party (SHP) with 49 seats.¹⁷ There are several other parties.¹⁸ Turkey is a republic it is a democratic and secular state and is governed by rule of law.¹⁹ It has a free press. Pakistan the most populous E.C.O. member too belongs to the first type. Both Turkey and Pakistan have had frequent interruptions by the military nevertheless they are democratic regimes. Pakistan has a recent democratic tradition of seven years that as after Aug. 1988.²⁰ It has a parliamentary democratic system; parliament consists of a 237 seat national assembly and an 87 seat senate. Pakistan has free and fair elections, and a free press.²¹ It has many regional and national political parties.²² The government is run by the Pakistan Peoples Party with Benazir Bhutto as Prime Minister, it advocates Islamic socialism, democracy and non alignment.

The second type of political culture within the E.C.O. is represented by Iran. Iran after the revolution in 1979 has been run by a religious order. In spite of the mixture of religion and politics Iran has a stable government. It has a

270 member lower house of Parliament called Majlis to which political parties are not allowed. It has an Upper house of 12 jurists (Council of Guardians). It has a written Islamic Constitution. It has however, developed a system which bears semblance to a political party. It has societies called the 'radical combatant clergy society' and the campaigning clergy society. There is also a shadow of opposition under 'Melzat Azadi' and secular leftist Fedaiyeen Islam. It has a large media but not free from government checks and controls. It has many Parsi and English Newspaper and two T.V. and radiostations.

The third type of political culture within the E.C.O. is the new democracies in central Asia and Transcaucasia. The Central Asian government are on a sure road to democracy. They have taken efforts to have decentralization of power and truly open societies. "The recent run of presidential and parliamentary elections in Tajikistan, Uzbekistan, Turkmenistan, Kazakhstan and Kyrgyzstan show a steady reversal of democratic trends".²³ Democracy has not been fully achieved and they are trying to do it.

In Uzbekistan, President Islam Karimov of Peoples Democratic Party on Dec.25th contested for the 250 members parliament and won 231 seats, the rest were won by his allies National Progress. Opposition has been banned and

jailed or forced into exile. Uzbekistan's national Uzbek opposition has been virtually eliminated.

Turkmenistan had elections to the fifty member parliament where only 50 candidates of the ruling democratic party contested. The others were suitably not allowed or banned. The president in a referendum extended his candidature for seven years till 2002 !!!

In Kazakhstan's elections to the 177 member house, Nazarbayev the president ensured his victory by nominating 42 candidates to the parliament and letting all others who stood for office. Again opposition is not free with strict government controls during election.

Kyrgyz has a 105 member Yogorku Kenesh (Parliament) and has had the closest to free election with 1,400 candidates of which 160 belonged to viable political parties. President Askar Akayev allowed political opposition but has frequent cabinet changes with intrinsic power struggles with the ruling elite.

We could observe in the third type of political culture within the E.C.O. that the government of Central Asia has to genuinely encourage political participation. It has to strengthen the political process. The Central Asian states have to train its officials to run elections fairly and

above all to remove the positive bans on the opposition only then can they endure a workable political culture like Pakistan or Turkey.

To the last type of political cultures belong Afghanistan and Tajikistan. Afghanistan is under a civil war situation ever after the Soviets withdrawal in 1989. In 1992 April an Islamic government headed by Burhanuddin Rabbani leader of the Pushtu speaking people was established. The Prime Minister and Gulbuddin Hekmatyar Leader of the Hezb-i Islami faction. It has no workable state and administrative machinery, no election, no free press etc. Tajikistan too belongs to this grouping. In the recent farce of an election on Feb. 26 1995 for a new 181 member parliament the only candidates allowed to contest were those who supported Imamali Rakhmanov. The western government refused to send observers to Tajikistan saying they could not be fair. Peoples united party was the only opposition allowed to contest they too pulled out. But the civil war continued just as Rakmanov sought legitimacy.

In the E.C.O. the development of regional co-operation could be affected by the divisions and the parochialism of political cultures. It is essential therefore for the E.C.O to set upper limits to integrate policy behaviour in the regional context. E.C.O. has relatively strong national

qualities in the political cultures of the members nations. Political cultures are embedded in general cultures, and reflect interplays between their value orientation and elite political behaviour. Geogrpahy and social distances influence the evolution of general cultures, political cultures and elite behaviour thereby affecting senses of national and regional identity. Since the social distances between E.C.O. members are short, societal interaction becomes frequent and evolving general cultures can have great influence on each other. Affinities between political cultures to a large extent determine possibilities for understanding trust and co-operation between neighbouring countries. Incentives to undertake regional cooperation of course tend to be greater for groups of such states but responsiveness to these incentives are strongly influenced by cultural affinities and social distances. E.C.O. has all the potential to grow inspite of its shortcomings. While degrees of parochialiism could hinder institutional development it has great strength to overcome these and seek cognitive and motivational aspects to give rise to active concerns with general community and national interests. The regional decision makers here should choose between public policy options on the basis of comparative political advantage.

ECO Regional Economic Profile

Economic co-operation organization was formed in 1985. Iran, Pakistan and Turkey were its primary members. In 1992, the organisation included Afghanistan, Azerbaijan, Kazakhstan, Kyrgystan, Tajikistan, Turkmenistan and Uzbekistan. It is a regional co-operation organization extending from central, South to South West Asia. The aims and objectives of E.C.O. are

- (i) Reduction of trade barriers in the E.C.O. area at an appropriate time in the light of the experience to be gained within the E.C.O. preferential tariff system.
- (ii) Industrial collaboration through the establishment of joint ventures based on the regional market; and through inter-industry co-operation and specialization in production of components.
- (iii) Establishment of an E.C.O. investment and development Bank with the participation of private individuals of the member states.
- (iv) Conversion the integrated E.C.O. reinsurance pool into an E.C.O. reinsurance company.
- (v) Promotion of intra-regional tourism.
- (vi) Provision of efficient post, telephone, telegraph and telex services within the region.
- (vii) Provision of efficient transport system in the

region. To this end the member states shall give priority to the construction, completion and improvement of the highways and railways.

- (viii) To take measures to ensure adequate shipping services and formation of an ECO shipping company'
- (ix) Expansion of air travel and movement of air cargo;
- (x) To provide technical assistance and expertise to each other in various fields;
- (xi) To establish institutions for training personnel in the technical fields;
- (xii) To establish E.C.O. science foundation with headquarters at Islamabad with a view to build up a pool of highly skilled, scientific and technical manpower;
- (xiii) Creation of an E.C.O. youth foundation to promote cultural exchange, friendship and greater contact among the youths;
- (xiv) Promotion of cultural co-operation;
- (xv) Establishment of close co-operation among media agencies.

POLICY

The member countries will adopt all measures and policies necessary for the fulfilment of the aims and objectives of the E.C.O. with the view to identify areas of

co-operation and to give a long term perspective to E.C.O. co-operation to achieve the objectives of E.C.O. the planning, financial and whenever necessary, other competent authorities of the member countries was established with close contacts among them.

Organs of E.C.O.

The task entrusted to the Economic Co-operation organisation shall be carried out by the following organs:

- (1) The Council
 - (a) Council of Ministers;
 - (b) Council of Deputies;
- (2) Regional Planning Councils;
- (3) Technical Committees;
- (4) The Secretariat, and
- (5) Specialized Agencies

Council of Ministers

The council of ministers is the principal policy and decision making body of the E.C.O. It comprises the ministers of Foreign Affairs or any representatives of full ministerial rank as may be nominated by the governments of the member states.

Technical Committies

The activities of the E.C.O. are carried out by the technical committees then nomenclature indicates work assigned to them. These are:

- (a) Committee for economic and commercial co-operation.
- (b) Committee for co-operation in the fields of transportation and communications.
- (c) Committee for technical and industrial co-operation.
- (d) Committee for agricultural co-operation;
- (e) Committees for education, scientific and cultural co-operation;
- (f) Committee for co-operation in the field of energy;
- (g) Committee for co-operation in the field of infrastructure and public works;
- (h) Committee on narcotics control.

The E.C.O. secretariat is located at Tehran. It is required to initiate plans, draw programmes of activities for submission to member states and to provide secretariat and documentation facilities for the activities of E.C.O.

Secretary General

The Secretary General is the head of the secretariat and is responsible for the supervision of various specialized agencies. He is appointed by the council of ministeries for a tenure of four years. The post of secretary-general rotates among the members states.

Specialized Agencies

There are three specialized agencies and institutions in the following fields;

- (i) E.C.O. chamber of commerce and industry
- (ii) E.C.O. insurance centre, Karachi
- (iii) E.C.O. integrated reinsurance pool, (Istanbul). All specialized agencies are required to submit annual reports of their activities to the secretary general.

The E.C.O. members are Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan and Uzbekistan. Each of the member nations of the E.C.O. have their strengths and weakness. They could be assets to the E.C.O. or they could be liabilities. It is therefore necessary to rate each one of the E.C.O. members according to their strengths and weakness.

The western most member, it is strategically located²⁴ as the bridge between E.C.O. in the east and European Union in the west.²⁵ It has a Mediterranean type of climate.²⁶

The year 1993/94 the economy was going through difficult times. A currency sell off caused a devaluation of the Turkish Lira by 28% and imposition of harsh austerity package.²⁷ Inflation is around 110% Turkey's foreign debt is about \$ 65 billion²⁸. The country has tremendous debt

problems. The government has been resorting to harsh measures to correct the imbalance. Most of the credit comes from the west and the western creditors have been uneasy at Turkey's handling of the solution. Turkey beyond doubt has been suffering from the ills of co-operation with the north as has been discussed earlier. It means that the Turks are getting poorer and will get even poorer still as time bound austerity plan progresses. Trade deficit was \$ 14B in 1993 and could increase.

Turkey under took privatization measures in the late 80s. It would require the support of all especially the fellow members of E.C.O. The 1980s was a decade a of stabilization programmes after the 1970s was a period of growth. In the 1980s the Turkish economy saw rising costs to pay for Hydrocarbon imports, Hyper inflation and high debt burden. The domestic monetary austerity has brought benefits so has the massive sales drive abroad.²⁹

The main trading partners of Turkey in the 80s and till the present have been E.U., Germany, U.S.A., Italy in that order. Its exports in the 1980/1990 was mostly agrobased primary goods, textiles, metals foodstuffs and agricultural products. Compliance with GATT's guidelines meant lessening incentives to export especially those of tax resulting in lower exports. Turkey's trade with its communist neighbours.

The total share of erstwhile U.S.S.R. in Turkey's foreign trade was in the 1990's: the year of the changes, 5.6% of imports and 4.1% of exports.³⁰

Turkey's interest in E.C.O. is surprisingly inspite of the membership of European union and Black Sea Economic Co-operation Zone.³¹ As founder member of E.C.O. Turkey will aim to make its economic presence felt in the region and acquire an influence which will stabilize and strenghten the country. Turkey will be interested above all in the realization of projects which will bring benefits to its economy and lead to greater co-operation and integration of E.C.O. member countries. Turkey has worked out details of Gas and oil-pipes leading to Turkey and via Tureky into the mediterranean and Western Europe. This could give a fresh stimulus to the region's chemical and petrochemical industry. In the field of transport infrastructure it will be intended to construct new railway lines, roads, airports and harbours and to modernize existing ones. It would seek to modernize air traffic control and telecommunications. Turkey being the most developed member country would receive contracts in all infrastructure areas mentioned above that is so badly needed by the E.C.O. Turkish building contractors have already been operating successfully in the former Soviet Union and in the Central Asian partners of the E.C.O. for a number of years. Since Turkey is formly

integrated in the World economy via its association with the E.U. and its membership of BSECZ the other erstwhile socialist E.C.O. members and others could find it easier to access the world market and especially the countries of Europe.

Turkey has particularly close ties with Central Asia all of them except Tajikistan are Turkic speaking and with Azerbaijan. Turkey has expanded co-operation with them and hopes that the expansion of connections with Azerbaijan and Central Asia would bring economic revival to the Black Sea Coast as well as to underdeveloped Eastern Anatolia. Since the opening of the borders per capita income in these regions has risen markedly especially in the region of Trabzon.³² In the long term, Turkey would like to make Trabzon and its port into an important centre for trade. In order to achieve this the port would be extended and modernized and the town would be declared a free trade zone. The town of Erzurum would also profit from this.

Agriculture has been the mainstay of the Turkish economy 15.4% of the G.N.P. in 1992 and over 20% of its exports and employed about 50% of its workforce.³³ It had a food surplus and sufficiency in basic food stuffs. It could export grain and foodstuffs to food importing Central Asian states especially Kyrgyzstan, industry provided a share of

17% of G.D.P. and service sector 5.6% of G.D.P. 35% of labour was employed in service sector and 15% in industry in 1992.³⁴

Turkey has been heavily dependent on hydrocarbon imports and shall find relief at its abundance in some of the E.C.O. members. It could greatly benefit by exchanging its industrial, agricultural and service outputs in return for valuable hydrocarbon products.

Turkey has a good well developed money market and banking. It has already set up banking assistance and co-operation facilities with the Central Asian republics. Its state owned and private banks have close links between banking and industry. Several banks are owned by industrial houses. Banking has a specialised nature in Turkey it has Sekerbank (Sugar Bank) Etibank (Minerals Bank), Panúkbank (Cotton Bank) which could individually merit attention.

In money markets Turkey has been one of the emerging markets of the world. In 1993 electronic trading was introduced in Istanbul stock exchange. Plans are afoot to establish a regional ECO stock exchange with the help of E.C.O. members. The Istanbul - Tuncay Artun stock exchange officials insisted Tehran in this regard.³⁵

Iran was a founder member of E.C.O. It has common border with 5 E.C.O. Countries.³⁶ It has largely a desert climate.³⁷ It has an area of 1,648,195 square kilometer making it the second largest republic in area after Kazakhstan. The population of Iran was 59.5 million in 1992 second only to Pakistan.³⁸

The economy is largely dependent on hydrocarbons³⁹ and the recession in oil prices is making reforms difficult. Its economy ravaged by the 7 year war with Iraq is only showing signs of recovery. The poor oil prices and that of exchange rate is hampering such recovery. Iran's ruling regions consists of supporting of reform and those who oppose reform, both being stubborn and un equivocal in their stances.

Annual inflation in Iran was roughly 25-30% in 1993-94. The central Bank devalued the Iranian rial by 32% thus affecting inflation, further Iran's budget figure for 1994/95 was \$27 B. The overall budget figure is nominally 28% higher than the previous years spending figure.⁴⁰ The improvement of Iran's oil finances⁴¹ could augur well for the E.C.O. as it could streamline some of its income from oil to fund E.C.O.'s ambitious programmes. Iran's key role so far in E.C.O. would ensure that any betterment in Iran economic condition would translate into better fulfilment of E.C.O.'s

objectives and programmes. Iran's major trading partners⁴² have been Germany, Japan, Belgium, Luxembourg, France, Netherlands, Romania, Italy, Spain and Turkey. None of the E.C.O. members feature as Iran's major trading partner and Turkey has hardly a prominent place. The simple reason is that most of what Iran wants the west provides and most of what Iran possesses for export the west needs. Iran's exports to the E.C.O. members in 1992 were to Turkey it exported \$245 million to Pakistan \$168 million. It imported from Turkey \$ 552 million and from Pakistan \$99 million with the rest of the E.C.O. members it had little trade whatsoever.⁴³ Iran will have to do a lot of work in identifying areas and sectors where it could trade with E.C.O. members. One of the handicaps of Iran's trade with E.C.O. members is inadequacy of communication and transportation.⁴⁴

Industrial sector contributed around 9% of GNP in 1992.⁴⁵ Manufacturing had been badly affected by foreign currency shortages and by war disruption. Minerals and mining sector contribute 25% of GNP, mining is done through private company contracts and joint ventures with different countries.

Iran's view of E.C.O. and its keenness to promote E.C.O. are not without reasons. Iran as the main force behind

E.C.O. aims to attain an influence in the region. Iran proposed to restart the RCD as E.C.O. when the war with Iraq was still in progress of Iran seeks to gain a strong presence in the newly liberated regions of Central Asia and transcaucasia which it has followed as a matter of the highest priority.⁴⁶

The revolution, the war with Iraq, the U.S. targetting of Iran for the role in international terrorism and the consequent ban have pushed Iran to seek political adjustment, "While remaining true to its Islamic principles it is trying to win the confidence of the industrialized world to gain access to the technology and capital required for reconstruction and modernisation of the economy".⁴⁷

Iran would benefit from projects that could benefit it such as pipelines from Central Asian nations or Azerbaijan to the Iranian port in the south or via Iran to Turkey; either way Iran stands to gain by providing transit facilities. This would provide a boost to its already well developed petrochemical industry.

The war in Afghanistan indirectly benefits Iran as Pakistan is forced to use Iranian territory to trade with Central Asia. The Iranian railway network from Bandar Abbas to Zahedan and then connected to Pakistan cities. It

benefits the less developed Iranian territory in the east and could give a boost to the local economy. It's ports and other facilities are geared up for extra freight. Iran has been increasing the number of free trade zones in Quesh Island and Kish Island.⁴⁸

Iran's vast expertise in oil exploration, refining and petrochemical industries could be utilized by some nations like Azerbaijan and Central Asia seek reliable expertise in these fields.

Iran seeks assistance and co-operation with Kazakhstan, Turkmenistan and Azerbaijan within E.C.O. in the solving and environmental problems relating to the Caspian Sea. It also seeks co-operation in Specific industries like caviar for which sturgeon the fish is available mainly in the Caspian sea.⁴⁹

Iran's membership of E.C.O. can be valuable asset and a liability too ⁵⁰ . The reason for such as observation are all too clear. Pakistan Agriculture employs 15 to 20% of labour force and accounts for 27% of GDP, About 26% of land area is cultivated arable. Has a largely agricultural economy. Agriculture in Pakistan has suffered from poor weather condition and rapid population growth rate of agriculture was 6.4% in 1992.⁵¹

Manufacturing contributes 16.5% of G.D.P. and Work Force employed in it is about 14%. Manufacturing has been dominated by strong govt. presence in public sector industries. About 85% of manufacturing output takes place in the private sector. Main industries are textiles, sugar, refining and chemicals.⁵²

Its main trading partners were USA, Japan, Germany and U.K. None of the E.C.O. member states figured among Pakistan's top ten trading Partners in 1992.⁵³ Pakistan's exports were mainly cotton, textiles, leather, carpets and rugs etc. Its imports were mainly machinery and transport equipment, mineral fuels and lubricants, manufactured goods, animal and vegetable fats and oils etc.

The seventh 5 year plan (1988-93) sought the efficient growth of output on the one hand and improving quality of life on the other. The government encourages private sector and welcomes foreign private investment. Export processing zones⁵⁴ have been established for this purpose, the procedure for investment has been considerably simplified, list of specific industries requiring government sanction has been considerably reduced, Pakistan has also announced incentives for investment. It goes to show that the Pakistan authorities have been paying great heed to liberalization of the economy. It is not without reasons. Pakistan has come

to believe that or no more shall recline massive doses of U.S. Aid is used to be the case when the Afghan embroglio lasted. Pakistan besides facing drastic cuts in U.S. Aids also has been facing shrinking in remittances from its labourforces. That is the reason why Pakistan has agreed to the Quereshi reforms and gone about securing the IMF package.⁵⁵

Pakistan requires E.C.O. to overcome its chronic energy shortages. The load shedding not only compelled industrial sector to end at least one shift out of three per day causing a huge loss of revenue to government but also adversely affected agricultural areas. The factories and furnaces when they cool down due to load shedding, take a lot of time and additional power to bring them up to desired temperature. Likewise when there is loadshedding of more than 8 hours in a day, how is it possible for a farmer to prepare the soil for cultivation of rice and wheat which need enormous quantity of water.⁵⁶ Short fall in power supply may be around 1715 M.W.⁵⁷ Pakistan would be interested in the energy rich economics of E.C.O. Iran, Azerbaijan and some of the Central Asian republics are energy rich and Pakistan would be interested in the E.C.O. precisely for this reason. Pakistan would probably seek assistance from them to overcome its chronic power shortage.⁵⁸

Pakistan has a vast potential is far as the shipping industry is concerned only 10% of its cargo is carried by Pakistani vessels and over 90% of its cargo is carried by foreign flagships.⁵⁹ The inefficient Pakistan's National Shipping Corporation was being just another government organisation and a large number of private entrepreneurs are setting up private shipping companies. Now if central Asian states do not have access to the sea it would be to Pakistan's benefit. It would seek to provide facilities to the Central Asian States and Afghanistan to make use of Pakistan's facilities at port Karachi or Port Qasim (60 kilometers South East of the existing Karachi Port). Some day soon Pakistan shipping operators will be able to play their proper role at the hub of the region encompassing the E.C.O. countries.⁶⁰

Once E.C.O. becomes more active and as funds start to pour in to finance various programmes Pakistan is bound to make massive gains. It is well known that Pakistan is one of the 3 most important members of E.C.O. along with Iran and Turkey. It shall be one of the main beneficiaries of regional co-operation. Foreign investment in Pakistan will be a direct reflection of Pakistan importance in E.C.O. General Aslam Beg, said 'A billion dollar worth of investment from China will flow into Pakistan under various

plans....⁶¹ If foreign investment flows into the E.C.O. region it will flow into Pakistan or Turkey as Iran's maverick attitude in world policies leaves it as an outcaste.

Pakistan Prime Minister Bhutto's statement⁶² in the Islamabad Summit of E.C.O. highlights the situation. However we need to develop a more coherent approach to resolving these problems including capital resources from international institutions and private sector investment.⁶³

Apart from the above stated advantages Pakistan would be looking forward to finding markets for its goods. Its goods one not competition to be able to find markets in Europe or North America. It would therefore seek markets in the newly emergent states of the E.C.O. for its goods especially as the poor Central Asian republics would be seeking cheap products and would not mind compromising on quality.

Lastly Pakistan's interest in the E.C.O. would be for better understanding between the states of the E.C.O. Pakistan is currently facing massive smuggling along its Afghanistan border or Durand line. The Afghan transit trade has become a source of smuggling causing losses of over 3 billion in revenues to government of Pakistan only in the first half of the current financial year.⁶⁴ E.C.O. and an

integration of the economics of the region will mean more uniformity in imports tariffs thereby checking their anomaly.

Thus Pakistan agenda for the E.C.O. is not without gains for itself. Of course the highlighting and support seeking by Pakistan for its agenda on Kashmir and a few other benefits it seeks for itself was the E.C.O.

E.C.O. health ministers conference in Tehran⁶⁵ was a pointer to Pakistan that it has lot to gain. Pakistan has a large 120 million population leading to shortage of primary and Basic health care facilities.⁶⁶ It has periodic outbreak of Cholera, yellow fever etc. It has about 3 million Afghan refugees in poorly provided camps across Pakistan. Pakistan's health facilities requires a large measure of funds and technical assistance. Identifying common areas of health care with E.C.O. can benefit E.C.O. itself and Pakistan along with it.

KAZAKHSTAN

The largest area of all E.C.O. members (27, 17,000 square kilometers) Kazakhstan. It has access to caspian sea and Aral sea. Its 3 major international river Syadarya Irtysh and Ishim which provide the large country with inland transport. It is rich in mineral resources and has very low

population density.⁶⁷ For a country nearly 4 times the size of Pakistan it has a less than 1/6% Pakistan's population.

It is a newly emergent republic, coping with the strains of free market economy after years of Soviet style socialist economic structure. Its economy is still dependent on the economy of Russia. Market reform programme landed the economy in serious trouble⁶⁸ Corruption was a major problem, asset stripping was another and people voiced concern over privatization from above.⁶⁹

Kazakhstan's economy heavily imported goods from USSR ranging from sugar and clothing to consumer durables industrial equipment; building materials and cement and agricultural machinery. Now Kazakhstan is struggling with underdeveloped manufacturing base narrow markets, and problems of capital accumulation.⁷⁰

Indigenous labour force is low skilled and concentrated in low skill operations. Two thirds of the workforce is Russian and Ukranian. In case any Islamic resurgence or unrest ethnic Russian and Ukrainian population could leave, crippling the industry and manufacturing.⁷¹ It shows how suceptible the economy is to change.

Kazakhstan has been reeling from the effects of being exposed to a cotton monoculture 50% to 60% of its

agricultural output is cotton. Excessive specialization in cotton and suppression of the cultivation of traditional products such as cereals is the most critical feature of the economy of Kazakhstan. The cotton monoculture on the one hand has distorted economic development, ruined peoples health and damaged the environment but on the other hand reducing cotton acreage would mean less cotton to sell that earns hard currency and continuing with cotton will put further strains on the already depleting water resources and the excessive use of chemical fertilizers which have seriously affected soil fertility and affected the health of the rural population. Fall in cotton production will adversely affect the employment situation. Less cotton acreage would mean less rural employment since cotton employs six times more labour than grain.⁷²

The economy has switched from Soviet style production to privatization of its means of production. The belief that market forces introduced into any industrial structure would automatically result in economic dynamism and innovation. But it has not happened in Kazakhstan.

Instead the privatization has only landed the economy in trouble. The head of the state property committee acknowledged that many of the 6,200 privatizations that had been carried out would have to be annulled owing to

procedural improprieties. But government commitment to privatization saw specially licenced non state investment funds which were created to recur investment coupons.⁷³ But the whole investment funds concepts had to be reexamined and it seemed unlikely that the system would function effectively enough for the economically restructuring to take place. Privatization of land was more successfull in Kazakhstan.⁷⁴

The economic strains continued as they discontinued the rouble as legal monetary tender and on 15/11/1993 introduced the Tenge. But this new unit lost value and by 1994 March the commercial banks had a rate of 70:1 (tenge:rouble). The decline continued inversibly.

But all is not lost for this largest member state of the E.C.O. It has large natural resources of scarce minerals. It has large hydro carbon deposits which could be of particular interest to other E.C.O. members. The hydrocarbon deposits are estimated to be equal to Kuwait or even Saudi Arabia. Large number of foreign companies have made a beeline for the oil and natural gas exploration.

E.C.O. membership could be useful for Kazakhstan when it seeks access to warm water ports to transport its hydrocarbon deposits. Iran has offered its territory, so has Russia and Turkey. It remains to be seen how Kazakhstan is

able to squeeze a favourable deal out of any of the given proposals. Again Kazakhstan will stand to benefit from E.C.O., especially, Iran's expertise in dealing with foreign companies. Kazakhstan own petrochemicals or other industries for which it lacks the capital or technical knowhow could again be sought from Iran. Turkey and Pakistan could gain from Kazakhstan's surplus energy, while in return providing it with cereals, machinery, equipments consumer goods etc.

Kazakhstan will need E.C.O. help in the structural transformation and modernization of its economy on the basis of new technologies. It will attach importance to basic industrial branches, solution of food-stuffs problems, production of non food consumers goods for home market and conversion of defence industry.⁷⁵

E.C.O. will have to reckon with Kazakhstan's trade with the CIS. China has been interested in Kazakhstan economy as Kazakhstan has an ever increasing demand for consumer goods. China has a large and cheap consumer goods industry and seeks to export consumer goods to Kazakhstan. E.C.O. will have to reckon with China and with India too if it has to build itself into a successful regional cooperation. It will have to learn to interact with these large neighbours without allowing much dependence to grow on them.

Kazakhstan would seek E.C.O. assistance and help in its efforts to integrate with the world economy. A stock exchange has been established in Almaty which is operating both a commodity exchange and money market. Turkey⁷⁶ and Pakistan should be of particular assistance within their vast experience with IMF, GATT, WTO etc.

E.C.O. could be of much help in transport sector too E.C.O.⁷⁷ Air that would be launched would be vital to Kazakhstan. It already has 'Kazakhstan Airways' there are flights by Turkish Airlines too. Surface transport like Rail are fairly well development between Kazakhstan and the other CIS members. The E.C.O. would require to invest in infrastructure such as road and rail to connect Kazakhstan to other E.C.O. member in the south.⁷⁸

Kazakhstan's view of E.C.O. has been of a nascent nation seeking guidance. It is not however of a sick man seeking a crutch. E.C.O. and Kazakhstan are both an asset to each other and both should be able to gain from this partnership.

KYRGYZSTAN

Kyrgyzstan occupies the Tien Shan mountains ranges which stretch hundreds of kilometers across the north eastern parts of Central Asia. It's size its about 1,98,500 square kilometers. Average elevation is 2750 meters. It has

a continental climate and the country has been divided into six administrative divisions the capital is Bishkek.

Its domestic economy is tied closely to the Russian led CIS. There was an economic liberalization and market reform programme which followed the ending of subsidies from Moscow. But high inflation set in and living standards declined.

The benefits of market economy would take long to be felt it began with privatization of state properties and enterprises being purchased through the coupon system (similar to the one on Kazakhstan as has been discussed earlier) Free economics zones have come into existence. The economy feels the great pressure of overcoming the Soviet style Command economy to market oriented one. E.C.O. should step in to ease the burden and share it where necessary.

The economy is dependent on agriculture. As is the case in Kazakhstan it has a cotton monoculture economy. Animal husbandry and livestock are very important, leather is an important industry. There are fertile river valleys and the country has good produce of most crops.

Industry and manufacturing is the second most important sector.⁷⁹ In 1992 it contributed 45% to gross domestic product.⁸⁰ Most of the goods manufactured are wool

processing basic electrical goods and automotive parts and machine tools. Most manufactured goods come from the Russian Republic and CIS. Kyrgyzstan has a long way to go to become an important manufacturing centre of the E.C.O. Its industries are inefficient as far as energy utilization is considered. Many of its industries are also labour intensive. It therefore has to solve the problem of technical inefficiency.

To be able to make gains from its involvement with E.C.O. Kyrgyzstan has to primarily attend to developing its basic economic infrastructure.⁸¹ Infrastructure is a precondition for any economic development. Telecommunication in Kyrgyzstan does not meet the requirement of rapid development. International communication is also routed through Moscow. The E.C.O. countries will have to help Kyrgyzstan overcome its dependence on Moscow. Turkey has already offered to develop satellite based telecommunication.⁸² The other E.C.O. members would no doubt benefit from Turkey's expertise and help develop more efficient telecommunication.

Transportation the other essential infrastructure that needs to be developed. Transportation in Kyrgyzstan has the first disadvantage of a mountainous topography. The roads constitute the basis of transportation network. The level of

intensity of transport is about 1.3 tonnes freight per kilometer. It has border crossing with Kazakh, Tajik and Uzbek republics. It has a few rail links owing to its mountainous topography.⁸³

The road and trains infrastructure have been Moscow centred. This could be changed with its participation in E.C.O. E.C.O. centredness will have to be the key to develop road and rail infrastructure.⁸⁵ The key to E.C.O.'s rapid development could be air transport.

At the E.C.O. conference in January 1995 the countries agreed to connect all vital routes by E.C.O. Air, a joint venture of which all members countries are partners. It was decided that 'E.C.O Air' begin functioning a month after the Islamabad Summits in March 1995.⁸⁴ Kyrgyzstan's first step would be to seek all assistance to develop its infrastructure like Banking which would be very essential in its thrust to privatise.⁸⁶ The development of banking will be essential for greater co-operation to Kyrgyzstan it has a two tier structure and consists of the National bank of Kyrgyz Republics (NBK)⁸⁷ at the upper tier and of commercial banks at the lower tier. The commercial banks have been established comparatively recently and so clearly have not developed the branch system. For the E.C.O. to be successful

these new banks have to be relatively dynamic and perceptive to new banking services.

Insurance is another vital sector for the E.C.O. the insurance of Kyrgystan⁸⁸ has not been developed. Although the number of insurance companies is close to 40 most of these companies are small. There are three main forms of insurance, property insurance 27.1%, private insurance 16% and commercial liability insurance 57%. E.C.O. could help it deregulate its insurance sector and make it more competitive and consumer friendly. Insurance sector usually improves with private competition. Middle classes depend on insurance so do the other classes to pool their savings. The insurance funds are channeled to the stock markets. The overall health of the economy depends to a large extent on the strength of its insurance sector.

E.C.O. would also seek to improve bilateral and multilateral trade. Foreign trade of Kyrgyzstan is largely dependent on the CIS republics. The merchandise trade of Kyrgyz in 1992 was \$33 million exports and \$ 25 million imports.⁸⁹ Kyrgyz had a favourable balance of trade of \$ 8 million. The merchandise trade is very small and it has a lot of scope to grow. The trade policy of Kyrgyz has been determined by necessity to meet immediate demand to ensure supplies of energy resources and raw materials under the

clearing agreements. It is characterized by desire to satisfy local needs through imposing limitation on exports and by counteracting and reorienting the production and trade structure.⁹⁰

To become a more influential member of E.C.O. Kyrgyz has to reorient the trade structure and production structures. It needs to reduce or liquidate those production facilities which are not competitive under the conditions of world market prices. Kyrgyz exports beyond the CIS constituted 15% to 25% of the total exports of Kyrgyz in 1992-93. Kyrgyz presently has to aim at increasing its exports value.⁹¹ Its main trading partners among the E.C.O. members was Turkey to which it directed 15% of all of its exports. The other E.C.O. members have stepped up their trade with Kyrgyzstan.⁹²

Kyrgyzstan's biggest disadvantage that sets it apart from the other E.C.O. members are, that it lacks sizeable deposits of valuable raw materials which means most western investors will ignore it. It could be the case with E.C.O. investments too. However all is not lost as Kyrgyzstan has sizeable deposits of non ferrous metals including Gold mercury and uranium. Kyrgyzstan lacks the size of Kazakhstan or the population of Pakistan or the mineral fuels of Iran but still it has hope. It can concentrate on the other ways

to develop,⁹³ such as tourism etc. Its interest are best served concentrating on its strengths.

UZBEKISTAN

Independent Uzbekistan was formed like the other central Asian republics on 21st Dec. 1991.⁹⁴ Uzbekistan shares border with with all central Asian republics. Its population in 1992 was 21.5 million. Its area was 447,000 square kilometers. Its GNP per capita⁹⁵ was \$850 in 1992.⁹⁶

After independence in 1991 Uzbekistan has followed five principles to develop. The first of the principles, states explicitly that economy must have priority over politics; It is necessary to ensure deideologization of both domestic and foreign economic relations.⁹⁷ And the fifth principle states that the transition to market economy must be realized or implemented in a thought out way stage by stage taking into consideration the objective laws of economy.

The process of transition to market economy has been going on in two directions (a) Through establishing joint ventures, joint stock companies, private firms and (b) Through privatization of state property.⁹⁸

Uzbekistan's economy is based on agriculture although it has a well developed industrial sector. Agricultural accounted for 43% of Net material product in 1991 with industry having 33%.⁹⁹

Uzbekstany had been a cotton monoculture economy like the other Central Asian states. It has two fertile river valleys Syrdarya and Amudarya and extensive canal networks.¹⁰⁰ Main agricultural products besides cotton whose effects has not been not good for the economy and has been discussed earlier under Kazakhstan. It also grew vegetables, fruits it had besides a sizeable sericulture and a smaller livestock sector.

It's industry has been mostly agro based dealing in cotton and textile manufactures. It also has fertilizers small metallurgy, air craft industries. Like the other Central Asian states it used obsolete technology, that was high on energy consumption and low on productivity. It had several large public sector units which employed about 85% of all those employed in industry in 1992.¹⁰¹

What made Uzbekistan attractive to the other E.C.O. members was its sizeable oil and natural gas reserves. E.C.O. members had been interested for its large deposits of gold,¹⁰² uranium,¹⁰³ coal, silver, copper lead, zinc and Tungsten. The mining sector required a lot of investment to make it more efficient and E.C.O. should have a positive role to play here.

Uzbekistan had strong trade contacts with the CIS states. Besides the CIS trade it had strong trade relations with the industrialized nations.¹⁰⁴ Among the E.C.O. members Uzbekistan had strong trade relations with Pakistan and Turkey to whom its exports were in 1993 first quarter \$ 0.02 million and \$ 24.55 million respectively¹⁰⁵ and imports \$14.98 million and \$238.70 million respectively. From the other E.C.O. states the figures were not available. Overall the merchandise trade in the previous year were \$869 million and imports \$929 million thus it had an unfavourable trade balance of \$60 million. The debt situation in the same year was \$16 million. Foreign direct investment was \$40 million. All this meant that the economy was inflationary. Fiscal and monetary corrections were¹⁰⁶ overdue as its external borrowing commitment of 1992 were \$423 million.¹⁰⁷

Uzbekistan like the earlier mentioned Central Asian republics would primarily seek greater integration with the world economy through the E.C.O. It would besides seek greater development of its infrastructures such as telecommunication¹⁰⁸ transport etc. Air travel received a boost in Uzbekistan as Tashkent, its larger airport received ICAO certificate to accommodate all types of Aircraft. It has links with many E.C.O. national capitals. Samarkand second to Tashkent could cash in on its location by providing transit and refuelling facilities on the Eurasia

Routes. Most of 'Uzbek Air' aircraft's are the old Soviet transport aircraft.¹⁰⁹ As tourism improves with the ancient movements of Khiva Bukhara and urgench Uzbekistans air transport will also improve. The ninth objective of E.C.O. is to expand air travel and movement of air cargo and the fifth objective is to boost intra-regional tourism.

Uzbekistans interest could be to develop Namangon (east of Tashkent) city which is the fruit capital of Uzbekistan. The Western Nukus capital its Western Karakalpakstan too could too could receive a boost in the overall developmental process with greater co-operation with E.C.O. Uranium mining west of Bukhara could develop with Pakistan, Iran and Knzakhstan all interested in Nuclear power. Between Tashkent and Khokand lies the Almalyk¹¹⁰ mining and metallurgical complex in the Kurama mountains which would receive a boost with better markets in E.C.O. and outside. Uzbekistan would seek primarily greater integration with E.C.O. via its reduction of trade barriers. Its banking and insurance facilities which fall under the third objective of E.C.O. would simultaneously receive a boost. Uzbekistan announced the market reform programme from 21 January 1994 including fast track privatization programme.¹¹¹ Uzbekistan would be keen on acquiring better technology and other matters related to privatization such as entrepenureship etc. through its participation in the E.C.O.

TURKMENISTAN

Turkmenistan one of the erstwhile Soviet Central Asia has an area of 4,88, 100 square kilometers had a population in 1992 of 3.86 million it is one of the least developed of all to members of E.C.O. 90% of Turkmenistan is a desert with an arid climate.¹¹² It had a GNP per capita in 1992 of \$1270 making it a middle income country.¹¹³

Turkmenistan introduced market reform programme since January 1993.¹¹⁴ The privatization programme was launched seeking to privatise trade and service sector by 1995. Banks and insurance sector were privatized by end of 1995 and joint ventures between foreign and national banks encouraged. Turkmenistan left the rouble zone on 1st November 1993. It meant that along with economic sovereignty came the denial of large subsidies from Moscow which were so essential to this country.

Turkmenistan has an economy reeling under efforts of market reforms programme. It has a large agriculture sector employing 35% of the working population. Cotton is the main crop which means Turkmenistan was another cotton monoculture economy.¹¹⁵ It has been dependent on ecologically disastrous irrigation schemes. E.C.O. could help in providing alternative agricultural programmes. An example of E.C.O. cooperation could be understood at Irans decision to provide

experts from Khorasan to cultivate potatoes at Turkmenistan. Iran had decided to provide other foods items, nurseries, seeds etc. besides it had agreed to provide technical assistance set-up an agriculture research centre.¹¹⁶ Turkmenistan was heavily dependent on food imports but a favourable crop season in 1992 seems to have reduced its dependence in imports. It had however a high degree of inflation and was forced to raise the prices of food materials too.¹¹⁷ Agriculture would be a key area of cooperation in E.C.O. in Turkmenistan.

The attractiveness of Turkmenistan like Kazakhstan and Uzbekistan lies in the large Hydrocarbon reserves. It has 8.1 trillion cubic meters of gas reserves and 700 million tonnes of oil reserves. It exports 2/3rds of the gas as there are no available facilities for processing E.C.O. could cooperate here in a big way. Since Hydrocarbon exploitation and processing are important to these Central Asian Republics a common agenda can be agreed upon under the E.C.O. banner. E.C.O. mean-while has to reckon with the participation of other foreign private companies eager to assist in exploration.¹¹⁸ The mining and industrial sector employing 11% of the working population oil output in 1992 was 10,41,000 Barrels per day. 13% of the industrial production is accounted for by chemical, gas and oil processing.¹¹⁹

Since Turkmenistan has a great strategic and vocational importance in E.C.O. and since E.C.O. has earmarked 1994 to 2003 as the decade for transport. Turkmenistan's location as key route between Iran's Central Asia important. It is also the only viable land corridor for transport as Afghanistan and Tajakistan are in a state of turmoil. Iran has constructed with assistance of other E.C.O. members a railway line on the Mashad Sarakhs route,¹²⁰ work has been completed. This means Turkmenistan would be able along with other Central Asian Republics to have access to warm water ports in Iran such as Bandar Imam Khomeini and Bandar Abbas. Turkmenistan has the former USSR rail network which links it to other Central Asian Countries. Thus with the completion of the Mashad Sarakhs route it becomes an E.C.O. networks as most of the other E.C.O. members are connected by rail. Border markets have been established along the Iran-Turkmenistan border and on the borders between Turkmenistan, Uzbekistan etc. Border markets help in enchancing trade between countries. Border markets help in creating more job curb smuggling and ensure welfare of border dwellers.¹²¹

Cooperation with Turkmenistan could include infrastructural areas like Banking, Insurance etc. and in areas like Health etc. As we have discussed it earlier there is a problem of repetition.

Turkmenistan had been lacking in entrepreneurial skills due to the long membership of Soviet style centrally planned economy. Entrepreneurial skills essential for the transformation of the command economy has to be developed. President Saparnurad Niyazov had said that "we are building a new society we must have our own traders entrepreneurs and businessmen. They will be granted freedom of action and state credits.¹²² As in cooperation the E.C.O. and Turkministan would seek mutual development through cooperation.

Afghanistan and Tajikistan are under a state of civil war. The Nation is divided into two or more warring groups Azerbaitan is under a state of war with neighbouring America over the province of Nagornokarabakh. These economics are to be considered as essentially non participant. Their state of internal emergency or civil war does not allow them to actively participate in the E.C.O. We are presenting their economic profiles to see how as as time unfolds in the future they would participate in the E.C.O.

TAJIKISTAN

Located in Eastern Central Asia, it is a Persian speaking¹²³ republic amongst other Turkic speaking Central Asian states. It is a low income country,¹²⁴ probably one of the poorest of all the erstwhile Soviet Republics, to had a

population of 5.6 million and a territory of 14,3,000 square kilometers in 1992.

Its Economy was under the Russian rouble zone and therefore closely looked to the Russian economy. The liberalization process that was followed was not without results. Among the negative impact of liberalization was an inflationary condition, as inflation rose to 100%.¹²⁵ Living standards declined drastically as it had in the other erstwhile Soviet Republics. Output from the energy, food, chemical and construction industries had declined 50% in 1992/93.¹²⁶ The years after independence Russian and German skilled labour fled from what was a child war situation thus crippling the manufacturing sector. It is for the E.C.O. to understand the domestic condition and suggest measures on a bilateral or multilateral bases. The Tajik economy had a high dependency on the CIS. Foreign investment had been affected by disturbing political conditions.

E.C.O. had a come in to help the fledgling republic, can had granted a \$50 million worth of credit while Pakistan Iran agreed to pay for the completion of the Rogan hydroelectric power station in return for electricity.¹²⁷

Tajikistan, a cotton monoculture economy, overall agriculture accounted for 38% of NMP in 1992, cotton

accounted for 42% of the workforce in agriculture. Industry contributed 44% of N.M.P. and re-employed 38% of workforce. Manufacturing was by obsolete machinery, inefficient energy consumption and wasteful use of energy E.C.O. would need to invest quite a large account to make the industry competitive. Consumer goods industry was almost non-existent and needed immediate attention Pakistan has already stepped in to assist Tajikistan, in a joint Pakistan-Tajik project coming up under which a modern Textile firm would be set up whose products would be exported.¹²⁸ In spite of being a cotton producer Tajikistan lacks a modern textile mill even to meet domestic requirements.¹²⁹ The transition to market economy and the fall in subsidies had taken a toll of employment and production situation. There have been few technology transfers from the west making the situation more difficult. The shortage of hard currency made it even more susceptible. Its economy shrank and it faced an all-round decline in almost all sectors.

Tajikistan sought help from almost all countries of E.C.O. It had been looking at the Turkish model for economic development. They have been interested in ties with Pakistan and Iran too. Tajikistan lacks entrepreneurial skill so essential for development. But their biggest obstacle has been the civil war situation and we are not pointing out how Tajikistan could benefit from E.C.O. or vice-versa as until

the situation of chaos clears Tajikistan would only remain at best a non participant or on worse a liability.

AFGHANISTAN

Land locked country had an area of 6, 52,000 square kilometers in 1992 and population of 2,15,38,000 in the same year.¹³⁰ The GNP was \$300 1992 making one of the poorest countries in the world.

The economy had been badly disrupted by the civil war. It had traditionally been a pastoral economy. The terrainpersian has been high plateau desert and mountainous zone. It had fertile river valleys, deposits of mineral resources and abundant hydroelectric resources.

Agriculture contribute about a quarter of their G.N.P. 12% of the land was cultivated and 10% consisted of pastures for grazing 65% of work force was employed in land pastoral pursuits. Main crops were wheat, fruits, vegetables, nuts. There was also considerable live stock and draught animals.

Industry contributed 5% to G.N.P. in 1992 and employed 5% of labour force. Manufacturing was mostly agro based or products or semifurnished products like cotton yarn wool and synthetic textiles. Other products included carpets aspects, footwears, leather goods, oil, furniture, per fabricated building, glass, simple mechanical spares and other

industrial chemicals and plastics.

Mining contributed about 10% of G.N.P. in 1992 and employed 2% of the work force. There had been considerable prospecting for hydrocarbons other resources included coal, salt copper lapis lazuli barium sulphate. Soviet and Czechoslovakian aid was committed to developing various mining projects. National gas production increased to 2.4 Billion cubic meters of which about 97% was exported to the CIS via this 180 kilometers pipeline. The industrial situation doesn't allow petroleum product to be manufactured in Afghanistan and they were all imported from the CIS. It had extensive copper mining at Ariak and high grade mining at Hajjguk.

The economy is energy sufficient E.C.O. especially Pakistan should be interested in Afghanistan vast Hydroelectric potential. There was a distribution port at Hairatton for electric power to the CIS. A large natural gas potential should also bring E.C.O. investments to Afghanistan but that would be only after the turmoil ceases.

Afghanistan currency Afghani Afghanistan exchange to the dollar was in 1992 2,77.81. Thus meant inflation was in 1991 a whopping 56.7%. It also meant that Afghanistan exports to other countries would have a large price

advantage. Foreign debt in 1992 stood at \$5294 million. Afghanistan economy no doubt was in shambles but peace could bring prosperity it could also open vistas for foreign direct investment. Afghanistan's natural resources and seizable population would make it hard to be ignored from any regional grouping. However, the civil war would dampen any such hopes and some experts would place a limit of ten years before any normalcy could return to this republic.

From an E.C.O. perspective Afghanistan civil war had been a hinderance as it effectively blocks the land route between Central Asia the closest warm water port i.e., Karachi in Pakistan. The civil war conditions would benefit E.C.O. more by immediate E.C.O. attention that could be essential to any post war reconstruction effort. Afghanistans economic infrastructure such as public utilities including power, telecommunication, piped water supply, sanitation and sewerage, solid waste collection and disposal, piped gas etc. or public works such as roads, rails, major dam and canal works or Irrigation and drainage or other transport sectors such as urban and interurban railways, urban transport, ports and waterways and air ports were either non-existent or severely damaged. This would make Afghanistan a net liability as far as E.C.O. would be concerned. but E.C.O. would have to be prepared to help in

the massive reconstruction and development effort thus triggering greater cooperation between them.

Afghanistan secondary sector was poor and underdeveloped it would be some time before any large doses of investment could bring about a change. Afghanistan's trade with the E.C.O. members would have to improve. It has seizable trade with Russia, India, U.S.A. etc. Of the E.C.O. countries its trade was considerable with Pakistan, its imports from Pakistan in 1993 was \$6.8 million and exports \$9.1 million thus an unfavourable trade balance.

AZERBAIJAN

It has an area of 86,600 square kilometers and a population of 7.3 million. Its location was on a tiny tongue of land jutting into the Caspian sea. It was created just like the other Central Asian Republics³¹ Azerbaijan had a GNP percapita¹³² of \$ 74 million in 1992¹³³. Azerbaijan had a percapita in 1992 of 5432 million dollars.³⁴ The share of agriculture in GDP was estimated at 28% and employes identical percentage of the workforce. There were crop failures and periodic droughts. Grain, cotton, tobacco, contains fruit and tea were grown. Fishing was an important industry, attribute to its long coastline along the Caspian sea.

Industry contributed about 35% of the GNP in 1992.¹³⁵ Approximately 18% of the labour force was employed in the industry and mainly sectors. The industrial sector had poor inefficient use of energy and raw materials as in other erstwhile Soviet Republics. Important industries were Iron and steel, mechanical, engineering, clothing, foodstuffs etc. Caviar was another major industry.¹³⁶

Mining sector contributed 30% to the GNP in 1992. The natural resources here included hydrocarbons total resources of crude oil estimated at 7.5 billion barrels. It had other minerals like ferrous deposits, lead, zinc, copper, cobalt bauxite etc. Since crude oil was so abundantly available it could easily measure as the economy's largest revenue earner. Its crude oil production was 406,00 B.P.D.¹³⁷ Foreign investment had been relatively easy¹³⁸ in this sector.

E.C.O. has a large agenda of cooperation and apart from development of infrastructure and other facilities. It would find it attractive to cooperate in the development of oil sector. With oil being the important factor for attracting of foreign investment E.C.O. would find it difficult to delay cooperation in this sector.

Turkey had been one of the forerunners and in March 1993 Turkey and Azerbaijan agreed to build a \$1.4 billion

pipeline from Baku oilfields to the Turkish mediterranean to take Azeri crude to western markets. Iran had not been idle to cooperate. Iran supplied 250 million cubic meters of natural gas to Azerbaijan in 1993. Azerbaijan provided 1,00,000 barrels of gasoil to Iran in return. Thus in the oil and natural gas we already find E.C.O. investment and agreements forthcoming.

Azerbaijan's banking sector too was an area of E.C.O. cooperation. Turkey's, Halk bank and the international bank of Azerbaijan became correspondence banks. Accounts have been opened at Halkbank for all the export-import and banking procedures to be carried out between Azerbaijan with the rest of the world. Another bank of Azerbaijan namely Azerbaijan bank and the Turkish, Ziraat bank plan to open a bank in Azerbaiian. These initially bilateral efforts at cooperation could come under an ECO umbrella Azerbaijan inspite of the conflict situation namely the war with Armenia had managed to keep its priorities of national development high on its agenda.

Azerbaijan would seek to chance its services sector capability by cooperating with the E.C.O. Its development too would depend on legal services computer services, education and training services, engineering, consultancy, transport work distribution and health services. The other

aspects of cooperation would be common between Azerbaijan and the other Central Asian Republics.

E.C.O. would have to seek ways to improve trade. After 1991 trade between Azerbaijan and E.C.O. geographically. It had considerable trade growth with Turkey with it had the higher bilateral trade amongst any E.C.O. member. E.C.O. would have to device incentives for improving intra-E.C.O. trade. It could do that on the NATTA, ASEAN or European Union model.

NOTES

1. Feld & Boyd, p.7.
2. Ibid, p.7.
3. K. Warikoo ed., p.193. Afghanistan has about 4 million Tajiks, 17 million Uzbeks and about 5 million Turkmen. (For more details check -Far eastern Economic Review, Sept. 22, 1994,p.32
FEER 7 July 1994, p.22
FEER 29 Dec. 1994 'New Islamic force'
The Economist, 4 Feb. 1995, p.24
4. Such as garm and KalaiKhum in the central corridor who played a decisive role in the struggle.
5. Also see. FEER - March 16 1995 p.18
FEER Sept 15 1994, p.17
6. It has social problems like Shia- Sunni discord and Mohajirs VS Sindhi discord. (For more details check) FEER - Nov 3 1994 p. 21
FEER Oct 27 1994, p.18
FEER Jan 12 1995, p.22
Punjabi speaking number 48 percent, Pushtoon 13 percent
Sindhi 11.8 percent Saraiki 9.8 percent
7. PKK, Kurdish workers party has its headquarters in Syria under the leader Abdul Acalan.
8. The Economist, Dec. 17 1994, p.48
9. K. Warikoo ed, p.110-1,80,000 Meshketians, 1,83,000 Koreans, Crimean Tartars Etc.
10. Ibid, p. 97 - The Uzbeks sought to massacre Meshketians Turks in Ferghana in 1989.
11. World development report. 1994. World Bank. O.U.P. Washington 1994, p.162.
12. World Business and Economic Review 1995.Kogan Paul. Washigton 1995, p.50
13. World development report. 1994, p.162.
14. World Business and Economic Review 1995. p.51.

15. World Business and Economic Review 1995. p.819
16. Feld & Boyd, p.8.
17. The Economist, Nov. 19 1994, p. 23
18. ANAP -Motherland party, who are for free market policies, Peoples labour party (HEP), Socialist unity party (SBP) etc.
19. 'Political Structure of Turkey', Reference series No.3, Directorate general of press and information, July 1991, Leda Ajans, Ankara, Turkey, p.3
20. After the death of erstwhile dictator and Pakistani President Gen. Zia ul Haq.
21. It has over, 100 Urdu dailies, 14 English language newspapers etc.
22. Islamic Democratic Alliance, IDA, which includes the Pakistan Muslim League formed in 1988 as a coalition between 9 parties. The ruling Pakistan Peoples Party (PPP), and Muslim Quami movement (MQM) representing Mohajirs, are the main parties.
23. FEER, March 16. 1995, p. 24
24. 'Turkey is situated typically along the historical trade routes, notably along the silk and spice routes', Turkey: ministry of tourism republic of Turkey, General directorate of information, APA offset, Basimeni San, Istanbul, 1992
25. The Economist , Nov. 19,1994, The country remains crucially poised between the democracies of the European Union and the Mayhem of the Balkans & the Caucasus, the surly satellites of the old Soviet Union and the dictatorships of Arabia.
26. It has extreme regional variations, north is colder than the south, temperatures range from -40 to 43 degree celsius.
27. Has been discussed in the first chapter as the result of third world countries seeking cooperation with first world.

28. The Economist, Nov. 19 1994, The public sector borrowing requirements which stood at, 233.9 trillion Turkish Lira.
29. World Business and Economic Review, 1995, see under Turkey. Also see 'World Tables', 1994, A World Bank book, Washington, p.668-671
30. Intereconomics, July-August, 1993, p.178.
31. Turkeys president Suleyman Demirel address the ECO summit 15 March, 1995, ECO summit, Summary of world Broadcasts, ECO summit (supplement).
32. Inter economics, July-Aug. 1993, p. 181.
33. World Development Report 1994, p. 162-225.
34. Ibid, p.162-225.
35. Tehran Times, 20-9-94, Tehran, p.3
36. Turkey, Turkmenistan, Azerbaijan, Afghanistan and Pakistan.
37. Mountainous region in the western province of Azerbaijan, in the south Persian Gulf and Caspian sea areas in the north can be extremely hot and humid. It has short rainy season in early winter and spring.
38. World Development Report, 1994, p.162-228.
39. Hydrocarbon revenues constitute about 70% of Iran's income, oil was 80% of GNP in 1992.
40. This partly reflects the 1993 devaluation and is partly accounted for by the inflationary spiral and Iran would incur deficit financing probably through domestic banking system. Iran has been having debt payment problems. In March 1993, the government began to devalue the Rial and announced that it was fully convertibly.
41. Iran's oil revenues not keeping up with budgeted targets has resulted in shortage of foreign currency and has produced a boom in counter trade.

42. Iran's imports consist of non-chemical and intermediate products (22.7% in 1990), food and livestock (11.9%) motor vehicles (9.3%) chemical products (7.5%). It got the above goods from France which accounted for 20.1%, Germany 15.8% and Japan 7.6% all figures for 1990 only from world development report.
43. Direction of trade statistics yearbook, IMF, 1993, Washington.
44. Pakistan and Gulf Economist, Dec. 18-24, 1993, p.11.
45. And employs about 12% of the working population Produces textiles petrochemicals refining, food and beverages processing, furniture printing, plastic, metal manufactures leather and leather goods, cement, glass automobiles, fertilizers, chemicals and electrical goods. (World Development Report 1994) and world business and economic review 1995, See under Iran.
46. President Hashemi Akbar Rafsanjani presence in the Independence day celebrations in Turkmenistan is an indicator of these ties.
47. Financial Times, 7/1/93, p.11.
48. The economist 10/9/94 - p.50.
49. Kahyan International 15/1/95 - Iran is to provide experts to cultivate potatoes in Turkmenistan. Other food items nurseries and seeds are also to be provided besides setting up an agricultural research centre.
50. For a detailed discussion see Economic Times - Sunday 29/Nov./1992, p.6.
51. World business and economic review 1995.
52. World business and economic review 1995 World development report 1994, world tables 1994.
53. Direction of world trade statistics 1993, IMF, Washington, 1993.
54. Pakistan and Gulf economist, Nov.26-Dec.2, 1994 "The Govt. of Pakistan has decided to setup 12 special Industrial Zones throughout the country. The units located here will enjoy tax holiday, reduced import licence fee, complete exemption from Import duty, sales tax and import surcharge on plant and machinery", p.42.

55. World Business and Economic Review 1995, p.606.
56. Pakistan and Gulf Economist Jan.15-21 1994, p.12.
57. Ibid, p.12.
58. Pakistan and Gulf Economist, Dec. 18-24, 1993, Pakistans "Agreement with Iran on a \$5.4 billion gaspipeline project. He said the project would be funded by the Consortium of International banks. The pipeline of Kangoo gas would be laid from Iran till Pishin Covering an area of 1100 Kms. This was being done to meet the country's requirements in 2001 when it oil and gas requirements would have diminished a lot".
59. Pakistan and Gulf Economist, Nov.26-Dec. 2, 1994, p.47.
60. Hamdan Amjad Ali in "lets save our shipping industry", Pakistan and Gulf economist, Nov.26, - Dec.2, 1994, p.47 see also "Pakistan and Gulf Economist Jan.15-21, 1994, p.115.
61. Pakistan and Gulf Economist Aug.28-Sept. 3, 1993, p.38.
62. Smmary of World⁶Broadcasts, 18 march 1995, Prime Minister Bhutto's speech where pakistan has opened the silk route for trade with the outside world it connects Pakistan with China, Kyrgyzstan. The government has allready allocated 500 million to the Karakoram highway..."These measures are aimed at providing the shortest outlet to the sea for our central Asian Neighbours".
63. SWB, 18 March 1995, ECO summit, p.2.
64. Pakistan and Gulf Economist March 11-17, 1995, p.7.
65. Tehran Times, 30/1/94, p.3.
66. Pakistan's total fertility rate was 5.6, Infant Mortality was 95.0 per thousand. World Tables 1994, p.515, World Development report 1994, shows Pakistan has one Physician in 1990 for 2940 people and 1 nursing person per 5040 people, infant mortality per 1000 live births was 95.0 it had a prevalence of malnutrition below 5, between 1987-92, of 40.4%, p.214.

67. Indian Express, 20/9/91, G.M. Telang.
68. World Business and Economic Review 1995, 95% of small business had gone bankrupt within 3 months of being privatised, 87% of medium sized companies turned into joint stock companies, p.418.
69. For a detailed discussion on Kazakhstan economy please check World Bank Publication titled, 'Kazakhstan: transition to a market economy' working papers World Bank, Washington, also check 'Kazakhstan : Financial sector reform in transtional socialist economies' working paper, World Bank, Washington.
70. Hindustan Times, 1/2/93, p.8.
71. Ibid, also see Pakistan and Gulf Economist, June, 11-17, 1994, "Investment opportunities in Kazakhstan".
72. 'Transtion to market economy', Ajay Patanik, K.Warikoo ed., Central Asia - Emerging new order., Haranand Publications, New Delhi, 1995.
73. The World Business and Economic Review, 1995. The intention was that the funds would then buy shares on behalf of their clients at fortnightly privatizations auctions. However by administrative and roganization problems only two million of a total of 17 million coupon booklets had been distributed. It did not seem to function effectively, p.417.
74. The World Business and Economic review 1995, Some six and half million hectares was madeover to private ownership. Number of private farms went up five fold, private wheat production went up thirteen fold meat production seven fold, and vegetables Seventeen percent, p.417.
75. ICISCCI, Newsletter, Feb.1994, p.27.
76. Teheran Times, 20/9/94, p.3.
77. Kahyan International 12/1/1995, p.2.
78. This was discussed at the 3 day 5th ministerial meeting of the ECO - Kahyan International, 24/1/95, p.1, also these issues were discussed at Tehran, Regional Planning council of ECO. Kahyan International, 8/1/95.p.1.

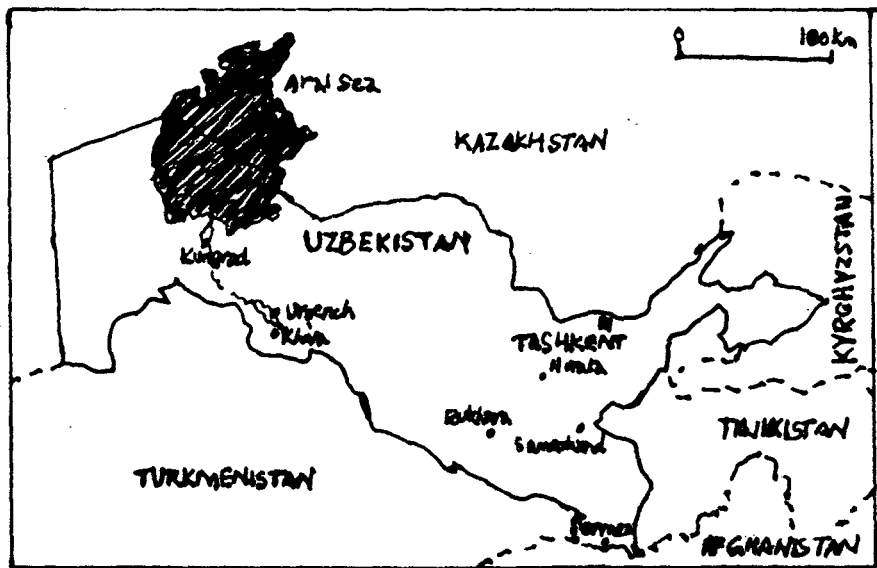
79. ICISCCI Newsletter Feb 1995. p.2.
80. World Development report, 1994, p.166.
81. Infrastructure includes services from a) public utilities - power telecommunication, piped water supply, sanitation and sewerage solid waste collection and disposal, and piped gas.
 - b) Publicwork - roads and major dam and canal works for irrigation and drainage.
 - c) Other transport sector - urban and interurban railways urban transport, port and water way and airports p.2, World Development Report 1994.
82. ICISCCI Newsletter, New Delhi, Feb.1995, p.3.
83. Ibid, p.3.
84. Kahyan International, Teheran, 12-1, 1995, p.1.
85. ICISCCI Newsletter Feb,. 1995, p.4.
86. World Bank, working papers, 'Financial sector reform in transitional Socialist economies' Washington and 'Kyrgyzstan the transtion to a market economy' World Bank Washington.
87. ICISCCI Newsletter Feb. 1995, p.4.
88. Regulated by the insurance law of the republic which was issued on the 15th Dec. 1991.
89. World Development Report 1994, pp.162-228.
90. ICISCCI Newsletter, Feb 1995, New Delhi, p.5.
91. Ibid, Kyrgyz Exports for jan.-Sept. 1994 was Electric Energy, Tobacco, Chemical Products, etc. It Imported Tea, Rice, Vegetable Oil, Sugar, etc.
92. Kahyan International, Iran's exports to central Asia showed an increase of 57% from March 1993, p.7.
93. Kyrgyzstan's terrain set it as an ideal winter sports adventure tourism location.
94. ICISCCI Newsletter, Feb.1992, pp.5-7.

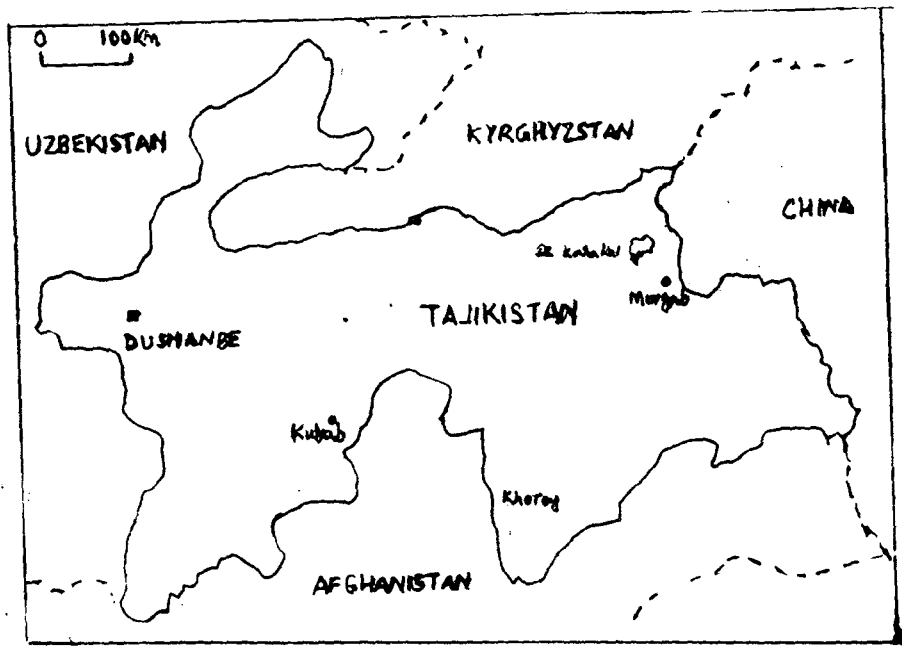
95. The GNP Percapita is the Average of a country's exchange rate for that year and its exchange rates for the two preceding years after adjusting them for differences in relative inflation between the country and the united states.
96. World Development Report, 1994, p.161.
97. ICISCCI News Letter, Oct.1994, p.5.
98. Ibid, p.6.
99. ICISCCI Newsletter, Dec.1994, p.8.
100. It has 1,70,000 Km of Canals Irrigating 4.2 m hectares of land.
101. ICISCCI Newsletter, Dec. 1994, p.8.
102. Annual Production of gold estimated at 70 tonnes. ICISCCI Newsletter, Dec. 1994, p.8.
103. Ibid, Its uranium deposits are sufficient for domestic use and it is regarded as of the highest purity.
104. Uzbekistans Exports to Industrialized nations was \$61.14 m in 1993 and imports during the same period was \$89.02 m Direction of World Trade Statistics 1993.
105. World Trade Statistics Quarterly, Sept. 1994.
106. Uzbekistan Introduced New Currency the Som on July 1 1994.
107. World Development Report, 1994, pp.162-228.
108. Uzbekistan has in 1990 1402844 Telephone connections.
109. ICISCCI Newsletter, Nov. 1994, p.22.
110. Almalyk Complex is one of the Largest non ferrous metallurgical enterprises in Central Asia. Angren a small town close to Almalyk has a gold extraction factory.
111. The World Business and Economic Review 1995.
112. ICISCCI Newsletter, March 1994, p.33.
113. World Development Report 1994, pp.161-163.

114. World Business and Economic Review 1995, p.818.
115. Cotton is Cultivated on 50% of the arable land.
116. Kahyan International, 15-1-1995, p.2.
117. K.Warikoo ed., 'Central Asia...' pp.136-137, Turkmenistan in the first and second quarter of 1992, managed to keep the price of bread and food products free from rampant inflationary pressures such as was felt in Rusia. The economy has nevertheless suffered from a high degree of inflation after that affecting the food prices too.
118. Members Mitsui, Marubeni and Mitsubishi have been considering the proposal for exploration exploitation of oil industry in Turkmenistan.
119. World Business and Economic Review 1995, pp.818-819.
120. Teheran Times, 29/9/94, p.3.
121. Kahyan International, 22-1-1995, p.1.
122. K.Warikoo ed., 'Central Asia...' p.143 from Ivestia Moscw 11/3/93.
123. Artificially created by the Soviets in Central Asia.
124. GNP percapita of \$490 1992 Less than the \$670 which makes a nation a middle income economy.
125. World Business and Economic Review 1995, p.783.
126. World Business and Economic Review 1995, p.784.
127. World Business and Economic Review 1995, p.785.
128. K.Warikoo ed., 'Central Asia...' A Pakistani firm has offered help to find jobs for 5000 Tajik Technicians in Pakistan and other countries.
129. Ibid, p.136.
130. World Development Report 1994, p.228.
131. ICISCCI Newsletter, Feb 1992, pp.5-7.
132. GNP Percapita was in 1990 \$1,220.

133. World Tables 1994, p.117.
134. World Development Report 1994, p.166.
135. World Development Report 1994, pp.166-167.
136. Azerbaijan Produces 18 tonnes of Caviar a year.
137. Barely sufficient for Domestic Consumption in 1992.
138. Foreign oil companies had signed agreements to explore Azeri.

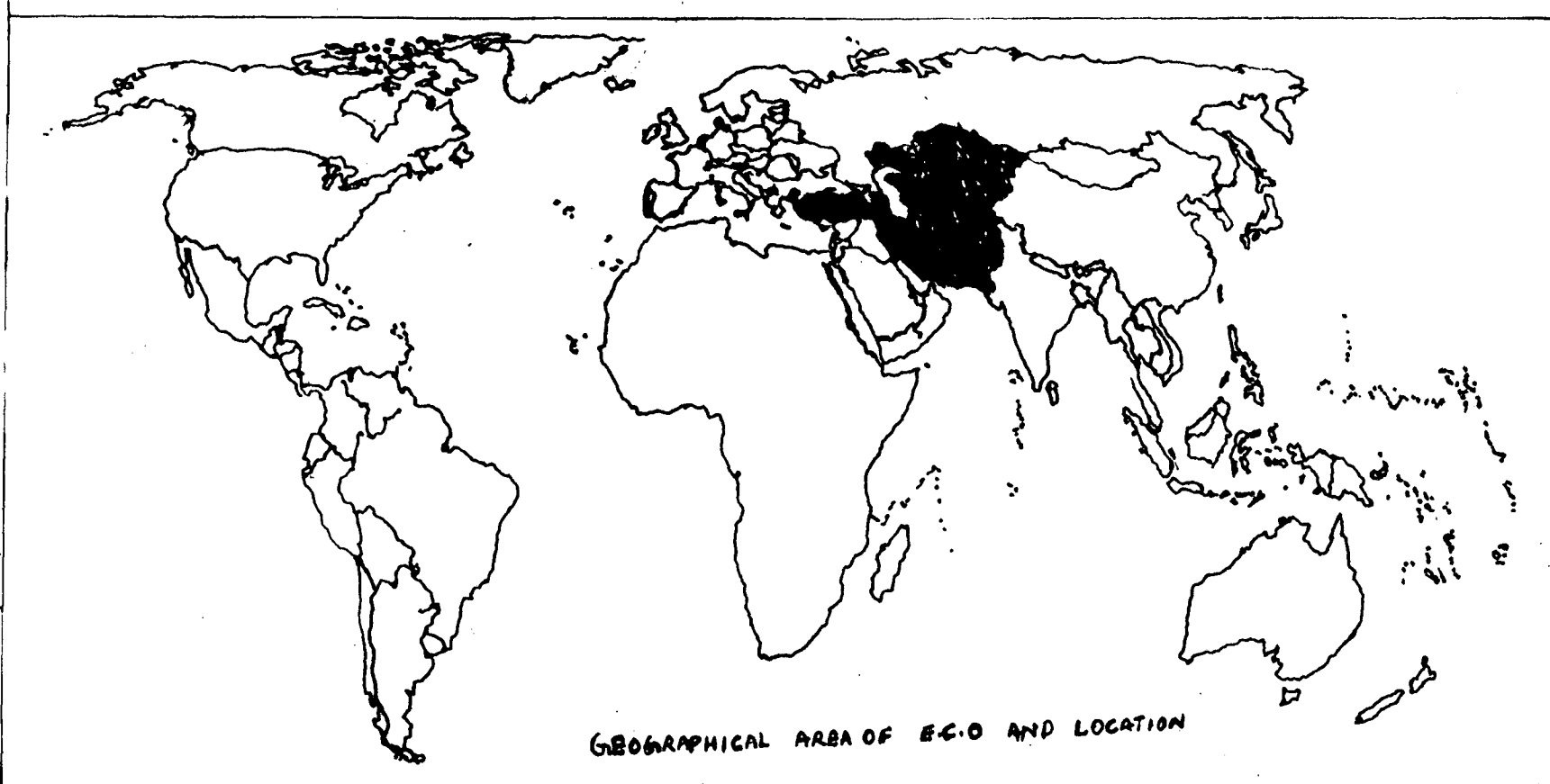






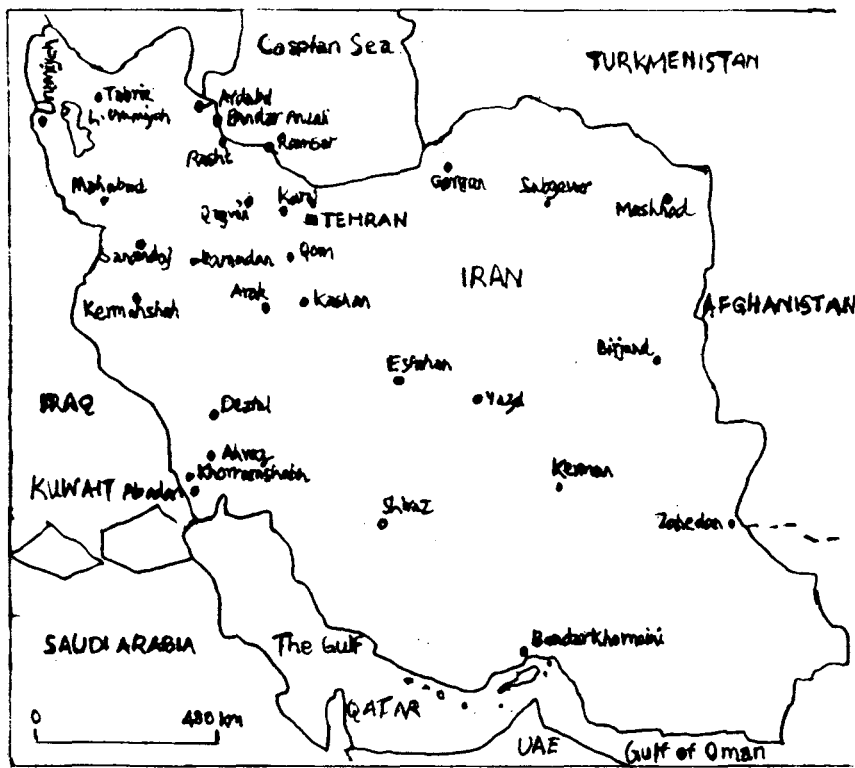






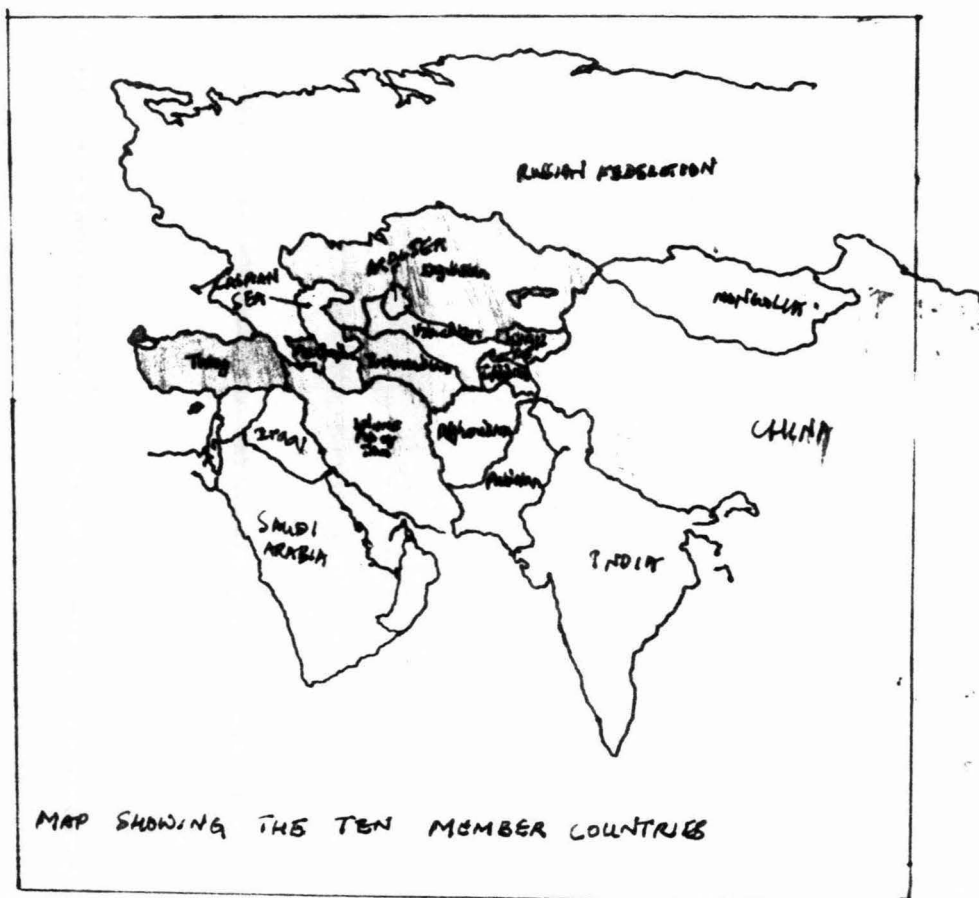
GEOGRAPHICAL AREA OF E.C.O AND LOCATION

SOURCE: THE WORLD BANK ATLAS 1995, THE WORLD BANK, WASHINGTON D.C.

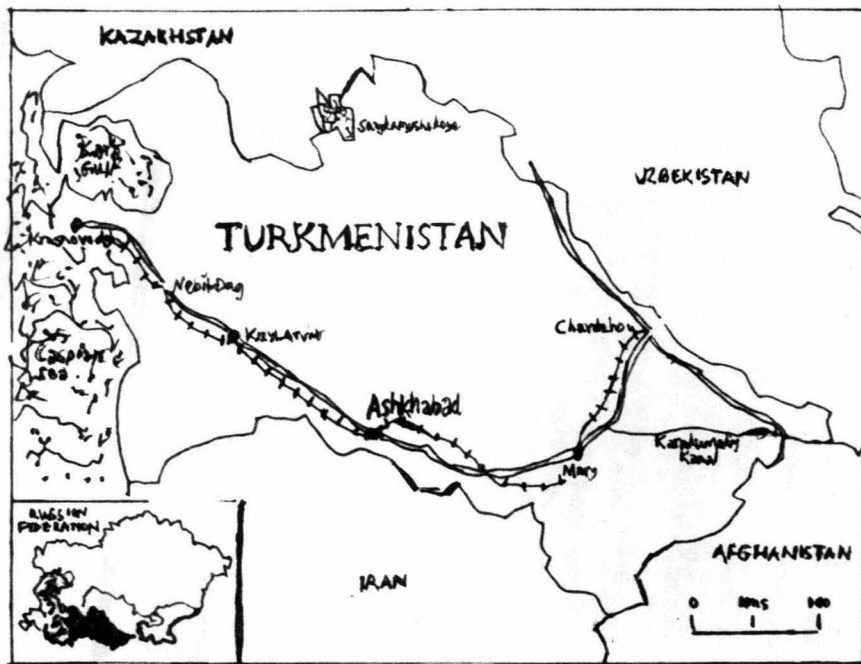








MAP SHOWING THE TEN MEMBER COUNTRIES





CHAPTER 4

INDIA-E.C.O.

The global scenario has been changing entailing the internationalization of commercial transaction on the one hand and accent towards bilateralism and formation of trading blocks on the other, all this has meant that India would soon get marginalized unless it joins the international mainstream as a major player. Hence at this juncture a systematic strategy aimed at globalizing the Indian Economy which would be reinforced by concluding preferential agreements with major trading blocs, assumes importance. India could seek linkage with the South-West and Central Asian countries operating under the aegis of the economic cooperation organization.

The reasons for seeking to turn to the E.C.O. are numerous. In fact the E.C.O. region would be emerging among the most dynamics groupings in the world have a large resource base and a big market.

The purpose here is to highlight the economic significance of the region and the potential it offers for initiating economic co-operation with India. This would also include the assessment of trade and investment opportunities prevailing in the E.C.O. countries of Pakistan, Iran,

Turkey, Azerbaijan and the Central Asian Countries. E.C.O. with a land area of 79,56,000 square kilometers¹ is one of the fastest growing regions in the world with a market size in 1992 of 318.70 million.² This grouping had a combined GDP in 1992 of 313734.5 million dollars (or 313.7 Billion³ U.S. dollars that would be a little less than the GDP of the Russian federation).⁴ E.C.O. countries have continued to region an average annual growth of 4.43% (Pakistan, Iran and Turkey only).⁵

Heterogeneity and diversity in resources base and different levels of economic development is an important hallmark of the region. The per capita income varies widely among the members. For instance Afghanistan had the least per capita income of U.S. \$300⁶ (1992) where as Iran which is a crude oil export economy had a high per capita income of \$2,200 (1992).

The E.C.O. countries are rich in natural resources. The region has some of the worlds largest crude oil natural gas reserves cotton, coal, carpet making carrier production etc. It also ia a major produces of gold, uranium, ferrous minerals, dry fruits etc.

The industry in the E.C.O. countries is growing at a fast pace. The region though primarily dependent on agriculture, has taken off to the stage where it has made

large forays in the industrial and service sector. Some of the important industries are petroleum refining, chemicals, light electrical and electronic industry, fertilizers, textiles etc.

India E.C.O. Co-operation

India is a member of SAARC of which Pakistan too is a member. Notwithstanding tension between the two the geographical proximity and other things in common like language, tradition, history etc. should bring these two areas very close to each other. India besides enjoys good relations with Iran and with Turkey. India has had good relations with erstwhile USSR and continues to have good relations with CIS states including the states which are now member of E.C.O..

In this section an attempt has been made to put together existing empirical evidence to measure the strength of economic relations between India and E.C.O. More specifically the survey has been carried out in the broader perspective of economic relationship by examining. The following section briefly describes the general characteristics and the overall growth performance of the economies of Indian and E.C.O. The rate of growth of GDP has been used as a measure of overall performance we also try

to measure the strength of economic ties between India and E.C.O. in terms of commodity trade.

It may be worthwhile to begin the discussion with some salient economic features of India and E.C.O. The world bank has classified India as a low income country i.e., with a GNP per capita of less than \$670 (US) or below in 1992. This means seven out of ten countries of E.C.O. are middle income countries.

The general characteristics of the economies of India and E.C.O. are summarised in Table 1. The per capita GDP was the highest for Iran (US \$2200) and lowest for India (US \$310). As a proportion of GDP, exports of goods and non factor services are calculated to be 10 percent for India. In the E.C.O. for Pakistan this ratio is at 17% for Turkey. It was 21% and for Iran 14%.

How ever as a share of GDP, domestic savings in India are roughly the source level of the E.C.O. where India had 22 percent, Pakistan 14 percent, Turkey 20 percent and Iran 30 percent. The last column in Table 1 shows resource balance of the countries or the difference between exports and imports of goods and non-factors services. All of them have an unfavourable balance.

With this broad outline of the economies of Indonesia and South Asia, the rates of economic growth of these countries between 1980 and 1992 are given in Table 2. The rates of economic growth of E.C.O. countries have been lower compared to the rate of growth of India. Except Pakistan all the other E.C.O. countries and India had growth rates well below the average for low income countries 6.1% (and not available for all middle income countries), given by the world development report.

It may be noted that some of the E.C.O. members oil exports help to insulate their economies from external influences that affect the oil importing economies such as India, Pakistan or Turkey. Considering the major sectorial growth rate Pakistan has the highest growth rates for all the sectors when compared with South Asia. The high rate of growth in the manufacturing industry in Pakistan is mainly achieved through import substitution. The growth of the other sectors also boosted the domestic demand for industrial products using Chenery's formula⁷ the factors affecting the growth of domestic production can broadly be classified as exports, import substitution, intermediate demand and domestic final demand. Table three gives the growth rates of Industrial Production by broad groups of manufacturing⁸ import substitution seems to be the major factor contribution to the growth of key industries.

Bilateral Trade and Commodity relations between the two i.e., India and E.C.O. countries has been examined. The commodity flows are analysed mainly by calculating the import intensity index and export intensity Index.

The merchandise trade of India and E.C.O. countries during 1992 is given in table four (4). The value of Indias imports was slightly more them its exports. Using 1987 as the base year India appeared to have had not favourable terms of trade. But using 1985 as the base year India's terms of trade in 1992 was better. (see table four(4). The average annual growth rates of India's exports and imports for this period were 5.9 and 1.9 percent respectively. Though the value of exports in absolute terms was less than the value of imports, the rate of growth of exports was higher than the rate of growth of imports. The higher rates of exports could be a result of liberalization and increasing importance to boost exports sectors. The E.C.O. countries like Azerbian, Kyrgyzstan, Turkmenistan had favourable balance of trade, while only two had favourable terms of trade i.e., Iran which had favourabel terms trade if 1985 was to base year and Turkey when had favourable terms of trade with 1987 as the Base Year.

The major commodities exported and imported from India and E.C.O. are given in Table 5. The exports of these

commodities as expected, consists mostly of manufactured goods with the exception of Iran (Petroleum). The commodity composition of imports of India and E.C.O. however have similarities machinery transport equipment and manufacturing goods appear to be the most common commodity groups imported by India and E.C.O.

The relative importance of machinery transport equipment and manufacturing goods among the total imports of India and can be seen from Table 6 which describes the structure of merchandise imports of these countries. More than 50% of the total merchandise imports in 1992 consisted of machinery, transport equipment and manufactured goods for all countries, with Iran leading with 74 percent. The percentage share of food imports appeared to be more or less the same in terms of the percentage share of total imports of India and E.C.O. Even the dependence on fuel imports were more less the same (except for Iran where it was zero) with India at the highest end.

Considering the structure of merchandise exports of India and E.C.O. it may be observed that it differs from country to country (Table 7). Almost two thirds of Indias exports consisted of manufactures during 1992. Textiles were a quarter of India's exports. Pakistan's exports too showed that almost four fifths of its exports were manufactured

goods Turkey too had almost two thirds consisting of manufactured goods. Iran being an oil monoculture had 90 percent consisting of fuels mineral and metal exports; primary commodities were less than a quarter uniformly of India, Pakistan and Turkey.

In the light of the structure of merchandise exports, the total commodity trade flows between India and E.C.O. are examined next. The magnitude of India's imports of from E.C.O. On the yearly basis in fractions from 1986 to 1992 only about a fortieth in 1986 to the low level of an eightieth in 1987 and 1988 and the highest of a twenty fifth in 1989 and a thirtieth in 1992. The actual exports would include the central Asian E.C.O. members too, whose data has not been available. It would have effectively been a part of USSR's exports to India which have been fairly high. India has depended on the large oil imports from E.C.O. region in the past. The figures for imports from Afghanistan have been the least while that from Iran have been the highest.

India's exports to E.C.O. countries too seem to be negligible on an average only about 0.01 percent less of . India exports went to E.C.O. during the period 1986 to 1992. (But the figures to U.S.S.R. have not been included). U.S.S.R. was the single largest consumer of Indian exports. Table 9 shows that nearly in 1986 15 % of total Indian

Exports went to USSR Total Indian exports to USSR grew but at a rate less than the overall growth of 9 percent. Among the E.C.O. members states Iran was the largest consumer of Indian exports during 1986-1992 while Turkey and Pakistan ranked second and third respectively. The overall annual growth rate was almost the same and actually receded if the include figures of the U.S.S.R.

The trade relations between Indian and E.C.O. can therefore be summed up as follows:

- (1) Iran and erstwhile U.S.S.R. were the two major consumers of Indian imports and they were also the two major suppliers to India.
- (2) India's imports from E.C.O. consisted mainly of Hydrocarbon and but the imports from E.C.O. were a negligible less than 0.2 percent of India's total imports from all countries.
- (3) India's exports to E.C.O. consisted of basic manufactures machinery and transport equipment Indian exports to E.C.O. however was only about 0.01 percent its total exports to all countries.
- (4) Indian exports were more or less stagnant but imports showed fluctuations. Indian exports were less than Indian imports thus India had an unfavourable balance with this region.

NOTES

1. 795600, total of the areas of member countries of ECO World Development Report 1994, p.162.
2. 318.70, Ibid, p.162.
3. 313734.5, Where GDP figures are not available GNP used it comprises GDP + net factor income from abroad which is the income residents receive from abroad (labour and capital) less similar payments made to non residents who contributed to the domestic economy. World Business and Economic Review 1995.
4. GDP of Russian federation was 387, 476 million US dollars World Development Report 1994, p.166.
5. World Development Report 1994.

Countries	Average Annual Growth rate % of GDP
Pakistan	6.1
Tajik	-31.0 (NMP)
Azer	-20.0 (GNP)
Kyrgyz	-23.0 (GNP)
Uzbek	-21.0 (GNP)
Turkmen	-15.0 (GNP)
Kazakh	1.1
Turkey	4.9
Iran	2.3
Afghan	0.9

Growth of GDP between 1983 and 1987 according to figures supplied to ADB, World Business and Economic Review, 1995.

Average Annual Growth rate % of GDP of Pakistan Turkey and Iran were, $13.3/3\% = 4.43\%$. We treat this as the effective determinant of ECO.

6. World Business and Economic Review, 1995, p.21.
7. H.B Chenery Patterns of Industrial growth, American Economic Review 1960.
8. Indian Economic Survey 94/95, p.107.

TABLE 1

Countries	GDP \$million	Population millions	Area (Thousands of sq.km.)	Export of goods and non factor services	Resource Balance as % of GDP
Afghanistan	-	21.5	652	N.A.	N.A.
Azerbaijan	5432	7.4	87	N.A.	N.A.
Iran	110,258	59.6	1648	14	-3
Kazakhstan	28580	17.0	2717	N.A.	-24
Kyrgyzstan	3665	4.5	199	N.A.	N.A.
Pakistan	41,904	119.3	796	17	-7
Tajikistan	3793	5.6	143	N.A.	0
Turkmenistan	-	3.9	488	N.A.	N.A.
Turkey	99696	58.5	779	21	-3
Uzbekistan	14,875	21.5	447	N.A.	-8
India	214,598	883.6	3288	10	-2
ALL LIC	1,146,84 2	3191.3	38929	22*	-5
ALL MIC	3,549,04 9	1418.7	62740	N.A.	N.A.

* Excluding India and China.

Source: World Development Report 1994.

TABLE 2
AVERAGE ANNUAL GROWTH RATE PERCENTAGE 1980-92

Countries	GDP \$million	Agriculture	Industri es	Manufac- turing	Services
Afghanistan	N.A.	N.A.	6.4	N.A.	N.A.
Azerbaijan	N.A.	N.A.	N.A.	N.A.	N.A.
Iran	2.3	4.5	4.4	5.8	0.4
Kazakhstan	1.1	N.A.	N.A.	N.A.	N.A.
Kyrgyzstan	N.A.	N.A.	N.A.	N.A.	N.A.
Pakistan	6.1	4.5	7.3	7.4	6.5
Tajikistan	N.A.	N.A.	N.A.	N.A.	N.A.
Turkmenistan	N.A.	N.A.	N.A.	N.A.	N.A.
Turkey	4.9	2.8	5.8	6.7	5.1
Uzbekistan	N.A.	N.A.	N.A.	N.A.	N.A.
India	5.2	3.2	6.4	6.5	6.3
ALL LIC	6.1	3.8	7.5	-	7.1
ALL MIC	N.A.	N.A.	N.A.	N.A.	N.A.

Source: World Development Report 1994.

TABLE 3
GROWTH RATES OF INDUSTRIAL PRODUCTION BY
BROAD GROUPS OF MANUFACTURING
PERCENT - OF INDIA

Sectors	Weight	1991-92	1992-93
Food products	5.3	4.8	-1.6
Beverages and Tobacco	1.6	2.4	5.9
Cotton Textiles	12.3	9.8	80
Jute Textiles	2.0	-10.6	-4.2
Other Textile products	0.8	-5.8	-22.0
Wood and wood products	0.5	-6.2	3.0
Paper and paper products	3.2	2.6	3.9
Leather and fur products	0.5	-6.7	3.5
Rubber and petro products	4.0	-1.1	1.5
Chemical Products	12.5	2.8	6.0
Non-metalic mineral products	3.0	6.2	1.8
Basic metals and alloys	9.8	5.7	0.4
Metal products and parts	2.3	-7.0	-6.4
Non electrical machinery	0.2	-1.9	-1.2
Electrical Machinery	5.8	-12.4	-2.0
Transport equipment	6.4	-0.7	5.0
Other manufacturing industries	0.9	-10.1	4.2

Source Economic Survey 1994-95, p.107.

Analysis of the growth of 17 broad groups within the manufacturing sector reveals that ten sectors i.e. Jute Textiles other Textile products, wood and wood products, Leather and fur products, Rubber and petro products, Metal products and parts, Non electrical machinery, Electrical machinery, transport equipment, Other manufacturing Industries recorded negative growth rates between 1991-92. All other industries recorded positive growth rates.

TABLE 4
GROWTH OF MERCHANDISE TRADE OF INDIA AND ECO

Countries	Exports \$million	Imports \$million	Terms of Trade		Aver. Annual growth rate	
	1992	1992	1985 =100	1987 =100	Exports	Imports
Afghanistan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Azerbaijan	738	329	N.A.	N.A.	N.A.	N.A.
Iran	18,235	26,744	160	92	14.5	8.6
Kazakhstan	1,546	1,608	N.A.	N.A.	N.A.	N.A.
Kyrgyzstan	33	25	N.A.	N.A.	N.A.	N.A.
Pakistan	7,264	9,360	90	77	11.1	3.6
Tajikistan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Turkmenistan	1,083	545	N.A.	N.A.	N.A.	N.A.
Turkey	14,715	22,871	82	111	9.0	9.6
Uzbekistan	869	929	N.A.	N.A.	N.A.	N.A.
India	19,795	22,530	96	92	5.9	1.9

Source: World Development Report 1994.

TABLE 5a

**INDIAS IMPORTS AND EXPORTS BY COMMODITY
GROUP PERCENTAGE**

Commodities	Imports
Food and allied products	3.3
Fuel	29.2
Fertilizers	4.5
Paper board, manufactures and newsprint	0.8
Capital goods	20.7
Others	27.7
Unclassified items	13.8

Source : Economic Survey India 1994-95, p.97.

TABLE 5b

Commodity Group	Export
Agriculture and allied	16.9
Ores and minerals	4.0
Manufactured good	75.6
Crude and petroleum products	2.6
Others and unclassified items	0.9

Source : Economic Survey India 1994-95, p.96.

TABLE 6

**STRUCTURE OF MERCHANDISE IMPORTS
PERCENTAGE OF MERCHANDISE IMPORTS**

Country	Food		Fuels		Other primary Commodities		Machinery and Transport Equipment		Other Manufactures	
India	21	5	8	23	19	12	23	18	29	42
Afghanistan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Azerbaijan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Iran	7	12	0	0	8	4	41	45	45	39
Pakistan	21	15	6	16	7	7	31	35	35	27
kazakstan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Kyrgyzstan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Tajikistan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Turkmenistan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Turkey	8	6	8	17	8	9	41	35	36	33
Uzbekistan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Years	1970	1992	1970	1992	1970	1992	1970	1992	1970	1992

Source: World Development Report 1994.

TABLE 7

**STRUCTURE OF MERCHANDISE EXPORTS
PERCENTAGE SHARE OF MERCHANDISE EXPORTS**

Country	Fuels Mineral Metals		Other Priamry Commodities		Machinery and Transport Equipment		Other Manufactures		Textile & Clothing	
India	13	8	35	21	5	7	47	64	25	25
Afghanistan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Azerbaijan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Iran	90	90	6	6	0	0	4	3	3	3
Pakistan	2	1	41	20	0	0	57	79	47	69
kazakstan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Kyrgyzstan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Tajikistan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Turkmenistan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Turkey	8	4	83	24	0	9	9	63	5	39
Uzbekistan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Years	1970	1992	1970	1992	1970	1992	1970	1992	1970	1992

Source: World Development Report 1994.

TABLE 8

**STRUCTURE OF MERCHANDISE EXPORTS TO INDIA
FROM E.C.O. 1985-1994**

Exports from Country of Origin to India	1986	1987	1988	1989	1990	1991	1992
Afghanistan	20	20	21	-	14	11	12
Azerbaijan	-	-	-	-	-	-	-
Iran	281	36	59	533	482	585	643
Kazakhstan	-	-	-	-	-	-	-
Kyrgyzstan	-	-	-	-	-	-	-
Pakistan	15	23	26	34	45	58	149
Tajikistan	-	-	-	-	-	-	-
Turkey	64	121	137	199	93	59	51
Turkmenistan	-	-	-	-	-	-	-
Uzbekistan	-	-	-	-	-	-	-
Former USSR	698	1211	1373	806	1322	520	572
Total World Exports	15421	16675	19149	20535	23642	20418	23564

Fig. In Million Dollars

Source: Direction of World Trade Statistics 1993.

TABLE 9

DISTRIBUTION OF INDIA'S EXPORTS TO E.C.O.

Country Destination	1986	1987	1988	1989	1990	1991	1992	1994 (April)
Afghanistan	15	22	27	-	59	18	20	1.6
Azerbaijan	-	-	-	-	-	-	-	0.1
Iran	38	93	89	-	76	123	135	-
Kazakhstan	-	-	-	-	-	-	-	0.2
Kyrgyzstan	-	-	-	-	-	-	-	-
Pakistan	13	12	19	42	43	40	47	3.8
Tajikistan	-	-	-	-	-	-	-	-
Turkey	23	21	24	41	46	53	44	13.4
Turkmenistan	-	-	-	-	-	-	-	-
Uzbekistan	-	-	-	-	-	-	-	0.3
Former USSR	1559	1380	1708	-	2868	1642	1806	-
World Total (IFS)	9399	11298	13325	15846	17975	17664	19554	2007
World Total (DOTS)	9135	10795	12981	15839	17741	17873	20683	2236.6

Fig. In Million Dollars

CONCLUSION

Regional co-operation is a world wide phenomenon. It has been occurring with more rapidity and intensity than ever before. Regional co-operation in South-West Asia has had a history of three decades. The states involved in regional co-operation here are all developing countries. There have been theories explaining greater benefits to developing countries by co-operating with each other and there have been theories which would challenge such conclusions. It is however true that notwithstanding the smallness of a country or the weakness of its economy, there are corrective measures which would make either form of regional co-operation beneficial to all concerned.

Economic co-operation in the region was first started by Iran, Turkey and Pakistan under the regional co-operation for development (R.C.D). R.C.D's programmes and policies were greatly influenced by the prevailing world wide conditions namely the cold war. It was also greatly influenced by the political conditions in the three co-operating states. Pakistan and Turkey had frequent phases of military rule and Iran was ruled by monarch. The lack of people's awareness about RCD and the lack of private participation in the programme and policies of RCD were perhaps the most important reasons why RCD could not achieve

much. Association of South-East Asian Nations, though chronologically later than the RCD, had much more to gain from the regional co-operation. These were the two earliest efforts at regional co-operation in Asia.

ECO began in 1985 when Iran, Pakistan and Turkey came together again. The ECO remained more or less inactive until the breakup of the Soviet union which brought new enthusiasm to the ECO and it was expanded in 1992 to include seven new states namely Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

ECO has had summit meetings every year and several meetings of its ministers and other officials ECO has been trying to overcome the regional ill effects of conflicts in Afghanistan, Azerbaijan and Tajikistan. It has also been trying to assist the erstwhile Soviet economies to make a transition from command economic structure to market economic structure. The erstwhile Soviet economies, though well endowed with immense natural resources and large markets, would prove to be an initial liability to the ECO due to the large investments they would require. ECO would also seek external investment for its developmental programmes and policies. Seven of the ECO members are middle income economies and it means development would be that much easier. ECO to start with has tremendous advantages owing to

large natural resources and large markets. ECO could, after the initial reconstruction programmes grow tremendously in the years to come. It could gain by taking concrete steps such as joint ventures in transport, finance, industry, agriculture and other areas. ECO would gain by inviting private initiative in their policies and programmes and also to give ECO as popular grass root awareness and support.

India, the giant neighbour on the South-East of ECO, has keenly been interested in the regional block due to its geostrategic importance, immense natural resources and large markets. India so far has had good relation with CIS and has been able to access the central Asian markets through the CIS. It has besides good trade relations with Iran, Turkey and Afghanistan. It has fairly good relations with Pakistan too but it has been hindered by political misgivings on either side.

India would prefer that the erstwhile Soviet economies now members of ECO would develop economically. If they remain underdeveloped they could become Islands oriented which would not be in India's strategic interests. India would prefer a secular pluralistic central Asia.

India could in the future also opt for membership of ECO. Indian membership of ECO would erase the 'Islamic' image that the west attaches to ECO. Indian membership of

ECO would be of immense benefit to ECO as India could assist some of the countries in their transition to market economies. India has besides immense potential to undertake infrastructural development in these countries. India's sizable industrial sector could give a strong support to these countries by way of joint collaborations. India has had considerable trade ties with most of these countries on a bilateral or multilateral basis and any effort to join ECO would only benefit both India and ECO.

BIBLIOGRAPHY

- Arcanli. T and D. Rodrik, "The Political economy of Turkey: Debt adjustment and sustainability", The Macmillian Press, London.
- Asopa.S.K. (1971), "Military allowance and regional cooperation for development in West Asia". Meerut.
- Belokrenitsky, V.Y. (1991), "Capitalism in Pakistan", Patriot publishers, New Delhi.
- Barro, R (1991), "Economic Growth in a cross-section of countries", Quarterly JNL of Economics. 106 (2), 407-44.
- Berglas, E. (1983), "The Case for Unilateral Tariff Reductions : Foreign Tariffs Rediscovered", American Economic Review, vol. 73. pp. 1141-112.
- Bhagwati, J. (1994), "Regionalism and Multilateralism: An Overview" in J. de Melo and A. Panagariya, eds., New Dimensions in Regional Integration, World Bank/CEPR, Washington, D.C.
- Bhagwati, J. (1990), "Departures from Multilateralism: Regionalism and Aggressive Unilateralism", The Economic Journal, 100 : 1304-1317.
- Berglas, E. (1979), "Preferential trading theory: The n commodity case", Journal of Political Economy, 87:315-331.
- Chopra. S (1992), "Pakistans thrust in the Muslim world. India as a factor (a study of RCD)", Deep and Deep publications, New Delhi-1992.
- Combumbis T.A. and Wolf. J.H. (1980), "Theory and practice of functionalism and regional integration", New Delhi.
- Cooper, C.A. and B.F. Massell (1965b), "Toward a general theory of customs unions for developing countries", Journal of Political Economy, 73:461-476.
- Corden W.M. (1984), "Normative Theory of International Trade" ch. 2 of R.W. Jones and P.B. Kenen (eds.), Handbook of International Economics, North-Holland, Amsterdam.
- Corden, W.M. (1976), "Customs union theory and nonuniformity of tariffs", Journal of International Economics, 6:99-106.
- Corden, W.M. (1972), "Economies of scale and customs union theory", Journal of Political Economy, 80:465-475.

- Corden W.M. (1970), "The efficiency effects of trade and protection", in I.A. McDougall and R.H. Snape, eds., Studies in International Economics: Monash Conference papers (North-Holland, Amsterdam).
- Eaton, J. and G.M. Grossman (1986), "Optimal Trade and Industrial Policy Under Oligopoly" Quarterly Journal of Economics pp. 383-406.
- Greenaway, D. (1989), "Regional Trading Arrangements and Intra-Industry Schott ed. Trade : Evidence and Policy Issues" in D. Greenaway et al. eds. Economic Aspects of Regional Trading Arrangements, New York; New York University Press.
- Gupta. S.(1964), "India and regional integration in Asia", Bombay.
- Hashim Z.H.(1979) "Iran, Pakistan and Turkey: Regional integration and economic development". Lahore.
- Helpman, E. (1981), "International Trade in the Presence of Product Differentiation, Economies of Scale and Monopolistic Competition: A chamberlin-Heckscher-Ohlin Approach", Journal of International Economics, 11(3): 450-40.
- Irwin, D. (1994), "Multilateral and Bilateral Trade Policies in the World trading System: An Historical Perspective", In J. de Melo and A. Panagariya eds., New Dimensions in Regional Integration.
- Ispahani M.A.H. (1969), "Pakistan and regional arrangements", Pakistan Horizon, vol22, No.3.
- Johnson, H.G. (1965), "An economic theory of protectionism, tariff bargaining, and the formation of customs unions", Journal of Political Economy, 73:256-283.
- Krugman, P. (1980), "Scale Economies, Product Differentiation, and the Pattern of Trade", American Economic Review, vol. 70 pp. 950-959.
- Kapur.A. (1991), Pakistan in crisis", Routledge, London.
- Kheli, S.T.S.T. 1973, "Iran and Pakistan: Cooperation in the area of conflict", Asian survey, vol 18. No.5 May.
- Langhammer, R. and U. Hiemenz (1992), "Regional Integration among Developing Countries: Survey of Past Performance and Agenda for Future Policy Action", UNDP-World Bank Trade Expansion

- Program Occasional Paper, 7 Trade Policy Division, The World Bank, Washington, D.C.
- Langhammer. R. and U. Hiemenz (1990), "Regional Integration among Developing Countries- Opportunities, Obstacles and Options", Kieler Studien 232, Tubingen: J.C.B. Mohr.
- Melo, J. de, C. Montenegro and A. Panagariya (1992), "Regional Integration Old and New: Issues and Evidence" (mimeo), World Bank.
- Muizuddin H. (? ? "RCD instruments of friendship", Pakistan.
- Olson, Mancur (1992) "Multilateral and Bilateral Trade Policies in the World Trading System" (mimeo), World Bank.
- Palmer, N.D, (1991) "The New regionalism in Asia and the Pacific", Lebington books, Massachusetts.
- Raheman A. and F. Noramn (1990) THE secular moracle, religion policies and economics policy in train", Zedbooks, London.
- Ramazand R.K. (1975), "Emergency patterns of regional relations in Iranian foreign policy", ORBIS, vol.18, No.4 WINTER.
- Salahuddin A.S. (1969), "Regional Cooperation for development, Pakistan economist, vol.32, No.1.
- Yalem R.J. (1965), "Regionalism and world order", Washington D.C.
- Zubeida.H, (1964) "Iran, Pakistan and Turkey regional cooperation for development", Pakistan Horizon, vol22. No.3.