

# Economic Cooperation Organization and Regional Trade

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## *Abstract*

*Economic Cooperation Organization (ECO), based on regional and multicultural cooperation, has focused on the improvement of living standards, collective as well as individual prosperity of people and economic development of member's states. Since February 1992 ECO has been expanded to ten as the result of collapse of the Soviet Union. Of course, gas and oil are very important factors in this regard. ECO has followed its two major plans in the context of "Action Plan" and "Istanbul Declaration". Each of these documents is an indication of Overall goals of this organization by 2005. One of the most important goals of ECO members has been accelerated of economic growth and development. The main question of this paper is: "Has ECO been able to fulfill declared goals among member states?" The hypothesis of this paper is: ECO has failed to achieve these goals. Prove of this hypothesis makes the revision of ECO activities a necessary step.*

**Keywords:** ECO, RCD, Iran, Turkey, Central Asia, Russia, America, China

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## **Introduction**

Rapid changes in international trade have created the need to increase cooperation among countries to reach overall development. Many of these countries have realized that, in order to reach growth and development goals, they need to create a regional economic union. They have realized that they ought to have complementary economics, common economic and cultural goals. Naturally, as result of economic growth, every member will be influenced by other's growth. Now regional cooperation is seen as a tool to create a more stable and predictable trade environment and as a factor to remove those obstacles that restrict access to local markets. Regional trade arrangements have seen as factors to increase and sustain internal policy making revisions, such as trade liberalization and expansion an environment for economic activities, especially in developing countries. Therefore, these arrangements include common regularities for regional cooperation, creation of custom unions, model changing and common tariffs between union and non-union member states.

Formation of custom unions decreases the cost of investment inside the union. When increases in production efficiency accompanies with increase in profit, economic units will have more cash for investing in capital goods. As the result of net effects of these changes, in the long run, union member's production capacities and economic welfare of member states also increases. Economic Cooperation Organization (ECO) was founded based on the goal to increase member's growth and development, and provide an opportunity for countries to learn from successful experience to accelerate the processes of their development. So in this article authors try to examine the process of activities of ECO, to show its ability to fulfill its main goal to expand regional trade. In this regards internal and external factors have been discussed. This is the common fate of many similar organizations among developing countries.

### **1. Economic Cooperation Organization (ECO)**

ECO is, in fact, a heir of Regional Cooperation for Development (RCD) which was founded in 1964. The founder member states (namely Iran, Turkey and Pakistan) from economic development level were the same, and all three were belonged to American Camp (capitalist). These three countries emphasis were on regional cooperation as "an accelerating factor for regional growth and development and securing peace and stability. These three countries believed that their cultural and historical ties would strengthen their cooperation. In spite of all of RCD activities, this organization failed to establish a specific framework for trade liberalization at regional level and failed to provide an appropriate and effective mechanism to stimulate resources and production factors (capital, labor and goods) in the region.

The failure to recognize each country's relative advantages for development of trade exchanges is a noticeable factor that shows the difficulties the organization was faced with. Victory of Islamic Revolution in Iran ended activities of this organization. But since 1985, these three countries (Iran, Turkey and Pakistan) have started the new attempts at regional development cooperation. ECO aims was to expand trade through free access to each other markets; persuade of members to create appropriate conditions in their own countries for sustainable economic growth, upgrading people's living standards, strengthening of spiritual interests and cultural ties; help world trade growth and eliminate unfair trade systems.

This organization up to 1991 (the year of its expansion) was not very active. In Islamabad summit, ministers of member states signed Izmir revised protocol, and change the ranking of their delegation in this organization which was at the under-secretary level to council of ministers.

The Soviet Union disintegration was a cause for deep geopolitical changes in Central Asia. Then Central Asia republics, Azerbaijan and Afghanistan applied for ECO membership. Presence of new members in ECO, with respect to fall of the bipolar system in international arena, and diminish of Russian regional power, was the causes of geopolitical vacuum in this region. Reinforcement of regional cooperation at the end of cold war, and an increased focus on development of the

regional economic organization was an indication of emergence of new orientation in these countries.

ECO members emphasized on reinforcement of communication in order to fulfill their goals which include: Expansion of national railroad networks for the purpose of transportation, expansion of airlines in the region between centers and major cities of member's states, expansion of port facilities for the purpose of marine trades, establishment of new tariff posts in different border spots, examining the possibility for establishment of mixed transportation companies from both private and public sectors, establishment of joint airlines with the help of private sector and development of postal and satellite communication and telecommunication were among ECO goals.

They also stressed on establishment of research centers for needs of this sector. Qutta Declaration (ECO action plan) and Istanbul Declaration (ECO long term perspective) were approved in 1982–83. Preferential tariff protocol, transportation and communication, energy cooperation, environment problems, comprehensive regional plan for drug control are among ECO members most concerned issues.

In order to achieve development, like other countries, they are faced with a wide range of both external and internal problems. Heterogeneous goals with economic efficiency, capital shortage and technological gap have been part of problems of ECO countries. Limited trade relation and continuous protectionist policies toward national industries have decreased ECO progress. Tariff unions and common markets in the third world countries are indicators of this fact that these countries turn to regional unions only when they fell trade development and investment and increased industrial efficiency, lead to fair distribution of revenues among members.

Increasing regional trade has been one of the ECO main goals. In this regard and with respect to economic structures of member states, it seems that lack of complementary and necessary grounds among them and lack of full examination of mentioned cases are among the reasons that have hindered their prominent progress. Adoption of appropriate policies that gradually help to expansion of regional exchanges among members is a serious necessity. Adoption of long term perspectives among members and acceptance of short-term sacrifices, especially among founders of ECO seems necessary. This has been a general problem among regional organizations in less developed countries.

Based on UNCTAD experts' examinations, which have examined RCD before, success of regional cooperation among developing countries requires member states to avoid unl benefits. At the same time, main members must accept extra responsibilities. ECO, like other regional organizations in the third world, has a long and difficult road ahead to become a transnational power. Regional growth policies among member states must create based on a correct proportion of national and regional policies. They must avoid any kind of disequilibrium. Regional trade plans and declaration of a long term growth rate and participation of all members in the industrial process must be taken into consideration.

In order to expand inter and intra–regional trades, gradual elimination of trade barriers in ECO region; free access to new materials and member state's goods in markets outside ECO region; expansion of preferential tariff arrangements, from executive perspective and their boundaries; liberalization of intra–regional trades by simplifying national regulations for customs and duties, trade of goods, absorbing and support for foreign investment, resolution of trade disputes with attention to member states international obligations, have been taken into consideration. Natural resources based – developments have a close relation with environment issues. Therefore, some of the activities that are related to natural resources have serious effects on environment. Many of these effects have been discussed in ECO different programs and summits. We can point to review of energy resources development and evaluation of their effects in different summits as examples.

"Alma–Aty" Plan for development of transportation systems in ECO region as a basic instruction of development and transportation will be put into use. Following actions have been accepted to pursue: facilitation of transportation system and transit of goods and passengers inside ECO region through:

1 – Short term actions: proper use of available railroad networks – production and preparation of a comprehensive regional transit network (such as customs formalities facilitating documents, unification of road signs).

2 – Middle term: promotion of quality and development of available transportation systems infrastructures.

3 – Long–term: development of modern and new infrastructures in transportation section.

A number of summits including ECO members, China, SCAP, and UNDP about regional cooperation were hold that were related to Silk Road. UNDP welcomed ECO constructive role in regard to execution of Silk Road Plan. International convention workshop on transportation and transit was hold in June 1998 in Tashkent, and the ways of expanding road transportation systems also reviewed.

Expansion of inter and intra regional trade is one of the most important goals of Eco. In order to materialize these goals, members must take the following steps into consideration:

➤ Gradual elimination of trade barriers and harmonized attempts to make access to raw materials and member's goods in markets outside the region; expansion of preferential tariff, from executive perspective and their boundaries; liberalization of regional trade base on all possible means such as facilitated national regulations in areas of customer duties, trade of goods, absorbing and support for foreign investments; resolution of trade disputes, adoption of shared views on regional economic groups.

## **2. Economic Barriers against ECO Members' Cooperation**

One of the characteristics of the region is the vibrant informal sector, which means that in the most cases unofficial economic ties are stronger than formal economic relationships among the countries. Informal trade-often called

"shuttle trade" or unofficial trade-is common, involving usually small-scale movement of goods across countries on unofficial bases.

Preferential tariff protocol was approved by the founder members and they agreed to execute it from March 1993. But its execution, because of a number of different issues has been delayed seriously which include: lack of necessary coordination among members and absence of appropriate information on each other's situations, region's economic- political circumstances and international monopolies, passing through of a transitional process (with emphasis on) private sector reinforcement, and absence of multilateral cooperation experiences. Issues such as lack of coordination among participating delegations, absence of a common language and lack of delegations knowledge about previous decisions have hindered this organization progress. There have been occasions that because of lack of necessary coordination among members, ECO different meetings have been delayed. The committee for preferential tariff of ECO in its second meeting examined new lists of Iran, Turkey and Pakistan discountable goods and finally these countries customs duties were reduced by ten percent. As the result, they left a long way to full elimination of tariffs behind. It is noteworthy that other new members were not even ready for this ten percent discount. While the ten percent plan was not in use, this committee considered its 20 percent discount plan.

ECO has appropriate grounds for expansion of economic cooperation which mainly are as follow: geographic condition, security and political necessities, international circumstances, historical and cultural ties, economic benefits of multilateral cooperation, possibility of cooperation with other regional and international organization's facilities for execution of common projects, expansion and utilization of communication networks between member states, utilization of common economic institutions such as insurance, shipping and airlines sectors, the possibility for execution of joint research, and expansion of business exchanges based on fixed amount of exchanges and tariffs. But in regard to expansion of trade between members, this organization has not been able to act successfully. There are so many obstacles and we point to some of them as follow:

border disputes, civil wars in Afghanistan and Tajikistan, different political system of member states, foreign power influences, escalation of rivalry in the region, trans-regional obligations of some of the member states, lack of confidence in some of the member states toward other member's intentions, and lack of economic interdependence. There are different factors that together have limited ECO activities. With respect to the different political consideration of members, it is necessary to point out that ECO is a regional economic organization and its most important aim should be to establish sustainable economic growth and development among member states.

ECO member's cooperation, like much regional cooperation organizations in the third world, is seriously overshadowed by member state's political considerations. There are many factors that have prevented expansion of trade relations which mainly are as follow: changing regulation and emergence of tariff and non-tariff barriers, repeated changes in laws and regulations related to import

and export sector, use of different regulations in bargaining with other countries, newness of facilities and entities that are supporting foreign trades in new members of ECO. Unlawful confiscation of goods and escort of trucks, enactment and collection of different kind of taxes, exercise of health regulations and special standards in some of the member's states, lack of appropriate judicial communication and contacts between member states, difficult situations for exchange of local currencies to viable foreign currencies, exchange of illegal goods in some of the member's borders, and absence of efficient transportation systems among them.

In ECO strategy, the word "trade" is one of the three priorities in its activities in next ten years. As mentioned ECO first regional trade agreement was produced in 1992 which three member states with the aim of development of regional trade and as the first step to eliminate trade barriers in the region signed "preferential tariff arrangements" in March , 23, 1991 in Tehran. In Feb. 16, 1992 the three founder states of ECO granted privilege for 62 good items, 16 items belonged to Iran, 16 items were from Pakistan and the remaining 32 items belonged to Turkey (2 items were agricultural goods). At the mean time, a 20 percent tariff discount in support of trade exchange's development was suggested but it has not finalized yet. With respect to WTO and the executive effects of its agreements on ECO members, establishment of financial experts group was approved by the council of ministers in 1997. This group is obliged to examine non-tariff and tariff barriers for trade development and start negotiating toward preparation of a regional agreement draft with the aim of gradual elimination of these barriers.

Non tariff trade barriers mainly can be divided into two kinds of limitations that are related to geographic, political, cultural and social circumstances of these countries. These limitations are mainly as follow: nationality problems, lack of political pluralism, weakness of administrative systems, absence of social complementary grounds, limitation of cultural and social exchanges, political dependence, economic dependency, limited communication networks, limited volume of trade in the region, weakness of economic complementary grounds, unbalanced trade volumes, and issues related to work force and unemployment. Non tariff actions that are related to quantitative or non-value limitations include all form of trade limitations which operate through reduction of import volumes. In this method of trade policy making, government's gains is not considerable, because if the government only receive money for issuing import licenses, this would not produce revenue for it. This policy has often used in support of domestic production and improvement of balance of payments.

Countries like Azerbaijan, Kazakhstan, and Kyrgyzstan have the lowest level of tariffs. Azerbaijan and Central Asia countries have subjected their trade systems to liberalization in order to facilitate their integration into international trade system. They have also eliminated import and export limitations and to some extent, have stable and exchangeable currencies. Most of the member states don't

impose qualitative limitations. Iran and Uzbekistan's trade systems are the ones with most limitations.

Iran's trade and currency system is subject to complicated and severe control. Uzbekistan government also imposes severe control on its trade and currency system. This country conducts a large portion of its foreign trade (41 percent in 1998) through government channels. Turkmenistan trade and currency system is also under severe control. Although imports don't need permission and imported goods are duty-free, but importers can only receive currency when they have already received permission from a relative public commission. Transportation costs and arbitrariness of transit's duties are among problems when dealing with this country. The government charges transportation companies for different reasons increases the costs.

From an economic perspective, reducing the costs of trade and transit would be make sense under any circumstances, given that this has been identified as one of the main obstacles to the economic development of the region. Welfare improvement in the short run is likely to be largest for greater cooperation among neighboring countries.

Therefore, with respect to all of above points; ECO has not been able to establish the initial communications between members, like the one that already exists between members of economic institutions of the world. For example, In European Union the members can use customs tariff and the whole system and other countries adhere to policies. Absence of a common market is one of the main problems of ECO members.

Creation of a common market and preferential tariffs can drive ECO toward expansion of trade exchange within the region as well as with other countries.

In 8th summit of Council of Ministers in spring 1999, which was hold in "Alma-Aty", member states signed a memorandum of cooperation against smuggling and customs wrong doings among member states. Two other important documents were ECO trade transit agreement and an agreement on facilitating visa process for merchants in ECO region.

### **3. Socio-Cultural Obstacle**

Given that is ECO region there exist two groups of Turks and Persian nationalities outburst of disputes and escalation of biased behaviors among them can create serious problems for regional cooperation. Turkey has tried to organize Turkish language countries and establish communication channels between them in the region. This tendency, with respect to Turkey's problem in joining European Union, has become important. Iran has not completely put aside the improvement of relation with Persian speaking countries in the ECO region, but it is not trying as hard as Turkey. ECO members belong to different faith and value systems. Iran has a Sharia-based political system, But Turkey, Azerbaijan and Central Asia republics have secular political systems. Pakistan in relation to practical goals does not depend on religious principles. Here, the main contradiction is between Iran and

Turkey and drafting of ECO Trade and Development bank's constitution is an example of that.

Generally Iran sees ECO as a framework for unification of region's Islamic countries, and formation of Islamic common market. But Turkey is against spread of Islamic tendencies over this organization. Conflict between Islam and legacies of communist regimes is another aspect of ideological conflict in ECO region which, nonetheless, has effected on ECO activities.

#### **4. Political Obstacles**

Political differences among ECO members, to some extent, are related to territorial disputes. For example: Pakistan and Afghanistan disputes over Pashto province, Iran and Afghanistan over Hirmand river, Uzbekistan and Turkmenistan over Amodarya. If political difference between members of a union does not actually create problem for them but it can potentially remain as a tension factor in their relations. In the case of ECO members, it can be said that exploitation of energy resources and other resources in Caspian Sea can lead to conflicts between some of the members.

From economic aspect, economic or political cooperation in the region have overshadowed by security ties and economic dependence of Central Asia republics on Russia. Russia has remained as the largest trade partner for these republics.

From military-security aspects, Russia will safeguard its military presence in the region. Promotion of Shanghais Organization missions and operations is proving this point. From economic angle America, England, Germany, France and other countries have separately been trying to expand their relations with ECO members. Many Western countries are investing or exploiting crude oil or doing other business activities in the region.

From political aspect, America have always been concerned that establishment of an organization consist of Islamic countries in such a sensitive strategic region, along with Iran, can threat its interests and serve as a base for Islamic fundamentalism.

America through its increased economic and political activities in Central Asia and Caucasus and by imposing pressure on its allies in ECO, like Turkey and Pakistan, has tried to prevent this organization progress and goals. America pursues its policy of Iran's isolation in its natural course. Part of this strategy is to prevent transfer of Caspian gas and oil through Iran territory, which is the shortest and cheapest and most secure route. In order to deprive Iran of its natural benefits, America has accepted to subsidize more than 2 milliard dollars for construction of Baku–Tbilisi–Ceyhan route.

Iran must create a situation in its northern geopolitics depth to make sure that the region gas and oil pipelines pass through its natural route (which is Iran). Otherwise, its isolation will damage Iran's interests severely. In order to connect its northern geopolitics' depth to southern one, Iran can allocate each one of its small ports in Persian Gulf to each lank locked country and Caucasus, Caspian and



Central Asia, so that they can use them is the framework of national sovereignty and Iran's law.

This is a method that can involve a large number of these republics in Persian Gulf and at the same time make Persian Gulf's Arab countries access to Caspian region (Central Asia-Caucasus) possible. This plan gives Iran a pivotal role in the region and in the geopolitical world of gas and oil in early decades of 21 century and will set the ground for a highly important regional grouping. A kind of grouping that stands high in future geopolitical system.

The tension between Iran and Azerbaijan in August 2001 about rights of exploiting energy resources in Caspian Sea heightened. Iranian fighters and ships threatened an English ship (BP) in Caspian region. America called Iran's action an inflammatory act and increased its political support for Azerbaijan. Iran and Armenia, Azerbaijan rival, in March 2001 signal an agreement in order to expand their defense cooperation.

After disintegration of the Soviet Union, the most important military threat against Iran in the region disappeared and. But there were two factors of interference in the region that could threaten Iran. America and Israel activities in the region, has been a case of security threat for Iran. In opposite, Iran in order to confront with American containment policy has moved closer to Russia. Iran–Russia–Armenia axis was formed against America–Turkey–Azerbaijan and Israel axis. America based on the policy of “every one except Iran has also supported the pipeline through Caspian which transfer energy resources from Turkmenistan and Kazakhstan to Baku–Ceyhan pipeline.

At the mean time, American has rejected the idea of oil swap between American companies and Iran. America approved Iran – Libya sanction act in 1996 for this purpose. Israel presence in political and economic activities of these republics and penetration of Saudi Arabia in Pakistan society of Anjoman sepah sahabeh is a clear indication of increasing penetration of some of the Middle East countries in ECO region. Presence of foreign powers in the region is one of the main factors that are creating division within the ECO members.

America has supported different energy routes in the region but has opposed with any route that passes through Iran. Steven Man, from office of Asia–Europe affairs in the State Department and its representative in Caspian Sea affairs, in regard to Asian Development Bank (ADB) statement that Indian–Pakistan–Iranian pipeline, and Pakistan–Afghanistan–Turkmenistan pipeline are executable projects, said “American government support projects to transfer Caspian Sea gas to India and Pakistan but is oppose to any project that Iran is involve with”. He stated the transfer of Turkmenistan gas as a favorable alternative for America.

Although the fate of this pipeline has intertwined with all issues involved between these three countries and international issues such as Iran nuclear program, but security, economic and technical importance of gas pipeline has made this project an attractive one for all the experts. But Iran nuclear program fate will effect on the fate of this pipeline. It is noteworthy that India in nuclear negotiations voted against Iran. India and Pakistan officials said that they are hopeful that

construction of this project, in spite of American opposition starts in 2007. America has seriously tried to stop Iran gas pipeline to India which suppose to pass through Pakistan.

Bill Clinton in the ceremony to sign Baku-Tbilisi-Ceyhan (BTC) pipeline project in Istanbul said: "Construction of this pipeline guarantees that no country would be able to stop the supply of energy to the world". In other word, Russian and Iran would not be able to dominate oil and gas pipeline that transfer Western needed energy and America is not going to be worry about Middle East and Hormoz Strait.

These are two great plans; one is 1700 Kilometer which passes through Caucasus and transfer Baku oil to Ceyhan port in shore of Mediterranean Sea. The second one is more than 2000 Kilometer which passes through Caspian Sea bank and transfer Central Asia gas to Turkey. The cost of this plan is estimated around 6 billions \$ which suppose to be completed in 2004. The execution of the first one has started but the second one is in its preparation phase. At the present, a large portion of Azerbaijan oil transfer through a pipeline that passes through Chechen and ends in Novorossiysk port in black Sea bank. This oil then through crowded Bosphorus strait in Turkey reaches to world markets.

Turkey has threatened that can't accept the hazard of passing oil Tankers any more and may stop allowing them to pass through Busphorus. Clearly this action would have an effect on traditional influence of Russia in regard to transfer of energy severely. Baku-Ceyhan pipeline directly transfer the oil to Mediterranean shore. America by supporting this project wants to increase Turkey's foreign revenues as its ally in NATO, and reduce Russian influences in central Asia and Caucasus to secure its own strategic interests. Iran described "Istanbul agreement" as a hostile act" and called American support for Baku-Tbilisi-Ceyhan route mainly politically motivated. Iran by its proposal to swap oil, in deed, offered a more economic plan. Iran asked Azerbaijan to transfer its oil in north to Iran for domestic consumption and Iran deliver the l amount of that oil to Azerbaijan in south instead.

Condo Lisa Rice, America secretary of state, in his trip to south Asia in March 2005 asked India and Pakistan not to cooperate with Iran. This program in fact neutralizes Bush policies of Iran isolation. Indian foreign minister in a joined conference praised Rice views on future potential of both countries relation in regard to their common and global interests. America has reduced its economic barriers against India while India has produced and tested its nuclear bomb equipments. Indeed Rice said that America can abolish its ban on nuclear cooperation with India, which was enacted in 1947; in exchange for India withdraw from Iranian gas project. George W. Bush a year ago had declared his worrisome about India nuclear activities. Rice in her meeting called negotiations about Indian energy needs such as production nuclear reactors for civilian and defensive purposes and resolution of its economic problems a necessary step. Rice also talked about sell of F 16 fighters to India.

Rice also described the same message in Islamabad: Activities that improve Iran's economic interest would not be acceptable to America. Of course, withdrawing from gas pipeline would damage Pakistan seriously, because the transit right for peace pipeline has estimated around 200 to 300 million \$ in a year. Rice also asked Pakistan to expose its secret in formations in regard to Abdul Qadir Khan's cooperation with Iran, in regard to nuclear technology. Pakistan, in compare with India, enjoys less alternatives and this country, for its military and political cooperation with Iran, is under pressure of America.

Signing of a memorandum between Iran and Pakistan in March 2002 could have marked the beginning of a new era of partnership between two countries in the context of their bilateral interests, and sharing of their achievements with other members of ECO. This agreement was indeed a follow up of previous attempts at construction of a big 1600 Kilometer gas pipeline that would connect south of Iran to province of sand in Pakistan. Two countries agreed to construct a pipeline about 1000 kilometer that continues to India. Construction of this gas pipeline was based on the thought to sell Iran's surplus gas to India through a pipeline line that passes through Pakistan territory. The reason for its delay goes back to India stance on Pakistan and American pressures on both countries. Pakistan sees this plan profitable and at the same time believes that it can help to advance ECO goals. But Bush administration which has felt the threat of a nuclear tension in South Asia supports the peace process between India and Pakistan is against construction peace pipeline that would preserve both countries benefits, and reduces the possibility of conflict between these two nuclear neighbors. The reason for it, indeed, points to the benefits that Iran gains from this project. But ECO leaders, with respect to their cultural and historical ties have always emphasized on regional cooperation, and the effects of world developments on this region.

### **5. External Powers Influences in ECO Region**

America in 1998 presented "new strategy for Central Asia" and supported the struggles of region for gaining independence from Russia. America has also supported exploitation of the region's gas and oil, and declared the region as a "strategic interests" zone for America. America transferred its military base from Incerlik in Turkey to Azerbaijan republic and by exercising military maneuver under the title of Partnership for Peace (PfP) has tried to bring Caspian region under its own control. After September 11, 2001 and tension in its relation with Saudi Arabia, America found it necessary to diversify into new oil resources. Therefore, Caspian importance reached its highest peak, Bush administration evaluated it as a key for reduction of dependency on Middle East oil resources.

In order to prevent energy transfer through Iran route, America is trying to highlight projects like "Trans Caspian" and "Afghan Route", which have political nature. To omit Iranian route, America offered trans-Caspian project (via Azerbaijan), Turkmenistan-Kazakhstan rout, which ends at Ceyhan port in Turkey (along Mediterranean Sea). America wants to eliminate both Iran and Russia from

region's energy cycle. America also wants to use "Afghan route" to transfer Turkmenistan gas through Afghanistan to Pakistan.

Hamed Karzai, president of the temporary government of Afghanistan in Kabul in 2004, by pointing to economic growth rate in his country in last two years (2002 – 2003), emphasized on utilization of new technologies in agriculture and industrial sectors. Hamid Karzai spoke about law enforcement, administrative reforms and security provision in his country in order to absorb foreign investments. With respect to American strategy of Iran's isolation and presentation of different energy routes, and in order to ignore Iran route, which with its unique geographic position is at the center of all routes in this region, Afghan role as a center of trade and communication fully highlighted.

The condition of regional grouping is very considerable, which to varying extents include the region's neighboring powers and could be harnessed as vehicle for grater cooperation.

### **Conclusion**

The problem related to the expansion of regional trade among ECO region and its role in increasing their growth and development as the result of issues like internal barriers, foreign penetration, political commitments of most members and expansion of ECO membership have been aggravated.

The number of members looks fine on the paper but their different expectations and presumptions have caused their declare commitments remain ceremonial and intact. Intentions of Central Asia republics to reconstruct trade relationships with Russia resulted from the legacies of the Soviet economic system among them. Turkey struggles to admit Azerbaijan and Armenia as the members of "Black Sea Economic Cooperation Organization is taking place in parallel to ECO activities, but, nonetheless, can be evaluated at the same level. The existing possibilities for regional cooperation in respect to expansion of port facilities, marine transportation management's development, utilization of advanced technologies in marine management sector, port authorities and their role in resolving documentary, law and marine security's problems and transfer of port facilities to land lock countries and establishment of ECO marine transportation committee have been taken into consideration.

As pointed out, rise of region's trade volume has been one of the ECO main goals. But this goal, because of member's economic structures, lack of necessary complementary grounds among them and absence of serious and full examination of needs and obligations, has not fulfilled yet. Adoption of proper policies for expansion of regional exchanges among members is a serious issue. ECO Development and Trade Bank can play an important role in this respect, but in last few years, members have only discussed practicable cases and there has not been any practical actions. Adoption of long-term perspectives among members and adoption of short-term sacrifices especially among founder members of ECO is necessary step to move forward. This has been a sort of epidemic problem in all regional organizations in developing countries.

Therefore, most of ECO members are faced with needs and problems that can be resolved by the help of secretariat and activating experts groups and utilization of regional and national proper policies. Members, in order to reduce tariffs level, must reinforce and improve their negotiating capabilities and policy – making methods, and in order to resolve trade barriers and promote trade and welfare in the region, political will and serious resolve of negotiating parties must be reinforced. Former republics of the Soviet Union which are experiencing transitional situation, produce a small number of exportable goods to international markets and their limited knowledge about global trade rules and regulations have reduces their deciding and selective powers in trade sector and in respect to their access to markets. Therefore, this is a kind of a need that they must receive more advice on that.

In order to join market economy, they must acquire their needed structures and organizations through raising their capacities (establishment of customs evaluative units, standard institutions and preparation of laws).The state trading still is one of the main problems of ECO members, especially Iran. Most of these countries have natural resource based-economies. Economic and political consideration among ECO members is interconnected, like many other developing countries. This combination makes having positive relations with powerful economies a necessary approach .It means ECO can not play the role of substitution of the constructive relations with great powers.

And Finally these Five Recent Developments Deserve Particular Attention:

- ✓ Recent trends of Central Asian republics for more integration among them and Russia. An economically more integrated post-Soviet Central Asia would be far more attractive as a region for both exporters and investors.

- ✓ The growing membership of Shanghai Organization for security and cooperation, which Iran, India, and Pakistan have joined as observer, and its growing focus on economic cooperation in addition to security matters could create a regional body encompassing all of the region's major neighbors.

- ✓ With Afghanistan and Russia's increasing involving in Central Asian economic cooperation, this grouping is going to be a key vehicle for policy coordination in post-Soviet Central Asia.

- ✓ Afghanistan has been adopted as a member of SAARC, at its summit in November 2005, and the joining of China as observer had been discussed in that meeting.

- ✓ Afghanistan has just initiated the WTO accession process.

These developments will also lead to weak status of ECO as a capacity for sustainable development.

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