



# Special Guest Articles

## Pakistan and Economic Cooperation Organization (ECO)

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## Introduction

The economic cooperation models of European Union and ASEAN are seen as examples of best practises for regional economic collaboration. The basic premise of these organizations is that complementary economic practices provide a conducive environment for trade promotion and help reduce obstacles to free market exchanges. This was also an important objective for the founding of Economic Cooperation Organization (ECO) through collaboration between Pakistan, Iran and Turkey in 1985.

The predecessor organization of ECO was the Regional Cooperation for Development (RCD), founded by Pakistan, Iran and Turkey for enabling socioeconomic development of the inhabitants of the Member States. At a time when the world was bereft of global and regional vision and shared solutions, RCD called for effective multilateralism at the regional level and held the promise of regional economic integration. The idea was to channel the historical affinity and brotherhood among the three countries to establish a well-defined multilateral platform. It was envisioned that the primary focus would be on promotion of economy through trade and connectivity as well as further strengthening of the cultural bonds.

By the 1980s, however, RCD had clearly failed to meet expectations regarding establishment of a mechanism for trade liberalization and realising the region's latent trade potential. In addition, it had been able to implement an abysmally small number of the envisaged/approved projects under its portfolio. With the arrival of the Islamic Revolution in Iran in 1979, the Organization lost its vitality and came to an end.

Still, keeping the significance of regional economic and development cooperation in view, the three states revived the multilateral cooperation model by establishing ECO in 1985. After the end of the Cold War, the Organization witnessed an expansion of its Member States, as the newly-independent Central Asian Republics and Azerbaijan as well as Afghanistan opted to join ECO through signing of the Treaty of Izmir in 1992. The common theme of economic prosperity through the building blocks of trade, connectivity, tourism, energy, and cultural cooperation struck a chord with the newly independent and other Members which were motivated to preserve their unique identity and at the same time, engage closely with other regional stakeholders for economic progress and prosperity. The Organization also provided a useful trade and transit outlet to resource-rich but land-locked Central Asian states.

Last year (2022), ECO Member States celebrated 30 Years of ECO Enlargement, an indication of the premium that the Member States place on regional engagement. Today, the ECO region covers an area of around 8 million km<sup>2</sup>, nearly double the territorial size of the European Union, and comprises roughly half a billion or 6.6.% of the world population. It is endowed with a wealth of natural resources, unmatched geo-strategic location, and immensely rich cultural, philosophical and linguistic heritage. ECO is placed at the core of the world heartland bordered by Russia, China, the Indian Ocean, the Persian Gulf and the Caspian basin. Historically, the Silk Route, including the modern-day ECO region, has been at the crossroads of travelers and tradesmen and connected the

Eastern and Western civilizations since 2nd century BC. These impact of Silk Route on global interactions in the economic, cultural and political domains are felt even today.

Over the years, ECO has undertaken major initiatives in the fields of connectivity, trade, energy, tourism, and cultural, social, and scientific development. It has also established a network of regional institutions and specialized agencies to advance its agenda.

### **Pakistan's Role in ECO**

While contributing substantively to ECO activities, Pakistan has benefitted immensely from its membership of the Organization, particularly due to the abject failure of SAARC to implement its Charter due to Indian regional ambitions which is characterised by hegemony and dominance. Pakistan hosted the 13th ECO Summit in Islamabad in March 2017 at a time when India had refused to participate in the SAARC Summit to be held in Islamabad in 2016, and announced that it would isolate Pakistan in the international arena. Against this backdrop, the ECO Summit was a resounding success. It helped Pakistan reclaim its political space and refocus regional attention on the core constructive objectives of trade and connectivity and regional cooperation. The Summit centred on the theme of "Connectivity for Regional Prosperity" and adopted two key ECO documents: "Islamabad Declaration" and "ECO Vision 2025", that lays out the agenda of the Organization until 2025 and helps evaluate the progress.

The major strength of ECO is its focus on economic and connectivity issues. It is endeavouring to adapt to the needs of the Member States to create enabling environment for trade and improving economic conditions. As a founding member state, Pakistan is deeply committed to the realization of ECO objectives and played a leading role to support ECO activities, particularly in the areas of trade liberalization and regional connectivity initiatives in line with our own national economic agenda.

#### *(i) Regional Trade*

ECO Intra-regional trade stood at only \$76.5 billion or 8.2% of the overall external trade of the ECO Member States. Pakistan's own trade within ECO accounts for only 3% of its total foreign trade. These figures are well below the actual potential of intra-regional trade considering the share of the region in overall world population and its vast wealth of human and natural resources. To improve regional trade, the ECO flagship project ECO-Trade Agreement (ECOTA) was signed in Islamabad in July 2003 and entered into force in April, 2008. So far, Pakistan, Iran, Türkiye, Afghanistan and Tajikistan have ratified the Agreement. However, it awaits implementation due to lack of agreement concerning its present form and whether a modified version of the agreement should be advanced to replace the existing agreement.

Pakistan has been supportive of ECOTA and maintains that its operationalization would accelerate progress towards the Organization's goal of trade liberalization and the strategic-level objective of establishment of a Free Trade Area in the ECO region. Pakistan

has shared its ECOTA product lists and has been highlighting the necessity of early effectiveness of ECOTA with the assistance of the five contracting parties as a first step toward involvement of other ECO Member States. However, lack of progress on ratification and sharing of products list by some contracting parties has hindered the tariff concessions under ECOTA to come into effect. Other major impediments include prevalence of NTBs, lack of sufficient economic complementarities, capital deficiency, weak industrial base, and a persistently high cost of doing business in the ECO Member States.

### *(ii) Transit-Transport Connectivity*

Since entering into force in May 2006, the ECO-Transit Transport Framework Agreement (TTFA) has fostered a corridor-based approach toward transit and transport connectivity. The ECO Secretariat is collaborating with the Islamic Development Bank (IDB) for implementation of regional connectivity projects.

A major breakthrough achieved in the field of transport connectivity was the operationalization of Islamabad-Tehran-Istanbul Road Corridor. On 7 October 2021, two cargoes were dispatched from Karachi, Pakistan to Turkiye and Azerbaijan each under the TIR Convention. Since then, several cargoes have been operating successfully on the corridor. Furthermore, the Islamabad-Tehran-Istanbul Rail Corridor has also resumed its operations.

The success of ECO-ITI project, first initiated in 2011, is a clear example of ECO's growing contribution to regional connectivity and economic integration. ECO is also developing the PIT (Pakistan-Iran-Turkmenistan) corridor, and several other projects involving other members for greater connectivity among the Member States. ECO's transit operations can benefit immensely by digitalization of the transport corridors to simplify administrative procedures involved during the border crossings and while transiting. Efforts in this regard are currently under active consideration.

Pakistan also takes a positive approach to ECO initiatives for visa liberalization and border facilitation which are being pursued with a view to promote economic and cultural exchanges, tourism and people-to-people contacts.

### *(iii) Climate Change in ECO*

Since the devastating floods of 2022 in Pakistan, which affected more than 33 million people and submerged one third of the country, Pakistan has redoubled its effort to amplify its message for 'climate justice' through the ECO platform. During various interactions at ECO, Pakistan has underscored that despite its minimal contribution of 0.8% to the global carbon footprint, Pakistan is among the most vulnerable countries to the impact of climate change and called for a collective international response to address these challenges. During the 26th ECO Council of Ministers (COM) meeting held in Tashkent, Uzbekistan on 24th January 2023, the Pakistan delegation called for establishment of a "Loss and Damage Fund" at UN Climate Change Conference (COP 27)

and enhanced cooperation among ECO Member States for adaptation and mitigation measures against climate risks.

*(iv) Energy Cooperation*

ECO region contains the largest reserves of oil, natural gas and mineral resources in the World. By developing necessary infrastructure like gas and oil pipelines, power lines, the region will be able to successfully meet its own energy requirements as well as contribute at international level. Establishment of transport and communication infrastructure along with the network of transnational petroleum and gas pipelines through bilateral and regional arrangements among the ECO Member States is already being realized. Pakistan is actively engaged with the ECO to ensure implementation of the Energy Strategy 2030 and ECO targets of access to sustainable energy in the region.

*(v) Reconstruction and Development of Afghanistan*

We are an important contributor to the ECO programs on development assistance to Afghanistan, through creation of a Special Fund for Reconstruction of Afghanistan and a new Advocacy Program for Afghanistan to help develop infrastructure, build capacities, and promote trade/tourism and cooperation in customs related matters.

*(vi) ECO Specialized Agencies/ Regional Institutions*

Pakistan is a keen participant in all major ECO activities, its Specialized Agencies and Regional Institutions. Pakistan is a shareholder in the ECO Trade and Development Bank (ECO-TDB), headquartered in Istanbul, and is hosting a fully functional representative office of ECO-TDB in Karachi. ECO-TDB has been extending valuable support to Pakistan through its operations and investments of around \$1 billion in Pakistan in sectors like renewable energy, trade, manufacturing and microfinance. It has also extended a trade-finance loan to Pakistan for financing oil and gas imports.

Another ECO Regional Institution that is currently in a formative phase, is the ECO Reinsurance Company, which was established in December 2017 and is headquartered in Karachi. The ECO Reinsurance company would serve as a regional headquarter for development of expertise in insurance and reinsurance to foster intra-regional trade and foster commercial activity.

In addition to these, Pakistan is also host to the following ECO bodies:

*(a) ECO Parliamentary Forum*

The idea of a Forum of Parliamentarians of ECO Member States was envisioned by former Speaker of National Assembly of Pakistan, Dr. Fehmida Mirza. The aim of the Forum was to provide a platform to the parliamentarians of the ECO Member States to help expedite ratification of ECO initiatives and agreements. The meeting on establishment of Parliamentary Assembly of ECO Countries was held in

September 2012 in Islamabad, where it was unanimously decided that the Secretariat of the Assembly should be based in Islamabad. Pakistan hosted the first and second General Conference of Forum at the level of Speakers of Parliament in Islamabad in February 2013 and June 2021, respectively.

With the creation of the ECO Parliamentary Forum, Pakistan has helped promote the cause of parliamentary dialogue and diplomacy among ECO Member States. It has also provided Member States a platform to express their unwavering support to Pakistan on political matters, most significantly the Jammu & Kashmir dispute. For instance, during the 2nd General Conference, the Turkish Speaker of the Grand National Assembly, H.E. Prof. Dr. Mustafa Sentop said, “the Kashmir issue, which has been alive for nearly 74 years, threatens the peace in the region. It must be resolved through dialogue, on the basis of respect for human rights and international law, the relevant UN resolutions and by taking into account the expectations of our Kashmiri brothers.”

(b) ECO Science Foundation (ECO-SF)

Pakistan is host to one of the only three Intergovernmental Specialized Agencies of ECO, ECO Science Foundation (ECO-SF) mandated to promote scientific, technological and innovative research collaboration. ECO-SF Charter is ratified by Afghanistan, Iran, Pakistan, Tajikistan and Turkmenistan. ECO-SF has established a collective Science & Technology Fund to implement its various scientific projects. The operationalization of this excellent initiative is impeded by the non-ratification of ECO-SF Charter and non-contribution by some ECO Member States.

## Conclusion

The prevailing discourse on ECO’s performance as a regional economic organization, tends mostly to draw ECO’s comparisons with the European Union, ASEAN and lately, with the Shanghai Cooperation Organization (SCO). In this regard, it is important to acknowledge that the Organization’s contribution to the development of regional trade and connectivity in particular, has been faced with numerous challenges, both in relative and absolute terms, such as: (a) internal factors, including lack of political will, inward-looking economic policies and high protectionism, poor state of infrastructure; and (b) external factors, including economic sanctions on Iran, which has significantly undermined the regional initiatives for investment promotion and facilitating payments, and instability in Afghanistan. In spite of these difficulties, ECO’s contribution to regional cooperation, particularly in the field of transport connectivity, merit recognition and appreciation. A sincere effort is also being carried out to undertake reforms of the Organization to make it more efficient and result-oriented.

As a founding member, Pakistan is committed to advance the objectives of regional cooperation through the ECO. Pakistan recognizes that with its enormous natural resources and geostrategic location, the ECO region has the potential to reclaim its

identity as the Silk Route of international trade and commercial activity. However, ECO is only as effective as the aggregate of its constituents and its success will depend on the ability of Member States to recognize and act upon the ultimate objective of collective regional progress and development.

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