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Assessing Economic Cooperation Organization (ECO) Performance (1992-1997)

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Abstract

Economic Cooperation Organization (ECO) has been hailed by local politicians in Central Asia as an important economic integration in the region with significant economic and political implications for the area. In this study, we've assessed the performance of this bloc since 1992 and surveyed the views of a group of business people and government officials regarding the critical problems and challenges facing the members for deeper economic integration.

Key Words

Eco - Economic Bloc - Economic Integration - Intraregional
Trade - Performance Assessment.

Background and Introduction

Due to historical and cultural ties between three countries of Iran, Pakistan and Turkey, in 1962, they established the Regional Cooperation Organization (RCD) with the goal of increasing trade by elimination of trade barriers and also cooperation in variety of areas such as tourism, transportation and communication.

Despite variety of top level meeting between the three countries, no tangible step toward integration were taken for several years. In 1977, the leaders of three countries met in Izmir, Turkey in an attempt to push forward the integration process. They recognized the need to further intensify and deepen their existing economic relations through sustained efforts. The results of that meeting was the treaty of Izmir in which the three countries reaffirmed their resolve to broaden and expand the scope of economic cooperation among them in light of important changes taking place in the world economic relations. (For a comprehensive review of ECO history and its structure see "Economic Cooperation Organization", 1997, from the Institute for Trade Studies and Research, Tehran, Iran).

RCD became dormant and inactive for several years. In 1990, Iran initiated to reactivate the process and the result was Amendment to Treaty of Izmir, in which the new set of objectives were established and the name of the organization changed to Economic Cooperation Organization (ECO). The membership of ECO was also expanded to ten by admitting Afghanistan (1985) and six of the New Independent States of former Soviet Union: Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan (1991).

With the population of 350 million and significant natural resources such as oil, gas, mineral, hydroelectric power, human resources, and other potentialities, ECO, was believed to would have significant economic and political implications not only for the member states but also for the region and the world. The objectives of this research, therefore, are: 1) to evaluate and assess the performance of this economic bloc since 1992, and 2) to investigate the key issues, barriers, and challenges facing ECO for further integration.

In the following, after a brief overview of the concept of regional economic integration, some comparative data about the member countries are presented. This data would help us understand the relative position of each country in the group and also the similarities or dissimilarities in economic, political, and cultural environments of member countries which may have

MERCOSUR,¹ Andean Pact² and APEC³ are examples of such economic blocs.

Economic integration is a long process of deliberate and systematic reduction and elimination of trade barriers as well as harmonization and unification of economic and political strategies and policies among member countries (Shields, 1995). The five evolutionary phases of this process as reported in the literature are: 1) Free Trade Area, 2) Custom Union, 3) Common Market, 4) Economic union and 5) Political Union. In phase one, The Free Trade Area, all barriers to the trade of goods and services among members are removed. Theoretically, at the end of this phase, there should be no discriminatory tariffs, quotas, subsidies, or any other administrative obstacles to trade among members. Each member, however, can independently decide on its trade policies with non-member nations. The second stage, Custom Union, has the characteristics of phase one plus a common external trade policies with non-members. The third phase is The Common Market which has the characteristics of phase 1 and 2, plus free movement of factors of production (i.e., capital, labor,

1- An economic bloc in South America Consisting of Brazil, Argentina and Paraguay, (Chile is an associate member)

2- An economic bloc in South America Consisting of Bolivia, Colombia, Ecuador, Peru and Venezuela.

Second, the performance and accomplishments of ECO in view of the specific objectives that the members have set in 1992 are assessed. Third, the results of a survey that solicited the views of a sample of top-level Iranian businessmen and politicians regarding ECO are presented. Finally, the authors present their recommendations and conclusions.

Regional Economic Integration

Economic integration occurs when several countries form a group with an aim of abolishing discrimination between economic units belonging to different member nations and promote engagement in various economic and political activities to benefit all the citizens of member countries (Balarsa, 1961). It has been argued that regional economic integration would lead to significant trade creation, hence job creation, more competition, hence better efficiency and quality (Waelbroeck, 1980); and improvement in international standing as a group (Czinkota, Ronkainen, Moffett, 1994; Griffin & Pustay, 1999). Because of the presumed benefits, the regional economic integration has become an important vehicle for economic development in many parts of the world. European Union, NAFTA,¹ AFTA,²

1- North American Free Trade Agreement

etc.) among bloc members. The fourth phase, Economic Union, demands even closer and deeper cooperation. It requires harmonization of member countries monetary as well as fiscal policies, a unified central bank and a uniform currency. The last phase, political Union is where the coordinating bureaucracy becomes accountable to the citizens of member countries and still further cooperation in creating a unified defense and military structure takes place.

At this point in time only European Union is farther down the integration process in phase 4. Of course, a complete integration, due to its complexities and challenges is not on the minds of many economic blocs. We can assume that phases one and two are what many economic blocs are currently aiming for. Nevertheless, the experience of the European Union shows that cooperation and harmonization of various policies of member countries, in any of the five phases, are bound to face significant obstacles and resistance.

The ECO Member Nations

Compare to other economic blocs in the world, ECO is a little unknown and there is unlikely to find any reference or discussion about it in International business, trade, or economic text-books. In this section, we present some information on each member nation in order to understand their unique economic, cultural, and

should be noted that even though this study relies on different sources of information (IMF, United Nations, EIU, ECO, etc.), the reliability of our data may still be in doubt. This is because the foreign data banks rely heavily on the local governments reported statistics, and the local governments are notorious in overstating the good news and under reporting the bad. However, we believe this weakness does not significantly change the overall picture of

Table 1 a - General Economic and Social Data (1997)

ECO Members	Afghanistan	Azerbaijan	Iran	Kazakhstan	Kyrgyzstan
GDP (M)	\$9,210	\$2,448	\$133,514	\$20,938	\$1749.8
GDP / capita	NA	\$321,9	\$2223.2	\$1268.9	\$387.81
Currency	Afghani	Manat	Rial	Tenge	Som
ExchangeRate ¹	15025=\$1	4414=\$1	300=\$1	76=\$1	12.1=\$1
External Debt(M)	\$9.579	\$560	\$19,835	\$3,890	\$752.7
BOP (M)	\$-371	\$-459	\$7,402	\$-39	\$-362.7
Labor Force	3,300,000	3,422,000	16,030,000	7,800,000	1,769,000
Unemployment ²	NA	10%	10%	9.4%	7.2%
Population (M)	21.2	6.6	60.1	16.50	4.51
Pop. Growth	5.2	.9	1.51	-.50	.48
Literacy rate	31.5%	97%	54%	97%	97.5%
Physician / 10000	NA	39	8	39.7	33.3
Hos. Bed/ 10000	NA	100	156	86	90
Infant Mortality Rate / 1000	162	14	26'	24	26.2

1- These are open market rates: The official rates are normally lower in that government keep the value of the currencies artificially higher.

the economic situations that prevail in these countries and we can still make informed judgments in conducting our analysis.

Table 1 (a & b) presents some comparative economic and social statistics on ECO countries for 1997, the latest available data at the time of the study. Based on the GDP figures, the countries of Turkey, Iran and Pakistan have the largest economies and dominant positions within ECO. The total population of the bloc is about 340,000,000 or almost 6% of the world population. In its size it is comparable to EU or NAFTA but not in terms of purchasing power and economic development. More than seventy percent of this population live in the above three countries which have the strongest economies, and yet their highest GDP per capital is less than \$3000.

As shown, Pakistan, despite its strong standing among the members, lags significantly behind other nations on social indicators. Low literacy rate, insufficient health care infrastructure, and high infant mortality rate may partly be explained by the large population of the country but most likely it is due to its ineffective public policies. On the other hand, we can see the six new members have the highest literacy rate and an acceptable standard of living in the group. In addition, the composition of population in terms of age, income, skill levels, and women participation in economic activities vary considerably among members and thus have important implications on local

Table 1 b - General Economic and Social Data (1997)

ECO Members	Pakistan	Tajikistan	Turkey	Turkmenistan	Uzbekistan
GDP (M)	\$64,350	\$1,032	\$182,063.5	\$2,794.6	\$13,620
GDP / capita	\$483	\$173.27	\$2904	\$673.55	\$588.6
Currency	Rupee	Ruble	Lira	Manat	Sum
Exchange Rate	38.9=\$1	299=\$1	81,137=\$1	3482=\$1	40.2=\$1
External Debt(M)	\$29,617	\$868	\$83,033	\$668	\$2,330
BOP (M)	\$3,223	\$-38	\$-20,401	\$159	\$886
Labor Force	37,200,000	2,758,000	22,919,000	2,337,000	8,174,000
Unemployment	5.4%	17.2%	6.05%	3%	5%
Population (M)	133.3	5.96	62.7	4.15	23.14
Pop. Growth	2.69	1.62	1.70	1.81	1.97
Literacy rate	39%	96.7%	88%	97.7%	98.8%
Physician / 10000	5.5	21.5	10.8	35.5	34
Hos. Bed/ 10000	6.5	80.2	19.3	104	72.5
Infant Mortality Rate / 1000	95	41	3.9	46.4	26

Tables 2 through 8 provide some longitudinal data on comparative positions of ECO nations. Tables 2 and 3 show negative GDP growth for most of the member states during 1992 to 1995. This may be attributed to: 1) the significant changes and structural readjustment which many of the new members had to make in order to move from central command economies toward free market economies and 2) the internal political crisis such as war and other civil disturbances which had diverted resources from more productive uses. In 1996, however, economies appear to be gaining strength. It is also interesting to see that the

has not shown any noticeable change. There is, indeed, large potential in the region for economic development given the existence of both natural and human resources.

Table 2- Gross Domestic Product ¹ (Million US\$, at current prices)

ECO / Members	1993	1994	1995	1996
Afghanistan	9,210	N.A.	N.A.	N.A.
Azerbaijan	2,593.6	2,198	2,339	2,448
Iran	58,763	73,914	103,314	133,514
Kazakhstan	14,193.9	11,041	16,641	20,938
Kyrgyzstan	1,115.6	1,144.6	1,494.9	1,749.8
Pakistan	52,078	61,106	64,813	64,350
Tajikistan	681.7	801.3	999.0	1,032
Turkey	180,399.8	130,231.2	169,836.6	182,063.5
Turkmenistan	4,500	1,639.5	2,576.9	2,794.6
Uzbekistan	9,683	9,292	10,030	13,620
ECO ²	324,008.6	291,367.7	372,044.4	422,509.9
World	24,100,000	26,141,000	29,063,000	29,935,000
ECO Share of world	1.34	1.11	1.28	1.41
Trade (%)				

1- Data From IMF, 1997; BIU, 1998. ECO Members national Statistics

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Table 3- Real GDP Growth (% change at constant prices)

ECO / Countries	1993	1994	1995	1996
Afghanistan	-3.1	N.A.	N.A.	N.A.
Azerbaijan	-23.1	-18.1	-11.0	1.2
Iran	4.9	1.6	3.2	4.5
Kazakhstan	-10.4	-17.8	-8.9	1.1
Kyrgyzstan	-15.5	-20.1	1.3	5.6
Pakistan	4.5	5.2	4.6	3.1
Tajikistan	-11.0 ^s	-18.9	-12.5	-4.4
Turkey	8.0	-5.5	7.2	7.2
Turkmenistan	-10.0	-19.0	-8.0	3.0
Uzbekistan	-2.3	-4.2	-0.9	1.6

The GDP per capita (Table 4) reveals the differences in economic development of members. For instance, GDP per capita in Tajikistan (\$173) is more than ten times less than in Turkey or Iran. Such differences could be an impediment to economic integration unless, of course, the more developed countries in the group initiate certain programs and assistance to reduce and minimize that gap.

Table 4- GDP per capita (US\$)

ECO / Countries	1993	1994	1995	1996
Afghanistan	520.6	N.A.	N.A.	N.A.
Azerbaijan	352.0	296.5	310.5	321.93
Iran	1,005.0	1,257.5	1,746.0	2,223.2
Kazakhstan	840.3	648.5	1,003.0	1,268.9
Kyrgyzstan	249.0	256.0	332.90	387.8
Pakistan	424.1	483.2	499.3	482.75
Tajikistan	119.5	139.2	170.5	173.3
Turkey	3,013.0	2,129.0	2,755.0	2,904.0
Turkmenistan	1,147.9	410.4	632.4	673.6
Uzbekistan	442.9	417.1	442.1	558.6

Tables 5 and 6 presents members debt situation. While Turkey appears to be the largest debtor nation in the group (over \$80b), When we factor in the GDP, we see Pakistan and Kyrgyzstan are also in a similar situation (over 40% debt / GDP). On the other hand, Azerbaijan has the fastest rate of accumulating foreign debt (investment necessary to access and commercialize its vast oil reserves) while Iran has the fastest rate of debt reduction.

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Table 5- External Debt (Millions US\$)

ECO / Countries	1993	1994	1995	1996
Afghanistan	9,579.0	N.A.	N.A.	N.A.
Azerbaijan	36.0	113.0	420.0	560.0
Iran	23,158.0	22,735.0	21,828.0	19,835.0
Kazakhstan	1,848.0	2,717.0	3,428.0	3,890.0
Kyrgyzstan	294.0	413.8	584.7	752.8
Pakistan	24,482.0	27,072.0	28,852.0	29,617.0
Tajikistan	509.0	760.0	817.0	868.0
Turkey	67,356.0	65,601.0	73,278.0	83,033.0
Turkmenistan	276.0	418.0	550.0	668.0
Uzbekistan	1,039.0	1,107.0	1,781.0	2,330.0

Table 6- External Debt/GDP (in Percent %)

ECO / Nations	1993	1994	1995	1996
Afghanistan	104.0	N.A.	N.A.	N.A.
Azerbaijan	1.38	5.14	17.95	22.87
Iran	39.40	30.75	21.12	14.85
Kazakhstan	13.01	24.6	20.59	18.57
Kyrgyzstan	26.35	36.15	39.11	43.01
Pakistan	47.01	44.30	44.51	46.02
Tajikistan	74.60	94.8	81.7	84.1
Turkey	37.34	50.37	43.15	45.65
Turkmenistan	6.13	25.49	21.34	23.9
Uzbekistan	10.73	11.91	17.75	17.10

Table 7 shows that during the 1993-96 period, the new members had experienced high inflation rates up to 3000%.

Overall, however, the inflation rates appear to be going down for most of the members and if the trend continues they may come under control at an acceptable rate.

Table 7- Average Inflation Rates¹ (in Percent %)

ECO / Nations	1993	1994	1995	1996
Afghanistan	34.00	20.00	N.A.	N.A.
Azerbaijan	1,129.70	1,664.40	411.70	119.95
Iran	22.90	35.25	49.40	23.55
Kazakhstan	1,510.00	1,160.30	60.40	28.65
Kyrgyzstan	772.40	228.70	52.50	30.50
Pakistan	11.27	13.02	10.79	11.80
Tajikistan	2,194.90	350.40	610.00	443.00
Turkey	66.10	106.30	88.00	80.40
Turkmenistan	3,102.40	1,748.00	1,005.00	992.00
Uzbekistan	534.50	1,568.00	305.00	54.00

A look at the comparative trade data and the balance of trade (Table 8a & b) reveals that seven of the member states have negative trade balances (more imports than exports) with Turkey leading the pact with over twenty billion dollars in negative trade in 1996. The ECO region as a whole has also increased its dependence on imports in recent years from \$1,865 million in 1994 to \$ 16,447 million in 1996.

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Table 8a- Comparative Foreign Trade Data (Millions Us\$)

ECO / Countries	1993			1994		
	Export	Import	Balance	Export	Import	Balance
Afghanistan	688	425	263	102	347	-245
Azerbaijan	697	849	-152	637	778	-141
Iran	18,080	19,287	-1,207	19,434	12,617	6,817
Kazakhstan	944	1,560	-616	2,875	3,709	-834
Kyrgyzstan	340	365	-25	340	316	24
Pakistan	6,685	8,685	-2,000	7,759	10,296	-2,537
Tajikistan	350	532	-182	492	547	-55
Turkey	15,345	29,429	-14,084	18,106	23,272	-5,166
Turkmenistan	2,693	1,593	1,100	2,176	1,691	485
Uzbekistan	636	813	-177	2,727	2,940	-213
ECO	46,458	63,539	-17,081	54,648	56,513	-1,865

Table 8b- Comparative Foreign Trade Data (Millions Us\$)

ECO / Countries	1995			1996		
	Export	Import	Balance	Export	Import	Balance
Afghanistan	166	359	-193	125	496	-371
Azerbaijan	547	668	-121	630	1,089	-459
Iran	18,360	12,774	5,586	22,391	14,989	7,402
Kazakhstan	5,261	5,642	-381	5,822	5,861	-39
Kyrgyzstan	409	522	-113	531	894	-363
Pakistan	8,311	12,015	-3,704	8,195	11,418	-3,223
Tajikistan	749	810	-61	770	808	-38
Turkey	21,637	35,709	-14,072	23,225	43,626	-20,401
Turkmenistan	1,881	1,364	517	1,691	1,532	159
Uzbekistan	3,598	3,805	-207	5,649	4,763	886
ECO	60,919	73,668	-12,749	69,029	85,476	-16,447

Aside from the stated differences that exist in both economic and social terms among the members, it appears that the only factor that is common to all and link the group together is their religion, Islam. Yet, despite the fact that Islam is a dominant religion in ECO region, due to differences in interpretation or political consideration of member nations, its role varies considerably from country to country, with Afghanistan the most restrictive and repressive and Turkey the most secular. Such cultural differences may have indeed reduced the integrative potential of member nations (Sheikh Bahae & Theeke 1997).

There are also different political orientations among the members. Although most ECO governments declare themselves as democratic, closer look reveals anything but the democratic societies. In reality, the forms to government ranges from repressive theocracy in Afghanistan to democracy with significant military oversight in Turkey, social democracy in Kyrgyzstan, to some limited Islamic democracy in Iran and Pakistan.

In short, despite the apparent homogeneity of ECO members, the differences among them are vast. The role of such differences in economic, political, and social environment of member nations, as impediments to regional integration, may have been overshadowed, hence underestimated, by the region's common religion.

ECO Performance

Accurate assessment of ECO progress toward integration must be in view of the group stated objectives and other dominant contextual factors. Indeed, the most fundamental objective of ECO formation has been to reduce trade barriers and increase trade among members. As is stipulated in the Istanbul Declaration, the ECO must emphasize on "... increasing trade through promotion of liberal trade policies ... and fullest possible reduction of trade barriers". However, Table 9 gives us a very disappointing picture of the intra ECO trade activities.

Table 9- Trade With ECO Countries (% of total)

ECO / Nations	Export				Import			
	1993	1994	1995	1996	1993	1994	1995	1996
Afghanistan	—	—	—	—	—	—	—	—
Azerbaijan	—	—	—	15.5	—	—	—	103
Iran	3.1	4.3	3.1	3.3	1.1	6.9	5.6	5.1
Kazakhstan	—	—	8.8	9.5	—	—	12.7	9.4
Kyrgyzstan	—	—	42.1	51.6	—	—	56.2	37.6
Pakistan	—	3.3	3.2	2.0	—	2.7	2.4	3.3
Tajikistan	—	—	—	—	—	—	—	—
Turkey	—	—	4.2	3.2	—	—	4.9	2.7
Turkmenistan	—	35.3	22.3	11.9	—	27.8	25.1	21.2
Uzbekistan	—	—	20.7	9.6	—	—	13.7	15.5

The data shows that the volume of trade among many

especially true for three countries of Iran, Turkey and Pakistan, the most powerful in the group. In 1996, Iran's share of trade with other ECO nations is only 3.26% of its total export and 5.1% for the imports. The figures for Turkey are 3.2% for export and 2.6% for imports. And for Pakistan, 2.0% and 3.3% for export and import respectively. As shown, only Kyrgyzstan, Turkmenistan and Uzbekistan have sizeable trade with other members but even these are decreasing. It should be noted that even though these countries have rather high trade volume among themselves, this may be attributed more to their geographical proximity and historical relations under the Soviet empire rather than ECO's initiatives and progress. Our analysis also revealed that except some limited and disjointed efforts to reduce trade barriers for certain commodities (Preferential Tariff Arrangements) no serious concerted efforts have taken place in this regard.

Other objectives of ECO pertain to the joint establishment of various regional institutions such as ECO Trade and Development Bank, ECO Science Foundation, ECO Shipping Company, ECO Air, ECO Re-insurance Company, and so on. Our initial investigation revealed that indeed some of these organizations have been established. But, a closer observation to see what types of activities they are engaged in disclosed that most exist only on papers without carrying out any significant function toward the purpose of economic integration. For

does very little to fulfill the spirit of its existence.

Based on what has been presented above, it is clear that ECO's progress toward integration has been weak and negligible. Yet, there are some signals, however weak, which point to perhaps more promising and optimistic outlook for the bloc. Tourism and the number of trade fairs and shows in the region are increasing, and judging from the official pronouncements, there is still willingness among members toward deeper regional collaboration. Specifically, in the areas of transportation some infrastructure projects have been initiated and completed. In addition, ECO has improved on its international stature through cooperative relationships with many other regional and international organizations. It has acquired observer status with the United Nations and Organization of Islamic Conference (OIC) and established contacts with ASEAN and European Union (ECO, 1995). Furthermore, ECO summits are held regularly with many heads of states and great enthusiasm for the future of ECO.

Thus, Despite the apparent lack of tangible progress toward integration and, in particular, increasing intra-region trade, there are movements and activities which indicate that ECO is still on track. But we still need to develop a deeper understanding of ECO problems and challenges it face in the future. It is only then that members can formulate appropriate strategies to facilitate the integration process. To accomplish this, we surveyed a sample

business people from various industries.

Methodology

Up to this point all of our analysis has been based only on secondary data. For the purpose of validation and also to receive fresh point of view on ECO, a survey was conducted. The survey was comprised of eight open-ended questions, dealing with benefits, risks and challenges facing ECO. The participants to the survey were selected through professional association and their relevant exposure to the topic. In order to receive candid and reliable responses, no personal information was solicited to maintain confidentiality. The fifty participants came from industries as diverse as Auto, insurance, Banking, Textile, Agriculture, Tourism, Education as well as government agencies such as Foreign Ministry, Commerce Department, Customs and Budget and Planning Office (now part of State Administrative & Planning Organization). All of the questionnaires were hand delivered to the participants to indicate the importance of the research and, thus, to enhance the quality of their input. All participants returned the completed survey and all were useable. Next, the responses were content analyzed independently by both authors, and then the results were synthesized cooperatively. What follows is the essence of the survey results.

Results

The qualitative analysis of the responses consisted of careful categorization of content by topics, convergence of similar categories and then synthesis across all responses. Four major themes emerged: 1) Whether or not ECO formation has been a good strategic decision and why; 2) The performance of the bloc; 3- The challenges it faces and 4) Suggestions and comments.

With respect to the first two themes, there were almost total agreements among respondents. Forty nine respondents (98%) indicated that the formation of ECO was a good strategic move because it would increase members' economic and political power in dealing with other countries, other economic blocs, and global institutions (i. e., WTO , IMF, World Bank, etc.,). Improvement in social and scientific development of member nations was another reason reported by 90% of the respondents and increase in political stability of the region by 46% of respondents. There was also a unanimous verdict on the ECO performance toward integration.

All respondents believed that ECO has not achieved its objectives as they've been documented in both treaty of Izmir and the Istanbul Declaration. The main reasons for this lack of progress toward deeper economic collaboration which were mentioned by the respondents were: ineffective management at all levels. inability to coordinate members' economic and political

Table 10- Survey Results

Category Responses	Specific Responses	(%)
ECO Formation	Good Decision Because:	
	- increase members economic and political standing in the world	98
	- improve social and scientific development in the region	90
	- increase political stability	46
ECO Performance	Very Weak Due to:	
	- ineffective management at all levels	72
	- lack of coordination among members on economic and political discourse	48
	- members are too diverse	44
	- poor diplomacy	30
	- members have similar economic bases	24
	- lack of financial resources	18
	- objectives are too aggressive	18
	- lack of democratic governments/lack of free market experience	18
- interference of developed countries	6	
Challenges / Problems	- increasing intra-region trade	54
	- keeping the bloc together (disintegration possible)	40
	- members lack of commitments	32
	- maintaining good relation and increasing cooperation among members	32
	- diversifying members (region) economy	24
	- political power struggle among key members for leadership	12
Recommendations/ Suggestions	- relations among members	78
	- intra-region trade	78
	- expectation	22
	- process of integration	18

resources of members, pressure and interference from some developed countries, lack of sensible diplomacy, lack of financial capital, objectives were too aggressive, lack of democratic government and free market experience in most member nations. However, despite respondents' disappointment at ECO's performance to date, they were optimistic about its future and believed that it will bring significant benefits to the region.

The third theme dealt with the challenges facing ECO. Here too, responses varied. The most serious challenge reported by more than half of the respondents was the maintenance of the group from possible disintegration. The orientation of Turkey and Azerbaijan to go West, The power struggle among Iran, Turkey and Pakistan for leadership in the group, the dispute over territorial aspects of Caspian Sea and significant differences in political ideology of some members, notably Iran, Afghanistan, and Turkey are reported as forces of disintegration. Other challenges identified included; absolute maintenance of good relations among members, strengthening the spirit of cooperation, diversification of members' (region) economy away from natural resources, increasing the necessary capital, and increasing intra-region trade.

The last category contains suggestion/recommendation presented by respondents for making ECO a more successful economic bloc. All suggestions and comments could be put into

- 1- Relations among members,
- 2- Intra-region trade,
- 3- Expectations,
- 4- Process of integration
- 5- Number of countries in the bloc

Many respondents emphasized the good diplomatic relation among the members is a precondition to an economic interaction and those countries who are serious about suggested to be an important factor that would bring members closer together and facilitates further integration. Some suggested that despite the lack of solid progress in ECO, given the circumstances surrounding the member countries, we should not have expected more than this. Many domestic problems (political, social, economic) that each member faced (and many still do) have made it difficult to fully attend to the ECO objectives.

The fourth category comprised of comments which in some respect were similar to previous category but with different reasoning. These respondents focused on the process of economic integration, that it is long term and requires patience. Thus it is too soon to expect significant progress in just 5 years. Last group of comments was that ECO must bring in new members. Specifically, the countries of India and Saudi Arabia were recommended by few of the respondents. To this people, increase in size would bring more clout and respectability in the world as

In short, the survey results not only confirmed the data with regard to ECO performance, they provided valuable insights and point of views concerning its future.

Conclusion and Recommendations

In summary, this study looked at Economic Cooperation Organization (ECO) as an emerging economic bloc, its integration score during 1992-97 periods, and the results of a small survey concerning ECO. What follows are the authors' recommendations, which in most parts agree with, and support the survey results. However, there are areas where we disagreed with the survey results and we present our rationale to justify our position.

Despite the apparent lack of tangible progress toward meaningful economic integration and increasing intra-region trade in particular, the authors have concluded that given the following contextual factors, the ECO has managed to stay on track on the process of regional integration and its performance should be deemed acceptable. First, in the last several years, all member nations have been facing pressing domestic problems requiring significant and immediate attentions. The extreme case is Afghanistan with its civil war and the curtailment of both civil liberties and its international relations. In other member countries such as Iran, Turkey, Azerbaijan, Turkmenistan, Pakistan and

government's agenda. Such internal political tension has naturally overshadowed the integration goals.

The second confounding factor, as is evident by available data and survey results, and as reported previously in the literature, is the deep dependency of most members' economy on natural resources whose main markets (customers) are outside of the ECO region (Gillian, 1995). For instance, the economies of Iran, Turkmenistan, Azerbaijan, Kazakhstan, and Uzbekistan are dependent on sales of gas and oil to countries other than the ECO members and this has limited the potential of intra region trade.

Third, the apparent homogeneity of member nations' environments (Social, political, etc), which were thought to facilitate integration, may have been overestimated, As data growth. Then, any nation wishing to join, must meet those basic and non-debatable preconditions. As it stands, ECO has no such baseline criteria. If such principles existed, countries like Afghanistan with such disrespect for human dignity and the political and social views that to against the spirit of integration to open up the boundaries, would not be a part of this bloc. Similarly, the authors believe that ECO, just to be true to its own pronouncements about human dignity and freedom and to maintain worldwide respectability should try to send a clear and unambiguous statement about such values by revoking

other members! Economic bloc should not provide a haven for repressive governments to receive unwarranted respectability and a sense of deniability of their domestic transgressions.

Forth, is the issue of administration and management of the integration process. Due to the dominance and the excessive interference of political views in the realm of economic decisions in many of ECO members, competent-based approach to management has been replaced by ideology - based approach. Indeed, ideology is important and has its proper place, but there is no substitute for competency and professionalism when dealing with such complex international matters.

Our last recommendation pertains to the process of economic integration itself. Experiences of successful integration clearly show that such process is anything but simple, that it is slow and demands long-term view. This research looked at the first five years of the new revitalized ECO, perhaps the most difficult period for all member nations. Thus, it is too soon to be disappointed or discouraged by the current performance of the bloc. As our survey showed, the members must have patience and persistence in dealing and overcoming the adversities and challenges for a strong unified regional economic bloc.

In conclusion, the significant economic potential exists for this economic bloc. The ECO members should be more pragmatic in their decisions and policy pronouncements. Focusing on realistic,

optimism for further and deeper integrations. The authors intend to continue this research as a indicates, there are significant differences and large gaps between ECO nations. Such diversity may, to some extent, explain the slow progress toward the regional integration goals (Bahae & Theeke, 1996).

On the other hand, as mentioned before, there have been increasing activities among ECO members at all levels since 1992. It is because of such reasons that the authors believe that even though ECO has not been able to fulfill its stated commitments, especially in the realm of intra-region trade, it has, nevertheless, managed to stay on track.

Based on our analysis of secondary and survey data, in order to accelerate the integration of member economies, the following recommendations are presented.

First, ECO must focus on limited and narrow objectives. The ECO started with much fanfare and very ambitious and aggressive (in our view, unrealistic) objectives. For instance, current mandates require ECO members to collaborate on variety of projects encompassing many industries and the significant portion of each member's economy. This approach not only has given a politically charge issue a high and unneeded visibility, it has also spread the resources and the attention of the member states too thin. Improving or instituting the industrial, economic, and administrative infrastructure necessary for integration demands

the region. That is why a more specific and targeted approach toward economic integration perhaps by industry segments or certain product categories is more appropriate.

The second recommendation pertains to the size of ECO. The decision to increase ECO membership to 10 nations in early 1990, we believe was poorly conceived, for it was based more on political positioning in the new world order than any practical assessment of ECO's needs for integration. We certainly disagree with the survey finding that ECO should increase its size by admitting more countries. We believe such suggestions are misguided and it is naive to think that a large ECO would be a better ECO. On the contrary, however politically incorrect, the authors believe that the reduction in the membership must be seriously considered. The key members must first think hard and long and establish their deeply shared fundamental values and principles to guide their decision making and future longitudinal effort to examine the faith of the Economic Cooperation Organization in the future, Enshaallah.

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