

REGIONAL POLITICS**THE REPUBLIC OF KAZAKHSTAN AND
THE ECONOMIC COOPERATION ORGANIZATION:
PRESENT STATE AND FUTURE COOPERATION****Marat NARIBAEV**

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**The ECO:
Present State, Achievements,
and Problems**

The Economic Cooperation Organization (ECO) was established in 1985 by Iran, Turkey, and Pakistan for the purpose of promoting multi-dimensional regional cooperation and creating conditions for sustainable socioeconomic growth in its Member States. In 1992, Azerbaijan, Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan became members of ECO, thus turning it into a major regional structure with immense economic potential. With a total territory of almost 7 million sq. km, a population of more than 350 million, vast supplies of raw minerals and various other natural resources, and a high transport-transit potential, this Organization has the necessary prerequisites for dynamic economic interaction among its Member States.

The ECO's main tasks include creating conditions for promoting advanced socioeconomic development in its Member States, enhancing the consistent and gradual integration of their economies into the global economic system, and encouraging active regional cooperation and mutual assistance in technical, scientific, and other spheres. In order to carry out these tasks, ECO formed the following multi-dimensional organizational structure of regional cooperation coordination and management. Its specialized agencies and regional institutions are the ECO Cultural Institute, ECO Educational Insti-

tute, ECO Science Foundation; ECO Shipping Company, ECO Air, ECO Chamber of Commerce and Industry, ECO Reinsurance Company, ECO Trade & Development Bank, and ECO Consultancy & Engineering Company.¹ This structure defines the main vectors of ECO cooperation, which include: foreign trade; the fuel and energy sphere; transportation and communication; industry and agriculture; and the social sphere, consisting of public health, education, and science.

In order to promote diverse and multifaceted cooperation among ECO Member States, an extensive contractual-legal base has been drawn up, consisting of more than 60 declarations, treaties, agreements, charters, protocols, and memorandums. They include five charters; about 20 economic documents; ten on the establishment of ECO institutions, and 24 on cooperation with international and regional organizations. At the 9th Summit held in May 2006, a conceptual document called ECO Development Prospects Until 2015 was adopted that reflects the main priorities for developing multilateral integration cooperation.²

Transport and communication is a strategic vector of cooperation in ECO. The following main documents have been adopted:

- (a) Basic Plan of Development for the Transport Infrastructure (Almaty Plan) (1993) was the first document on development of this ECO sector.
- (b) Program of Action in Transport and Communication Sector (ECO Decade 1998-2007) (1998).
- (c) Memorandum among the Railroad Administrations of Six ECO Countries (2001) on opening passenger traffic on the Almaty-Tashkent-Turkmenabad-Tehran-Istanbul branch of the Trans-Asian trunk line.
- (d) Memorandum on Tariff Policy on ECO Rail Transport at International Freight Fees (2004).

Rail transport, which handles approximately 80% of the freight turnover and more than 50% of the passenger turnover, constitutes the main transport system of the ECO region. An important vector in the Organization's activity is modernization and development of rail communication, whereby the following main results have been achieved:

- (a) In Turkey, the 420-km Istanbul-Ankara section has been completely electrified and equipped with a centralized dispatcher system. The speed of passenger trains reaches 260 km per hour.
- (b) In Iran, the section running from the Turkish border through Tehran and on to Mashhad has been modernized and electrified. The trains on this section run at a speed of up to 240 km per hour. A section has been built between Miane and Tabriz that reduces the length of the route by 110 km.
- (c) The Tejen-Serakhs-Mashhad junction has been put into operation on the border between Turkmenistan and Iran with a transshipment capacity of more than 3 million tons a year.
- (d) In Turkmenistan, a system is in operation at the Serakhs station for transferring wheel sets from a 1,520-mm-diameter gauge to the world standard gauge of 1,435 mm.
- (e) In Kazakhstan, a project is underway to build a Dostyk (Kazakhstan)-Gorgan (Iran) railroad. The route will pass through Aktogai, Zhezkazgan, and Beineu to the port of Aktau and on through Turkmenistan and the border with Iran to Gorgan. The volume of freight shipments along the route should reach as much as 100 million tons a year.

The western section of a 2,500-km fiber-optical communication line has also been built. This made it possible to organize transit communication traffic via a shorter route between the countries of Southeast Asia and Europe.

¹ [http://ecosecretariat.org/Detail_info/principalfunc_ECO_Organs.htm#GS].

² [<http://ecosecretariat.org>].

The ECO countries are also cooperating in the regulation of foreign trade activity in the region. Four basic documents were signed in this field, including:

- (a) An Agreement on Transit Trade (1995) aimed at improving transshipment and trade conditions among the ECO transit countries.
- (b) A Framework Agreement on Trade Cooperation in the ECO (2000), which envisages reducing trade barriers.
- (c) An ECO-ECOTA Trade Agreement (2003), in which a wider list of measures is envisaged for lowering and removing the existing tariff and non-tariff barriers.

It is expedient to hold regular meetings of the buyers and sellers of various types of goods. For example, in May 2003, a meeting of the sellers and buyers of foodstuffs was held in Almaty, with the cooperation of the International Trade Center and the UNDP, in which representatives from eight ECO countries participated. This meeting revealed untapped potential in this area. For example, the ECO Member States import only about 10% of foodstuffs inside the Organization.

The transportation of oil and petroleum products and the development of a network of power transmission lines are also very urgent issues in the ECO. For example, in 2001, some projects were approved by the energy ministers within the framework of a Plan of Action for Energy Cooperation in ECO Region (2000-2004). An important achievement of cooperation in this field was putting the Baku-Tbilisi-Ceyhan (BTC) pipeline into operation in May 2005. At present, planned work is being carried out to build a Kazakhstan-Turkmenistan-Iran pipeline with the participation of Kazakhstani, French, and Japanese oil companies. This route appears to be extremely attractive for Kazakhstan too, keeping in mind the promising markets in this direction, as well as the necessary infrastructure at the port terminals in the Persian Gulf. The new Baku-Tbilisi-Erzurum gas pipeline will ensure diversification of transit routes for Kazakh and Turkmen gas through the Caucasus to Turkey. This will make it possible to increase gas exports from the ECO region to the European markets.

The task to optimize oil transportation routes bypassing the Turkish straits (Bosporus and Dardanelles) includes implementing pipeline projects via the Burgas-Alexanrópolis and Samsun-Ceyhan routes. The first route will pass through Bulgaria. The second route of 550 km in length will make it possible to pump oil through Turkey between the ports of the Black and Mediterranean seas with a production capacity of about 75 million tons of oil a year.

An important factor of cooperation development within the ECO in the energy industry is completion of the Sangtuda and Rogun hydropower plants in Tajikistan. These projects are being implemented with the participation of Russian and Iranian capital. Putting these facilities into operation will make it possible to increase the electric power potential of the ECO region to 4.35 million kWh. A project for building a modern power transmission line (LEP-500) along the Khujand (North Tajikistan)-Shymkent (South Kazakhstan) route through Uzbekistan is designed to increase energy supply in the ECO region. The length of this route will amount to a total of 320 km.

On the whole, implementing the above projects is helping to develop the transit potential of the ECO region and increase its export potential in delivering energy resources to third countries.

Today, consistent efforts are being exerted in the ECO to strengthen ties with more than 15 different regional and international organizations. In 1995, the Organization was granted the status of observer in the U.N., thus giving it the opportunity to develop cooperation with various U.N. institutions. For example, agreements with the UNDP are helping to involve investors in implementing the most important projects and stepping up the Organization's activity as a whole.

The ECO is also cooperating with the World Customs Organization, ASEAN, and the Organization of the Islamic Conference and its institutions. In public health, the ECO structures are actively cooperating with the UNFPA. Protecting maternal and child health, fighting infectious diseases, and providing national public health systems with the latest medications and equipment have become priority

areas of cooperation.³ On the whole, the development of ECO relations with international organizations will make it possible to raise its status and provide financing for several projects.

However, despite the results achieved in developing cooperation among the ECO states, there are still several problems in the Organization's activity. An analysis shows that, despite its 15 years of activity, ECO still does not meet those requirements and visions its Member States vest in it. It has not reached the level of development of such associations as the Black Sea Economic Cooperation Organization or the Shanghai Cooperation Organization. The problems include the following:

1. There is a low level of cooperation in industry and agriculture. The Central Asian countries, including Kazakhstan, are implementing a small number of joint projects in these areas.
2. Several planned ECO programs and projects in transport and energy have not been completely implemented.
3. The level of cooperation in the scientific sphere is low and does not meet the potential the Organization's countries are capable of.

Efficient development of cooperation in ECO is being hampered by several economic, organizational, political, and other factors.

1. Economic Factors:

- different levels of economic development and potential of ECO Member States;
- different models of economic functioning of the region's countries;
- insufficient level of development of the transport-communication infrastructure in the region.

2. Organizational Factors:

- violation by the national structures of ECO countries of the deadlines for implementing action plans to execute decisions and documents;
- inefficient functioning of the national systems of the Member States in executing the adopted decisions;
- low level of activity coordination among the ministries, departments, and business circles of the Member States;
- non-adherence of the deadlines for presenting information and proposals on the organization and activity of many joint structures;
- absence of an efficient organizational structure of management, as well as an optimal decision-making mechanism and procedure.

3. Political Factors:

- high level of political instability in Afghanistan;
- drug trafficking through the Central Asian countries;
- instability of the political situation in some Central Asian countries (Kyrgyzstan, Turkmenistan, Uzbekistan);
- negative influence of the Indo-Pakistani conflict on political stability in the region;
- absence of a common approach to the transportation of raw hydrocarbons from the Central Asian countries.

³ See: K. Tokaev, *Pod stiygom nezavisimosti*, Bilim, Almaty, 1997, p. 686.

4. Other Factors:

- insufficient level of activity coordination between the partners during practical implementation of joint projects;
- absence of the necessary information base of ECO activity for promoting the planning of joint measures and monitoring their implementation in a highly qualified manner.

Such factors as terrorism and extremism are also preventing the strengthening of integration interaction. In this respect, the ECO region remains a high risk zone.

Kazakhstan and the ECO: Main Vectors, Achievements, and Problems of Cooperation

The main advantage of Kazakhstan's membership in ECO is that it affords it the real possibility of gaining access to sea routes in the Mediterranean Sea and the Persian and Oman gulfs. Due to this, it is interested in the ECO Member States as potential transit markets.⁴ During its membership in ECO, Kazakhstan has proved itself an active and full-fledged participant in regional cooperation, upholding ECO principles and ideas. This is confirmed by the nature of Kazakhstan's participation and stance in ECO undertakings at different levels.⁵ In particular, Kazakhstan is participating in such documents as the Revised Treaty of Izmir (the ECO Charter), and the Agreement on the Legal Status of the ECO, National Representatives, and International Staff. Kazakhstan has signed a total of more than 30 documents within the framework of ECO.

In 1998, the 5th ECO Summit was held in Almaty. During the 5th Summit, the Kazakhstan president was elected as chairman for a two-year term. An important factor in ECO participation for Kazakhstan is the fact that the priorities of the country's Development Strategy until 2030 are in full harmony with the Organization's main goals. The Almaty Declaration, which sets forth the priority vectors of regional cooperation, noted the need for the Organization to enter the 21st century as a viable regional structure.

Between 2003 and 2006, a Kazakhstan representative was ECO Secretary General. During this period, two summits were held — in Dushanbe (2004) and Baku (2006), where corresponding declarations were signed. In 2005, a conceptual document called The ECO's Prospects Until 2015 was adopted. In June 2006, the 3rd Assembly of Ministers of Environmental Protection of the ECO Member States was held in Almaty, at which a communiqué on cooperation in environmental protection and assistance in providing environmental information in the region was adopted.⁶ On the whole, Kazakhstan has made a certain contribution to the development of regional cooperation during its membership, acting in favor of the full-fledged use of ECO potential based on the region's favorable geostrategic position.

Kazakhstan's cooperation in ECO is becoming increasingly practical, whereby the strategic areas are: transport and communications, trade, the fuel and energy sphere, agriculture, science and culture.⁷

The trade sphere has become an extremely important tool in developing regional cooperation and is gradually moving into a priority position in the Organization's action plans. Kazakhstan is party

⁴ [http://ca-c.org/journal/cac-03-1999/st_07_chebotar.shtml].

⁵ See: "Kazakhstan Reaffirms Support for ECO," *ECO Bulletin*, Secretariat, Tehran, July 2001, p. 4.

⁶ [<http://ecoindustry.ru/news.html?id=9499>].

⁷ See: K. Tokaev, op. cit., p. 680.

to the Transit Trade Agreement, the Visa Simplification Agreement for Businessmen from the ECO Member States, and the ECO Trade Agreement. This is making it possible for Kazakhstan to expand its commercial contacts with businessmen in the region. Non-tariff conditions of reciprocal trade are helping to increase the competitiveness of Kazakhstan's industrial production, which is having a positive effect on the foreign trade volume. According to Kazakhstan's customs statistics, the level of trade turnover between the republic and the ECO countries is on the rise (see Table 1).

Table 1

The Main Indices of Kazakhstan's Reciprocal Trade Within ECO
(in million dollars)

Index	2000	2001	2002	2003	2004	2005	2006
Trade Turnover	955.562	1,023.016	949.699	1,500.951	2,414.558	2,858.311	4,945.056
Export	632.950	683.667	724.747	1,064.954	1,749.858	1,974.190	3,662.906
Import	322.612	339.349	224.952	435.997	664.7	884.121	1,282.150
Balance	310.338	334.318	499.796	628.957	1,085.158	1,090.069	2,380.756

S o u r c e: Data of the Customs Control Committee of the Kazakhstan Ministry of Finance.

Kazakhstan's export to the ECO countries mainly consists of heat and energy resources, products of non-ferrous and ferrous metallurgy and the chemical industry, agricultural products, and others. Kazakhstan's main partners in terms of export are Iran, Uzbekistan, Kyrgyzstan, and Turkey. The following commodities belong to the structure of Kazakhstan's import: agricultural products, ready-to-eat foodstuff, consumer goods, household and industrial electronics, chemical products, as well as gas and electric power. Kazakhstan's main partners in the ECO in terms of import are Turkmenistan, Turkey, Uzbekistan, Kyrgyzstan, and Tajikistan.

The trade conditions between Kazakhstan and other ECO participants are set forth in bilateral agreements. Trade with Kyrgyzstan and Tajikistan, as members of the EurAsEC, is carried out duty-free.

Uzbekistan, as a new member of the EurAsEC, is currently working to bring national legislation into harmony with this organization's requirements. Therefore, the free trade regime will be established between Kazakhstan and Uzbekistan without exemptions and restrictions. The free trade regime is in effect with Azerbaijan with exemptions on several items in the commodity itinerary. Kazakhstan enjoys most-favored-nation treatment with the other ECO countries.

Keeping in mind the constant increase in oil and gas production in Kazakhstan, there is an interest in increasing ECO cooperation in the oil and gas sector. The transportation of crude oil is still an important issue. Kazakhstan is participating in several projects in this area. In addition to cooperation between Kazakhstan and Iran in transporting Kazakhstani oil by means of the SWAP system, mention should be made of such projects as the Baku-Tbilisi-Ceyhan and Kazakhstan-Turkmenistan-Iran oil pipelines.

The Baku-Tbilisi-Ceyhan pipeline is promoting the diversification of oil deliveries to the world markets. Kazakhstan secured its participation in this project by signing a treaty on 16 June, 2006 with Azerbaijan on support and assistance in transporting oil from Kazakhstan through the Caspian Sea and Azerbaijan. Work on the Kazakhstan-Turkmenistan-Iran pipeline is being carried out in compliance with the Agreement on Joint Activity signed in 2002. Total, Inpex, the Japanese Oil Company, and the KazMunaiGaz Oil Company are participating in the four-way project.

Kazakhstani structures are exerting efforts to integrate national electric power transmission lines into the regional energy networks. In particular, Kazakhstan is taking part in parallel work of the electric power systems of the Central Asian states (Kyrgyzstan, Tajikistan, Uzbekistan).

The stage of interdepartmental agreements began with a project to build a transit power transmission line, LEP-500, from North Tajikistan (Khujant) to South Kazakhstan (Shymkent). There are plans to finance this project, the cost of which will amount to 800 million dollars, with participation of the Kazakhstani side.

Cooperation in agriculture is mainly being carried out in the bilateral format. At present, the list of agricultural products exported and imported by Kazakhstan remains essentially unchanged. Kazakhstan's main export products to the ECO countries are grain, cotton, wool, and the hides of cattle.

In order to expand cooperation in this sphere, Kazakhstan is participating in a project designed to create a single data base on production volumes and the situation on the ECO region's agricultural market, in working out Iran's and Pakistan's proposals on creating a center of agricultural mechanization, and in drawing up proposals to create a common market for ECO agroindustrial complex products.

Transport and communications is the most promising cooperation sphere with the ECO. Therefore, Kazakhstan is trying to take active part in the current programs and support the prospective projects in this sphere, which is confirmed by the leaders of the Organization.⁸

A Basic Plan of Development for Creating a Contemporary Transport Infrastructure was adopted at the Almaty meeting of ECO transport ministers in 1993, as a result of which the region will be interlinked with roads, railroads, and modern telecommunications. Multi-modal transportation development projects are being carried out within this Plan. Kazakhstan has been exerting efforts to organize multi-modal shipments. In particular, 22 container sites were opened, six of which can service 40-foot containers.

There are 13,400 km of trunk lines in Kazakhstan, 4,300 km of which are double-track lines and 3,700 km are electrified. In 1997, a railroad junction on the Trans-Asian trunk line was built on the Mashhad-Serakhs-Tejent section, which connects up with the 700-kilometer Batha-Bandar Abbas line. As a result, the port of Lianyungang on the east coast of China has been linked by rail to the Iranian port of Bandar Abbas via Urumqi, Almaty, Tashkent, and Tehran. This project has reduced transport times by 25-30%. Within the framework of the Program of Action for 1998-2007, the Kazakhstan section of the Aktogai-Druzhba line was upgraded, which helped to increase the freight traffic volume in the Europe-Asia direction. In 1999, the 4th session of railroad administration heads of the ECO countries was held in Almaty, at which a Protocol on Information Exchange on Rail Transport was signed.

In 2005, a test run of the Almaty-Tashkent-Tehran-Istanbul international supply line was carried out. The run was made within the framework of a train exhibit of Turkish commodities called "The Silk Road." Kazakhstan also participated in the project to build the Dostyk-Gorgan railroad, which passes through Beineu, the port of Aktau, through Turkmenistan toward Turkmenbashi and on to Iran, to Gorgan. By connecting Kazakhstan and China via a single railroad, this route will ensure that freight traffic reaches Western Europe. This will make it possible to significantly raise Kazakhstan's potential in making transit deliveries.

Road transport is also an important aspect of cooperation. In 1994, 11,700 km of Kazakhstan's roads were inspected for inclusion in the ECO highway network, and a National Program for their development was drawn up. Around 2,000 km of roads have international status. Kazakhstan entered bilateral agreements on international passenger and freight traffic with all the ECO members, apart from Afghanistan. Kazakhstan's road network is being developed:

- taking into account the building of international corridors with access to the Middle East, China, India, and Pakistan;

⁸ "ECO Secretary General's Call on Kazakhstan's President," *ECO Bulletin*, Secretariat, Tehran, July 2001, p. 1.

- in the direction of the cities of Nukus and Bukhara (Uzbekistan), which will make it possible to join the new vectors of Central Asian routes with the countries of Eastern and Western Europe through Kazakhstan;
- in the direction of Aktau-Zhanozen-Fetisovo-Bekdash, which will ensure communication with the large ports on the Caspian Sea.

A state-of-the-art road bridge over the River Irtysh in Semipalatinsk has provided access to promising transit routes through the eastern regions of Kazakhstan. The reconstructed Almaty-Astana route is a section of the main North-South transit route. The work done by Kazakhstan in this direction will allow transshipments at the level of international standards with access to Pakistan and India.

It is obvious that water transport is playing a significant role in the development of the Kazakhstan economy, in which the port of Aktau constitutes the main structural element. Reconstruction of this port greatly increased the potential transshipment capacity of export and import freight. This is increasing transit traffic through the port from Azerbaijan and Iran, among other places. The Aktau port is set to process more than 3 million tons of oil and 500,000 tons of dry cargo every year.

Kazakhstan is a member of the ECO Shipping Company, which is registered in Iran as private. Due to the problems at the time it joined (1995) with contributing to the authorized capital, the company's board of directors made a decision for Kazakhstan to purchase a symbolic part of the capital in the amount of one share.

A certain amount of work is being done to develop air communication with the ECO countries. This vector of cooperation is quite important and should be encouraged since the most optimal air routes between Europe and Asia lie through Kazakhstan. Kazakhstan entered intergovernmental agreements on air communication with all the ECO countries, apart from Afghanistan. Regular flights are carried out from Kazakhstan to Turkey, Pakistan, Uzbekistan, and Azerbaijan. But they are carried out under general conditions, since Kazakhstan is not a member of the ECOAir Company.

In the telecommunication sphere, Kazakhstan has direct international communication with most of the ECO countries. Introduction of the Kazakhstan section of the Trans-Asian fiber-optic communication line of more than 700 km in length helped to develop telecommunications, thanks to which Kazakhstan has access to Europe and the Pacific Ocean through China.

Kazakhstan signed the Charters of the ECO Science Foundation and ECO Cultural Institute. Kazakhstan is also a participant in several agreements with other ECO countries in scientific-technical cooperation. Humanitarian relations are being actively developed with Iran and Pakistan. And cultural ties are being established with Turkey, Azerbaijan, Turkmenistan, Kyrgyzstan, and Uzbekistan within the framework of the Council of Ministers of Culture of the Turkic-Speaking Countries—TURKSOI.

In order to reorganize and raise the efficiency of the ECO, Kazakhstan participated in drafting and signing several vitally important documents.

1. A Memorandum of Understanding on Reorganization and Restructuring of ECO;
2. Functional Methodology of ECO;
3. Organizational Structure of ECO;
4. Organizational Chart of ECO Secretariat;
5. Rules of Procedures of ECO;
6. Staff Regulations of ECO Secretariat;
7. Financial Regulations of ECO Secretariat; and several others.

Kazakhstan introduced several specific proposals designed to optimize the structures and mechanism of the Organization's activity. In particular, a new mechanism was proposed for making deci-

sions in keeping with the consensus minus 1 system. Measures were proposed for limiting the quorum to five members instead of six. Such mechanisms have already proved their worth in such organizations as ASEAN.⁹

Problems and Prospects

However, Kazakhstan's cooperation with ECO has several problems. They include the following specific issues.

There is no efficient mechanism for executing the decisions adopted at the interstate level. Many of the decisions and documents adopted by the Organization are not completely implemented. The main reasons for this are the non-mandatory nature of their execution, the absence of specific plans of action for implementing the decisions adopted, insufficient financing of joint projects, and others.¹⁰

The level of Kazakhstan's trade and economic relations with the region's countries varies to a great extent. For example, cooperation with Iran and Turkey has better indices than with Uzbekistan, Azerbaijan, Turkmenistan, and particularly Afghanistan. The main reasons for this situation are as follows:

- the significant differences in levels of economic development of the mentioned ECO countries;
- the unstable political situation in a number of the region's states (Kyrgyzstan, Uzbekistan, and especially Afghanistan);
- the significant economic isolation of Turkmenistan (until 2007) in establishing full-fledged foreign economic relations.

The insufficient level of Kazakhstan's use of ECO transport-transit potential. Transit routes do not provide access to the ports of the Mediterranean Sea and the Persian and Oman gulfs. Several factors should be singled out here:

- the insufficient level of practical interaction between the ECO countries (including Turkey, Pakistan, Turkmenistan, Azerbaijan, and Afghanistan) and Kazakhstan in raising the region's transit potential;
- the low indices of freight traffic speed through the ECO region due to poor coordination, which is increasing the cost and lowering the competitiveness of the goods being shipped;
- non-optimal tariff policy of freight traffic;
- insufficient development of air communication with the region's countries;
- poor technical condition of rail carriages;
- low technical level of railroad transport infrastructure.

The poor technical condition of the national section of the Aktogai-Moiynty road in Kazakhstan should be noted. These factors are significantly hindering Kazakhstan's integration into the region's transport system.

The low level of integration of Kazakhstan's energy systems into the ECO region. The level of interaction between Kazakhstan's energy systems and those of the other ECO countries is low due to:

- the underdevelopment of the hydrocarbon transport networks in the region;

⁹ See: M. Naribaev, *Stanovlenie, razvitie i povyshenie vneshneekonomicheskoi deiatel'nosti Kazakhstana, Turkistan*, 2005, p. 85.

¹⁰ See: *Ibid.*, pp. 81-83.

- Kazakhstan's low level of participation in the Baku-Tbilisi-Ceyhan oil pipeline;
- the insufficient level of development of inter-system power transmission lines for fully — incorporating Kazakhstan's power lines into the regional networks.

In so doing, Kazakhstani capital essentially does not participate in the construction projects of the region's large electric power facilities.

Kazakhstan's insufficient representation in several regional institutions and specialized agencies of the ECO. Despite the policy being carried out to activate cooperation in the ECO, Kazakhstan is still not represented in several of the Organization's large agencies and institutions. These include ECO Air and the Trade & Development Bank. Moreover, the republic is not participating actively enough in such structures as the Shipping Company and Science Foundation.

The republic's structures are not participating efficiently enough in the timely and qualitative execution of ECO decisions and planned measures. And measures should be taken to step up their cooperation in ECO. Attention should also be paid to the insufficient level of their activity coordination in implementing the adopted decisions and planned measures, as well as in the drafting and inter-departmental coordination of proposals made by the Kazakh side for their further submission to the ECO Secretariat.

Thus, development of cooperation with ECO should be regarded from the viewpoint of resolving the indicated problems of Kazakhstan's cooperation and advancement of interests within the framework of the following conceptual and strategic tasks:

Developing regional processes:

- activation of regional integration processes, which are an important factor in reducing the challenges of globalization;
- assistance in maintaining regional security, including in the Central Asian region.

Raising Kazakhstan's role in promoting regional economic processes:

- raising Kazakhstan's status as a major regional economic partner, cooperation with which should be of a long-term strategic nature;
- enhancing Kazakhstan's image on the international arena.

Promoting sustainable economic growth and raising the competitiveness of Kazakhstan's economy.

These tasks should be expediently resolved using the following approaches:

- reducing political risks and promoting stability in the region by assisting economic growth, primarily in the less developed and politically unstable ECO countries;
- more fully incorporating Kazakhstan's economic potential into the regional economic processes by activating foreign economic activity and raising its potential;
- increasing participation of the Kazakhstan economy in the international division of labor, specialization, and cooperation;
- intensifying and enhancing Kazakhstan's bilateral relations with ECO countries by stepping up interaction in the multilateral format, and augmenting Kazakhstan's participation in ECO regional institutions and specialized agencies.

Thus, the most promising tasks for Kazakhstan in ECO should be the following:

- developing foreign trade cooperation;
- optimizing Kazakhstan's freight and passenger traffic by raising the region's transport-transit potential;

- encouraging the participation of Kazakhstan's structures in ECO joint projects in promising cooperation vectors;
- optimizing ECO organizational activity;
- improving the activity of Kazakhstan's state and business structures with respect to developing cooperation with ECO.

Further development of foreign trade cooperation with ECO is necessary for realizing and expanding Kazakhstan's export potential. The following measures should expediently be carried out to solve this task.

- A) Initiate continued efforts to execute the provisions of the Agreement on Transit Trade in the ECO region with respect to the functioning of the Committee on Transit Trade formed in compliance with Art 12 of the Agreement as a body for promoting progress in transit trade. Taking into account that the Committee's activity is still purely nominal, measures should be taken to step up its practical activity.

In compliance with Art 13 of the Agreement, it would be expedient to introduce proposals for improving the functioning mechanism and raising the status and efficiency of this structure's activity, consisting in organizing the Committee's activity on a permanent basis and introducing a bi-level system of its activity.

In so doing, the upper echelon, which adopts the Committee's decisions, should comprise of department heads responsible for foreign trade. The lower (executive) echelon, should be formed from permanent representatives of the countries monitoring and coordinating implementation of the decisions adopted and the measures planned.

In order to raise the efficiency of the Committee's activity, a system for monitoring the development of foreign trade in the region should be introduced. This system should provide for carrying out comparative operations of foreign trade activity among the Organization's various countries. This will make it possible to conduct a higher quality analysis of the situation in this sphere and prepare optimal plans for developing foreign trade cooperation in the ECO region.

- B) Activate work to form mechanisms for implementing ECO Trade Agreement.

This mainly entails elaborating an optimal mechanism for gradually lowering customs fees and reducing non-tariff barriers in reciprocal trade. In so doing, these measures should be adopted on a parity basis and be enforced by joint documents.

Attention should be primarily focused on WTO standards and provisions, keeping in mind that Pakistan, Turkey, and Kyrgyzstan are already its members, and Kazakhstan is about to complete its entry into the WTO and has already come to specific terms on the use of tariffs and other measures in foreign trade.

- C) Ensure Kazakhstan's incorporation into the activity of the Trade & Development Bank in order to ensure full-fledged participation in future projects to assist regional trade, which will be financed by the Bank. So in compliance with ECO Rules of Procedure, Kazakhstan must be ensured full-fledged membership in this structure.

- D) Increase ECO cooperation with UNDP, UNCTAD, WTO, and other international organizations. Experts from these organizations should be involved in consultations to elaborate mechanisms for financing ECO regional trade development projects.

Optimization of Kazakhstan's freight and passenger traffic by raising the efficiency of the region's transport-transit potential is also necessary. Rail transport, the basic means of transporting freight in the region, should remain the foundation of the transport system.

Keeping in mind that the routes of two international transportation corridors, West-East and North-South, are being laid through ECO countries, their further development and increased efficiency is to Kazakhstan's advantage for ensuring optimal access to the foreign markets of Southeast Europe and South Asia. In this respect, the following routes are promising: Kazakhstan-Uzbekistan-Turkmenistan-Iran-Turkey; Kazakhstan-Uzbekistan-Turkmenistan-Iran-Pakistan; and Kazakhstan-Turkmenistan-Iran. Within the framework of the last route, efforts should be stepped up to implement the project aimed at building the Dostyk (Kazakhstan)-Gorgan (Iran) route, which is being carried out in keeping with international standards.

An important factor in the development of transit shipments is optimizing the indices of freight turnover at the Tejen-Serakhs-Mashhad rail junction, which, after modernization, should be able to handle up to 3 million tons of freight a year. Since about 2.5 million tons passed through it in 2006, there is additional potential for freight traffic coming through Kazakhstan.

Development of *air transport* is promising, the market for which is on the up and up. In this respect, Kazakh freight carriers should carve out niches for themselves on this market and raise its potential. So it is expedient for Kazakhstan to think about joining ECO Air and acceding to the corresponding Agreement on Membership in the Air Company. Keeping in mind that Afghanistan, Iran, Pakistan, and Turkmenistan are already members of this structure, Kazakh air carriers could be given preferred treatment when making flights to these countries. This factor could become sufficiently attractive under conditions of the constantly growing competition on the air freight traffic markets.

Participation of Kazakhstani structures in joint ECO projects in promising cooperation vectors.

Kazakhstan is particularly interested in participating in joint projects in such vectors as power engineering, industry, agriculture, services, public health, science, and innovations. In particular, the following projects seem promising.

In power engineering—projects for developing Kazakhstan's oil, gas, and energy networks and integrating them into regional communication lines. Measures to step up construction projects should become a priority: the Kazakhstan-Turkmenistan-Iran oil pipeline; Khujand (Tajikistan)-Shymkent (through Uzbekistan) LEP-500 power transmission lines.

It seems expedient for Kazakhstan to have a capital share in the projects to build the Sangtuda and Rogun hydropower plants.

In industry—projects promoting further development of the refining industry, which is being carried out within the Strategy of Industrial-Innovative Development of Kazakhstan's Economy. Projects in the oil-refining industry, building industry, textile industry, and others are very promising.

In agriculture—projects aimed at creating and developing agricultural clusters in Kazakhstan, primarily fruit and vegetable, grain, and fish, the territorial location of which is most favorable for participation of ECO partners.

Implementation of the above-mentioned projects will promote the development of production with high value-added cost, which will be an important factor in raising the competitiveness of Kazakhstan's economy.

In services—projects aimed at:

- expanding cooperation in providing Kazakhstan's financial institutions with a wide range of financial services in different countries of the region;
- developing interaction among the insurance companies of the region's countries for providing risk-reinsurance services to Kazakh participants in foreign economic activity;
- actively developing tourism in Kazakhstan.

In public health—projects aimed at developing progressive early diagnosis technology in Kazakhstan. Joint projects to draw up and apply measures and means for preventing infectious and oncological diseases could become priorities in this vector.

In the scientific research and innovations sphere—keeping in mind the priority of innovation in raising the competitiveness of Kazakhstan’s national economy, cooperation should be activated in carrying out joint scientific studies and innovative activity.

This vector should expediently be executed within the framework of the ECO Science Foundation, which is aimed at creating conditions for bringing together scientific, technical, and human potential and intensifying the activity of the scientific research institutes of the ECO countries.

Firstly, measures should be taken for Kazakhstan to ratify the Charter of the Science Foundation. This will allow it to become a full-fledged participant of the Foundation and make it possible to solve the following tasks:

- (a) ensure its representation in the Board of Trustees and Board of Managers.
- (b) ensure its participation in drawing up programs of joint scientific-research and innovation activity. Within the framework of these programs, the following should be focused on:
 - implementing projects to create the innovative technology necessary for putting the Strategy of Kazakhstan’s Industrial-Innovative Development into effect;
 - tapping the scientific, technological, and intellectual potential of other ECO countries, particularly Turkey, Iran, and Pakistan, to be incorporated into innovative projects;
 - creating the necessary infrastructure for carrying out scientific-innovative activity with the participation of Kazakhstan’s scientific centers.

Creating an ECO Venture Fund of Scientific Research and Innovation with its headquarters in Kazakhstan is very promising in expanding Kazakhstan’s scientific-technical cooperation with the ECO states. This will promote the tapping and optimal use of financial resources and research potential for promoting the innovative development of the country’s economy.

Space research may become a qualitatively new vector of cooperation. Other ECO countries, including Turkey, Iran, and Pakistan, could take part in joint space development along with Kazakhstan. A Joint Action Program for Space Research and the Use of Space should be initiated, whereby Kazakhstan can participate in this program using the available scientific and technological potential in this field. An important factor in this participation is the KazSat satellite, which is already operating in space and which is one of the first geostatic small class communication and broadcasting satellite in the world. The services offered by the satellite should be of great interest not only to state structures, but also to the representatives of business structures in ECO countries in the very near future.

In the mid-term, it would be expedient for the Kazakh side to include the following tasks in its joint action program.

1. Use of KazSat 2, which is to be created for carrying out a wide range of geophysical probing of the Earth’s surface.
2. Participation in servicing international satellite systems such as INMARSAT, NORD, and NAVSTAR on a commercial basis.
3. Study and use of progressive world space monitoring technology of the natural-territorial complex for use in the ECO region.

Optimization of ECO Organizational Activity.

ECO activity should be optimized by improving mechanisms for implementing joint decisions and documents, as well as intensifying its interaction with large international and regional organizations. It is thought that the Organization’s planning, coordinating, and monitoring functions should be intensified in order to improve its activity mechanism.

In so doing, measures and means for executing joint decisions and documents should be formed on the basis of proposals by competent structures of the Member States. Monitoring and coordination of the implementation of measures should be optimized within the framework of the ECO Secretariat and specialized structures. Procedures should also be included in the mechanism designed to carry out constant monitoring of the execution of the planned measures, analysis of the problems that arise, identification of the reasons they arose, and drafting of effective proposals by groups of experts to eliminate problem situations.

An important factor in optimizing ECO activity should be expanding and intensifying comprehensive cooperation with large international financial organizations and integration associations, primarily with the U.N. and its institutions, the Islamic Development Bank, and the EU.

This will make it possible to increase the possibility of co-financing with the indicated structures of priority, large, and mutually interesting projects, particularly in the transport, energy, agricultural, and scientific sectors. Efforts should also be pooled to step up joint action in resolving questions that have an impact on social stability and economic development in the region. These questions include:

- opposing organized crime and drug trafficking in the ECO region;
- developing public health, including combating the spread of especially dangerous infectious diseases;
- reducing the dimensions of illegal migration in the region.

Joint action aimed at reducing the high level of poverty and unemployment in such ECO countries as Afghanistan, Kyrgyzstan, Tajikistan, and Uzbekistan will help to resolve them.

Improving the activity of Kazakhstan's state and business structures with respect to developing cooperation with ECO.

Keeping in mind the priorities of cooperation with ECO, the activity of state bodies and interested business structures in this area must be made more efficient. This task can be solved by forming a special body for coordinating the activity carried out in this area.

For this purpose, there are plans to issue a government decision calling for the formation of a special High-Level Interdepartmental Commission on Kazakhstan's Cooperation with ECO (hereafter—Commission). The head of a state body, for example, a minister of industry and trade, shall be appointed as chairman of the Commission.

The Commission shall be comprised of deputy heads of departments responsible within their field of competence for cooperating with ECO, or the department heads of these branches, the representatives of business structures interested in cooperation, experts, and other necessary specialists.

The Commission, in our opinion, should be responsible for reviewing all questions of coordinating Kazakhstan's activity in its cooperation with ECO, including drawing up the necessary proposals and plans, carrying out and monitoring the execution of planned measures, and resolving organizational questions. The Commission should be invested with the corresponding powers for this. The regulations of its activity should ensure timely and qualified processing of the entire set of issues concerning cooperation with the ECO.

On the whole, the areas reviewed in this section for intensifying cooperation should ensure more efficient interaction between Kazakhstan and ECO and raise it to a new level.

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So based on this analysis, cooperation with ECO appears promising from the perspective of promoting Kazakhstan's interests in such vectors as the development of regional processes. Other promis-

ing areas for Kazakhstan include the development of foreign trade, access to foreign markets by optimal implementation of the transport-transit potential of the ECO region, active participation in promising joint projects, as well as optimization of ECO activity as a whole. These measures should promote modernization of Kazakhstan's economy, accelerate its diversification, and raise its competitiveness.