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The Economic Cooperation Organization: Current Status and Future Prospects

RICHARD POMFRET

THIS ARTICLE DISCUSSES THE PROSPECTS for regional integration within the Economic Cooperation Organization (ECO). Since its expansion in 1992 to include six newly independent former Soviet republics, ECO has attracted interest as a large regional organisation and as the most significant prospect for reorienting Central Asian trade—given its pre-existing Secretariat, preferential trading arrangements and plans for common institutions. Although various former Soviet republics are members of other regional organisations, these are either broad-ranging with little substance (such as Black Sea Economic Cooperation) or single-issue fora (such as those bringing together Caspian Sea states or on the Aral Sea).

The first section describes the origins of ECO and its evolution. The focus so far has been on the introduction of preferential tariffs and the establishment of common institutions. There have also been efforts to establish a regional transport strategy and to facilitate trade.

The second section compares the disappointing outcome of the ECO strategy for preferential tariff reduction and establishment of common institutions with the outcomes of similar strategies adopted by other regional organisations. The strategy has had a poor track record, because ECO members are reluctant to offer meaningful preferential tariff cuts and to agree on the function and location of common institutions. The evolutionary approach followed by the Association of Southeast Asian Nations (ASEAN) in the 1980s and 1990s, based on unilateral liberalisation and coordinated trade facilitation and common negotiation with third countries, has been more fruitful. Recently the ECO Secretariat has promoted a similar approach as ECO members have adopted market-oriented reforms and shown greater interest in outward-oriented development strategies.

The third section analyses the prospects for regional integration within ECO. As transport links are improved trade between the new landlocked ECO members and the three original members will increase as previous distortions are removed. The prospects for substantial intra-ECO trade, as opposed to transit trade, are limited because the economies are similar.

The fourth section offers some future scenarios. In view of the practical difficulties of establishing a preferential trading regime within ECO and the poor prospects for substantial intra-ECO trade, the most promising track is for the ECO members to continue their unilateral liberalisation. Reinforced by improved transport links and trade facilitation, regional integration can be expected to deepen in an evolutionary

way. In addition, such cooperation could help to create a favourable environment for foreign investors in the region. As a regional body, ECO could contribute to maintaining regional stability and allowing formulation of common negotiating positions, which would be important benefits for a culturally cohesive but economically still fragmented region like ECO.

Historical evolution of ECO

The Economic Cooperation Organization (ECO) was founded in 1985 by Iran, Pakistan and Turkey to promote economic, technical and cultural cooperation among the member states. ECO is the successor organisation to Regional Cooperation for Development (RCD), which was functional from 1964 to 1979, and its basic charter is the Treaty of Izmir, originally signed in 1977. In 1992 seven new members, Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, joined ECO.

The origins of ECO have some similarity to those of ASEAN, as both regional bodies were the result of geo-strategical considerations to which an economic dimension was added. The RCD/ECO had little economic impact before its 1992 expansion. The Treaty of Izmir included some specific measures, such as establishment of a trade and development bank and of an ECO reinsurance company, but they have yet to be implemented. In May 1991 a Protocol on Preferential Tariffs was signed, for implementation in May 1993.

The formal accession ceremony for the seven new members in November 1992 gave ECO a new impetus. The enlarged body contains 325 million people spread over almost eight million square kilometres (see Table 1). ECO has a cultural cohesion, incorporating all of the non-Arab Islamic countries of western and central Asia.¹ ECO

TABLE 1
BASIC STATISTICS FOR ECO MEMBERS

	<i>Area</i>	<i>Population</i>	<i>Life expectancy</i>	<i>Illiterate</i>	<i>GNP per capita</i>	<i>Real GDP</i>
Afghanistan	652	17.7	44	71		819
Azerbaijan	87	7.4	71	3	730	2 550
Iran	1 648	64.2	68	46	2 120*	5 420
Kazakhstan	2 717	17.0	70	3	1 560	4 270
Kyrgyzstan	199	4.6	69	3	850	2 850
Pakistan	796	122.8	62	65	430	2 890
Tajikistan	143	5.8	70	2	470	1 740
Turkey	779	59.6	67	12	2 970	5 230
Turkmenistan	488	3.9	65	2	1 390*	3 400
Uzbekistan	447	21.9	69	3	970	2 650
ECO total	7 956	324.9				

Notes: Area in thousand square kilometres; population in millions in 1993; life expectancy at birth, latest available year; percentage of the population over 15 who are illiterate, latest available year; GNP per capita in US\$, World Bank estimates, 1993; real GDP per capita at purchasing power parity (in 'international dollars' from the Penn World Tables). *value for 1992.

Source: World Bank data from the 1995 editions of *World Tables*, *Trends in Developing Economies* and *Social Indicators of Development*.

also provides a forum for discussion of regional disputes and for peaceful cooperation between the original members and the newly independent member countries.

The blueprint for regional cooperation is contained in the February 1993 Quetta Plan of Action and the July 1993 Istanbul Declaration. The three founding members have contributed \$100 000 each towards a Special Fund to finance feasibility studies of projects related to this blueprint. A project-oriented Outline Plan for transport and communications development was adopted at Almaty in October 1993.

The Protocol on Preferential Tariffs

The Protocol on Preferential Tariffs was signed by the then three ECO members in May 1991. The signatories agreed to offer a 10% preferential tariff reduction on selected commodities. The lists were drawn up and implementation began in May 1993.

The initial progress was disappointing. The lists of commodities on which Iran and Pakistan were willing to give tariff preferences both contained 16 items. Turkey's list was longer, but still limited. Many of the items were narrowly defined (e.g. paper bags for cement, bentonite, leg protectors used in sports—to quote one item from each country's list). After implementation began in May 1993 some uncertainty remained as to whether the preferences were being applied, and, even if they were, a 10% margin of preference seemed unlikely to have much impact.

The ECO Committee on Preferential Tariffs has met in Tehran in April 1993, Islamabad in September 1993 and Tehran in January 1995. Although the Committee has encouraged the submission of longer lists, widening of preference margins to 20%, and participation of the seven new members in the preferential trading arrangement, little progress has been made on any of these fronts. In 1996 the ECO Secretariat began trying to reorient attention to include discussion of the implications of the Uruguay Round and the WTO for the ECO region.

Common institutions

The ECO members have committed themselves to the establishment of four regional institutions:

- Trade and Development Bank
- Reinsurance Company
- an ECO Shipping Company
- an ECO Airline

The first three are explicitly mentioned in the amended Treaty of Izmir (Articles V, VI and X) and the ECO Airline is referred to in the Quetta Plan of Action (point 10 b ii).

After long negotiations agreement was reached at the Fourth Meeting of the ECO Committee for Economic and Commercial Cooperation in January 1995 that the ECO Trade and Development Bank would be based in Istanbul, and the minutes included a strong statement of intent that the ECO Reinsurance Company should be based in

Pakistan. The time-consuming negotiations illustrate the difficulty in reaching agreement on regional institutions, both with respect to their functions and with respect to location. Although agreements on all four institutions were signed at the Third ECO Summit in Islamabad in March 1995, they have yet to be implemented.

Trade facilitation

At the 1995 summit, the heads of state signed the ECO Transit Trade Agreement and an Agreement on the Simplification of Visa Procedures for the Businessmen of ECO Countries. Such trade facilitation measures are important steps towards promoting regional trade.

Eight ECO members signed the Transit Trade Agreement. The two non-signatories, Afghanistan and Uzbekistan, lie at important crossroads of the region, and the unwillingness of their governments to accept the principle of free passage of goods in transit is a potential deterrent to intra-regional trade.

Alternative modes of cooperation

The paths followed so far by ECO have been pursued by other regional organisations with disappointing results. Establishing a free trade area by piecemeal steps based on offers of preferential treatment has never been successful. Domestic interests who benefit from protection invariably prove sufficiently strong to keep their product off the offer list, so that the lists remain short and often consist only of items for which intra-regional trade is likely to be small. This was the experience of ASEAN with its 1977 preferential trade agreement and of several preferential trading arrangements in Latin America and Africa in the 1960s and 1970s.²

The more successful implementations of free trade areas or customs unions over the past 40 years (such as the European Economic Community, the European Free Trade Association, the Closer Economic Relations agreement between Australia and New Zealand, the Canada-United States Free Trade Area) have involved across-the-board elimination of tariffs according to a set timetable, with little scope for exceptions or delays.³ It is doubtful whether the ECO members are prepared for such a major initiative, but the more limited ECO Protocol on Preferential Tariffs is unlikely to be a practical alternative.

The establishment of common regional institutions with international participation also has a poor track record. Even within the European Union there are few such institutions, and the ones which do exist (such as the European Investment Bank) have not had a major impact on regional integration. The main obstacles are disagreements over location, unwillingness to contribute toward costs, and concern over loss of sovereignty.

The agreements within ECO so far involve the Secretariat being in Tehran, the Trade and Development Bank in Istanbul, and an understanding that the ECO Reinsurance Company will be in Pakistan. Such sharing of institutional locations is scarcely conducive to economic efficiency, and is likely to arouse demands for common institutions to be based in the next largest ECO members.

Perhaps in recognition of the slow progress made towards regional integration, the

past two ECO summits have called for the establishment of free trade zones in the ECO region to promote intra-regional trade. The most successful model of a sub-regional zone promoting trade is the Singapore-Riau-Johor growth triangle in ASEAN. It should be recalled, however, that this triangle emerged without formal government promotion either among the countries concerned or at the ASEAN level. Subsequent attempts within ASEAN to promote growth triangles actively (e.g. the Northern Triangle and the East ASEAN Growth Area) have yet to prove themselves.⁴

The positive point to be drawn from the Singapore-Riau-Johor experience is that intra-regional trade can flourish if the obstacles are lowered. A crucial prerequisite for the emergence of the Singapore-centred growth triangle was the liberalisation of goods and factor flows across the borders of Malaysia and Indonesia, which happened on a multilateral rather than a preferential basis. Multilateral trade liberalisation could promote similar phenomena in ECO, but trade facilitation and improved transport links are also crucial if this is to happen within ECO. Thus the initial efforts to simplify visa requirements and to obtain agreement on the treatment of transit traffic need to be continued. An important function of ECO is as a vehicle for specialist meetings, e.g. among customs and immigration officials from member countries.

A more fundamental lesson from ASEAN is that a regional organisation can be successful even if it does not create a preferential trading area and common institutions. A major benefit to ASEAN members has come from having a forum in which to discuss regional issues and to draw up common negotiating positions with non-members. Especially when a regional organisation contains members with similar economies (as both ECO and ASEAN do), the common negotiating function can be helpful.

A major difference between ECO and other regional groupings is the poorly developed transport network within ECO. ECO is a continental organisation in which the seven new members are all landlocked countries. Moreover, these countries' road and rail networks were constructed with a northward orientation, towards Russia and Ukraine, while the three regional members' transport networks were directed away from the USSR. An essential step towards promoting intra-ECO trade is to improve the transport links, and this requires some regional planning and coordination for which ECO could provide the setting. The Almaty Outline Plan is a start in this direction, but it remains unclear whether the three original members will cooperate in this exercise or whether they will compete in trying to establish their own ports as Central Asia's major outlet to the sea.

Prospects for regional integration within ECO

Table 1 provides basic data on the 10 ECO member countries. They vary considerably in size, population and living standards. All 10 are lower-income or lower middle-income countries according to the World Bank categories, although none are among the least developed economies. Afghanistan and Tajikistan still suffer from internal disruption, and Azerbaijan until the May 1994 cease-fire was in conflict with Armenia. Partly in consequence of the extended disorder, Afghanistan has poor social indicators, captured in the low life expectancy (44 years) and high illiteracy rate (71% of adults). A striking feature of Table 1 is the exceptionally high literacy rates in the

TABLE 2
INTERNATIONAL TRADE OF ECO MEMBERS (1994, US\$
MILLIONS)

	Exports (fob)	Imports (cif)
Afghanistan	243 ^a	737 ^a
Azerbaijan	687	885
Iran	16 700 ^b	30 662 ^b
Kazakhstan	3 070	3 662
Kyrgyzstan	325	379
Pakistan	6 795	9 333
Tajikistan	263 ^{c,d}	374 ^{c,d}
Turkey	17 954	23 044
Turkmenistan	2 425	1 636
Uzbekistan	3 235	3 203

Notes:

^a1991 figure from United Nations, *1993 International Trade Statistics Yearbook*, Vol. 1.

^b1992.

^cMeasured on customs basis.

^d1993.

The figures for Afghanistan and Tajikistan are not strictly comparable with the other figures.

Source: World Bank, *Trends in Developing Economies*, 1995.

six former Soviet republics; the virtual absence of illiteracy is unique among countries at their income levels. Table 2 shows the low levels of international trade by most ECO members, especially the landlocked states.

At present the ECO countries' trade with one another is limited. In 1993 2% of Turkey's exports went to Iran and 5% of Turkey's imports came from Iran, and this is the largest intra-ECO bilateral trade flow.⁵ In 1992/93 a tenth of Iran's exports went to Turkey, 1.8% to Azerbaijan, 1.2% to Pakistan, 1.1% to Turkmenistan, and no other ECO member accounted for more than 0.5%, while on the import side Azerbaijan (2.9%), Pakistan (1.1%) and Turkey (0.5%) were Iran's only significant suppliers from within ECO. Less than 1% of Pakistan's 1993 exports went to Turkey. In 1993 Kazakhstan sent 4.2% of her exports to Turkey, 0.4% to Iran, 0.3% to Pakistan and 0.2% to Afghanistan.

Trade among the former Soviet republics is poorly monitored and the ultimate destination often unrecorded. Within the Soviet Union their economies were closely integrated in the national economy, with 85–90% of the republics' external trade being intra-USSR. For each of the Central Asian republics, trade with Russia and Ukraine was far more important than trade with other Asian republics, and these northward trade links remain important in the post-1991 era, although the volume of trade has declined sharply. The main diversification of trading partners since independence has involved the rapid increase of trade with China, which has been most pronounced among the easternmost of the Central Asian republics.⁶ Azerbaijan, by contrast has steadily increased its trade with Iran, which mainly consists of exporting refined oil in return for food and other consumer goods, and in 1995 Iran displaced Russia as Azerbaijan's largest trading partner.

The 1992 enlargement of ECO was viewed by its supporters as an opportunity to change the trade patterns established by the Soviet Union. Indeed this began to happen immediately after some of the Soviet republics achieved independence, and trade expanded especially between the newly independent states and Turkey and Iran. This trade was primarily conducted by individual merchants selling consumer goods previously unavailable (or of poor quality) within the USSR. Such small-scale border trade can be expected to continue its rapid growth from a low base.

The long-term growth prospects for such trade are, however, limited. The three original ECO members are not the leading global suppliers of consumer goods. Many of the Iranian goods on sale in Ashgabat, for example, are Western consumer goods produced under licence in Iran; thus, the Iranian merchants are providing an entrepot function benefiting from their proximity, as long as the small size of the Central Asian markets means that they are not a high priority for the transnational firms with the original product rights. As the markets expand, then it is probable that they will be supplied directly by the principals. In standardised low-cost product lines, the ECO partners are likely to have difficulty competing with East Asian countries, especially China, in the Central Asian markets.

How complementary are the ECO economies? Although most of the ECO members can be considered semi-industrialised economies (see Table 3), they have a fairly narrow base of export competitiveness, concentrated on primary products or textiles and clothing. The exports of Iran and Turkmenistan are dominated by oil and natural gas, and the medium-term prospects of Azerbaijan and Kazakhstan also rest heavily on exploitation of their large oil reserves. Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan have minerals which may be commercially exploited. During the Soviet era the Central Asian republics' agriculture became a monoculture devoted to cotton, which is the major export of Uzbekistan and Tajikistan and important for Turkmenistan and the Chimkent region of Kazakhstan. Cotton is also the biggest primary product export of Pakistan. For Pakistan and Turkey, manufactured exports are more important than primary products, but in both countries there is a heavy concentration

TABLE 3
ECONOMIC STRUCTURE OF ECO MEMBERS (% SHARES OF GDP)

	Agriculture	Industry	(Manufacturing)	Services
Afghanistan				
Azerbaijan (1992)	22	55	(43)	26
Iran (1992)	24	29	(14)	47
Kazakhstan (1991)	29	41	(31)	30
Kyrgyzstan (1991)	43	35		22
Pakistan (1992)	26	25	(17)	48
Tajikistan (1991)	33	35		32
Turkey (1992)	15	30	(19)	55
Turkmenistan (1991)	32	31		37
Uzbekistan (1992)	35	36	(26)	29

Notes: The source warns that estimates for the economies of the former USSR are subject to a higher than usual level of uncertainty; data for Afghanistan are unavailable.

Source: World Bank, *World Tables*, 1995.

on textiles and clothing (SITC 65 + 84); for Pakistan SITC 65 + 84 items accounted for over \$5 billion out of \$6.8 billion total exports in 1993, and in Turkey they accounted for \$5.9 billion out of \$15 billion total exports.⁷

The prospects for intra-regional trade on the basis of the ECO members' current export bundles are limited. Turkey has the most diversified exports, and could exchange manufactured goods for primary products from other ECO members. There may be some other niche opportunities. In general, however, the economies are too similar in their dependence on a limited range of primary products to offer great gains from intra-ECO trade.

Some member countries hope that a larger internal market could encourage new activities within ECO. There was, for example, some publicity surrounding Toyota's 1993 entry into Pakistan's motor vehicle industry, which included statements from the Toyota joint venture's managers that the Pakistan-based operations could in future serve the markets of Iran and Central Asia.⁸ At present such hopes are speculative; the prospects for a regional motor industry will be discussed below.⁹

The most important scope for regional integration in the immediate future lies in the development of transit routes for the trade of the landlocked members of ECO. The former Soviet republics' main rail, road and pipeline links lead north through Russia or the Caucasus. Kazakhstan has a rail link with Xinjiang Province in China and there are road links between China and Kazakhstan and Kyrgyzstan, but they involve a long cross-China transit for trade with third countries. Azerbaijan has road and sea links with Iran, which have become more significant since links with Azerbaijan's traditional trading partners became disrupted after the outbreak of the Chechnya conflict in September 1994. Uzbekistan has road connections to Afghanistan which constitute the key link in overland transport between Central Asia and Pakistan.

The most promising recent development has been the completion of the railway between Tejen in Turkmenistan and Meshed in Iran, which forms the first connection between the former Soviet rail network and a line to an Indian Ocean port. The significance of this project was underlined by the participation of 12 regional heads of state at the official opening ceremony held in Sarakhs on the Iran-Turkmenistan border on 13 May 1996, on the eve of the ECO Summit in Ashgabat. Soon after, Turkmenistan and Iran reached an agreement to build a gas pipeline parallel to the railway.

Another important element of the transport network, given the resource endowments of ECO members, is the pipeline system for oil and natural gas transport. At present the gas from Turkmenistan and oil from the rich fields of Azerbaijan and Kazakhstan is sold within the former USSR because that is where the pipelines lead, and the oil refineries of Kazakhstan and Uzbekistan receive their crude oil from the Russian Federation for the same reason. In a May 1996 deal Chevron, the US oil company with a major stake in developing the Tengiz oilfield in western Kazakhstan, signed a swap agreement with Iran, by which Chevron would pump two million tonnes of oil a year to oil refineries in northern Iran in return for oil available at Iran's Gulf ports. At the same time Iran took a 10% stake in a \$4 billion project to develop Azerbaijan's offshore Shekh-Deniz oilfield. Such deals contribute to diversifying the marketing options for the oil companies of Kazakhstan and Azerbaijan, but the

critical issue is whether new pipelines can be constructed to Mediterranean, Gulf or Indian Ocean ports.

The transport network just described is tenuous for a region as large as ECO. Improving the network so that it provides feasible alternative routes for the land-locked members' exports overseas would be a major step towards closer integration. The hard infrastructure will, of course, only be of value if the soft infrastructure of trade facilitation and ease of movement is also in place.

Scenarios for the future

ECO's past emphasis on preferential tariff reduction and creation of common institutions has had disappointing results. Given the limited resources which ECO members are prepared to devote to preferential tariff reduction and the establishment of common institutions, the regional organisation will have to focus on other means of promoting integration. The ECO Secretariat is already trying to move the organisation along new paths, and ECO's future will depend in large part on the outcome of this shift in emphasis.

The Secretariat's current approach to regional integration is an evolutionary one, based upon unilateral trade liberalisation on a multilateral basis consistent with GATT/WTO principles. **In essence this is the ASEAN model of the 1980s and 1990s, which has been the most successful example of regional cooperation among lower and middle-income countries with similar resource endowments.** The rapid growth attained in southeast Asia since the mid-1980s led to new opportunities for specialisation within the region, epitomised by the Singapore-Johor-Riau growth triangle.

Unilateral trade liberalisation has major practical advantages over negotiated preferential tariff reductions in the ECO context. The resistance of domestic vested interests can be reduced if tariff reductions are part of an across-the-board liberalisation programme, and especially if this offers prospects of improved access to major export markets. The latter condition could be met by accession to the World Trade Organisation, to which only two ECO members currently belong.

Preferential tariff reductions also face the problem of overlapping regional organisations. In January 1996 Turkey formed a customs union with the European Union, which limits its ability to change tariff rates. Pakistan is a member of the South Asian Association for Regional Cooperation (SAARC), although at present that regional organisation has little impact on trade policies. Kazakhstan, Kyrgyzstan and Uzbekistan signed a customs union agreement in 1994, and together with other former Soviet republics are involved in negotiations over a Euro-Asian economic union.¹⁰ If ECO and any of these other unions move to binding preferential tariff arrangements, there will be problems of inconsistency.

The evolutionary approach of unilateral non-preferential trade liberalisation fits in with the current development strategy of all ECO members. The three original members have all undertaken substantial liberalisation measures in recent years, while the former Soviet republics have dismantled the mechanisms of central planning and are committed to the creation of a market-based economy. Indeed, some of the ECO

members (notably Kyrgyzstan) have extremely liberal import regimes, and this could be built upon.

Within the evolutionary approach, top priority needs to be given to trade facilitation, transport projects, and trade liberalisation within the WTO framework. Additionally the ECO Secretariat could help to promote ECO as a forum for working out common positions and dealing with other organisations.

Realisation of opportunities for trade and investment cooperation will depend upon the response of the private sector, but ECO as an organisation and the individual member governments could facilitate such a response. Multilateral trade liberalisation within the common GATT/WTO framework provides the ideal environment, together with simplified customs and visa procedures and improved transport and communications networks. In industries with scale economies and significant transport costs it may be economical to establish regional production centres in ECO. The already mentioned motor vehicle industry has been one subject of discussion, given the low car ownership rates across ECO (and the poor quality of the vehicle stock in most ECO countries) and the potential growth in demand following improvements in the road system. The evidence of other regional schemes, especially in Latin America, however, is that the prospects for such regional import substitution projects are easily overestimated. A more promising avenue is the attraction of investment in labour-intensive manufacturing as wage rates within East Asian countries increase. The combination of unskilled labour in ECO countries with the capital and experience of Asian entrepreneurs could be profitable. The existence of high literacy rates combined with low wages could make the former Soviet republics especially attractive to some investors. Textiles and especially clothing could be prime activities for such relocation, as the Multifibre Arrangement is dismantled and world clothing markets become more competitive. The production and marketing skills developed by clothing exporters in established low-wage locations may become redundant in their home country but valuable in new locations. A similar transfer of production and marketing expertise by Asian electronics firms to ECO countries may likewise be mutually beneficial.

If ECO pursues the evolutionary approach to regional integration, the positive outcome of some regionalisation within the context of participation in global markets is plausible. There are, however, alternative less positive scenarios. The region contains serious military conflicts, especially in Afghanistan and Tajikistan, which could spread.¹¹ The three original ECO members are in competition for political and economic influence in Central Asia, and cooperation over routes to the sea for the landlocked ECO members could break down in acrimony. The economies of the former Soviet republics remain closely interconnected after seven decades of central planning which ignored republics' borders, and they are subject to political pressures to reestablish links with their northern neighbours within the CIS. Thus any optimism over ECO's future must be cautious, although that underlines the organisation's potential for doing good.

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¹¹ The Turkish Muslim Community of Cyprus is not a member, but its representative often attends ECO meetings.

² The literature on these arrangements is surveyed in Pomfret (1988, pp. 143–148) and on ASEAN in Pomfret (1996b).

³ They also occurred within the context of external trade liberalisation, which with some exceptions (notably the EU's agricultural policy) reduced the scope for trade diversion.

⁴ Toh & Low (1993) and Pomfret (1996c) analyse the experience of East Asian growth triangles.

⁵ Even these bilateral trade flows exaggerate intra-ECO trade insofar as some Iranian exports to Turkey are for re-export via the Mediterranean.

⁶ The share of Kazakhstan's imports coming from China increased from 4% in 1990 to 44% in 1992 (Pomfret, 1995, pp. 191, 201–202), although it declined somewhat in the following years.

⁷ Data from the United Nations 1993 *International Trade Statistics Yearbook*.

⁸ Quoted in *Asiaweek*, 24 February 1993, p. 61.

⁹ The potential for intra-ECO disagreement over the location of such high-profile industries as motor vehicle producers exists. Despite its recent expansion the Pakistani industry remains much smaller than that of Iran and Turkey; in 1993 Pakistan produced 42 133 units, which was less than half of Iranian output and about a tenth of Turkish output. Uzbekistan has also had some success in attracting foreign investors into its motor industry.

¹⁰ Kazakhstan signed a customs union agreement with the Russian Federation and Belarus in 1995, and in March 1996 this was extended to cover eventual free movement of goods, services, labour and capital; the agreement when Kyrgyzstan also acceded to it.

¹¹ In addition several ECO members have long-standing disputes with non-ECO neighbours in the Aegean, in Kashmir and in the Caucasus.

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