The Role of Energy (Oil & Gas) in Economic Cooperation Organization (ECO)

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Abstract: An ever-increasing globalization in last century is enforcing many countries to come together and create organizations to take advantage of a greater power in the global stage both in political and economic issues. Regional organizations are one form of such organizations. In addition to many of such groups, Economic Cooperation Organization (ECO) is an intergovernmental mutual organization which was founded in 1985 by Iran, Pakistan and Turkey for the purpose of promoting economic, technical and cultural cooperation among the Member States. In a short Period of time since then ECO has proved itself to be a powerful organization promising to be an authority in Central Asian region. ECO region is one of the richest regions in the world, the capacity, opportunity and good cooperation in various contexts, especially in the energy sector. It enjoys great potentials and opportunities for oil and natural gas resources. Countries of the region within the framework of the Economic Cooperation Organization (ECO) in the fields of trade, transport and energy are working together. ECO region located between two energy-rich areas - Persian Gulf in the south and the Caspian Sea in the north – and major oil and gas producing and exporting countries. The research at hand is formed to investigate the development of this organization along with its effect on energy as well as the member countries. This paper explains the role of energy (oil and gas) among ECO countries, and ways of further cooperation in the future. The convergence and divergence among the ECO member countries with emphasis on theory Louis Cantori and Steven Spiegel will.

Keywords: Energy (gas-oil), ECO Region Central Asia,

I-Introduction

Today the tendency of countries to cooperate as regional organizations has increased significantly, the reason which may be attributed to their regional agreements on different economic matters that, in turn, strengthen their presence in global and international markets such as World Trade Organization (WTO). Economic Cooperation Organization (ECO) is an intergovernmental regional organization established in 1985 by Iran, Pakistan and Turkey for the purpose of promoting economic, technical and cultural cooperation among the Member States. Its aims and objectives as its modes of operation were identical to those of its forerunner, the Regional Cooperation for Development (RCD) which remained in existence from 1964 to 1979. Subsequently, the organization was restructured and revived under the present name ECO. The Treaty of Izmir signed in 1977 as the legal framework for the RCD and later adopted as the basic Charter of ECO was modified to provide a proper legal basis to ECO's transition from RCD at the Ministerial Meeting held in Islamabad in June 1990. Following the amendment in the Treaty of Izmir ECO was fully launched in early 1991. (ECO VISION, 2012). Following Iran’s revolution in 1978, this organization was suspended for a while and then by revising its existing rules and regulations by above-said countries, economic section of this organization with a new name of Economic Cooperation Organization (ECO) started to re-operate in 1985. In 1993, with the collapse of the Soviet Union and formation of commonwealth countries, 7 other members including Afghanistan, Azerbaijan Republic, Kazakhstan, Turkmenistan, Kyrgyzstan, Uzbekistan and Tajikistan joined ECO. Presently with 10 members, this organization has 400 million population and 8,620,697 sqm² area and benefits highly from oil, gas resources together with prosperous industry. It’s headquarter is located in Tehran (Iran).

ECO is a regional organization, forms in a special region in a continent and only countries located in that region can become its member. The goal of these countries is to develop military, economic and political ties among countries of the region. These organizations often follow economic objectives and have a good background, such as Benelux in Europe between Belgium, Holland and Luxemburg.
ASEAN in southeastern Asia, ACWAC in the west of Africa and SADEC in southern Africa. Formation of these organizations may bring different factors into play which, in turn, may divert them from their original goals. Energy committee, with its important position in ECO, as mentioned at Izmir 1990 agreement and Quetta 1993 statement, was founded to facilitate mobilization and use of huge energy resources of ECO region. In terms of energy, extending pipeline networks, connecting power networks of member states to meet energy needs of the region and providing access of desert-surrounded countries to global markets by other members are among the most important strategies consistently followed by ECO.

2-Cantori and Spiegel’s Regionalism Theory

Today common interests of the countries depend highly on mutual cooperation between governments and nations; i.e. countries are so tightly interconnected together that one cannot exist or even survive, without the other. In this case, convergence by definition means formation of a whole by putting its parts together.

Louis Cantori and Steven Spiegel, by proposing regional convergence theory, consider international regime as a structure consisting of several sub-regimes each with 3 separate parts as follow:

1. Central: Consists of one or more governments and plays a crucial role in the region’s politics.
2. Marginal: Includes those governments that play a minor role in the region’s politics.

According to Cantori and Spiegel’s opinion, we conclude that three main members of ECO - Iran, Turkey and Pakistan - are forming the central part, Azerbaijan, Turkmenistan, Tajikistan, Kyrgyzstan, Kazakhstan together with Afghanistan are marginal part, and regional and trans-regional countries like European Union, India, Russia, China, USA and Israel are known as interfering countries or meddlers. The most influential factor is USA’s influence on the region. External factors, based on this theory, affect system and the region as well.

3-Energy Charter Treaty (ECT)

The Energy Charter Treaty (ECT) is an international agreement which provides a multilateral framework for energy trade, transit and investments. Originally, the Energy Charter process based on integrating the energy sectors of the Soviet Union and Eastern Europe at the end of the Cold War into the broader European and world markets. The original Energy Charter declaration was signed in The Hague on 17 December 1991. It was a political declaration of principles for international energy including trade, transit and investment, together with the intention to negotiate a legally-binding treaty. The legally-binding treaty was signed in Lisbon in December 1994, together with a Protocol on Energy Efficiency and Related Environmental Aspects (PEEREA). The treaty and the protocol came into effect in April 1998; an amendment to the trade-related provisions reflecting the change from the General Agreement on Tariffs and Trade (GATT) to World Trade Organization (WTO) processes was also agreed that month. (Konoplyanik, Andrei; Wälde, Thomas.2006). The Treaty's provisions focus on four broad areas:

- the protection of foreign investments, based on the extension of national treatment or most-favored nation treatment (whichever is more favorable) and protection against key non-commercial risks;
- non-discriminatory conditions for trade in energy materials, products and energy-related equipment based on WTO rules, and provisions to ensure reliable cross-border
energy transit flows through pipelines, grids and other means of transportation;

- the resolution of disputes between participating countries, and in the case of investments between investors and host countries;
- The promotion of energy efficiency, and attempts to minimize the environmental impact of energy production and use. (Wikipedia, 2012).

4-Energy Charter Treaty of ECO

ECO region has located in proximity of two important and strategic places producing world’s energy, Persian Gulf as the largest gateway for transferring energy as well as a repository holding 60 % of world’s oil resources from one hand, and Caspian Sea as an important geopolitical region from another. It is also located beside Russia within Southern Caucasus as a border between Asia and Europe. This region holds 1.4 % of gas and 1.8 % of oil resources of the world respectively.

ECO is considered second most important regional union after European Union. This region enjoys from high potential capabilities because of having high quality gas and oil resources, proximity to Persian Gulf and Caspian Sea as the most important geostrategic regions of the world, neighboring with superpower countries like Russia, China and India (because these countries are mostly located in Islamic world and that the west fears from Islam’s influence in this region as well as the said countries’ old civilization).

While ECO’s first foreign ministers meeting was held in Islam Abad, Pakistan (2000) and its plan for cooperation regarding energy issues was approved, member states couldn’t find an appropriate way to cooperate, and decision making issues on energy were only limited to seminars and educational workshops. Another meeting on oil and pipelines was held by senior directors in Tehran in 1999 with the following objectives:

1. Preparing a comprehensive energy plan for the region by highlighting preferred goals
2. Evaluating existing mutual plans from regional standpoint
3. Adopting practices to extend gas and oil pipelines to gain access to global markets
4. Connecting power networks of the members together
5. Regional cooperation for national development and using energy resources regarding bio-environmental concerns
6. Optimal use of potential resources( Koolaee, E & Moaddab, M .2009).

This meeting never took place due to the political reasons and United States’ influence on member states especially Turkey and Azerbaijan. This year, energy committee of the ECO was revived as a result of changes in organization’s objectives and the issue in question is going to be evaluated in 2012 meeting seriously, although achieving a sustainable agreement is practically unlikely due to the political developments presently happening in the region. So far, energy committee has been unable to use existing opportunities effectively.

International Institute for Energy Studies (IIES) as an affiliated institute to Islamic Republic of Iran’s oil ministry and one of the largest international research and scientific centers in Middle East has successfully been able to submit charter’s draft to the secretariat of ECO in July 2012, a document which should be prepared prior to upcoming energy ministers’ conference of this organization. The draft will be assessed, by hearing other members’ views, at the said conference and the approved version will consequently be published at final conference. There, factors promoting organization’s activity in the field of energy will be addressed. (Shana news,2012). What is more important is the charter’s ability to encourage member states to cooperate in a free energy trade fashion. Now this document can be regarded as an important regional agreement for the members based on their common and national interests. In terms of energy, producing, consuming and transporting countries share the interest with others. In energy charter, factors like environment, energy trade, investment and transit will be highlighted.

The motivation of energy market financial participants to maximize short term profits and to repay compounding debt makes it economically difficult, if not impossible to conserve energy. This leads to massive waste of those energy resources – like natural gas in particular - which are undervalued at current prices generally and gives rise to enormously wasteful subsidies at the politically necessary prices currently set in the producer nations. So even though the ECO region is endowed with enormous energy resources, because of profligate consumption and massive subsidies, it is emerging as a region which may soon be consuming more energy that it produces.

The result of these political and economic driving forces has been an almost complete breakdown in conventional energy investment throughout the ECO region, and an almost complete absence of investment in renewable energy and energy efficiency. First thing to understand about this concept – and the energy investment instrument which is integral with it - is that it is not an alternative to the existing ECT, but an addition: in
other words it is complementary to the ECT, and uses an interactive or consensual – two-way – agreement between nations, and private sector energy market participants which is nevertheless legally binding.

New organizations like the existing Energy Charter Secretariat are created. The ECO Energy Charter simply brings together nations and existing public and private sector organizations in a new way within a neutral and consensually negotiated agreement where sovereignty is retained by ECO nations, but the economic interest in energy may be shared equitably between them, while interests of the private sector partners who are instrumental in development of ECO energy resources are also brought into alignment. ECO Energy charter creates the possibility of a new complementary approach for ECO member cooperation with the Energy Charter Treaty. The ECO member states may therefore continue the implementation of the Action Plan in parallel to the studying the additional possible avenues for economic co-operation. The ECO Energy Charter may become a reality that will serve the region’s economic growth by enabling the new investment in energy so urgently needed. The Secretariat is trying to persuade the member countries that there is a need to consider this new initiative of ECO Secretary General, because all members will understand that access to energy investment is in all cases in individual national and regional interests. This research and development program coordinated by the ECO Secretariat will necessarily work closely with the architect of the ECO Charter in pursuing this important task and this will constitute a separately resourced addition to the existing ECO Energy Action Plan for the period 2011 to 2015.

4-3 Eco Energy Charter Approaches

In this section we mentioned the approaches of treaty of ECO:

(a) Energy Economics: The proposed ECO energy economic approach is to identify desired outcome, such as heat, electricity or transport, and to work back from this to optimize the amount of fuel necessary to achieve that outcome. In order to achieve such an energy economics based upon least energy cost, rather than least dollar cost, it is necessary to compare energy inputs and outputs, and to compare energy investment with energy returns by reference to a standard unit of energy as a benchmark.

(b) System Resilience: There is a need for a resilient ECO energy architecture which requires elements such as a networked system with distributed production; a focus on energy efficiency to minimize grid loads; and robust grids with both built in redundancy and an absence of single points of failure. In parallel to this there is also a requirement for a resilient ECO energy market platform providing a stable environment for sustainable long term investment in energy production and efficiency.

(c) Sustainable Finance: 21st Century problems cannot be solved with 20th century solutions, and following the collapse of the dollar-based financial system in 2008 the financing and funding of ECO energy investment has become progressively more difficult. The policy objective here is to provide a 21st century framework and instruments with which the ECO Bank for Trade and development may facilitate a full range of public and private energy banking and other financial services with optimal use of capital. New collaborative tools for managing risk, promoting and facilitating ECO region energy investment in order to address energy imbalances.

Fair competition – fair competing and sharing of risk and reward between ECO members in energy interaction and projects.

Neutrality– recognition of the sovereignty of ECO members within a neutral framework for ECO energy collaboration and solidarity.

Energy security - the enduring power and capacity of ECO Members for transformation, renewal and recovery through the flux of energy interaction and projects Security – security of demand for ECO energy producers and security of supply for ECO energy consumers.

Market Stability – minimizing energy market instability to enable sustainable investment in energy production and energy efficiency.

Future monitoring - meets ECO member needs compromising future requirements.

Data Transparency – open access between members to energy data and knowledge.

4-1 Eco Energy Charter Goals

There are some main goals of this treaty which includes:
1-To facilitate financial interaction among ECO members increasing energy accessibility
2-To create energy security among ECO members
3-To create geographical energy access based on regional interest
4-To initiate a stable regional market equipped with oil and gas burse

4-2 ECO Energy Charter principles

Initial thinking in relation to the ECO Energy Charter Principles is that they may include the following:

Accessibility – open access to energy consistent with Geographic and resource constraints and open access to energy investment in order to address energy imbalances.
projects, are necessary to bring investors in ECO energy production and energy efficiency together with suitable ECO projects.

(d) Energy Co-operation: There is a need to integrate a sufficiently high carbon energy price to minimize wasteful and subsidized consumption by energy rich nations with a suitable funding mechanism for investment in renewable energy and energy efficiency projects by energy poor nations. The development of suitable energy-based policy frameworks and instruments to address energy imbalances between ECO members is a priority, and these policies may be extended by international agreement to address energy imbalances between ECO members and other nations.

(e) Energy Research: No nation has yet achieved successful integration of public and private research and development. The key to successful implementation of the Energy Charter will be the creation of a networked ECO Energy Institute which will bring together public and private investment through the use of pooled intellectual property, and the creation by ECO of subject-specific centers of excellence in respect of ECO energy work-streams.

5-Energy Links (Oil and Gas) in ECO

Followings are the factors that can help this section:
1- ECO – OPEC relationship: Iran as an agency of OPEC and ECO can play a fundamental role in promoting relationships between these two important global organizations. ECO together with member states can develop closer relationships with OPEC on the topic of energy. This is the best opportunity for ECO members to get familiar with the latest developments of oil global markets. Some members of ECO like Azerbaijan, Turkmenistan and Kyrgyzstan known as producers of oil of Caspian Sea can use the experiences OPEC has got from oil international markets. Caspian Sea oil producers can also interact with OPEC on matters related to market condition and oil prices. Having gas resources, ECO’s member states can be a good partner for “Gas OPEC” and establish a strategic organization to manage gas of the region. Moreover, ECO can draw a strategic plan or a roadmap for upcoming horizon in the field of energy (oil and gas) and use those vital resources for its benefit.
2- It is worth mentioning those countries having partial advantages in the field of energy can create an energy free trade region and that those member states willing to participate in energy activities can benefit from special facilities supporting investments in the region. Foreign direct investment should be done when countries having lots of natural resources don’t have sufficient money and technical knowledge to extract oil and sell their own raw materials. (Moeeni, A.2006).
3- Another important issue refers to the establishment of energy common market among members and subsequently development of oil and gas resources as well as petrochemical industry. The goal of this organization is to create an atmosphere of cooperation between member states in different fields of energy including oil and gas. In this case, energy transmission is a field that can promote cooperation among ECO’s member states. Oil and gas transmission pipelines are often of high importance today and member states should concentrate their efforts on issues like transitional pathways by considering low – cost practices and national interests. The influence of United States, however, on the region has changed all equations and member states tend more to compete than to participate and thus transmission pipelines are substituted without considering their high expenses.
4- Member states can benefit from technology and technical knowledge of each other to achieve agreement on the fields of oil and gas. Having rich oil and gas resources, Iran can play a crucial role in energy issues of ECO’s members. ECO’s member states will also be able to utilize technical knowledge offered by Iranian experts to develop their own oil sections.
5- Member states can develop their relationships in the following areas: Constructing joint refineries in vital regions, producing petroleum, mutual cooperation of oil and gas private sections, developing oil and gas transmission networks and providing access to international and consumption markets. Regarding recent economic and political developments of the world, the need of European Union to ECO’s energy is felt clearly. In recent years, gas consumption in Europe has increased to 2.5% a year for the following reasons: oil high prices, strategies advocating environment, development of gas power plants. Europe receives its gas from countries like Russia, Norway and Algeria. It is estimated that Europe’s need to import gas will be increased to 75% by 2030. Europe, because of its disagreements with Russia on global issues, and interruptions happened in winter 2005 in Russia’s gas export to Europe because of high gas demand and therefore put the continent in trouble, has firmly decided to consider other potential gas exporting countries.
7- Swap of oil and gas among holders of these strategic resources can be revised.
8- Geopolitical association among these countries can pave the ground. Turkmenistan gas pipeline to Iran, gas pipeline to Nakhichevan and gas pipeline to Armenia is an example of Iran’s capability.
9- Establishment of Energy Development Fund (EDF) for the Insurance investment and banking in energy section and financial support from energy plans.

10- Energy security and subsequently regional security is achieved because all countries try to offer their energy with lowest risk possible which, in turn strengthens mutual relationships. It also connects ECO member states to Persian Gulf countries.

11- Russia and China are two important countries located in ECO region. These two countries play a very fundamental role in ECO, especially China which is known as huge Dragon. Membership of Russia and China in ECO helps to promote economic activities among members and improves ECO’s position in the world. ECO by considering world energy charter organization as a model will be able to achieve a common goal. This is a kind of reaching a part from a whole which is called comparison. Three important countries of ECO have rich oil and gas resources. Other countries like Turkey can be considered as a center transmitting energy to Europe and other consuming countries. We will discuss it later.

6- ECO’s challenges in oil and gas section

6.1 **Iran**: Iran is an important country producing 10 and 16 % of world’s oil and gas respectively. Iran is located in proximity of Caspian Sea and Persian Gulf as two important energy regions of the world. This country also has control over Hormuz international strait which is an ideal path to transport energy. By swap, this country is able to transport energy to different seas. This country connects Turkmenistan to southern markets and considered an important region transporting energy to China. Iran’s foreign policy is based on peaceful relationship with its neighboring countries and the world. Iran, however, has been under great pressure by United States and the West because of its nuclear program.

<table>
<thead>
<tr>
<th>Iran</th>
<th>2008</th>
<th>2009</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil production</td>
<td>4327</td>
<td>4216</td>
<td>4380</td>
</tr>
<tr>
<td>Oil consumption</td>
<td>1761</td>
<td>1741</td>
<td>1991</td>
</tr>
<tr>
<td>Oil export</td>
<td>2566</td>
<td>2475</td>
<td>2389</td>
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<tr>
<td>Gas production</td>
<td>3.116</td>
<td>131.2</td>
<td>180</td>
</tr>
<tr>
<td>Gas consumption</td>
<td>119.3</td>
<td>131.7</td>
<td>160.2</td>
</tr>
<tr>
<td>Gas export</td>
<td>&lt;3</td>
<td>&lt;5</td>
<td>19.8</td>
</tr>
</tbody>
</table>

6.2 **Azerbaijan**: Azerbaijan is an important country located in Caspian Sea as well as in Caucasus; a border separates Europe from Asia. Azerbaijan, the third largest oil producer after Russia and Kazakhstan in former Soviet Union, produced 45,600,000 tons oil in 2011. This figure was 50,800,000 tons in 2010. Azerbaijan’s gas production decreased from 26,300,000,000 m³ in 2010 to 25,700,000,000 m³ in 2011.

<table>
<thead>
<tr>
<th>Azerbaijan</th>
<th>2008</th>
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<th>2014</th>
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</thead>
<tbody>
<tr>
<td>Oil production</td>
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<td>1033</td>
<td>1395</td>
</tr>
<tr>
<td>Oil consumption</td>
<td>71</td>
<td>70</td>
<td>98</td>
</tr>
<tr>
<td>Oil export</td>
<td>843</td>
<td>963</td>
<td>1297</td>
</tr>
<tr>
<td>Gas production</td>
<td>8.14</td>
<td>8.14</td>
<td>21</td>
</tr>
<tr>
<td>Gas consumption</td>
<td>9.2</td>
<td>7.7</td>
<td>6.11</td>
</tr>
<tr>
<td>Gas export</td>
<td>5.6</td>
<td>7.1</td>
<td>4.9</td>
</tr>
</tbody>
</table>

6.3 **Turkmenistan**: This country is one of most important gas producers. Based on statistics published by BP Company, Turkmenistan’s approved oil resources are 0/6 billion barrels and its potential resources are 38 billion barrels but the country’s approved and potential gas resources estimated 2/94 and 159 trillion cubic feet respectively.

<table>
<thead>
<tr>
<th>Turkmenistan</th>
<th>2008</th>
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<th>2014</th>
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<tbody>
<tr>
<td>Oil production</td>
<td>205</td>
<td>206</td>
<td>350</td>
</tr>
<tr>
<td>Oil consumption</td>
<td>117</td>
<td>120</td>
<td>150</td>
</tr>
<tr>
<td>Oil export</td>
<td>88</td>
<td>86</td>
<td>200</td>
</tr>
<tr>
<td>Gas production</td>
<td>1.66</td>
<td>36.4</td>
<td>90</td>
</tr>
<tr>
<td>Gas consumption</td>
<td>19</td>
<td>19.8</td>
<td>4.28</td>
</tr>
<tr>
<td>Gas export</td>
<td>47.1</td>
<td>7.16</td>
<td>6.61</td>
</tr>
</tbody>
</table>
6.4 Turkey: In the border with Europe and as an important path to transport energy to that continent, this country has close relationships with United States. Close ties between Turkey and Israel is not so desirable for ECO’s Muslim countries that have many backgrounds and interests in common. This, together with efforts of United State to free Israel from regional isolation has been a great concern for ECO’s member states. Turkey’s inter-regional trades make up 3.2% of its total foreign business.

6.5 Pakistan: A country which has access to the ocean but still considers a poor country. 2.3% of foreign trades of this country are done within ECO organization which is the lowest after Kazakhstan.

6.6 Afghanistan: By ending civil war and Talibans’ dominance, this country tries to change Kabul into a regional trade center. For this reason, Kabul pays much attention to ECO because it believes ECO has high capability to help Afghanistan to develop. This country tries to encourage foreign investment and by establishing security will benefit from tourism industry.

Six Middle Eastern countries for their high dependence to United States are under great pressure in their decision makings, especially Azerbaijan which has controversial relationships with Iran because of Karabakh issue, radicalism conflicts and United States’ presence in Azerbaijan. Azerbaijan with 9.12% and Kazakhstan with 1.9% have highest and lowest economic trades with ECO respectively. Also, Turkmenistan has considerable regional trades in comparison with other countries of the region. United States’ presence in the region and NATO’s support from some countries has occasionally caused some problems. For example, energy and its security, political issues together with sanctions imposed to Iran, are all factors affected some ECO’s member states including Azerbaijan, which under United States’ great pressure, forced to change its pipeline path. Economically, United States is the most important business partner for Turkey, Pakistan, Turkmenistan and Kyrgyzstan and has friendly relationships with ECO’s other member states except Iran. Many oil companies of United States operate in ECO region. United States’ foreign policy for ECO is based on development prevention. United States, with support of these countries, tries to prevent Russia’s influence in the region, but Iran’s fundamental role in ECO has created concerns regarding its regional influence on ECO.

7. ECO – Energy convergence factors
1- Islamic, ethnical, historical, cultural and demographic commonalities among member states.

Having a population of more than 400 millions, this organization should provide a proper domestic consumption market.
2- Partial improvement of transportation roads, railways and shipping.
3- ECO members’ geographic association.
4- Common rich hydrocarbon resources. Iran, Kazakhstan, Turkmenistan, Azerbaijan and Uzbekistan as oil and gas producers can satisfy the needs of countries like Turkey, Pakistan Tajikistan, Kyrgyzstan and Afghanistan. Mutually, these countries produce agricultural tools which will be used by ECO members. Proper strategies to encourage mutual transactions among member states have been provided but are not still satisfactory.

5- Easy exchange of currencies among member states mutually and multilaterally and thus using a single currency has been ratified but still transactions are done hardly because of bureaucracy, corruption and bribery. For this reason, ECO’s trade and development bank was successfully established but has limited branches which, in turn causes transactions to be done slowly. ECO, by establishing a common market, follows these objectives: offering a common currency to prevent member states’ currency fluctuations against Dollar and Euro, improving value of currency of member states and omitting Dollar from transactions, especially energy transactions.

Two or more neighboring countries with common cultural, ethnical and historical associations will be better able to react against Trans-regional powers. ECO, therefore has persistently tried to practice this strategy by forming economic, military and political unions but this goal has never been achieved for the following reasons: structural, economic, social and political problems, distrust and lack of political order, influence of trans-regional countries. During last decades, interests of countries have seriously been affected by issues related to energy, its security and access to this vital substance; factors which probably justify presence of super powers in the region.

8- ECO – Energy divergence factors

Iran as the largest oil and gas producer and Turkey as an ECO’s gateway to Europe are considered good advantages for ECO in its regional and international interactions. Despite this advantage, ECO has never so far been able to play its active role in regional cooperation. The reasons for this are described below:
1. Influence of foreign and trans-regional countries like United States and Israel on Turkey and Azerbaijan, United States’ military presence in Afghanistan, tensions between Iran and America,
dependency of members states to organizations other than ECO.
2. Disputes over Caspian Sea’s legal regime which has overshadowed relationships of concerned countries. (Koozegar Kaleji, V, 2008).
3. Political disagreements among members. For example, Turkey and Iran, the former wants to establish a secular government and supports Shiite identity impairment in the region, especially Azerbaijan but the latter supports Islamic governments and always criticizes secular regimes.
4. Lack of security and political stability in some Central Asian countries and Afghanistan; Karabakh crisis in Azerbaijan Republic (civil war, drug trafficking, ethnic conflicts and …)
5. Different economic structure among member states
6. Presence of Russia which still tries to have its control and dominance over commonwealth countries
7. Lack of skilled forces to advance common economic projects
8. Lack of advanced technologies in oil and gas industry

Conclusion
ECO because of its proximity to three important regions including Russia, Persian Gulf and Caspian Sea has always had a geopolitical position. This organization (together with its energy section) which was first established to promote economic co-operations among members has never been able to play its active role.

Today energy (oil and gas) is viewed as the most important commodity because it can be easily used in all manufacturing sections by industrial countries. Owners of energy, today, are proud of this commodity. This dependency, of course has its own positive and negative consequences. So far, ECO countries as the most important producers of oil and gas have not used their potentials properly and effectively. These resources play a crucial role in their politics and industries because these countries mainly export oil and gas. For the above – said reasons and due to ECO’s rich oil and gas resources, which has created tight competitions among members, other non-regional players like United States, China, Israel and European Union have tempted to attend in the region. Unfortunately, ECO’s members are presently trying more to compete than cooperate.

So far, energy and hydrocarbon resources issue hasn’t been seriously addressed by ECO member states. Now, by offering energy charter of ECO’s member states proposed by Islamic Republic of Iran and submitted by International Institute for Energy Studies (IIES), we are sure that it will have positive outcomes and will encourage members to take energy issues serious. Close relationships with OPEC, establishing an especially energy economic region, common market, technical and scientific interactions, oil swap, single currency and building refineries are among the ways which can be reassessed. Energy charter is considered a proper economic model which brings considerable benefits. Despite many commonalities among ECO member states (cultural, historical, ethnic and …) it seems that there are many factors trying to undermine their unity and integrity including United States’ influence on the region, pessimistic views against Iran, radicalism issues and its prevalence on the region. Now ECO member states have the best opportunity to discuss on important energy issues and that by offering a practical strategy (not a theory) they will be able to use the proposed recommendations for their own best benefits.

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1/15/2013