DRAFT REPORT

INDUSTRY, INVESTMENT & SMEs PROMOTION COMMITTEE MEETING

ECO CHAMBER of COMMERCE and INDUSTRY

March 4, 2018
Tehran, Islamic Republic of Iran

Draft Report of the
Eleventh Industry, Investment and SMEs Promotion Committee
Meeting of ECO Chamber of Commerce and Industry (ECO CCI)
March 4, 2018 Tehran, Islamic Republic of Iran

The eleventh meeting of the Industry, Investment and SMEs promotion Committee of ECO Chamber of Commerce and Industry hosted by Iran Chamber of Commerce, Industry, Mines and Agriculture (ICCIMA) was held on March 4, 2018 in Tehran, Islamic Republic of Iran. The representatives of member Chambers as well as representative(s) from the ECO Secretariat and ETDB participated in the meeting.

Agenda Item No – 1: Inauguration of the Meeting

The Chairman of the Industry, Investment and SMEs Promotion Committee of ECO Chamber of Commerce and Industry welcomed the participants of meeting.

Agenda Item No – 2: Adoption of the Agenda

The draft agenda of the meeting already circulated to Member States and given below was adopted.

1. Inauguration of the Meeting
2. Adoption of the Agenda
3. Appointment of the Drafting Committee
4. Statement by the Chairman of Industry & Investment Committee
5. Activity Report by the ECO CCI
6. Remarks by heads of delegations
7. To discuss the proposals & Suggestions for promotion of SMEs in ECO region
8. To discuss the implementation of Agreement on promotion and Protection of Investment and update on it by ECO Secretariat
9. To discuss 2nd ECO Investment Promotion Agencies (ECO IPA) Forum with participation of private sector investors and update on it by ECO Secretariat
10. To discuss and review the 4th ECO Investment Conference and update thereon by ECO Secretariat
11. To discuss and review the creation of ECO Trade and Investment Network Web Portal and update thereon by ECO Secretariat
12. To review the report of the first ECO Energy Consortium Meeting and hosting of 2nd ECO Energy Consortium Meeting
13. Any Other Business
14. Date and Venue of the next Meeting
15. Adoption of the Report
16. Vote of Thanks

Agenda Item No – 3: Appointment of the Drafting Committee

A Drafting Committee consisting of the following members was appointed to prepare the draft Report of the Meeting:

1. Mr. Mahdi Razzaghshoar (Iran)
2. Ms. Shahla Ali Hasan (Turkey)
3. Mr .Aneeq Ali Malik (Pakistan)
4. Ms Amber Fatima (ECO-CCI)

Agenda Item No – 4: Statement by the Chairman of Industry, Investment & SMEs Promotion Committee

The Chairman of Industry, Investment & SMEs Promotion Committee thanked ICCIMA for hosting the meetings and stated that ECO Vision 2025 is based on the core principles of sustainability, integration and conducive environment to increase competitiveness and sustainable development among the member countries. He also stated that SMEs occupies the most important area in the region and is the backbone of any economy. He stressed upon the importance of creating favorable policies and investment friendly climate by removing the hindrances. He concluded by stating that industrialization, investment and development of SMEs are the key factor that can boost economic growth in the region.

Agenda Item No – 5: Activity Report by the ECO CCI

ECO CCI presented activity report of the ECO CCI (Annexed at 1).

Agenda Item No -6:

a) Presentation by Dr. Nima Aminian The Secretary of the Committee for Delegating Semi-Finished ,New or Ready for Exploiting Governmental Projects to Private Sector presented a report on the activities of handing over semi-finished of the government to the private sector and after that it was decided that the ECOBANK deliver necessary support and facilities in this respect.

Furthermore, Pakistan, Afghanistan and Kazakhstan expressed readiness to hand over their projects to the investors for their implementation.

Copy of presentation enclosed at Annex 2.

b) Presentation by Mr. Ahmad Javanmardi Director of Market Department and International Affairs;

Copy of presentation enclosed at Annex 3.

Remarks by the head of delegations

The Iranian delegate stated that currently we are involved with attracting the Direct Foreign Investment in Iran but regarding the utilization of the ECO TDB facilities by the Iranian firms especially the private sector, the exchange rate volatility is a risk that most of them are not taking and in some cases they prefer to receive loans in Iranian Rials rather than a foreign currency and also acquiring the bank guarantees for which in some cases they have to get several permission from another major hindrance .

He said that for both of these problems an exit plan should be devised in order to facilitate the utilization of its products and services for private sector.

He further called for effective networking of the SME's within the ECO region to act synergically to promote the intra ECO trade and investment .

Kazakhstan delegate thanked to the organiser for inviting them in meetings.

Kyrgyz Republic stated that SMEs plays a crucial role in economic development and in their country Kygyz Government has given special incentives to the SMEs sector. From the economic prospects, we are on the edge of new era of development wherein special attentions are giving to SMEs sector.

The Uzbek delegate also informed about the establishment of SMEs sector in their country and informed that their economy has started diversification from raw cotton and energy sector towards textile and other value added industries. He also informed that there are seven free economic zones where the Uzbek government gave benefits to investors. There is small area in these zones for SMEs for those whose are performing well on concessional rates. The Uzbek has also improved its pharmaceutical sector and recently started cooperation with India. In the past, there is a problem of foreign exchange and now government has allowed foreign exchange. We all knows that there are huge potentials in ECO region that needs to be explored with the sharing of information. He also highlighted the importance of organization of exhibition which can help in information sharing and product exchange.

The Pakistani delegate stated that ECO region have significant potential of intra-regional investment in the areas of agriculture, energy, telecommunication and construction sectors. To attract investment in these sectors, there is a need of business friendly environment, promotion of industrial diversification, physical infrastructure and human resource development. At present, most of the members' nations are unaware regarding the investment projects in other member nations. In this respect, we should hold investment conference which will not only help in promoting investment projects of ECO region it also help in identifying the potential businessmen of all members nations for joint ventures investment. He also highlighted the features of Pakistan economy, investment policies, potential area of invetsment and Industrial cluster for ECO countries.

copy of statement of ECO Trade and Development (Annexed 4)

<u>Agenda item No-7: To discuss the proposals & Suggestions for promotion of SMEs in ECO region</u>

Iran delegate proposed the creation separate committee for SMEs sector whereon the Secretary General ECO-CCI informed that the decision of last meeting that all the issues related to industries should be discussed under one Umbrella and the scope of this Committee should be expanded with the inclusion of SMEs.

The proposal of Iran side was approved to form a working group on SMEs who will submit their report in the meeting of this Specialized Committee.

Agenda Item No-8: To discuss the implementation of Agreement on promotion and Protection of Investment and update on it by ECO Secretariat

The ECO-CCI members called upon their respective government to accelerate the process of ratification of APPI. Their representative of the ECO Secretariat informed that to promote and protect investment in the region, five Member States, namely, Afghanistan, Azerbaijan, Iran, Pakistan and Turkey have signed the APPI while two Member States, namely, Iran and Pakistan have so far ratified it. He added that upon ratification of 4th Member State, it will come into force; however during 2017 no Member State has signed or ratified the agreement.

Agenda Item No-9: To discuss 2nd ECO Investment Promotion Agencies (ECO IPA) Forum with participation of private sector investors and update on it by ECO Secretariat

The Secretariat shared that the First ECO Investment Promotion Agencies was held in December 2016 and for the 2nd meeting ECO Secretariat requested the Member States to volunteer hosting of the meeting. Response is awaited from the member states. The house requested the ECO Secretariat to invite ECO-CCI secretariat to the meeting. This matter has been discussed in the 28th RPC held in Islamabad in December 2017.

Agenda Item No -10: To discuss and review the 4th ECO Investment Conference and update thereon by ECO Secretariat

The ECO Secretariat Representative apprised the house that the Republic of Tajikistan, also the Coordinating country for Investment in the Region, has been requested to convey the dates and other details for holding the 4th ECO Investment Conference in Tajikistan to accelerate efforts for enhancing investment opportunities in the ECO region.

Agenda Item No-11: To discuss and review the creation of ECO Trade and Investment Network Web Portal and update thereon by ECO Secretariat

The ECO Secretariat briefed the Meeting that request has been made to ECO-CCI to provide relevant information. Upon receipt of the requisite information, ECO secretariat will update and maintain Trade and Investment Network Web Portal.

Agenda Item No – 12: To review the report of the first ECO Energy Consortium Meeting and hosting of 2nd ECO Energy Consortium Meeting

The first Energy Consortium Meeting held on the sideline of ECO-CCI meetings and hosted by ICCIMA. The report of this meeting was submitted to ECO secretariat and also discussed in the RPC meeting and invited the countries for hosting of second meeting.

No Country come forward and It was decided that Iranian Energy Export Industries will host the second energy consortium.

Agenda Item No – 13: Any Other Business

There was no other matter to discuss.

Agenda Item No – 14: Date and Venue of the next Meeting

The house proposed to leave the date of holding of next Meeting of Industry, Investment and SMEs Promotion Committee ECO CCI on the approval of the 24th Executive Committee and 16th General Assembly Meeting.

Agenda Item No – 15: Adoption of the Report

The Meeting adopted the Draft Report of the 11th Industry, Investment and SMEs Promotion Committee Meeting of ECO Chamber of Commerce and Industry (ECO CCI) and decided to present the Report to the 24th Executive Committee of ECO CCI and 16th General Assembly Meeting for approval.

Agenda Item No – 16: Vote of Thanks

The participating Heads of delegations/members offered their thanks to the Iran Chamber of Commerce, Industry, Mines and Agriculture (ICCIMA) for the excellent arrangements made to hold this important meeting and for the warm hospitality extended to the participants during their stay in Tehran, Iran. The participants also appreciated the contribution of the ECO-CCI Secretariat for providing the necessary assistance and support.

Annex I

Secretary General ECO-CCI's
Activity Report on
Industry, Investment and SMEs Promotion Committee of ECO-CCI
held on March 4, 2018 at Tehran, Iran

Industry, investment and SMEs are the important ingredients of economy of any country whereon the economic growth, exports enhancing, development, prosperity, stability and sustainability depend. Investment either domestic or foreign plays a crucial role in alleviating poverty and creating employment opportunities.

The ECO region includes a diverse range of economies, each at different stages of economic development, market and institutional maturity and openness to trade and investment flows. For a long time, most of the ECO member states remained closed and inward looking, discouraging foreign direct investment and imports with high tariff and nontariff mechanisms. Problems involving customs rules and procedures often posed serious impediments to routine operations of businesses involved in intra-regional trade. These problems can impact unevenly on small and medium-sized enterprises which generally, do not have experience and resources to cope with. They can also impact adversely on foreign investment because investors in less-developed countries often rely on imported goods.

In order to remove these problems of members, the ECO is making all out efforts to enhance the industrialization and investment promotion in the region. In this context, the APPI – Agreement on Promotion and Protection of Investment along with its additional protocol is the significant agreement and it is imperative to implement it. The said agreement (APPI) has been signed by Azerbaijan, Afghanistan, Turkey, Iran and pakistan while its inforcement requires ratification of four members out of five signatories. Therefore the implementation of this agreement is still pending due to non-ratification. All member Chambers of ECO-CCI are the representatives of private sector in their respective countries should take serious measures for getting it retified from their respective government.

During the last meeting, the promotion of SMEs sector has been included in this Committee due to its importance and contribution in economic growth and development of countries. In Turkey, Iran and Pakistan, almost 80 percent SMEs contribute in employment generation related to industrial sector. If we see the growth of China and other Asian Tiger economies, their economic growth more than 80 percent depends on SMEs sector.

In order to get the benefits from the policies and technological advancement, ECO-CCI being the representative of private sector is looking towards the private sector of i.e. SAARC, ASEAN and D-8 and has planned to organzie activities with these such as ECO Business Leader Conclave, ECO-ASEAN Business Forum and ECO-SAARC Business Forum etc which would have far reaching impact in the industrial cooperation and promotion of investment in ECO region.

During last meetings, we have urged the member chambers to focus on establishment of financial and banking linkages and creating of joint strategy on commonalities which will help in encouraging foreign investment in our region and enhancing economic progress.