

IORA: Success, Failures and Challenges

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IOR-ARC: The Beginnings

- ▶ Forces guiding the formation of the IORA – asserting identity and regional space by South Africa after abandoning apartheid policy; “Look Asia” policy of Australia, and ‘Look East’ policy of India
- ▶ APEC making rapid progress after its formation in 1989 and becoming a large Pacific Ocean rim based regional bloc and APEC announcing Bogor targets in 1994
- ▶ Already high IRT – around 18% at the aggregate level
- ▶ Seeing regionalism as a cover to safeguard against the adverse impacts of rapid globalization



Operational Format

- ▶ Open regionalism framework embraced to emulate APEC: Early Voluntary Liberalization, voluntary trade and investment facilitation (IAP), and economic and technical cooperation (ecotech) were the key components of the framework
- ▶ Tripartite dialogue promoted with government officials, business leaders and academic groups to come up with proposals for cooperation
- ▶ Consensus based decision making



Achievements

- ▶ Provided a forum for many Indian Ocean Rim countries to come together – provided a forum for exchanges not only at the Ministerial level but also at the business and academic levels
- ▶ Foreign Ministers were able to have bilateral discussions during the Ministerials of IORA
- ▶ Sectoral cooperation projects conducted by the IORAG and IORBF increased awareness about the region
- ▶ IORA Centres of excellence on various sectors such as Technology and Research, Ocean Sciences and Environment, etc., have been established



Achievements

- ▶ IORA has triggered more informal networking among business and academia in Indian Ocean Region
- ▶ IORNET has given vital information for establishing business contacts and promoting IORA Business/Trade Fairs
- ▶ IORA Ministers meet every September in parallel to the UN Summit in New York
- ▶ Its 18 years of existence and regular meetings are also an indication of some success



Failures

▶ Open Regionalism Framework

- ▶ Problem of free rider and lack of reciprocity
- ▶ No special and differential treatment for LDCs and small developing countries
- ▶ Slow progress in sectoral cooperation under malfunctioning open regionalism

▶ Initial Conditions

- ▶ Multiplicity of RTA membership

▶ Institutional factors

- ▶ Inadequate powers granted to the Secretariat
- ▶ No Vision and available from a Group of Eminent Persons
- ▶ Weak Second Track (or Track II)

▶ Political factors

- ▶ Expansion before consolidation
 - ▶ Dwindling interest of the some members
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Problem of the free rider and lack of reciprocity

- ▶ Unilateral liberalization within a group where developing countries are dominating will hardly work if there are no binding commitments and is based on voluntary action
- ▶ EVL will lead to free riders having more access to IORA member country markets without any reciprocity, especially, Dialogue Partners
- ▶ APECS EVL under the Individual Action Plans (IAP) have been far from satisfactory
- ▶ Reciprocity in liberalization within a group is a must from a political economy perspective



No SDT for LDCs and Small Developing Country Members of IORA

- ▶ There is no SDT for LDCs in regard to EVL and consequently there is a feeling that the stronger countries with supply potential will be the ultimate beneficiaries from more market access resulting from EVL by LDCs
- ▶ Asymmetry between countries have not been adequately mentioned in EVL by IORA in the absence of a trade liberalization time table (like in APEC)



Slow Progress of Sectoral Cooperation Projects due to Malfunctioning Open Regionalism

- ▶ Since EVL does not work in the IORA, trade and investment facilitation by voluntary action and sectoral cooperation projects were given priority
- ▶ Sectoral cooperation projects were also streamlined to focus on those related to facilitating trade and investment (formation of the WGTTI)
- ▶ Progress in both areas slow due to the diversity of interests among member countries



Multiplicity of RTA Membership

- ▶ Key players of IORA are already members of RTAs like ASEAN, SAARC, GCC, SADEC, etc. They give priority to these RTA's and anything in IOR-ARC that conflicts with these RTA's is resisted
- ▶ This clearly shows that RTA's with binding commitments get more priority over non-binding RTA's like IORA by member countries
- ▶ Economic results are always visible in RTAs with binding commitments



Inadequacy of Delegated Power to the Coordinating Secretariat (CS)

- ▶ Due to change of officials for different meetings the CS is crucial for maintaining institutional memory
- ▶ The CS has competent people but cannot drive the IORA in-between Ministerial Meetings due to lack of delegated power and authority
- ▶ Follow up action is weak due to inadequate monitoring powers of the CS



Suggested Visions for IORA

- ▶ Targets suggested for EVL of 2020 for LDCs and 2010 for developing countries by the Australian Chamber of Commerce and Industry in 1998 was not accepted by IORA
- ▶ High Level Task Force Report (HLTFR, 2001) recommendation of forming a PTA was not accepted by IORA
- ▶ HLTFR recommendation of a $3 + x$ formula for a PTA is being discussed
- ▶ IORA needs an Eminent Persons Group to set a Vision with a schedule on deliverables



Weak Second Track

- ▶ IFIOR was basically the Track II of IORA which really did not take off after the initial meeting in Perth in 1995
- ▶ A small scale Track II met in Delhi and Durban in late 1995 and 1997, respectively, but the INDOTIP based in ANU (Australia) fell apart in 1997 due to lack of funding from well wishers
- ▶ Indian Ocean Centre (Perth) closed down in 2000 and the activities of the Indian Ocean Chair subsided after 2001
- ▶ IORG was formed in 2010 and is in a strong position to play the role of the apex second track group like PECC in APEC



Expansion of Membership before Consolidation of the RTA

- ▶ The initial 7 members was expanded to 14 when IORA was launched in 1997 and further expanded to 19 by 1999 and expanded to 20 by 2013
- ▶ Decisions are based on consensus and they get delayed with more members
- ▶ Before deepening integration, the association was expanded thus diluting the deepening efforts
- ▶ Thus housekeeping matters get priority over economic agenda in most Ministerial meetings



Dwindling Interest

- ▶ After IORA was formed in 1997 there was a wave of RTAs and FTAs around the world
- ▶ New Partnership of Africa, an African Union, ASEAN plus 6, GCCU, etc., has diverted attention of many IORA members to these new initiatives
- ▶ This is reflected in some IORA members sending junior foreign office officials to most meetings since 2001 and sending either the Deputy Minister of Foreign Affairs or a senior official of the Foreign Ministry to IORA Ministerials
- ▶ General dwindling of interest is seen even in non-controversial proposals like to set up an IORA Shipping Council, tourism promotion, etc.



Overall Picture Emerging

- ▶ Sailing vessels are no longer the mover of trade in the modern world, thus sharing of Ocean waters is not a compelling force for regionalism
- ▶ Looking for regional groupings to collectively address the threats of globalization is no longer the case
- ▶ Need to look at new common issues where cooperation is easy: ocean resources, climate changes, coastal erosion, fisheries, tourism, etc.
- ▶ Framework of operation : open regionalism is fundamentally flawed for cooperation in trade and investment



Way Forward

- ▶ IORA regional framework needs redefining: not economic integration but economic cooperation
- ▶ Economic cooperation based on the 6 priority areas identified at the 2013 IORA Ministerial at Perth based on the Blue Economy
- ▶ Sectoral cooperation projects needs to be expedited
 - ▶ IORA Special Fund should support key sectoral cooperation projects
 - ▶ Make best use of IORA “Observers” for the Special Fund
- ▶ India, Australia, and South Africa should provide the political leadership to IORA
- ▶ Request the Heads of States of IORA member states to participate in once in two years Summits like in the APEC



Way Forward

- ▶ Pan-regional organizations such as IOMAC, IOTC, IONS, IOTO, IOZOP, etc., should be kept at a distance (can be observers) as they carry unwanted historical baggage
- ▶ Revive the Track two of IORA like the PECC (Pacific Economic Cooperation Council) in APEC and examine whether the Centre for Indian Ocean Studies or RIS or IORG or Blue Economy Centre or any other such centre could be made the coordinator of the Track two activities.



▶ Thank you

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