

## Indian Ocean Trade Association Helps Link Africa, Asia

First Published: March 2000 in *Africana.com*

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During a 1995 visit to India, former South African President Nelson Mandela suggested that considering the historical connections tying Southern and Eastern Africa to India and Southeast Asia, "a trading bloc among Indian Ocean Rim nations" would be a worthwhile and successful initiative. Typically overshadowed by its larger sisters – the Atlantic and the Pacific – the Indian Ocean had no major trade or regional agreement to compare to the NATO and APEC groupings that span those larger oceans. Mandela's idea won wide approval and on March 6, 1997, the Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC) was officially launched in Mauritius.

Last month the group held its annual meeting in Oman, co-hosted by the foreign ministers from Oman and Mozambique, which hosted last year's gathering and currently holds the organization's two-year rotating presidency.

From its original seven members, the IOR-ARC has swelled to comprise 19 nations, from Africa, the Middle East, South and Southeast Asia, and Australia. The enthusiastic pursuit of IOR-ARC attention by such nations as China and France (which tried to join through its association with Reunion, a small island nation off the coast of East Africa) demonstrates that it is an idea whose time has arrived.

Although an officially organized trade group is a relatively recent development, the notion of the Indian Ocean as a trade powerhouse has deep roots. As early as the seventh century A.D., Arab and Asian sailors traversed the Indian Ocean trading slaves, spices, ivory, leather and other commodities between East Africa, the Middle East, India and Southeast Asia. At one time, the region was the most important trading arena in the world, and countries from China to Portugal fought to get a piece of the action. Portuguese control of the Indian Ocean trade in the 16<sup>th</sup> century transformed the tiny European nation into a world economic power, and it was

a key to the rise of colonialism throughout India and Africa. In the current world order, the main reason that the Indian Ocean has been left behind is that it does not border any of the major economic powers, Western Europe, Japan, or the U.S.

With a total member population of more than two billion people, almost all of whom live in "developing" nations, the IOR-ARC grouping is a tremendous market by any standards. Fully one-third of the world's bulk cargo traffic, one-half of global container-shipped goods, and two-thirds of the international oil trade cross the Indian Ocean. The total amount of goods and services produced by member nations surpasses one trillion U.S. dollars, close to 10% of the world total. The members of the group (as opposed to countries that have requested membership but have not yet been admitted) control almost 70% of all trade for Indian Ocean rim nations. Intra-group trade is more than one-fourth of the total trade carried out by each member and is growing rapidly. Furthermore, IOR-ARC countries have shown higher growth rates than the rest of the world. According to the *Economist*, Mozambique's was the fastest-growing economy in the world last year, and India, South Africa, and Malaysia were not far behind. The dynamism of member nations such as Singapore, Indonesia, Australia, the East African Community and those mentioned above is a resource the IOR-ARC hopes to cash in on. Combined, the members have tremendous human resources and technological capabilities. The Indian Ocean region is also replete with precious minerals and metals, as well as marine and other natural resources. All of this has not gone unnoticed, and at the Oman summit France, Britain and China all earnestly angled for some sort of association with the grouping. Britain and China were granted admission as dialogue partners, but France's attempt to gain full membership, based on its control of the Indian Ocean island Reunion, was denied. One of the key motivations behind the IOR-ARC was to further enhance Southern hemispheric relations. With the decline of the Cold War, the Non-Aligned Movement (NAM) has lost considerable steam, and both South Africa and India were looking for a new venue to provide an alternative voice for the countries of the developing world. The IOR-ARC, although not exactly like the NAM, has the potential to allow substantial cooperation among the nations of Africa and Asia.

This may portend future problems for the group, as several nations that may join, such as Iraq and Myanmar, are considered pariah states by the United States and Europe. Furthermore, with no substantial role available for the nations of the "developed" world, it is likely that tensions may arise between the U.S., the EU and the IOR-ARC. However, the spirit of the NAM was that regardless of economic or ideological concerns, the nations of the South should be free to conduct their affairs free from external influence, a stance reiterated by the IOR-ARC. Since many of the member nations only recently opened their markets to the world, within the organization there is substantial parity in levels of development, excepting such nations as Australia and Singapore. This allows a country such as South Africa to sell its goods to a country like Indonesia, which is far more economically feasible than breaking into the developed nations' markets. Combined, the member nations boast a middle-class market estimated to be between 300 to 500 million strong. Because of this, the formation of the IOR-ARC, according to experts, will not only increase intra-regional investment, it will provide a large market for investment in the region by non-member countries. The IOR-ARC is not without critics, however, who point out that member states have seen few tangible gains in the three years the organization has been in place. Many critics see the grouping of 19 nations with different levels of development as impractical, and point out that the European Union, with only 15 nations, has struggled to form itself over a period of years. Supporters of the IOR-ARC respond that the goal is not to imitate the EU, but rather to establish regional trade arrangements, or at most a Preferential Trade Arrangement (PTA), among member nations and to serve as a unifying forum for developing nations. Ideally, they say, whereas now the members of the IOR-ARC tend to look towards the US, the EU, and Japan for goods and markets, in time they will look to their neighbors along the Indian Ocean's rim.

Not on the table at Oman was one of the most potentially contentious issues facing the IOR-ARC: the question of whether Pakistan, whose entrance has been repeatedly blocked by India, should be admitted. Another issue is whether non-littoral states such as Ethiopia and Zimbabwe, which do not have a border with the Ocean but rely on it for trade, should be allowed to

join. Depending on how membership is defined, the IOR-ARC could burgeon in size to over fifty members. Ultimately though, most observers feel that the admission of all littoral states is inevitable. As for non-littoral states, unless a clear set of rules is defined for membership, it will remain an area of potential conflict. Currently, the only definite criteria for admission is that member states should grant Most Favored Nation status in trading terms to all other members – a rule that is the source of India's opposition to Pakistan's membership.

Ultimately, the IOR-ARC harkens back to an era before colonialism when the Atlantic and Pacific Oceans were merely the ends of the world, and the Indian Ocean was the central arena for world trade. Although most nations of the group still lag behind in several important economic categories, there is a palpable optimism amongst members. It is this spirit that the supporters of the IOR-ARC hope to capitalize on, and, considering the current global conditions, this may just be the best time to do so in 500 years.