Towards Realising Economic Dynamism of IORA

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Indian Ocean Dialogue
Economic Development in the Indian Ocean RIM
2nd August, 2018
Durban, South Africa
• IORA has been a vibrant and dynamic region
• Missed the first bus in 1997 - ‘Asian Crisis’
• Missed the second bus in 2003 - ‘Return of Global Buoyancy’
  • Member countries thoroughly engaged in their sub-regional process
• Lost Hope- 2008-17: ‘Global Recession’
• Last bus: ‘Global Buoyancy Returning’ in 2018
• Members can expect more from the region despite its mega size
  • Several large RTAs with more than 21 members performed- EU, UNASUR, GSTP, etc.
• Several RTAs with ‘open regionalism’ have performed – APEC
• 21 years in IORA – Europe in just 11 years
• ‘Ownership’ of the region – Regional identity
Expanding economic space in the World Economy

- GDP size of IORA expanding from 7.3% in 2001 to 9.6% in 2015 in GWP
- Rise of share in GWP indicating dynamism of the region
- In 2010, the region received a structural break – shifted to a different level
- Consociation of regional activities – Changing colour of bubbles
High Growth Moving Towards Recovery

- Recession has a major effect on the growth prospects of the region
- Narrow recovery after the ‘first episode’ of recession
- The region could withstand the pressure of the ‘second episode’ of recession
- Recovery began since first quarter of 2018
- Regional upturn would continue
How Big is IORA?

- Literature- Negative narration about the region
- Large RTA by any macroeconomic indicators- GDP, trade, FDI etc.
- It is in the league of big RTAs
- It is a $6.8 trillion economy in 2015
- Growing at the rate of 4.6% in 2016 and expected to rise
- Its size is bigger than combined size of several big RTAs
How Big is IORA?

IORA

- ASEAN
- SAARC
- GCC

- MERCOSUR
  - Pacific Alliance
  - Andean
  - SICA
  - CARICOM

- IBSA
- GCC
- SICA

- LAIA
- SADC
- Andean
- SICA
- CARICOM

- CIS
- ANZCERTA
- GCC
- ECOWAS
- COMESA
- SACU
Club of Trading Nations

- Largest segment of GDP is contributed by the external sector
- Period of crisis or buoyancy—more than 50%
- Constantly growing during buoyancy
- Recession has a dampening effect on the region
- IORA is a group of trading nations—needs to be nurtured
Impressive IRT Ratio with Volume of trade

- One of the RTAs in Asia, Africa, Middle East, Europe, LAC and trans continental
- It is in the league of high profile RTAs of the world
- Large RTA – a) IRT R and b) Volume trade within the region
- Its volume of trade – larger than ASEAN, CELAC, LAIA, IBSA, etc. in terms of IRT ratio and volume of IRT

- IRT ratio of IORA reached 28.4% and IRT $1.02 trillion in 2010. Peak trade of $1.3 billion in 2012
Extra Regional trade of Sub-regional Trade

<table>
<thead>
<tr>
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<th>South-East Asia</th>
<th>South Asia</th>
<th>Middle East</th>
<th>East Africa</th>
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- During the last two decades, Members engaged in sub-regional trade.
- Their IRT had positive impact but their trade with extra regional trade with the region.
- Sum of four Sub-regional IRT was $590 Billion, about 55.8% of IORA IRT in 2015.
- Pink Area - More space to cooperate.
- Many countries have strong linkages with the region.
Dependence on the Region for Imports
Global Value Chains

- More than 60% of global trade in GVC
- Production fragmentation – Specialisation in parts
- GVC trade promotes Intra-regional trade - ASEAN, EU, NAFTA, Mercosur, etc.
- Private sector participation - encouraged
- Involvement of SMEs – Graduate to local MNCs
- GVC- investment
  - Flying gees- shifting of uncompetitive sectors to other countries
  - Production Network and supply chain
- Better integration with the rest of the world
## Regional Trade in Parts and Components

<table>
<thead>
<tr>
<th>Country</th>
<th>Imports Share</th>
<th>Exports Share</th>
<th>Imports Share</th>
<th>Exports Share</th>
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<td>Indonesia</td>
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- This is the **global trend** and **SE Asia** is known for its specialisation in the sector.
- **SE Asian** countries have advantage in this sector – regionally and globally.
- There are other **important players** in the region in this sector – Both exports and imports.
- **Structural shift** taking place in the region – Agri and Mnf GVC.
Fishery Production and Trade

- Recent IORA Study - ‘Economic Aspects of Fisheries: A framework for Regional Cooperation in IORA’
- Rising intra-regional trade (IRT) in fisheries – Value and quantity
- High IRT in fish biomass – Food security
- Improved fish prices – Better than the global trend
- Country specific specialisation in fish products
- Grossly lacking in refrigerating technology
- High demand for regional production, consumption and trade – Towards value added processed products
- IORA can be a Fishery Hub in the world – After EU, US & Japan
Fishery Subsidy

- Artisanal fishing - a common feature of IORA
- Protect livelihood security – Provision for subsidy
- Overfishing, IUU fishing and depletion of fishery species in the region – better record than the World average
- WTO debate- Discipline on fishery subsidy
- IORA can have a Common policy on Fishery Subsidy
  - Declining overall fishery subsidy
  - Decline in ‘Bad’ fishery subsidy’
  - Harmonisation of policies among countries – unknowingly
- Institutional mechanism to manage the sector
Seamless Regional Connectivity

- Study: ‘Regional cooperation for Infrastructural Development: Towards an Institutional Framework for Investment in IORA’
- Development of multi-modal transport system
  - Asian highway program
  - other existing modalities connecting the region – Rail, road, waterways, etc.
- Asia Africa growth corridor- Promising quality infrastructure to countries in Asia and Africa
- Integrated approach to combine development corporation, trade and investment
Policy Recommendations

- To evolve a special trade related package for IORA Member countries in the form of liberalising Tariffs, Non-Tariff Barriers, undertaking trade promoting measures to intra-regional trade
- To introduce trade preferences to promote sector/overall trade preferences in the region
- To work on fostering intra-regional trade in fisheries to create seamless fishery hub in the IORA region and to contribute to regional food security
Policy Recommendations

- To formulate common IORA policy on fishery subsidy and to evolve institutional mechanism to manage the sector.
- To evolve measures to boost regional value chain in various sectors to proved a big push to regional trade in agriculture and manufacturing along with trade in services.
- To complete the existing multi-modal connectivity projects in the IORA region to foster seamless flow of goods and services.
Thank you