

# **Towards Realising Economic Dynamism of IORA**

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# Context

- 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

Surging IORA  
*Rising Regional Share in GWP*



- 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*

### Growth Recovery in IORA

*Global Upturn yet to be seen*

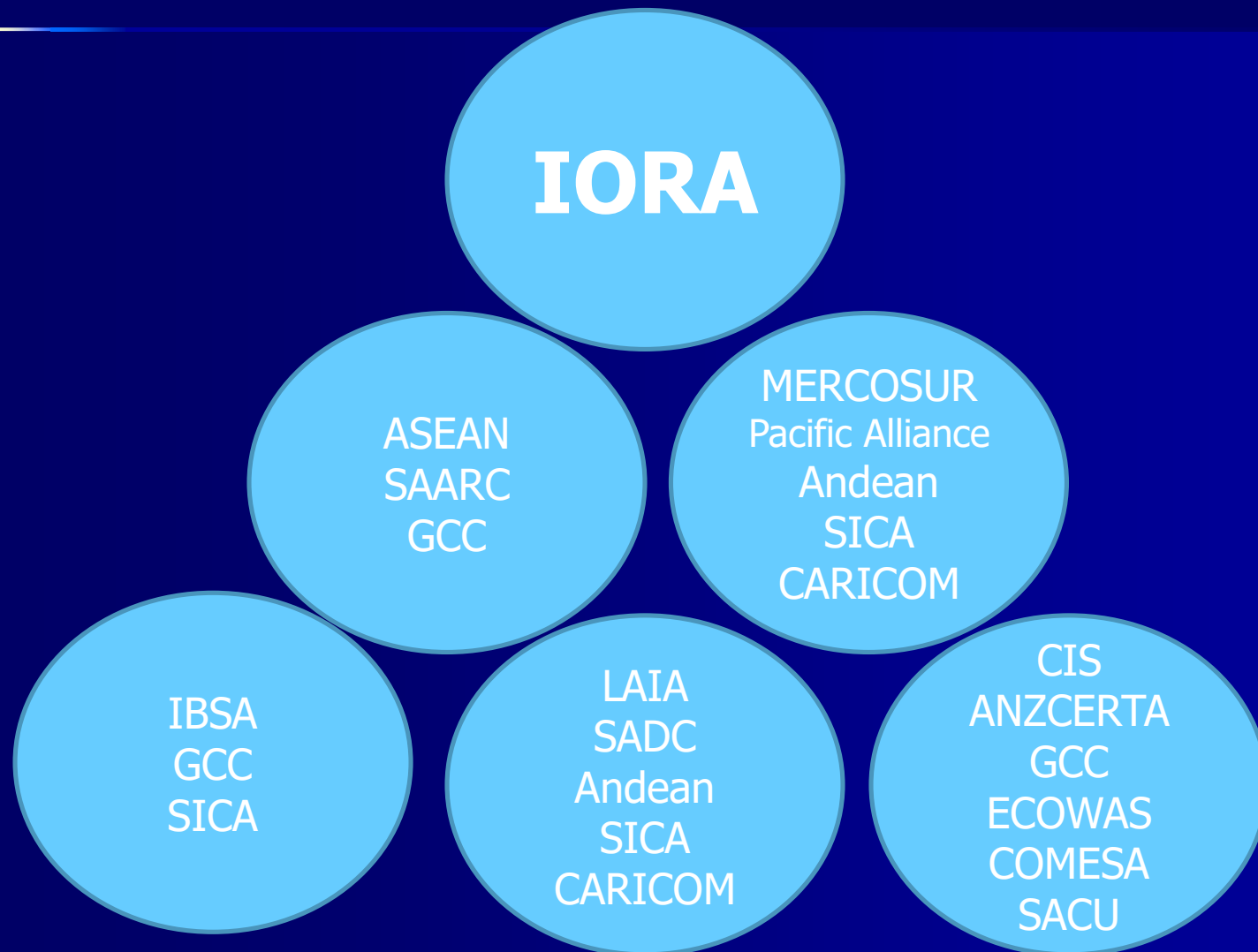


- **Recession** has a major effect on the growth prospects of the region
- Narrow recovery after the '**first episode**' of recession
- The region could withstand the pressure of the '**second episode**' of recession
- **Recovery** began since first quarter of **2018**
- **Regional upturn** would continue

# 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

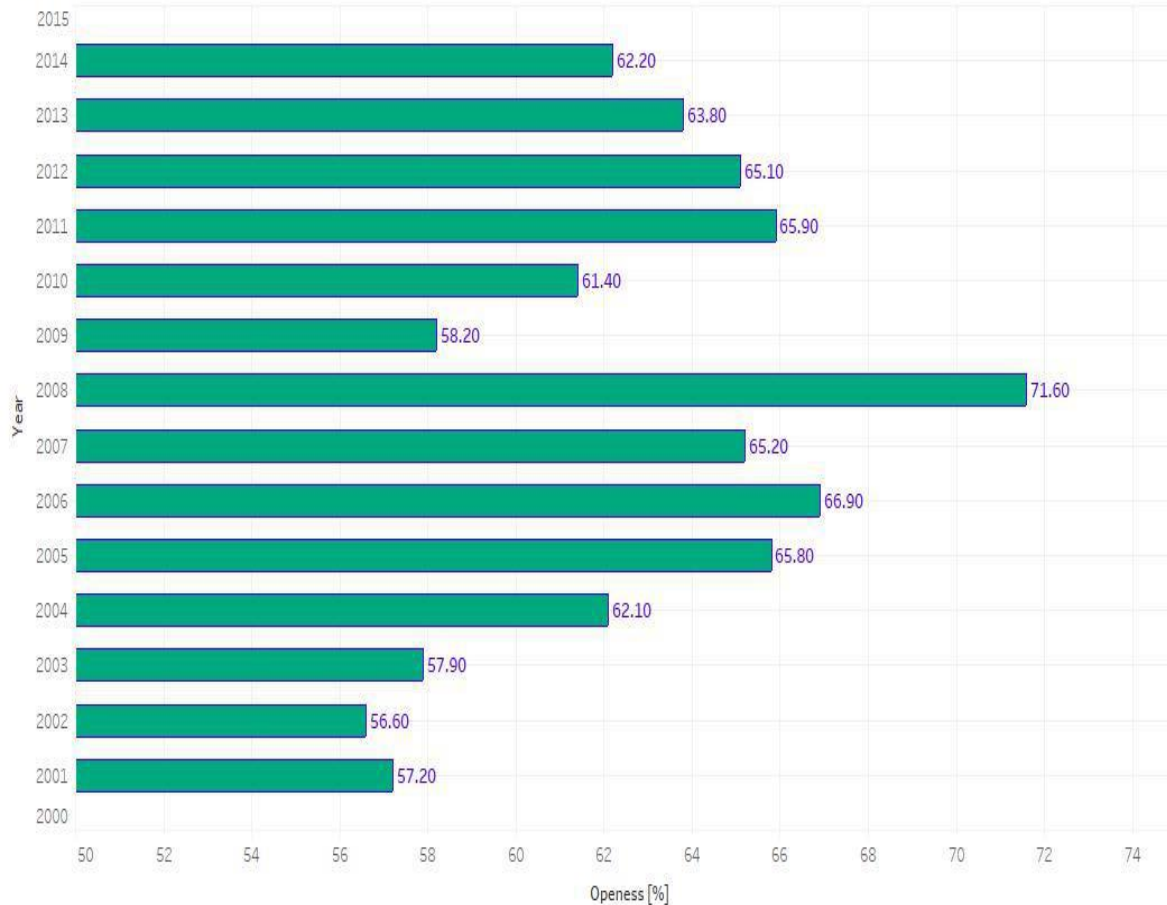
# How Big is IORA?



# Club of Trading Nations

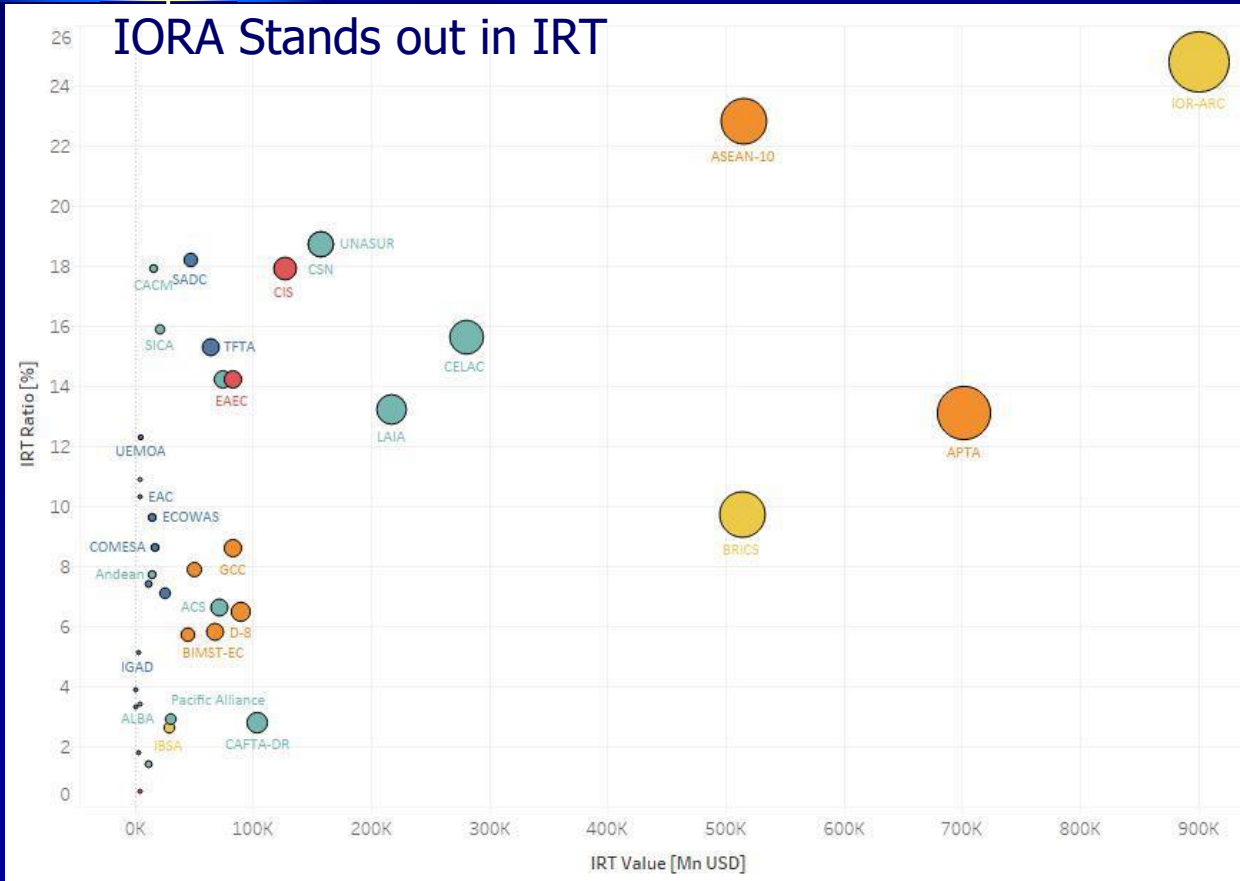
## IORA: A Group of Trading Nations

Trade to GDP Ratio



- Largest segment of GDP is contributed by the **externa 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

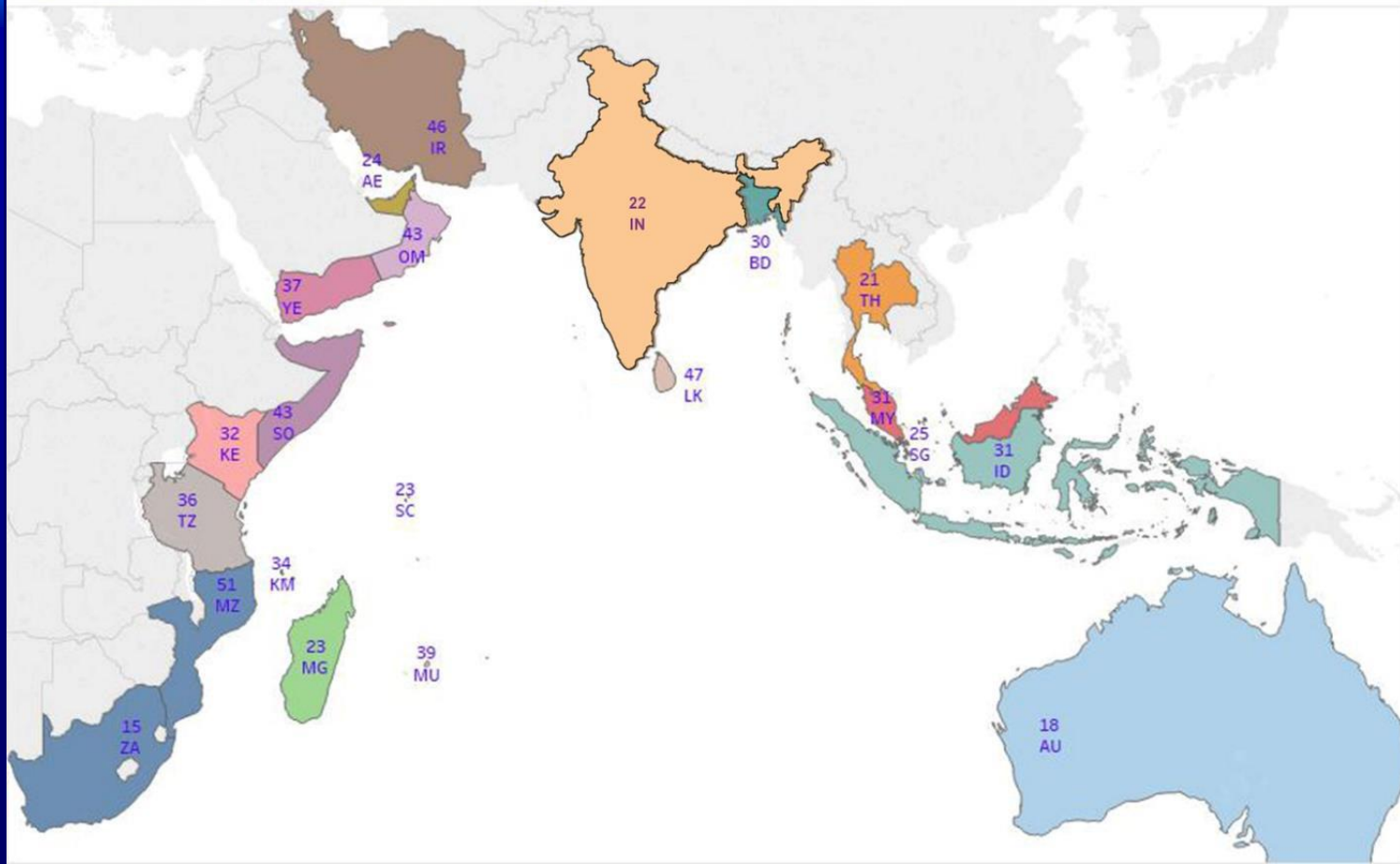
	South-East Asia	South Asia	Middle East	East Africa
South-East Asia	ASEAN RCEP ASEAN-Plus			
South Asia		SAARC BIMSTEC BBIN		
Middle East			GCC	
East Africa				SACU SADC COMESA

- 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

## Engagement of Member States with IORA

*Ratio of their regional imports to total, 2015*



# 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

Country	Imports Share				Exports Share			
	IORA		World		IORA		World	
	2009	2016	2009	2016	2009	2016	2009	2016
Australia	6.8	4.1	7.1	5.8	1.4	1.6	2.0	2.0
Bangladesh	0.6	1.0	0.3	0.6	0.0	0.1	0.0	0.0
Comoros	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
India	5.5	6.2	9.5	12.6	3.8	6.1	4.6	7.5
Indonesia	11.7	9.9	8.0	6.8	6.0	5.5	3.9	3.3
Iran, Islamic Rep.	4.4	4.2	2.7	2.2	0.0	0.0	0.2	0.2
Kenya	0.3	0.4	0.3	0.4	0.0	0.0	0.0	0.0
Madagascar	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Malaysia	16.6	19.7	17.1	16.0	21.5	24.2	21.6	19.9
Mauritius	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Mozambique	0.3	0.7	0.1	0.2	0.0	0.0	0.0	0.0
Oman	1.8	2.7	1.0	0.8	0.2	0.2	0.1	0.1
Seychelles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Singapore	35.3	34.0	32.3	32.1	50.4	43.2	50.8	46.9
South Africa	1.1	1.3	3.1	2.7	0.8	1.0	1.4	1.4
Sri Lanka	0.3	0.6	0.2	0.4	0.1	0.1	0.1	0.3
Tanzania	0.5	0.4	0.2	0.2	0.0	0.0	0.0	0.0
Thailand	12.0	11.8	11.6	12.4	12.7	14.0	12.6	14.6
United Arab Emirates	2.5	2.9	6.1	6.8	3.1	3.8	2.6	3.7
Yemen	0.1	0.1	0.2	0.1	0.0	0.0	0.0	0.0

- 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 provide 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**