

**REPORT OF THE 4th MEETING OF THE
COUNCIL OF MINISTERS**

Colombo, Democratic Socialist Republic of Sri Lanka

12-13 October, 2003

List of Documents

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Address by Hon. Tyronne Fernando, P.C., M.P., Minister of Foreign Affairs
At the Inauguration of the Fourth Meeting of the Council of Ministers' of the
Indian Ocean Rim Association for Regional Cooperation (IOR-ARC)
on Sunday 12th October 2003

His Excellency Yousuf bin Alawi bin Abdullah, Chairman of the IOR-ARC Council of Ministers
Their Excellencies,
Distinguished delegates,
Ladies and Gentlemen,

It is my pleasure and privilege as Chairman designate of the Council of Ministers, to inaugurate the Fourth Meeting of the Council of Ministers' of the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) this morning. Let me extend a warm welcome to the Hon. Ministers, Deputy Ministers, Senior Officials and distinguished delegates from IOR-ARC member States, Director of the Coordinating Secretariat, Dialogue Partners and representative of the observer organization IOTO. I wish all distinguished participants a pleasant and fruitful stay in Sri Lanka.

Your presence here today, at the Fourth Meeting of the Council of Ministers' is a clear reflection of the continuing commitment and confidence in the IOR-ARC process. The Indian Ocean is one of the largest Oceans in the world measuring 28 million square miles. We have a common affinity and immediate identification with journeys of sailors like Vasco da Gama, Cheng Ho, Ibn Batuta and Sindbad the sailor. The Charter of the Association provides the Member States a flexible framework to pursue regional cooperation, particularly in the trade and economic sectors. It has been widely acknowledged that the people of the region would benefit immensely by the full utilization of the potential for closer trade and economic cooperation.

Hon. Ministers,
Distinguished delegates,

I should like to take this opportunity to place on record our sincere gratitude to His Excellency Yousuf bin Alawi bin Abdullah, Minister of Foreign Affairs of Oman for his able stewardship and guidance of the affairs of the Association in his capacity as Chair during the past two years. He has steered the destiny of our association during a crucial period in its brief history.

The establishment of the High Level Task Force of which Sri Lanka was a member, during his chairmanship was a significant step in our efforts to shape the future direction of our Association in pursuing our objectives. We have on our agenda today the recommendations of the High Level Task Force which when implemented will infuse a spirit of dynamism to IOR-ARC. The report of the High Level Task Force will, I am sure, provide us with a “road map” that gives strategic direction to our Association.

Trade liberalization is one of the central elements on the IOR-ARC Agenda. Studies have shown that intra-regional trade among the IOR-ARC countries ranges between 18 – 20 %, which is a fairly significant percentage. It has been recognized that there is scope for further expansion of trade.

The process of achieving tariff reductions based on the voluntary action principle embodied in the concept of open regionalism has been slow though, expected to bring benefits in the long term. In this context, Sri Lanka has proposed concluding a Preferential Trade Agreement (PTA) to achieve tangible results in the short and medium term. The task of preparing a feasibility study on the proposed PTA has been entrusted to the Core Group. I am confident that the Core Group will complete their task expeditiously.

It is obvious that the mechanisms we evolve within the IOR-ARC framework will be profoundly influenced by developments at the bilateral, regional and global levels. The deadlock at the recent WTO negotiations in Cancun is expected to give a fresh impetus to bilateral, regional and trans-regional trade liberalization. Against the backdrop of the ongoing globalization process, it is important that we make appropriate choices in order to achieve our objective of enhancing trade and economic interactions.

Hon. Ministers,
Distinguished delegates,

We have clearly identified projects in which we have converging interests and complementary perspectives. These projects provide promising opportunities to further strengthen our relationships in the future. In the maritime field, there are prospects for the establishment of an IOR-ARC Shippers' Council. Other priority projects include cooperation in fisheries and aquaculture development. The strategic vision being formulated by the Indian Ocean Rim Business Forum (IORBF) is expected to provide a long-term perspective for the development of the region. Integrated coastal zone management, tourism development, sources of pollution and its impact on the marine environment of the Indian Ocean have been identified as projects of common interest.

We should, no doubt, address our collective efforts towards harnessing the vast resources of the Indian Ocean, which as I mentioned, is one of the largest oceans of the world. Cooperative efforts should be made to explore the depths of the ocean to search for oil and natural gas resources, which the ocean is believed to be richly endowed with.

Hon. Ministers,
Distinguished delegates,

We have addressed our minds to the necessity of expanding the membership of IOR-ARC for the mutual benefit of all countries whose destinies are inextricably linked with the Indian Ocean. Furthermore, we should consider a suitable mechanism to engage the Dialogue Partners more meaningfully in the interactive sessions of IOR-ARC. To quote the Task Force Report, “There is general agreement that the present parameters governing participation of Dialogue Partners should be expanded to allow for closer interaction with the Dialogue Partners.”

Another significant aspect we have to consider is to raise the profile of IOR-ARC both within and outside the Indian Ocean Rim. I believe, the Member States need to take suitable action to enhance the profile of the IOR-ARC among their own people. Ultimately, the success of IOR-ARC would depend on the ability of the Association to engage their people in its activities and to develop opportunities for enhanced regional economic cooperation. As for the profile outside the Indian Ocean Rim, the Task Force Report recommends an Annual Report to be presented also to the U.N. and other international bodies. This is an excellent idea.

Hon. Ministers,
Distinguished delegates,

Although we have made progress in some areas, we have to concede that much more needs to be done. At this Fourth Meeting of the Council of Ministers’, let us renew our commitment to enhance economic and trade interaction within our region keeping in mind the goals and objectives enshrined in the Charter. Regional cooperation should be the unifying thread that will bind our diverse economies together.

Our Association will prosper only if we constantly generate the necessary political will to renew it with relevance to the aspirations of our people. We need to consciously pursue a continuous process of upgrading the mechanisms of integration, so as to ensure their potential for fulfilling the needs of the Indian Ocean Community. What is needed thus, is a clear identification of priorities.

It is only if we raise the profile of IOR-ARC as a viable regional grouping, that we would have the opportunity of consolidating and strengthening our relations with other regional organizations. We could thereby also exercise some influence within our wider region.

Hon. Ministers,

Distinguished delegates,

In 1980, Tim Severin, an Irishman replicated the journeys of Sindbad the Sailor in a similar vessel travelling 6000 miles in 7 ½ months, testing the effectiveness of early Arab navigation methods. The project was sponsored by the Sultan of Oman.

Sri Lanka is delighted to take over the captaincy of IOR-ARC journey from where Oman has left it.

Let us have faith in the goals of IOR-ARC, confidence in our vision and a commitment to a programme of action in pursuit of them. We must resolve to use our combined strength to advance the interests of our people in the wider global economy.

Thank you.

IOR-ARC COUNCIL OF MINISTERS CHAIRMAN'S REPORT

12-13 October, 2003

Colombo, Democratic Socialist Republic of Sri Lanka

It gives me great pleasure to present this report, which tackles the most important events and activities that have taken place since the IOR-ARC 3rd Meeting of the Council of Ministers on 7-8 April 2001 in Muscat, the Sultanate of Oman.

At our Third Council of Ministers' Meeting in Oman in April 2001, we surveyed the activities of the IOR-ARC and analyzed the grounds that we had covered since our last meetings. Besides, we embarked on a priority list of projects and programmes, which are in line with the objectives of the Association. The Council also approved a wide portfolio of projects and programmes recommended by the Committee of Senior Officials and the other bodies of the Association, namely, Working Group on Trade and Investment, Indian Ocean Rim Business Forum, and Indian Ocean Rim Academic Group.

It is worth mentioning, however, that the initiatives have been taken by the IOR-ARC member states to implement the recommendations and let them be seen as a reality. The following events and activities feature the most important steps taken either partially or collectively among the IOR-ARC Member States to achieve the sought objectives set in our Association.

Recognizing the importance of co-operation in the field of fisheries as another source of income in IOR-ARC member states' economies, the IOR-ARC Group of Experts on Fisheries convened in Muscat, the Sultanate of Oman, during the period 15-16 September 2001, and discussed the regional co-operation, institutional strengthening, current issues in fisheries management, aquaculture and other areas such as international trade. The Sultanate of Oman called for the Second Meeting of the IOR-ARC Group of Experts on Fisheries on 4-5 November 2002. The Meeting was to complete what was suggested at the First one, and thus the Experts discussed five items on their agenda at the second as following: -

1. Establishment of Fisheries Co-ordination Office.
2. Establishment of Fisheries development fund.
3. Proposed strategy for trade and economic co-operation.
4. Development of a plan for marine resources conservation.
5. Proposal for a joint research project for migratory stocks.

A Draft Document prepared by the concerned authority in the Sultanate of Oman regarding the establishment of IOR-ARC Fisheries Co-ordination Office as agreed at the Meeting and the Report of the second meeting of the Group of Experts on Fisheries were circulated among all IOR-ARC member states.

Sri Lanka made a proposal for the consideration of member countries to establish a Preferential Trade Agreement (PTA), at the first meeting of the High-Level Task Force, to enhance intra-regional trade activities among the member countries. This would, indeed, pave the way for the creation of an environment, which would facilitate in bringing about tangible and concrete results in terms of expanding trade and investments within the region.

The Committee of Senior Officials recommended at its meeting held in Muscat, on 7-8 April 2002, as proposed by the Working Group on Trade and Investment, a formation of a core group comprising India, Kenya, Oman and Sri Lanka to study the feasibility of (PTA) and to present a draft agreement taking into account the different levels of economic development of member countries. The implementations of such an arrangement would assist in bringing about immense benefits to the member countries by way of removing trade/tariff barriers, thereby expanding the total volume of value of trade flows. A Draft Preferential Trade Agreement was circulated among IOR-ARC member states for discussion at the current Meeting of the Working Group on Trade and Investment.

It is also interesting to note that tourism is another rich sector contributing considerably and efficiently in some member countries' economies. Tourism Promotion and Development Project is one of the projects that the Sultanate of Oman is willing to assist in collaboration with the IOR-ARC member states to promote tourism in IOR-ARC countries.

At our last meeting, furthermore, we endorsed the recommendation of the Committee of Senior Officials that a High-Level Task Force (HLTF) comprising representatives of the Troika (past, present, and future Chairs), Australia, India, Indonesia, Iran, South Africa and Yemen, and any other interested Member States, be established to study the future direction of IOR-ARC, organizational structure and funding of the Secretariat, including the Rules and Procedures for the appointment of the Director, and consider the modalities for interaction between the Member States and the Dialogue Partners and observers, as well as the possibility of establishing additional criteria for the grant of dialogue partnership status, if required.

It was agreed that the HLTF would be co-ordinated by the Chair and Vice-Chair countries with the assistance of the Co-ordinating Secretariat and shall submit its report to the Secretariat at least two months before the next CSO Meeting. You will recall that the Council also decided that Sri Lanka as the Vice-Chair would prepare and circulate the draft Terms of Reference (TOR) of the HLTF, taking into account various decisions/recommendations made in this regard.

The Council of Ministers decided, in principle, that the HLTF should also examine the idea for the creation of a "special fund" for implementing the projects and programmes.

Following that decision of the Council of Ministers, a first meeting of the High-Level Task Force was held in October in Colombo, Sri Lanka. The meeting agreed on the Terms of Reference, which would facilitate the formulation of recommendations to the Committee of Senior Officials, as mandated by the Council of Ministers.

It was agreed at the meeting that the High-Level Task Force examine and recommend on the following:-

1. Study the future direction of IOR-ARC, with a view to preparing a strategic plan for the medium term with special emphasis on the facilitation/strengthening of trade and investment, tourism, technology transfer and capacity building and the prioritization of Projects accordingly;
2. Review the existing organizational structure and the manner of improving the efficacy and accountability of the Secretariat;
3. Funding of the Co-ordinating Secretariat including the Scale of Assessment of contribution by Member States;
4. Appropriate financial arrangements necessary to support the Organization;
5. Rules and Procedures for the appointment of the Director and Staff of the Co-ordinating Secretariat;
6. The possibility of establishing additional criteria, if required, to those adopted by the second meeting of the Council of Ministers on the granting of Dialogue Partner and Observer status.
7. The modalities for interaction between Member Countries and the Dialogue Partners and Observers in addition to those contained in section 5 of the Rules of Procedure.
8. Examine the idea for the creation of a “Special Fund” for implementing projects and programs of the IOR-ARC.
9. Modalities for strengthening co-ordination between the Working Group on Trade and Investment (WGTI), IOR Academic Group (IORAG), and the IOR Business Forum (IORBF).
10. Modalities for strengthening co-ordination between the COM/CSO and the IORAG and IORBF.
11. Raising the international profile of IOR-ARC within and outside the Indian Ocean Region.

Following the Colombo Meeting, the Co-ordinating countries along with the Co-ordinating Secretariat prepared and submitted the different inputs, which would constitute the final report. I need to mention here that Australia agreed to fund an external consultancy to study the organizational structure of the Co-ordinating Secretariat and to make future recommendations.

Upon the submission of all inputs, a second meeting was organized in Tehran in January 2002. The purpose was to consider the issues, which were raised under the Terms of Reference of the High-Level Task Force, discuss the Position Papers presented and submit a consolidated version of the Report. In the light of the discussions that took place, the High-Level Task Force presented its report with a series of recommendations.

At the Meeting of the Committee of Senior Officials which was held in Muscat, the Sultanate of Oman in May last year, the HLTF report was discussed at great length and the remarks can be summarized as follows:-

- The meeting expressed its gratitude to the Mauritian Government for its on-going support in hosting the Secretariat. It was noted that the contract of the Director of the IOR-ARC Co-ordinating Secretariat would expire in November 2002. The Government of Mauritius has been kindly invited to extend the Director’s contract for one year. Iran and Mozambique reiterated their interest, expressed at 2001 COM

meeting, in seconding a staff member to the IOR-ARC Co-ordinating Secretariat. The wish was expressed for a candidate to be temporary appointed to fill the immediate needs of the Secretariat until the HLTF report can be approved and implemented.

- Mauritius pointed out that at the CSO meeting held in 1997, it was decided that support staff would be made available to the Co-ordinating Secretariat by the host country. It was also agreed at the meeting that the arrangement would be reviewed at the next ministerial meeting. The representative of Mauritius expressed its view that the funding pattern of the Secretariat should be reflected of the equal stakeholding in the organization and members should feel that they own the IOR-ARC. He pointed out that one of the best ways to achieve it was that all members should fund the Co-ordinating Secretariat. The meeting noted the recommendation in the draft HLTF report that current funding arrangements should be retained. The meeting agreed that the concerns of Mauritius should be addressed at the next COM meeting.
- It was agreed that the section of the HLTF report dealing with future directions constitutes an important aspect of the report. It was noted that while the section on future directions would serve a good roadmap for the organization, and it should not constrain useful initiatives.
- The meeting agreed to commend the draft HLTF report to the Council of Ministers for approval with the caveat that the IORAG and the IORBF should report directly to the CSO, notwithstanding to the contrary in the HLTF report.

Furthermore, an informal Ministerial meeting of the IOR-ARC was also held in New York on 20 September 2002, in the margins of the 57th Session of the United Nations General Assembly. It was attended by Ministers from Bangladesh, Indonesia, Kenya, Mauritius, Mozambique, Oman, South Africa and Sri Lanka, as well as representatives of all other remaining Member States, and the Director of IOR-ARC Co-ordinating Secretariat. Such informal Ministerial Meetings have been a custom as to meet and discuss the latest developments in our Association annually.

A customary consultative gathering also took place this year in the margin of UNGA Session in New York, where some views were exchanged regarding our Association.

On the other hand and as far as the Budget is concerned, Mr. D. Dusoruth, the Director of the IOR-ARC Co-ordinating Secretariat will present detailed information about the Budget for IOR-ARC Co-ordinating Secretariat as usual.

To sum up, the presented Report of the HLTF is ready for approval except that we need to highlight the importance of activating the Co-ordinating Secretariat. Mauritius proposes that the running expenses of the Co-ordinating Secretariat be equally shared among IOR-ARC member states. In my capacity as Chair, I did inform all IOR-ARC member countries of Mauritius' proposal and expressed our understanding by supporting the proposal, seeking IOR-ARC member states' valuable recommendations in this matter.

We certainly believe that we should focus on the future direction of this Association and encourage trade liberalization, which has become essential in our world of economy. A Preferential Trade Agreement (PTA) among IOR-ARC member states shouldn't be the last

attempt of its nature to enroll our Association in activities of Regional and international economic co-operation.

Of course, we cannot ignore our projects of great benefits for our countries and especially those linked with the Indian Ocean. For instance, IOR-ARC Group of Experts on Fisheries have produced their Report which includes a proposal to establish a Fisheries Co-ordination Office, catering for various co-operations in the field of fisheries.

Likewise, tourism is another sector that needs more attention because of its wide-range of investment opportunities such as infrastructures, goods and services.

In conclusion, I would like to thank IOR-ARC member states, dialogue partners, the observer and the IOR-ARC Co-ordinating Secretariat for their tremendous efforts, participations, and valuable contributions either at the meetings or at their work on projects related to IOR-ARC. We all look forward to more endeavors and accomplishments at this Ministerial Meeting.

Thank you

**IOR-ARC Council of Ministers Chairman's Report, H.E. Yousuf bin Alawi bin Abdullah,
Minister Responsible for Foreign Affairs, the Sultanate of Oman
12-13 October, 2003
Colombo, Sri Lanka**