

**REPORT OF THE 3rd MEETING OF THE  
COUNCIL OF MINISTERS**

**Muscat, Sultanate of Oman**

**7-8 April 2001**

**List of Documents**

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**Report**

**By**

**H.E. Dr Leonardo Santos Simao**

**Minister of Foreign Affairs and Cooperation of the**

**Republic of Mozambique and Chairman of the**

**Council of Ministers of the IOR-ARC**

**Before the**

**Third Ordinary Meeting of the Council of Ministers**

**Of the IOR-ARC**

**Muscat, 7<sup>th</sup> April 20**

Honourable Ministers,

Distinguished Delegates,  
Ladies and Gentlemen,

I am deeply honoured and privileged to be among this distinguished gathering today and to have the opportunity to address you and to present to you the Chairman's report. This occasion, provides a unique opportunity to be among dignitaries with such diverse background – political, economic, administration, business. Academic, scientific – who are deeply involved in shaping the events both present and future of the Indian Ocean Rim Association for Regional Co-operation.

Let me once again most sincerely thank you for your presence at this fourth Ministerial Meeting of our Association.

It is by interacting and listening to the varied experiences of our different countries – their programmes and policies – that will enable us to view regional events from a much broader perspective. The sharing of our experience and views will lead us to see the underlying complementarities, the synergies which can be built upon to put forward concerted action programmes and policy options for the benefit of all of your peoples.

Countries in the Indian Ocean Rim possess large potentials outlets to facilitate cross-border trade, investment, including joint ventures, export promotion and research programmes and the adaptation of science and technology for development. The region also possesses a huge market and although the population and per capital income vary largely across the continents, there is a significantly large and growing middle income group. And it is this group which will act as a catalyst in the transformation of the domestic market and also, equally important, of our indigenous industries – so important to create employment opportunities and general additional income.

Honourable Ministers,

Distinguished Delegates  
Ladies and Gentlemen,

As you are aware, the idea of closer collaboration within the Indian Ocean region goes as far back as the early 1990's, when countries in the region realised the need to set up a common platform to discuss economic co-operation issues, especially in the wake of growing regionalism by the major economic powers and the new trading arrangements emerging across the world. Subsequent positive developments in the region and the new international economic landscape prompted us to organise our first Inter-Governmental Meeting which met in Mauritius in 1995.

We were discussing among seven of us and we agreed on a tripartite approach to our regional co-operation programmes, comprising representatives of Government, the private sector

and the academia. This was indeed a deliberate demarche with a view to securing the collaboration of all the relevant sectors and stakeholders, while at the same time, ensuring that there is a broad based agreement on the Indian Ocean Rim concept.

There was also the understanding and agreement to create “Working Group” to formulate ideas and proposals to advance the process of deeper co-operation and integration. It was against this backdrop that the Business Forum (IORBF) to define the contours of their business activities. In parallel, the Academic Community decided on the formation of the Indian Ocean Rim Academic Group (IORAG), having as main objectives, servicing the needs of Governments and Business, promoting intellectual dialogue undertaking co-ordinated research activities in the region.

Honourable Ministers,

Distinguished Delegates  
Ladies and Gentlemen,

Since that time, that is, March 1995, we have had a long series of Meetings and major events. I will seek your indulgence to name but the most important ones here. This is of significance to us we have to take stock of the progress made, the impediments we had to face, and more importantly still, to provide us with appropriate guidelines, ideas and plans as to the way ahead. If in some ways, there have been shortcomings, it is now time for us to make the necessary amendments.

Besides various Meetings of the Academic Group and the Business Forum, we also had a second Meeting of the working Group in May 1996 to consider the Action Plan for Trade and Investment and discuss important issues including institutional Capacity Building and Human Resources Development in the region. This was followed by the Second Inter-Governmental Meeting in September 1996 in Mauritius when agreement was reached on a number of projects and programmes to be implemented by Member States. These included areas of co-operation inter alia in standards and Accreditation, the IORNET Investment Facilities and Promotion, Chair in Indian Ocean Studies and Associate Fellows, trade promotion, the Development Upgrading and Management of Seaports, maritime transport, tourism promotion and Enhancement and Technology Development to the Indian Ocean Region.

These projects were endorsed at the First Ministerial Meeting in Mauritius in March 1997. This, date, is indeed a milestone as the Charter establishing the Association was adopted by Acclamation. I should, here, stop for a short while and pay tribute to all those Ministers, Senior Civil Servants, Business and Academics who have worked so hard to come up with a Charter for our Association. We must all have reasons to be proud of this event.

In addition, the Pilot Co-ordination Mechanism was also set up. By then, we were fourteen Member States in the Association. The Working Group on membership, which met again in Mauritius in November 1997, also made proposals on the fundamental principles concerning the criteria and guidelines for membership and other forms of Association.

The activities of the three bodies constituting the Association Government, Academia and Business have moved relentlessly with Sectoral Meetings on Trade (Perth, Australia), Tourism (Oman) Committee of Senior Officials (Mauritius) to lay down procedures for administrative and financial matters, Indian Ocean Rim Trade Summit (New Delhi) Standards and Accreditation (Sri Lanka), Indian Ocean Rim Business Forum Exhibition/Seminar in /Oman and the Indian Ocean Rim Academic Group Seminar on 'Trade and Investment Issues' in Maputo in March 1999.

The main objective of the Seminar in Maputo, which grouped some 100 participants, was to discuss the effectiveness of IOR-ARC in promoting economic growth and addressing trade liberalisation issues and trade and investment facilitation. A book entitled 'Trade and Investment Issues in the Indian Ocean Rim' has been published following the Seminar.

Our membership, which was 14, had increased to 19 in March 1999 with the admission of five new members – Bangladesh, Iran Seychelles, Thailand and the United Arab Emirates. Furthermore Japan and Egypt were welcomed as Dialogue Partners. The Extraordinary Meeting of the Council of Ministers held in Oman in January 2000 was attended by all the 19 Member States and the two Dialogue Partners.

The People's Republic of China and the United Kingdom have also been accepted as Dialogue Partners in January 2000. They have been invited to attend this meeting, along with the Indian Ocean Tourism Organisation, which has been accepted as an observer.

Regarding the status of Pakistan's application for membership, I have communicated to the Government of Pakistan the decision of Council of Ministers meeting in Maputo, in March 1999, and reiterated at the Extraordinary Meeting here in Muscat in January 2000, stipulating that Pakistan would be admitted once it adheres to non discriminatory trade treatment to all to all the members of the IOR-ARC. It is worth noting that three letters addressed to me by the Minister of Foreign Affairs of Pakistan were circulated to the IOR-ARC Member States in this regard. The last one which dates 2<sup>nd</sup> April 2001 brings to my attention the following message: and I quote "I take this opportunity once again to reaffirm that Pakistan is ready to sign the Instrument of Acceptance attached to your letter of 4 February 2000. This may be reflected in your Excellency's report for the forthcoming meeting of the Council of Ministers of IOR-ARC at Muscat, Oman on 7-8 April 2001. I recall that last year, too, in may latter of 9 March 2000, I started that Pakistan in willing to adhere in latter spirit to the Charter of the IOR-ARC and to the Instrument of Acceptance" unquote.

The Council also discussed the application of France. In view of the sensibility of the issue, the Council agreed that further consultation be geld by members only with a view to putting the issue to rest.

In the same vein, the Council of Ministers, at its Extraordinary Meeting held in Muscat, Oman in January 2000, agreed that and I quote "(i) the project should continue on the basis of voluntary contributions from participating Member States, and also to the principle of rotation of the holder of the Chair which will be located in Mauritius; (ii) funding of the project should also be sought from other Member Countries Dialogue Partners and Observers" unquote.

Honourable Ministers,

Distinguished Delegates  
Ladies and Gentlemen:

The status of the Pilot Co-ordination Mechanism which was set up in March 1997 as an interim arrangement to co-ordinate, service and monitor the implementation of policy decisions and to look into the administrative matters of the Association was renewed at the Second ordinary Meeting of the Council Ministers in March 1999.

In the light of events taking place at both the regional and international levels, we have reassessed the situation especially taking into consideration the expansion in membership and the wider coverage of our programme of action and we have agreed to upgrade the Pilot Co-ordination Mechanism into a Co-ordinating Secretariat with a lean bureaucracy, while performing its efficiently, indeed, we need now to give to the Co-ordinating Secretariat the resources, both in terms of human resources and finance, for the proper discharge of its duties. This is a matter, which deserves our serious attention. Our Association has to-day a different dimension and it cannot continue to be run by a Director and an assistant Director alone. We need to face the realities of the time and be pragmatic on this issue.

My colleagues will recall that Mr. Kailash Ruhee. Former Director of the Co-ordinating Secretariat resigned on 15 August 2000. He joined the Organisation on 15 January 1998.

The Government of Mauritius proposed the name of Mr, Devdasslall Dusoruth, Director for Regional Co-operation of the Ministry of Foreign Affairs and Regional Co-operation as Director OF THE Co-ordinating Secretariat in replacement of Mr, k. Ruhee. As you are aware, the nomination was discussed on 8 September 2000 at a Breakfast Meeting in New York. It agreed that the Council will be invited to endorse the nomination of the Director of the Co-ordinating Secretariat. Mr. D. Dusoruth started work at the Co-ordinating Secretariat on 15 November 2000.

My colleagues Ministers will recall that our Meeting in March 1999 in Maputo we agreed all new Members would have to deposit an Instrument of Acceptance upon admission within the IOR-ARC. This Instrument of Acceptance was adopted by Council and, as agreed, I have officially transmitted the document to the new Members for their signature. I must, however, inform Council that there are problems regarding the final text deposited with the Co-ordinating Secretariat. I will not go into details of the technical problems but I will strongly invite the Council to address this issue at the current session.

We also met with the Dialogue Partners, and welcomed their participation in the IOR-ARC family. We have discussed economic, trade and investment co-operation programmes. The Dialogue Partners have expressed their willingness to participate and contribute positively towards the achievement of the goals of the Association in line with the spirit of the Charter.

Honourable Ministers,

Distinguished Delegates  
Ladies and Gentlemen,

During our past deliberations, we have spent a considerable amount of our time on trade and investment issues. It is very clear that we need to adopt a modest, practical and outcome focussed trade and investment policy Action Plan which faithfully reflect the three pillars of trade liberalisation, trade facilitation and economic and technical co-operation.

In reaching our conclusions, we have noted progress on the development of appropriate frameworks for the elaboration of compendia on Quarantine Customs and Investment Regimes. With a view to complementing actions in this direction, we have agreed that our future agenda should include research on payment and clearing systems, double taxation agreement, communication, transport and financial issues. In addition, we have constantly canvassed the important argument that appropriate measures be taken to improve the share of IOR-ARC in global trading activities, and at the same time making every endeavour to remove impediments to trade and reducing transaction costs and inefficiencies. The present level of intra-regional IOR-ARC trade, which stands at 22 per cent of the total, is low and this demands considerable refection on our side. This trend needs to be reversed.

On the institutional front, we have adopted the Headquarters Agreement which has been signed in February 2000 between the Government of the Republic of Mauritius and the IOR-ARC.

We have set down the Rules of Procedure of the IOR-ARC which explain the rules of conduct of our Council, the Committee of Senior Officials as well as to the other bodies established under the Charter of the Association. This new mechanism is of vital importance in our decision making process.

I now come to Member States' contributions and the budget. As you are aware, Member States contribute equally to the operational budget of the Co-ordinating Secretariat. The allocation was U\$\$ 50,000 per year for each of the Financial Years 1997-1998 and 1998-1999. The Financial Year of the Association runs through 1 April to 31 March. We have also decided on a two year budgetary cycle for the Co-ordinating Secretariat and we have consequently approved an annual budget of U\$\$ 82,000 for Financial Year 1999-2000 and Financial Year 2000-2001 respectively. The actual expenditure for Financial Year 1999-2000 and Financial Year 2000-2001 would be reported to this Council Meeting.

We have approved the logo of the Association which has already been transmitted to Member States.

Honourable Ministers,

Distinguished Delegates

Ladies and Gentlemen,

In what can be objectively decided as a very reasonable span of time. We have covered a lot of grounds in terms of laying the foundations of the IOR-ARC and providing it with the operational mechanism to function effectively and meet the short to medium term aspiration of our peoples.

Our Charter contains provisions linked to our bilateral and multilateral obligations. We do have a commitment to the global trade liberalisation process, consistent with WTO principles. There is a commitment to non-discriminatory trade regimes. There are some conditions for us to address new policy directions.

However, given the fast changes taking place in the international economic scene, nothing should prevent us from undertaking a review of certain provisions of the Charter as and when the need arises. In fact this should be considered as an encouraging sign and, indeed, a signal of greater maturity in a dynamic world environment. This same argument should apply to the review of other instruments that we have put in place, as and when the need is felt.

On the issue of membership, Honourable Ministers, Ladies and Gentlemen, I must admit that this is our question, which has preoccupied us all over the years. In fact we were legitimate in our demarche to give our most serious attention and consideration to those countries and organisations, which over. I wanted to be part of the IOR-ARC. This part of the agenda has consumed quite some of our time. And the bulk of the work is over. I would, none the less, make an appeal that we, once and for all, define the exact role of Dialogue Partners and the contribution that they can make to the IOR-ARC. We need to be pragmatic and coherent in our approach, while accepting the fact that Dialogue Partners do have a very important role to play in the Association.

Colleague Ministers,

Distinguished Delegates,

Ladies and Gentlemen,

I said earlier that we have already covered enough grounds since we first met few years back. Our business has been mostly on scheduled although results – tangible ones – are yet to be seen. We cannot therefore, afford to be complacent. There is still a long way ahead and, most probably, this part of the journey will be more arduous. Let us from now itself be prepared for it.

We are today a big organisation. Much bigger than when we started. As such, there is need, and indeed an urgent one, to mobilise a greater volume of resource to implement our programmes in the various spheres that we have indentified. And, there will obviously be new developemnts and consquently new activities will have to take place. I would call on our Member States and Dialogue Partners to give an urgent attention to this matter.

I will also make an appeal to the international Financial Institutions, the donor community and other co-operating partners to focus some of their attention on the activities of the IOR-ARC. We may consider at some point in time organising a meeting with the co-operating partners to discuss our future work programme and the issue of fund mobilisation. We will, however, need to assess the situation very carefully and prepare for a well co-ordinated and action oriented Conference.

Colleague Ministers,

Distinguished Delegates,

Ladies and Gentlemen,

I may have been long. I beg to be understood. But I deliberately wanted it this way for us to carefully take stock of the situation. We are at a critical juncture and the options left us may not be numerous. But time is of the essence. In quite some projects, we are moving from the planning stage to the implementation phase and this is the most crucial part of the project cycle. We do not have the right to fail here as any misunderstanding and other delays will only jeopardise our long term. The goals and vision which we have set for the Indian Ocean Rim Association for Regional Co-operation need to be fulfilled. With our commitments and determination, we must succeed.

I thank you.