

**STATEMENT BY HON. LAKSHMAN KADERGAMAR, P.C., M.P.,  
MINISTER OF FOREIGN AFFAIRS, SRI LANKA, AT THE FIRST  
MINISTERIAL MEETING OF THE INDIAN OCEAN RIM-  
ASSOCIATION FOR REGIONAL COOPERATION (IOR-ARC)  
MAURITIUS, 6 MARCH 1997**

**Mr. Chairman**

**Hon. Ministers of IOR-ARC, Member States**

**Distinguished Delegates**

**Ladies and Gentlemen**

It is a privilege to be able to address the first Ministerial Meeting of the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC). May I first say that Sri Lanka has always had an abiding interest in the Indian Ocean region. Sri Lanka's initiatives in the Indian Ocean as a Zone of peace (IOZP) and the Indian Ocean Maritime Affairs Cooperation (IOMAC) provide ample testimony in this regard. This background will enable us to play a further positive role in the affairs of the Indian Ocean region through this new Association that we have met to launch today. I am sensible and deeply appreciative of the honour that my distinguished colleagues have conferred on my country by electing me Vice-Chairman of the Association.

It is indeed fitting that this Association which is commonly referred to as IOR – ARC should be launched in this beautiful Indian Ocean Island of Mauritius. I would like to take this opportunity, together with my delegation, to express our thanks for the gracious hospitality extended to us by the Government of Mauritius, for the excellent arrangements made by the Ministry of Foreign Affairs, International and Regional Cooperation for the conduct of our deliberations and, not least, Mr. Chairman, for the wit and charm with which you have welcomed each and everyone of us.

Last evening, we heard a thoughtful address by the Prime Minister of the Republic of Mauritius. His words contained much valuable advice that could help us to get IOR-ARC moving in a meaningful and practical direction.

In the distant past, even as far as back as two thousand years ago, the peoples who live on the rim of the Indian Ocean, especially the intrepid Arab sea-fares, roamed this great Ocean in search of trade and commerce. They carried with them their cultures, their religions, their customs and traditions. They settled in each other's countries. In 300 B.C. Nerkus, the Admiral of Alexander the great, had noted, while on a voyage through the Arabian Sea to the Indian Ocean, that at the port of Mussandum in Northern Oman, then part of the virile Majan Empire that there were many ships, owned by the merchants of Oman, laden with spices and other precious commodities from Taprobane, as my country

was then known. The bonds that bind us are old and strong We now come to this new forum with ties of friendship forged afresh in modern times, and tried and tested in other multilateral fora where we have learnt to work together and stand together .

Today, we live in an era of regionalism. While some geographic areas such as the Asia- Pacific region and the North American continent have already advanced far down the road towards effective regionalism, it is indeed surprising that the Indian Ocean region which can boast of a combined GDP of US \$1 trillion and 31% of the global population should have lagged so far behind. One is indeed constrained to enquire why this should be so, given the vast natural and human resources this region is endowed with, and also the 'commonalties' that we share in many historical and cultural domains, as you, Mr. Chairman, observed in your opening address at the Second Inter-Governmental Regional Meeting last September.

Perhaps, one reason for us being so laggardly is the vast asymmetries which prevail within our larger Indian Ocean community. At one end of the scale we have economic and demographic giants; at the other, some who are among the smallest and least developed countries in the world. It would, therefore, seem a difficult task to convince all of us who make our home in this part of the world that we could mutually benefit from any move to regionalism. Another reason could well be the existing suspicions, which continue to bedevil the political, and security atmosphere of this region. Regarding the latter, while there is no alternative to their eventual resolution through a durable political solution, the establishment of regional economic mechanisms could contribute much to confidence building within the region and to eliminate mistrust.

**Mr. Chairman,**

It is against this backdrop of economic asymmetries and political suspicions that I would like to articulate my country's vision for IOR-ARC.

The Indian Ocean region today is economically one of the fastest growing regions of the world. It holds two-thirds of the worlds oil reserves, 60% of its uranium deposits, 40% of its gold deposits and 98% of its diamond deposits. Some of the countries of the region have made substantial economic progress, recording consistent growth rates of 7% and above while others have made less dramatic progress, but progress nonetheless. Our region is considered by many distinguished commentators as the economic power house of the 21<sup>st</sup> Century. It is therefore, necessary that we should capitalise on and exploit the rich endorsements of nature and the inherent productivity of our human resources to promote dynamic economic growth on the Indian Ocean region.

As a group, our members need to facilitate intra-regional trade by reducing trade and non-trade barriers progressively to facilitate better and effective exchange of goods, services, technical know-how and to promote foreign direct investment. We have to ensure that this process is in accordance with the concept of "Open regionalism". We need to introduce the most modern information technology and modern methods of communication and transport. Most importantly, we should facilitate people-to-people

contact by encouraging and facilitating tourism, cultural and sporting contacts and scientific exchanges. This should be a goal well within our collective economic, social and intellectual capacities.

Since the main purpose of the Association is to promote economic cooperation, permit me a few moments to outline what we, as an island economy, see as the basic rationale for seeking a wider regional space for economic cooperation.

Sri Lanka's experience in regard to economic reform is well known. Sri Lanka, in 1977, pioneered the implementation within South Asia of what are called "market-friendly" policies which have now been adopted by most other countries of the region. The private sector is viewed in this framework as the principal "engine of growth" with government intervention being sought in areas where markets fail to function effectively.

Progressive trade and financial liberalization are important ingredients of this framework and in this respect Sri Lanka stands not only as a pioneer but also as a pace-maker in the South Asian Sub-Continent, having abandoned most quantitative import restrictions in the late 1970s and targeting for a uniform external tariff of 15% in the not too distant future. Sri Lanka's goals are to raise investment rates from the current levels of a little over 25% of GDP to East Asian levels of above 30% so as to raise annual GDP growth - from an average of about 5% over the last few years to 7% - 8%. The task has become all the more important since by the year 2010 our labour force will cease to grow. By then, per capital income will have to be high enough to support a substantial and growing non-working population of old people, as Sri Lanka will be making its demographic transition to a stable population faster than any other country the world has hitherto experienced. The required investment can be achieved by raising of domestic savings through creating a conducive macroeconomic policy environment. However, there is a limit to raising domestic savings via this process; thus we have to rely heavily on inflows of foreign investment to increase overall investment.

The difficulty in achieving this goal is the fact that today's international trading and investment environment renders it many difficult than before for small countries such as Sri Lanka to emulate the success of the East and South East Asian Newly Industrialized Economies. There are many reasons for this, including increased competition among exporting countries to supply the slow-growing OECD markets; stagnant or declining levels of foreign aid; and the increasing tendency of the world trading system to be divided into a number of trading blocs centered around the major economic powers, such as the EU, NAFTA and APEC, although the recent reaffirmation by the Asian countries of APEC of their preference for the multilateral approach is an encouraging sign against this trend.

There is then the real danger that countries left out of all these blocs could be deprived of potential trading opportunities and attracting foreign investment that they could otherwise enjoy. These "innocent bystanders" will then be condemned to a bloc of marginalized non-member nations that are not part of any of the above-named blocs. How then should Sri Lanka respond to the growing regionalism around the world?

Mindful of our Asian identity, we in Sri Lanka have been seeking to expand our access to any available regional space with the objectives of: (a) further integrating with the global economy and thus becoming part of the process of globalization, and (b) joining other like-minded states in establishing regional relationships that would strengthen our collective bargaining position in international fora. We believe regionalism is a step towards further liberalization and globalisation. That is why I emphasised earlier the term “open regionalism” which means that our trading relations with non-members of the region would not change adversely despite the new trading relationship within the regional framework. Given these objectives, we believe that the launching of IOR-ARC as a platform for regional cooperation is timely to further enhance our economic goals within a larger regional space.

We also need to embrace within our fold more countries, which are geographically within our region. My delegation therefore fully subscribes to the proposition contained in clause 4 relating to membership in the Draft Charter that “all sovereign states of the Indian Ocean Rim are eligible for membership”. However, the question does arise as to how and when we should reach this stated goal. There has been a long and exhaustive debate over the past five years in this and other fora on what our approach should be to this issue. I do not propose to traverse this ground again. Suffice it to say that my Government would be happy to support the admission of new members, consistent with the salutary words of caution which you, Mr. Chairman, had expressed at the last Inter-Governmental Meeting that our Association must proceed - and I quote you again - “in an evolutionary fashion which allows the Organisation to learn to make the first steps before it starts running”. Furthermore, since the way we set about expanding our Membership does raise many fundamental issues and has far-reaching consequences I commend the proposal of the Senior Officials to appoint a Working Group to go into all issues relating to membership.

The speed at which we can move from crawling to walking and then, eventually, to running, would in my delegation’s view depend largely on the ability of our Association to embark on projects and programmes which have an immediate and positive impact on the everyday life of our peoples.

Therefore one of our priorities has to be the adoption of a coherent Plan of Action. Since this constitutes one of the items on our present agenda, I do not wish to say more at this, except perhaps to commend the innovative tripartite approach consisting of government, business and academia that we devised to formulate practical policies. However the formulation of a comprehensive Programme of Action becomes relevant to the work of the present meeting in yet another connection and that is regarding the issue of the Secretariat.

Let me make it clear that we agree fully with the principle that at the appropriate time there should be a Secretariat as stated in the Draft Charter. All I wish to register here is that it would be premature at this point of time to set up an elaborate bureaucratic structure without first ascertaining precisely what the secretariat would be called upon to do and the volume of work which it may have to confront. At the same time, I consider

that we would need a small but effective unit to take on the servicing and monitoring functions which must necessarily devolve on IOR-ARC now that we are about to launch it. My delegation thus fully supports the proposal which our Senior Officials have come-up with namely, to set up a light and lean “Pilot Mechanism” in Mauritius during the interim period and to review long-term arrangement at the next Ministerial Meeting.

**Mr. Chairman,**

I conclude on a note of caution. When a new economic grouping such as this is launched it has the inevitable result of raising, sometimes unreasonably, the expectations of our people that significant materials benefits will accrue to them. They might tend to expect a dramatic and immediate enhancement of their well-being. When the euphoria of this launching ceremony has evaporated we will, collectively, have to face the sobering truth that we will have to strive mightily to satisfy the aspirations of our people. This will require on our part a firm dedication to certain basic proposition. We must create in our own countries one or more units of Governmental officials who are specifically charged with the task of studying and constantly enriching the Indian Ocean dialogue through research and discussion; there must be coordination among these units - the lack of coordination with government is the cause of many failures in international cooperation between governments, our unique tripartite mechanism involving government, business and academia is a most laudable initiative. It must be developed fully. If we prevent our Association from degenerating into a debating society, from becoming a mere social club, if we do not allow ourselves to become permanently embroiled in sterile political manoeuvres, if we concentrate on implementing our projects in a pragmatic, hard headed manner --- we will achieve success, we will keep faith with our peoples.

May good fortune and fair winds attend us on this challenging voyage.