



## Indian Ocean Rim Cooperation: An Omani Perspective

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### News:

Recently, reports and articles have emphasised the “progress” of Indian Ocean cooperation and the emerging “connectivity” and “order building” in the region<sup>1</sup>. These “evolving opportunities” are highlighted by newest research outcomes that predict the economic “ascendancy” of Indian Ocean rim states, notably in Southern Asia and Eastern Africa, in the next decade<sup>2</sup>. In May 2015, the Indian Ocean Rim Association has convened its first “Blue Economy” workshop in Durban, and the issue will be deepened further at a conference next September in Mauritius.

### Summary:

Since the mid-1990s, the Indian Ocean has been experiencing increasing economic cooperation among its rim states. Middle Eastern countries, too, participate in the work of the Indian Ocean Rim Association, which received new impetus in the course of the current decade. Notably Oman is a very active member of this organisation and has established manifold economic links with countries of the region.

### Key words:

Indian Ocean Rim Association; Oman; Regionalism; Economic Cooperation

<sup>1</sup> Examples taken from <http://www.aspistrategist.com> in 2014 (accessed 3 May 2015).

<sup>2</sup> “Diversity drives Indian Ocean region”, *Financial Times*, 8 May 2015; “New Growth Projections Predict the Rise of India, East Africa and the Fall of Oil Economies”, Center for International Development, 7 May 2015

## Introduction:

Why is the introductory news on emerging cooperation the Indian Ocean of interest from a Middle Eastern perspective? Contrary to mentally fixed meta-geographies, countries in the region do not necessarily and exclusively extend their main endeavours for regional cooperation towards the MENA region or the Arab world. Thus, in particular Oman, at the Eastern edge of the Arab world, but also a few other countries conventionally subsumed under the “Middle East” display longstanding Indian Ocean connections and have developed institutional ties with countries of the region in search of economic partners, promising markets and cooperation opportunities. The following analysis takes a closer look at Oman’s regional cooperation in the framework of the Indian Ocean Rim Association (IORA).

## Oman and Regional Integration

Even in the regional context stretching from the Middle East to Southern India, which is regarded as a latecomer to regionalism, Oman was very reluctant to open up to institutional regional integration (Wippel 2010). For a long time, its international economic relations were based on hydrocarbon exports. Mainly military and strategic reasons led the country to join the Gulf Cooperation Council (GCC) when it was founded in 1981. On the economic side, however, Oman was among the members that were more hesitant about deepening integration and giving up sovereignty rights. In 1995, the government published the “Vision Oman 2020”, which primarily aimed to prepare the national economy for the post-oil era. This included, among other things, an enhanced sectorial diversification into fields like gas, transport and tourism. The long-term strategy also envisaged opening to international markets and diversifying economic partners.

Already since the early 1990s, Oman had started to extend its bilateral network of economically relevant agreements. Parallel to that, it began to establish more diplomatic missions, economic offices and trade delegations abroad. In 1997, Oman signed the charter of the Greater Arab Free Trade Area. In 2006, it concluded a free trade agreement (FTA) with the United States, thus encroaching on the principles of the GCC customs union (Zorob 2013). Via the GCC itself, Oman participates in recent free trade agreements and on-going negotiations with a few other regional blocks and individual countries. Many of these efforts are directed towards economies on the Indian Ocean rim. In the

mid-1990s, Oman started to cooperate multilaterally also in the Indian Ocean region.

### The Indian Ocean Rim Association

Broader political consciousness of the Indian Ocean as a unifying factor emerged among rim countries after World War II, but during the Cold War, concerns were mostly security-related. Only in the 1990s, with the end of the bipolar block confrontation and with the latest global wave of regionalism, did economic motives push to the foreground. Delegates from seven countries met in 1995 to discuss the Indian Ocean Rim Initiative. In 1997, the first meeting of ministers from 14 states adopted the charter of the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC)<sup>3</sup>. By now, the regional organisation, which in 2013 was renamed the Indian Ocean Rim Association (IORA), counts 20 full members (out of 25 sovereign states with direct access to the ocean), six dialogue partners from outside the region and two observers<sup>4</sup>. IORA countries encompass about a third of the world's population and are responsible for about 10% of global GDP; 40% of worldwide trade passes through the Indian Ocean; and trade among IORA members amounts to approximately a quarter of their world trade.

One of the main tasks of the grouping is to promote closer economic cooperation and to enhance the flow of goods, services, investment and technology among member states. It follows the ideal of "open regionalism" as it was exemplarily devised in the Asian-Pacific area (Kelegama 2000). This includes market-driven integration, a focus on the private sector, trade liberalisation on a non-discriminatory basis, the sharing of information and harmonisation of standards and sector-specific technical cooperation. Vertical openness to the global market and adherence to WTO principles go hand in hand with lateral openness to other, overlapping regional integration areas.

The working approach is mostly project- and consensus-based, with peer countries heading forward in specific fields. Besides the permanent secretariat in Mauritius, the main organ is the Council of (Foreign) Ministers. Furthermore, the IORA has a tripartite "second track". It includes working groups of former government officials as well as representatives from business and academia, who jointly develop common policies and working programs.

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<sup>3</sup>For more information, see Tiwari 2004; Wippel 2013; [www.iora.net](http://www.iora.net) (accessed 8 May 2015).

<sup>4</sup>Members are Australia, Bangladesh, Comoros, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Seychelles, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, the UAE and Yemen. Dialogue partners include China, Egypt, France, Japan, the UK and the USA. The Indian Ocean Tourism Organisation and the Indian Ocean Research Group have observer status.

After a decade of relative agony, some major steps forward have been made again since 2010. This includes several moves to enhance institutional capacities, the endorsement of a new charter and declarations on the sustainable use of oceanic resources. In 2011, the member states identified six priority areas for cooperation: maritime safety and security, trade and investment facilitation, fisheries management, disaster risk management, academic and science & technology cooperation, tourism promotion and cultural exchange.

Tangible projects on the regional level are to be defined within these fields; a special fund for their implementation was set up in 2004. Accordingly, the IORA defined three “flagship projects”: the Regional Centre for Science and Technology Transfer, the Fisheries Support Unit and the Maritime Transport Council. Many members now even deem a preferential trade agreement (PTA) useful, but a draft framework still awaits final decision. Other projects concentrate on scholarship exchange and University Mobility in the Indian Ocean Rim (UMIOR). The “blue economy” (including fisheries and aquaculture, renewable energy and mineral exploration, port development, marine-based tourism etc.) has become a more systematic focus over the last two years.

### **Oman in the IORA**

Oman participated in the discussion of an Indian Ocean grouping for economic cooperation from its beginnings. It felt a growing need to expand the range of export markets and to develop its geo-economic position in an area characterised by emerging markets and major trade routes. It favoured a rapid, yet not regionally exclusive trade liberalisation among the partners to open up new opportunities for its business community. Local interlocutors and opinion makers emphasise that Oman has been one of the most enthusiastic IORA members. The Sultanate held one of the first IORA chairs and organised several meetings at ministerial and working group levels between 2000 and 2003. Under its direction, a trade and investment plan of action was adopted and a High Level Task Force established; in 2002, the latter presented a report on the possible future direction of the grouping. From the early 2000s onwards, Oman has backed the proposal for a PTA. In 2007, it organised an expert meeting. It is a member of a core group working on the issue that completed the draft framework in 2011. However, if it goes beyond the common rules of the GCC, permission will be difficult to get, given the discomfort already caused by the FTA with the United States.

Oman pushed forward some recent flagship projects. It supported the establishment of the joint Special Fund and was the second among the few countries that have financially contributed to it. Since IORA members had agreed on

establishing the Fisheries Support Unit in the early 2000s, Oman has been very engaged in bringing forward the project and organised a series of expert meetings. In late 2011, it signed the agreement to set up the unit, which is based at the national Centre for Marine Sciences and Fisheries in Muscat. Its primary mandate is to do scientific research and collect data in view of helping member states to manage and protect fish stocks and to combat damaging fishing techniques and illegal fishing.

In 2011, Oman was also selected to establish headquarters for the regional Maritime Transport Council. This will be set up under the auspices of the Ministry of Transport and will work in close cooperation with the Oman Chamber of Commerce and Industry (OCCI). In light of member states' dependence on maritime trade, its central task is to collect and disseminate information on sea transport and facilitate movement and shipping in the Indian Ocean. At the same time, this is in line with Oman's endeavours to become a (trans-)regional transportation hub.

Oman is co-financing a study of the development of tourism in the Indian Ocean region. In 2011, IORA delegates discussed the first recommendations, which comprised the promotion of the Indian Ocean as an integrated tourism destination, the development of intra-regional tourism and cooperation with dialogue partners to attract tourists from outside. The second phase of the study is also being conducted by Oman and investigates tourism trends in the region and the creation of a common resource centre.

In addition, the Sultanate participates in a project aimed at preparing a compendium on investment regimes in member countries. In the light of plans to establish a regional centre for trade arbitration, the OCCI organised a seminar on dispute settlement under WTO rules in 2011. The country hosted the second of so far three Construction Business seminars and realised several activities advancing the common UMIOR program. The journey of the rebuilt 9th-century boat "Jewel of Muscat" in 2010 via South Asian ports to its final museum destination in Singapore counted as the second IORA cultural cooperation project.

In trade terms, in 2013, about one third of Oman's foreign trade was with IORA countries: on the export side, the intraregional share was about a quarter (compared with a long-term average of over 30%)<sup>5</sup>, while 42% of imports came from IORA members. The most important trade partners are the UAE, India and Thailand (also Singapore for exports); however, among all IORA imports, the UAE's share of 57% exceeds by far its real importance, as it includes a considerable transit of goods from other countries.

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<sup>5</sup> The share is much higher if oil exports are excluded.

IORA members were responsible for 21% of the direct investment in Oman in the late 2000s; this share was 47% if we exclude the gas and oil sectors. Vice versa, IORA countries accumulated more than a quarter of Oman's capital outflows. In both directions, the UAE were the major partners. However, these figures ignore a wide range of cooperation among firms. Between Oman and India, more than 1,500 joint ventures were recorded at the beginning of this decade. Other important cooperation partners include Thailand, Malaysia and Australia; and on a more individual scale, business connections with East Africa have been revived.

Omani economic agreements and representations abroad, expanding since the 1990s, both focus on Indian Ocean countries. The rapid expansion of the national carrier Oman Air's network is mostly geared towards destinations around the Indian Ocean. To this, we have to add the maritime lines linking Oman's new ports not only to Eastern Asia and Western Europe, but also to numerous places from Southern Africa to South East Asia. Altogether, Oman now shows particularly close (diplomatic, contractual, air and sea) links with Indian Ocean countries such as India, the UAE, Yemen, Iran and South Africa, followed by Kenya, Tanzania, Thailand and Malaysia.

## Conclusion

Regional integration does not take place only within predefined, mentally well-established world regions, but also often forms crosscutting areas of cooperation. As such, the Indian Ocean rim has emerged as a region of increasing economic cooperation.

In the past, the coastal areas of today's Oman had close economic, political and cultural ties across the Indian Ocean. In more recent times, the country hesitantly turned to the outside world again. In regional terms, attempts to open the economy coincided with efforts to strengthen relations with other Indian Ocean rim states, profiting in particular from the fact that the Indian Ocean is a sea bordered by numerous emerging economies. The predominant "shallow" integration also accommodates Omani interests. The advancement of bilateral contacts, as in the case of Omani-Indian relations, is still as important as the development of multilateral links. This goes hand in hand with the branding of the Sultanate as an Indian Ocean state to demonstrate the longevity of its connections with that upcoming world region.

Accordingly, Oman has been among the most active IORA partners from the beginning. However, after initial general enthusiasm, the cooperation process stumbled, and, to Oman's dissatisfaction, tangible results were rather limited, reflecting the large socio-economic disparities and diverging interests. Yet

the association received a new push in recent years. But it is still not effective enough and needs a more strategic focus; besides rising awareness of the region, concrete steps forward in areas such as trade facilitation and the much-acclaimed blue economy are major challenges for the near future.

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