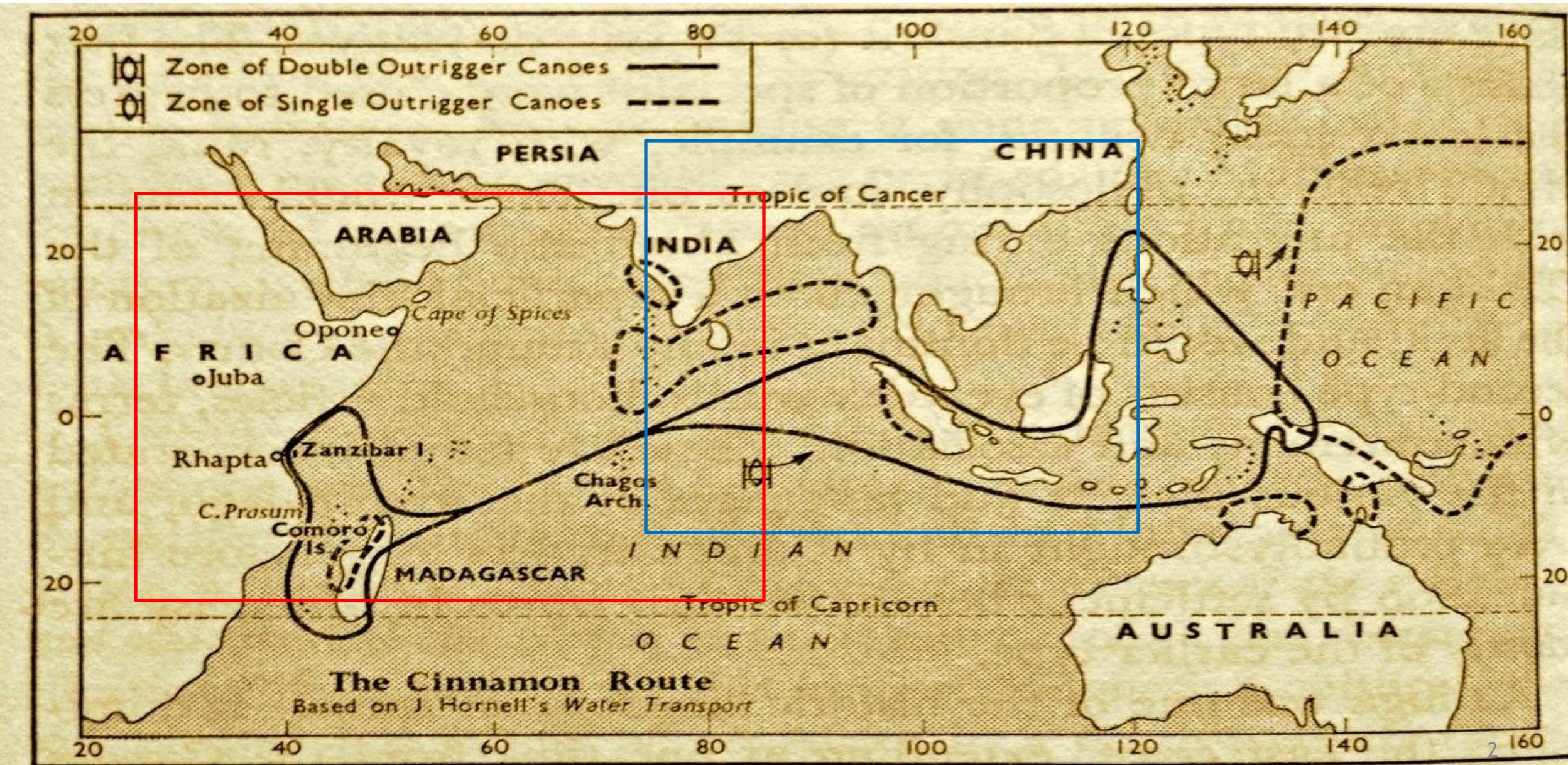


Measuring Closer Economic Cooperation in Indian Ocean Rim: Impressions from the Fields

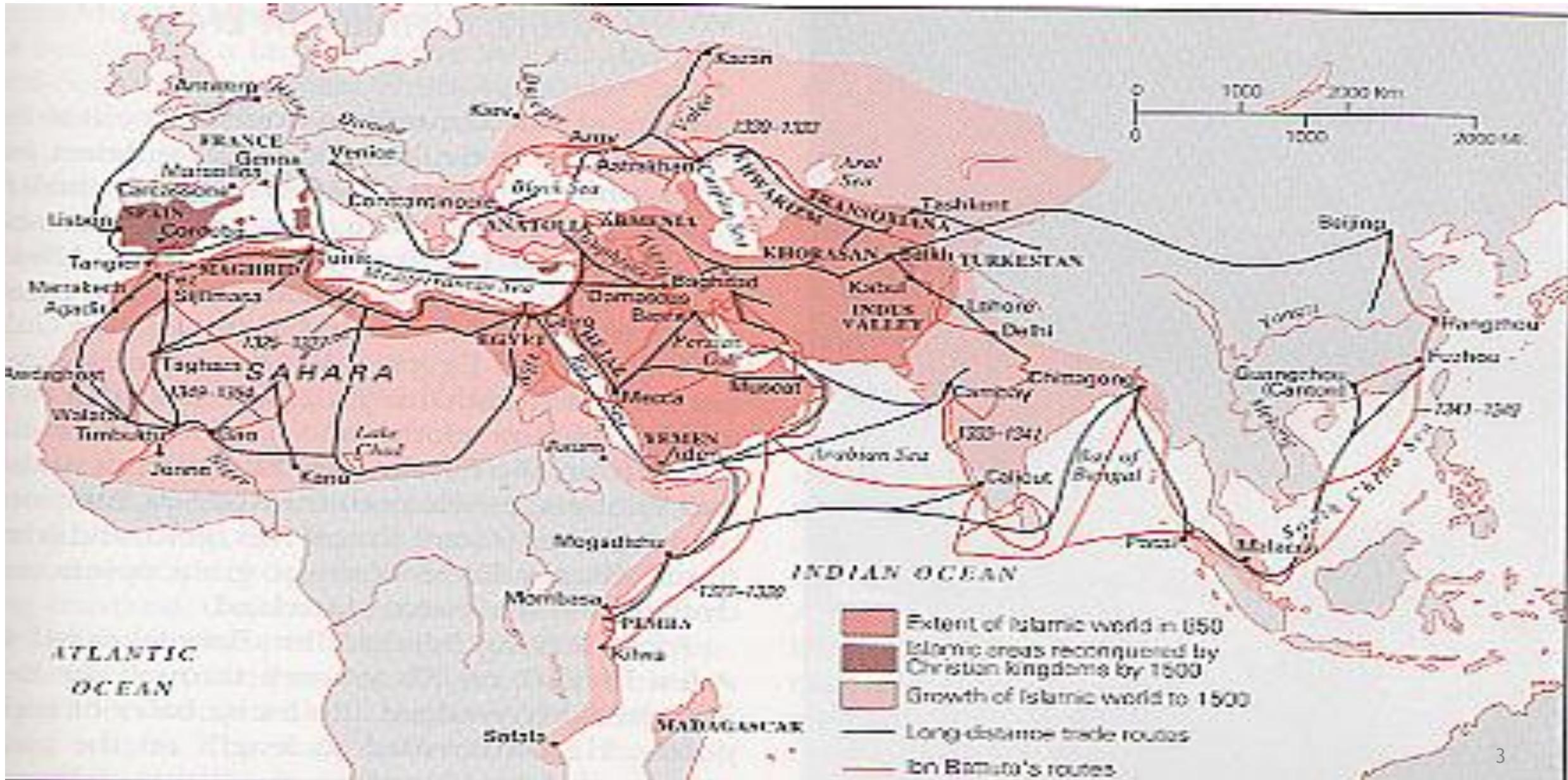
Dr. Siswo Pramono, LL.M.
Director General / Head of Policy Analysis and Development Agency
Ministry of Foreign Affairs of the Republic of Indonesia

Personal Opinion
Draft, not to be quoted
Work in Progress

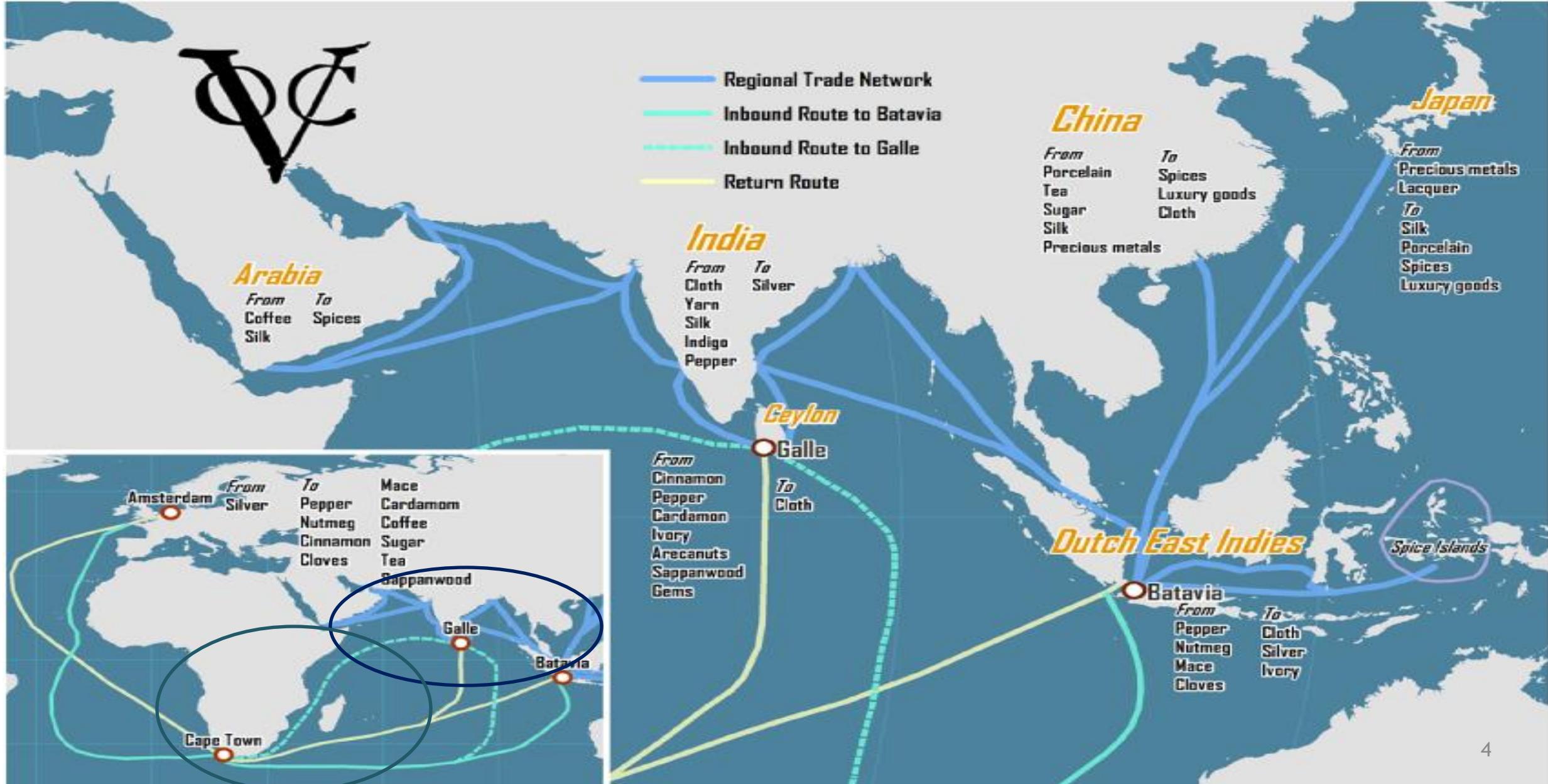
Early A.D.



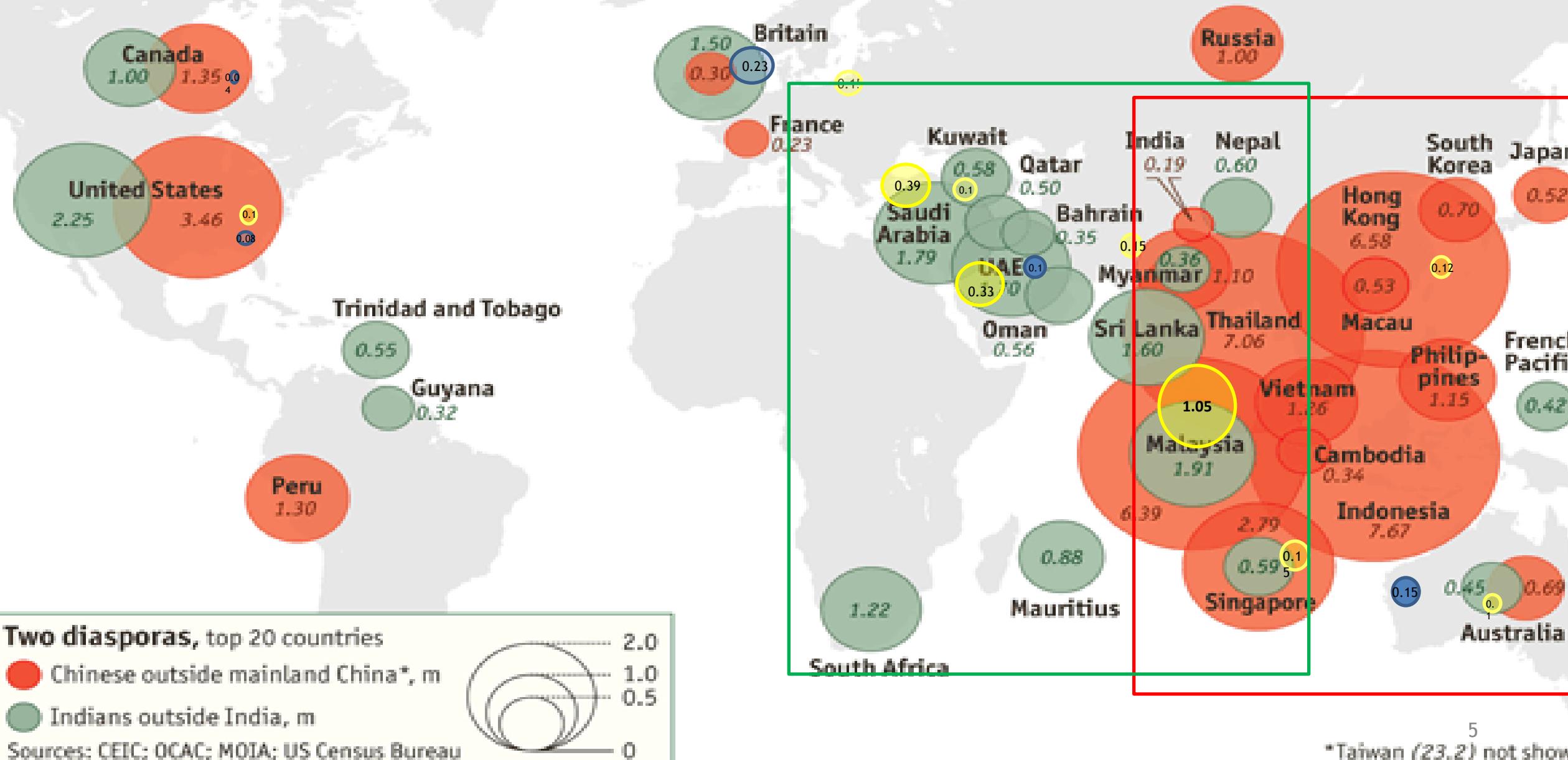
East Africa Trade Route: Extent of Islamic World



VOC Trade Network in 18th Century



Diaspora, People to People Connectivity



How Big is IORA?

INDIAN OCEAN RIM ASSOCIATION



Vast, Vibrant and Dynamic Region
Diverse Economy
Tremendous Potentials

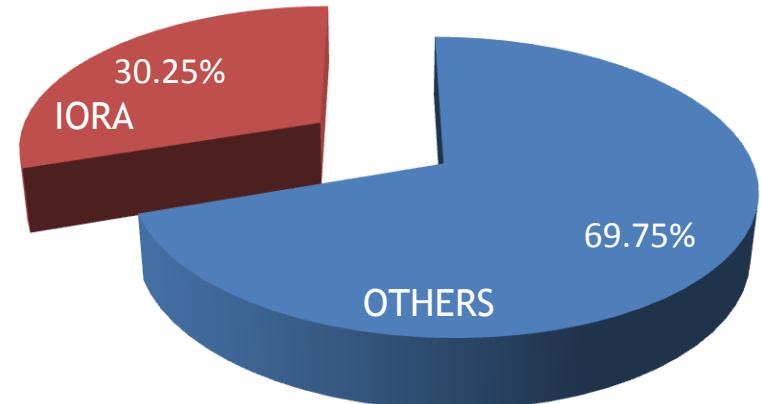
21 IORA Member Countries

- South Africa
- Australia
- Bangladesh
- Kenya
- India
- Indonesia
- Iran
- Madagascar
- Malaysia
- Mauritius
- Mozambique
- Oman
- Seychelles
- Singapore
- Sri Lanka
- Tanzania
- Thailand
- United Arab Emirates
- Comoros
- Yemen
- Somalia

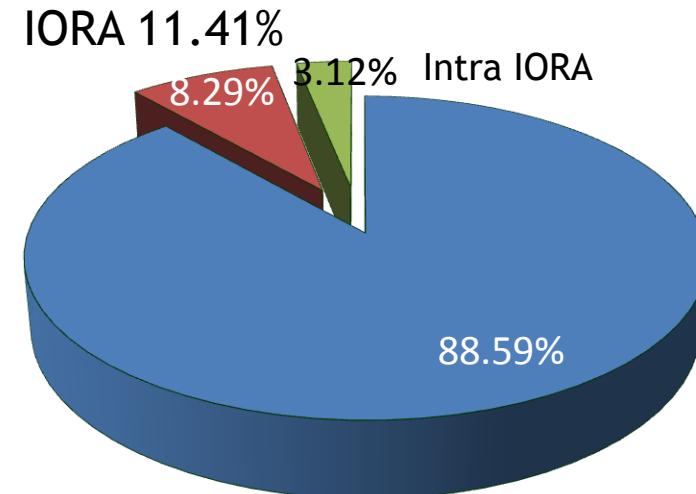
7 Dialogue Partners

- United States
- United Kingdom
- Japan
- Egypt
- France
- China
- Germany

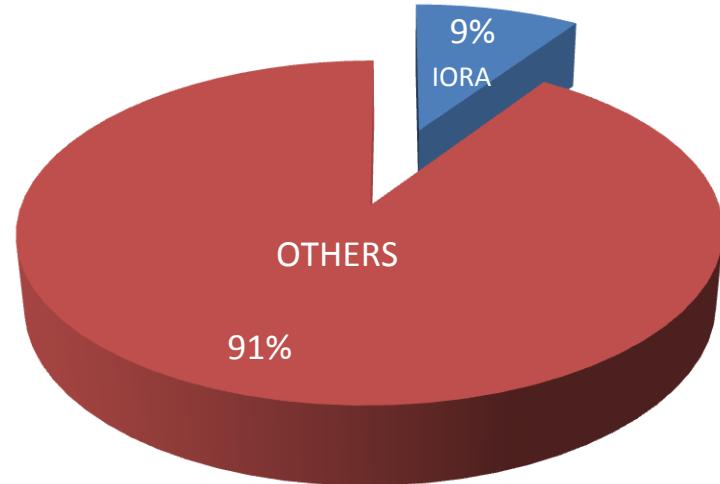
IMPORTANT STATISTICS: POPULATION AND MARKET SIZE



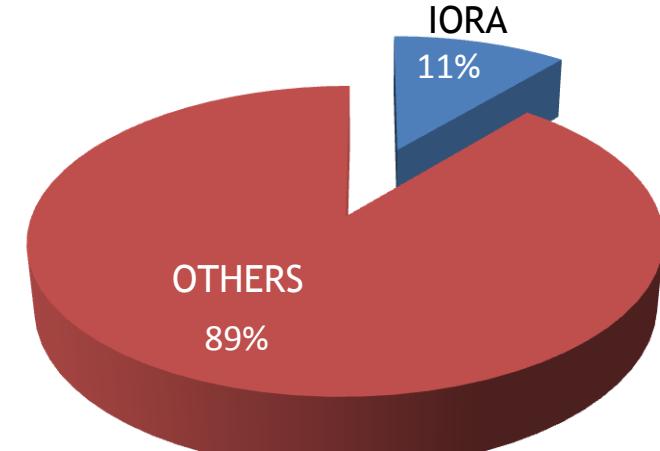
Share of World Population, Aug 2017



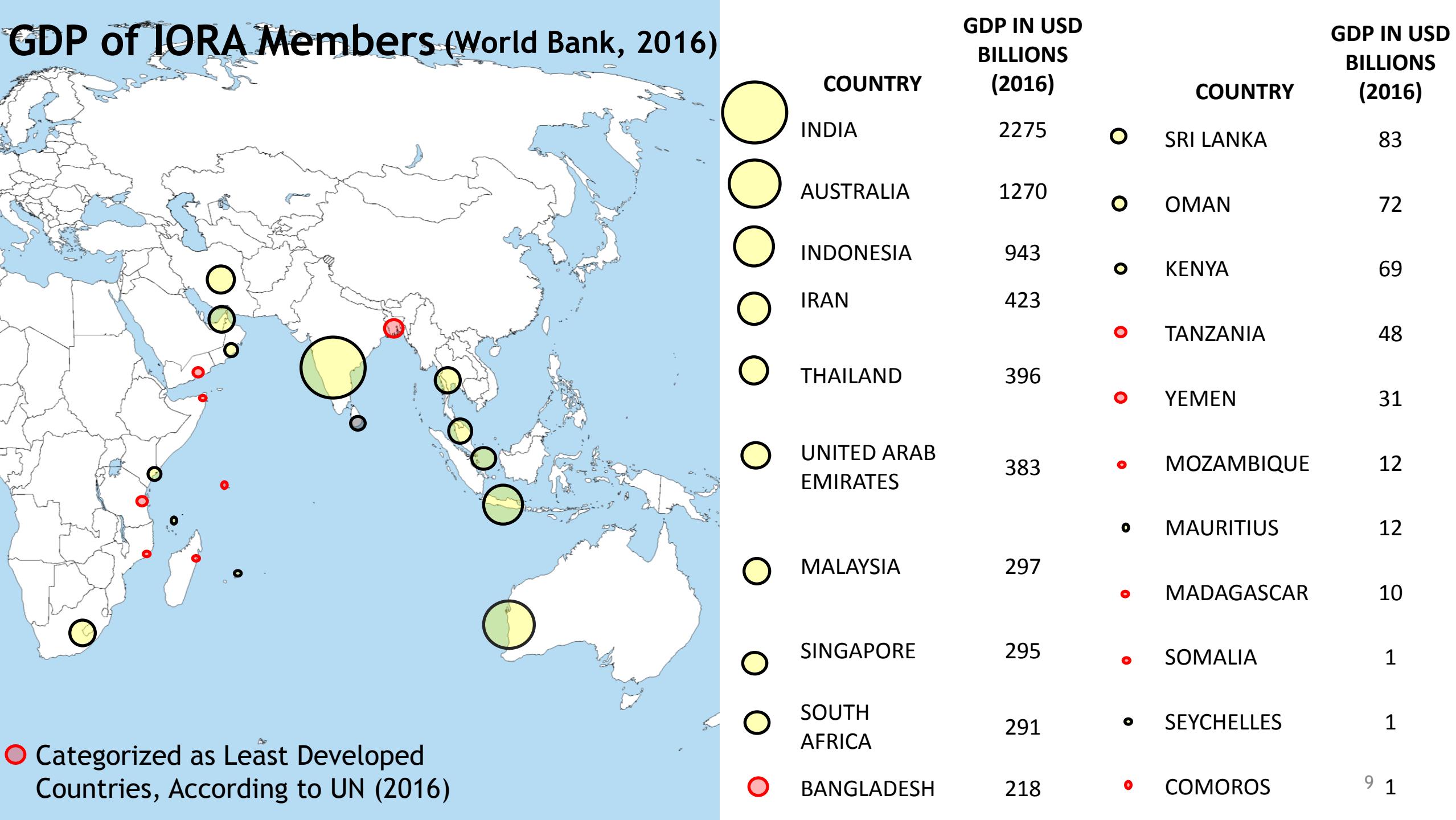
Share of World Trade, 2016



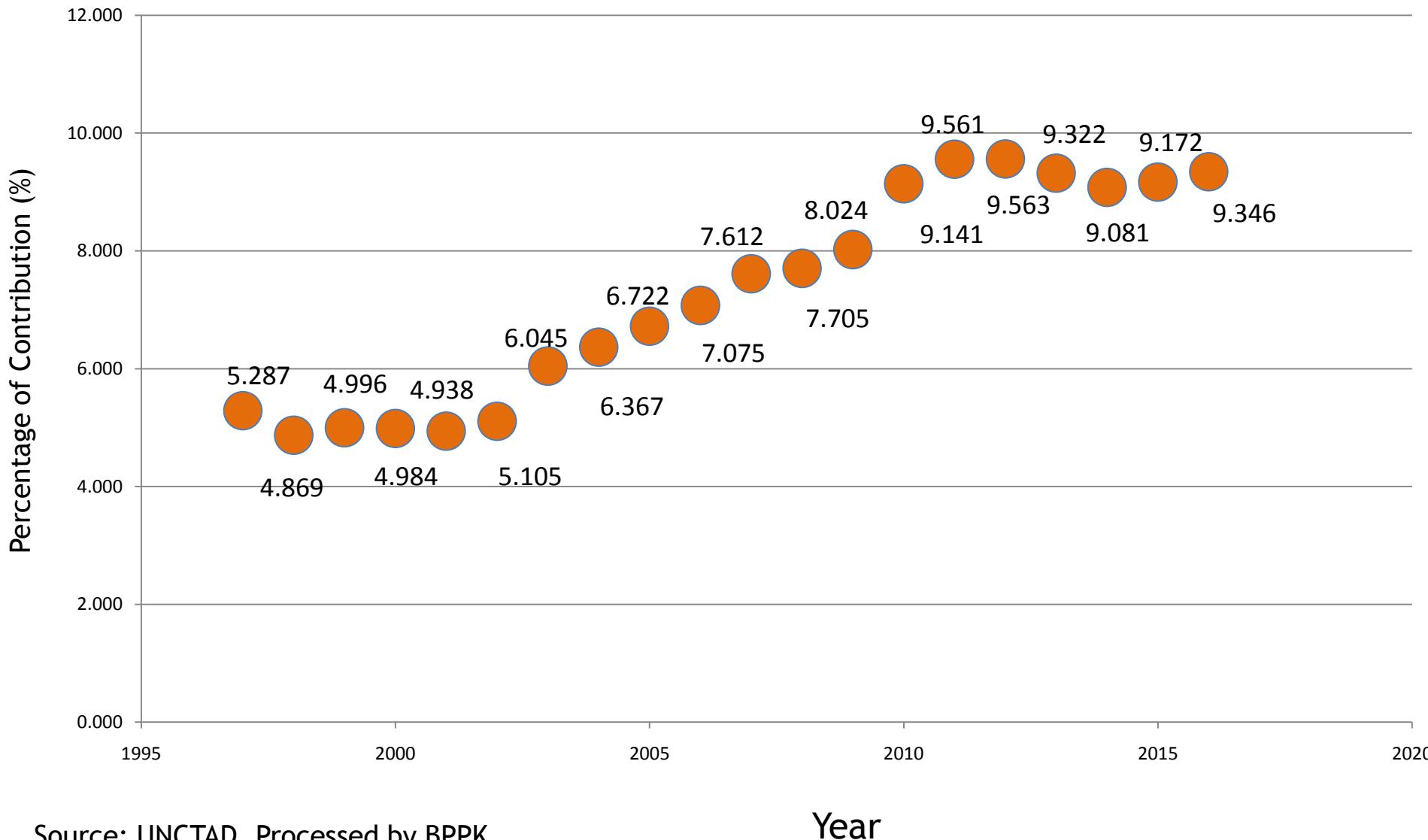
Share of World Economy, 2016



Inward Investment (FDI), 2016

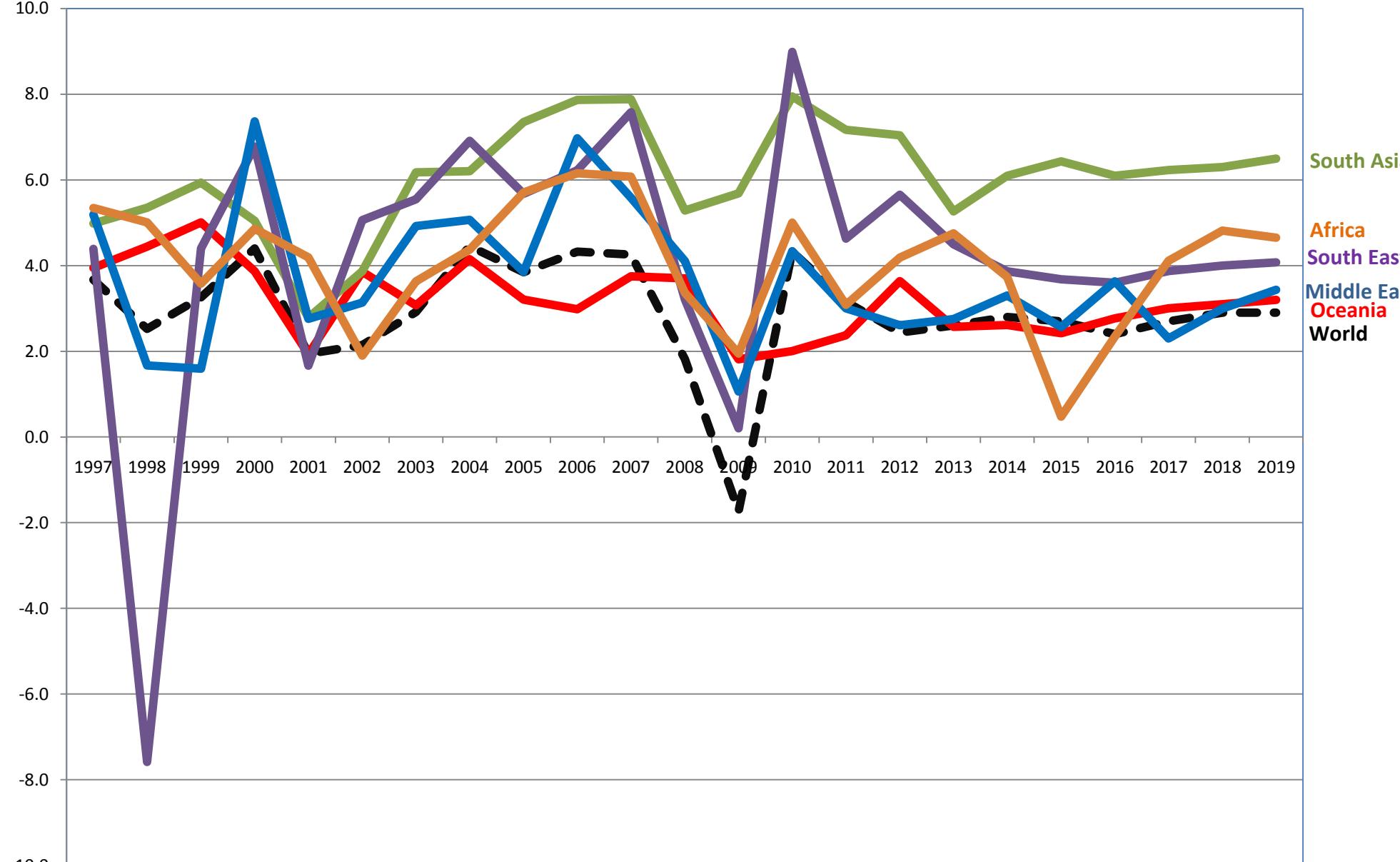


% Share of IORA to World Economy (GDP Current Price)



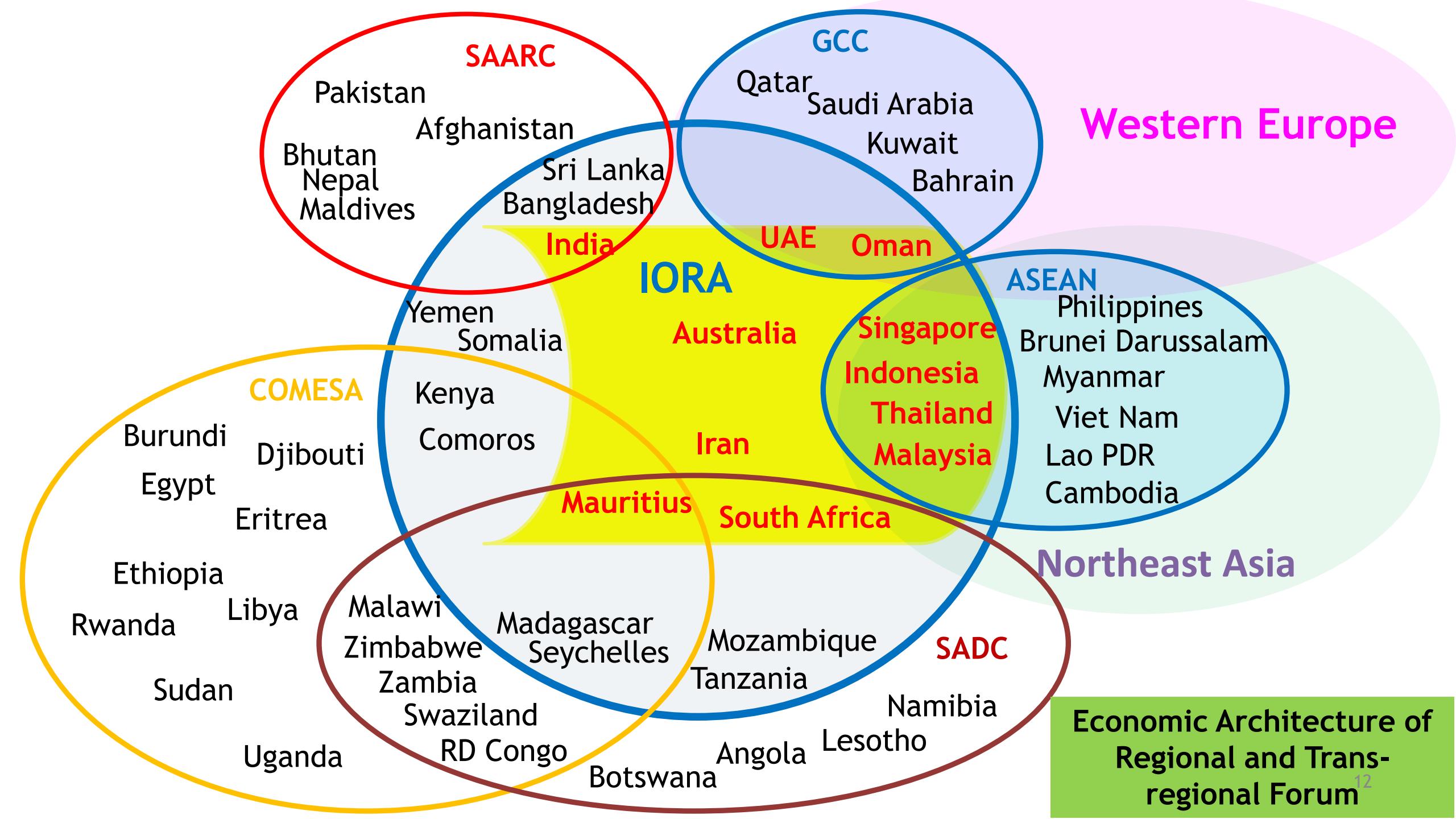
- Contribution of IORA (GDP current price) to GWP expanding from 5.3% in 1997 to 9.3% in 2016
- Rise of share in GWP indicating dynamism of the region

IORA Sub Region's Growth



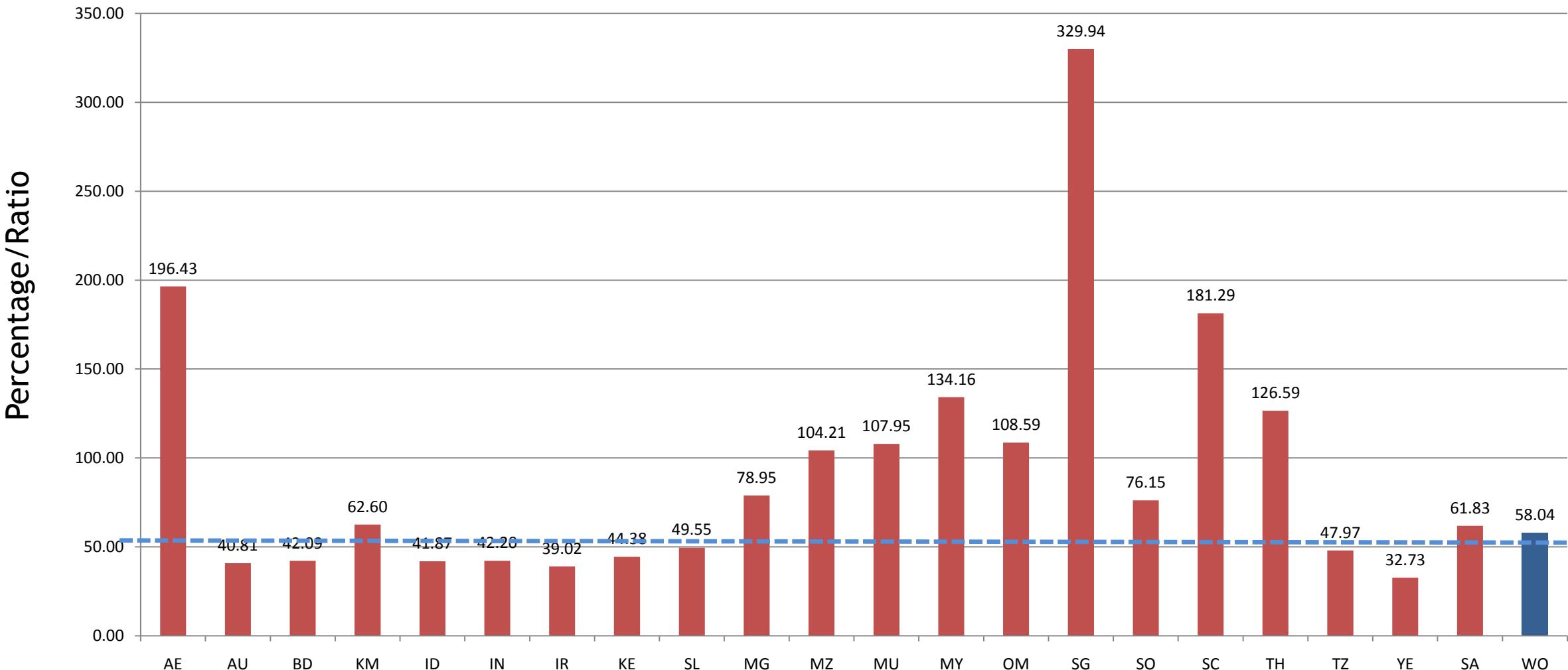
Source: World Bank, processed by BPPK

- On average IORA Sub Regions continue to grow above world output growth
- South Asia – Robust growth
- Africa's economy is predicted to recover from 2015-2016 downturn
- Middle East- High growth with greater degree of volatility
- South East Asia Economy is Picking up

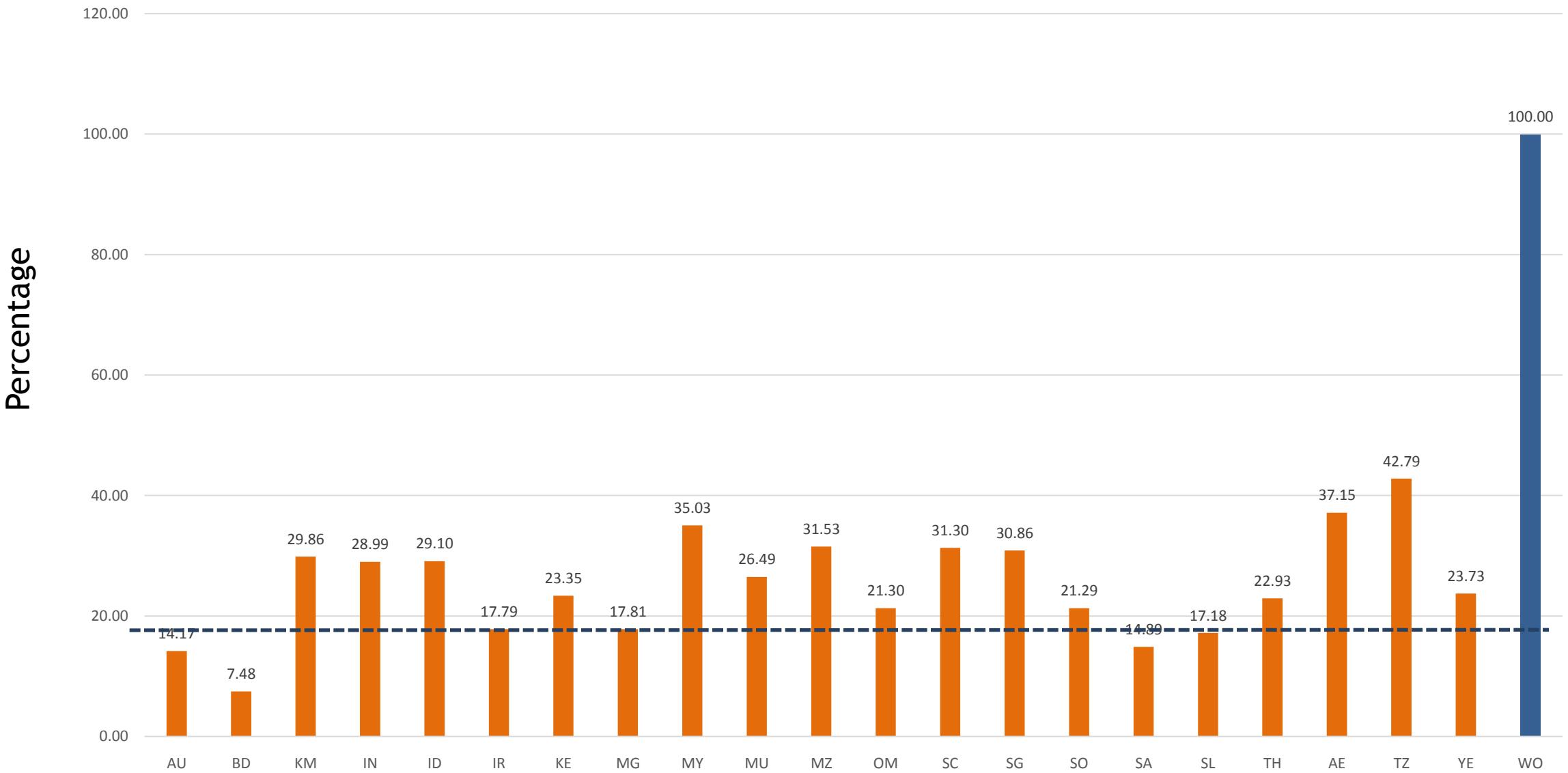


How Open is IORA?

IORA Countries Openness to Trade (Trade to GDP Ratio 2015)



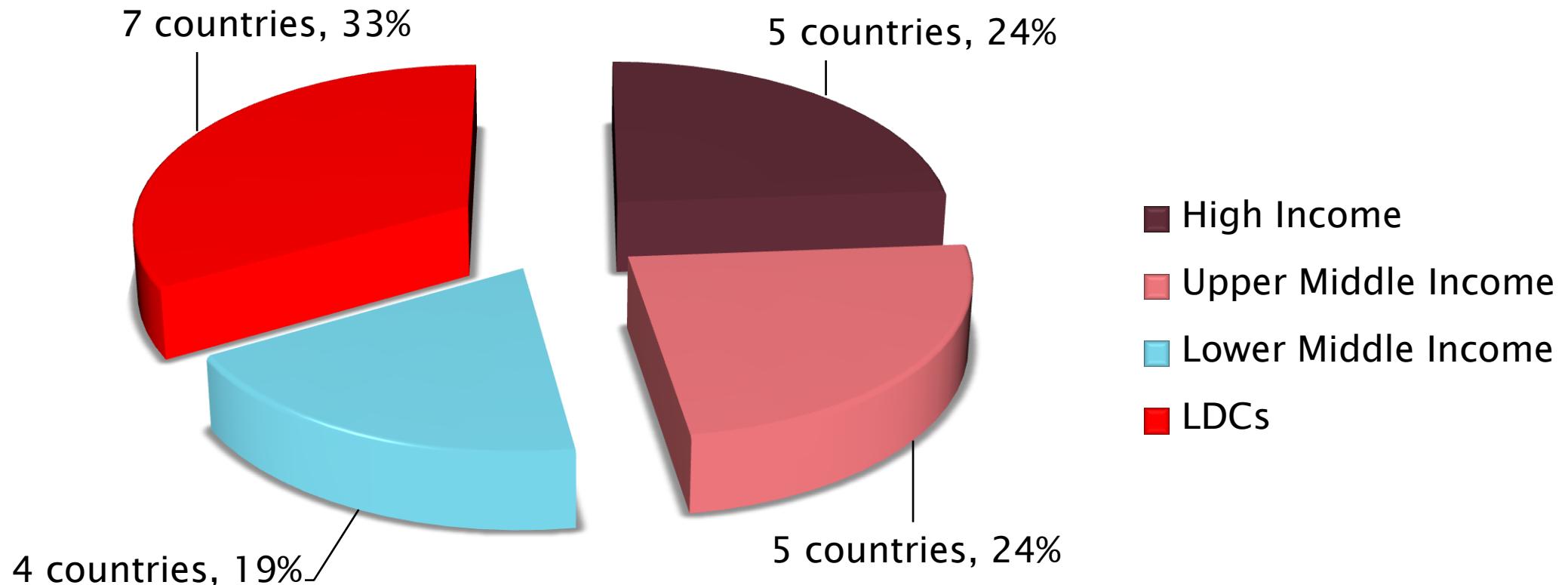
Export to IORA Compared to Export to the World



Source: UNCTAD, Processed by BPPK

Is IORA Ready for Closer Economic Cooperation?

(I.a) The Need to Narrow Economic Gap among IORA Member Countries



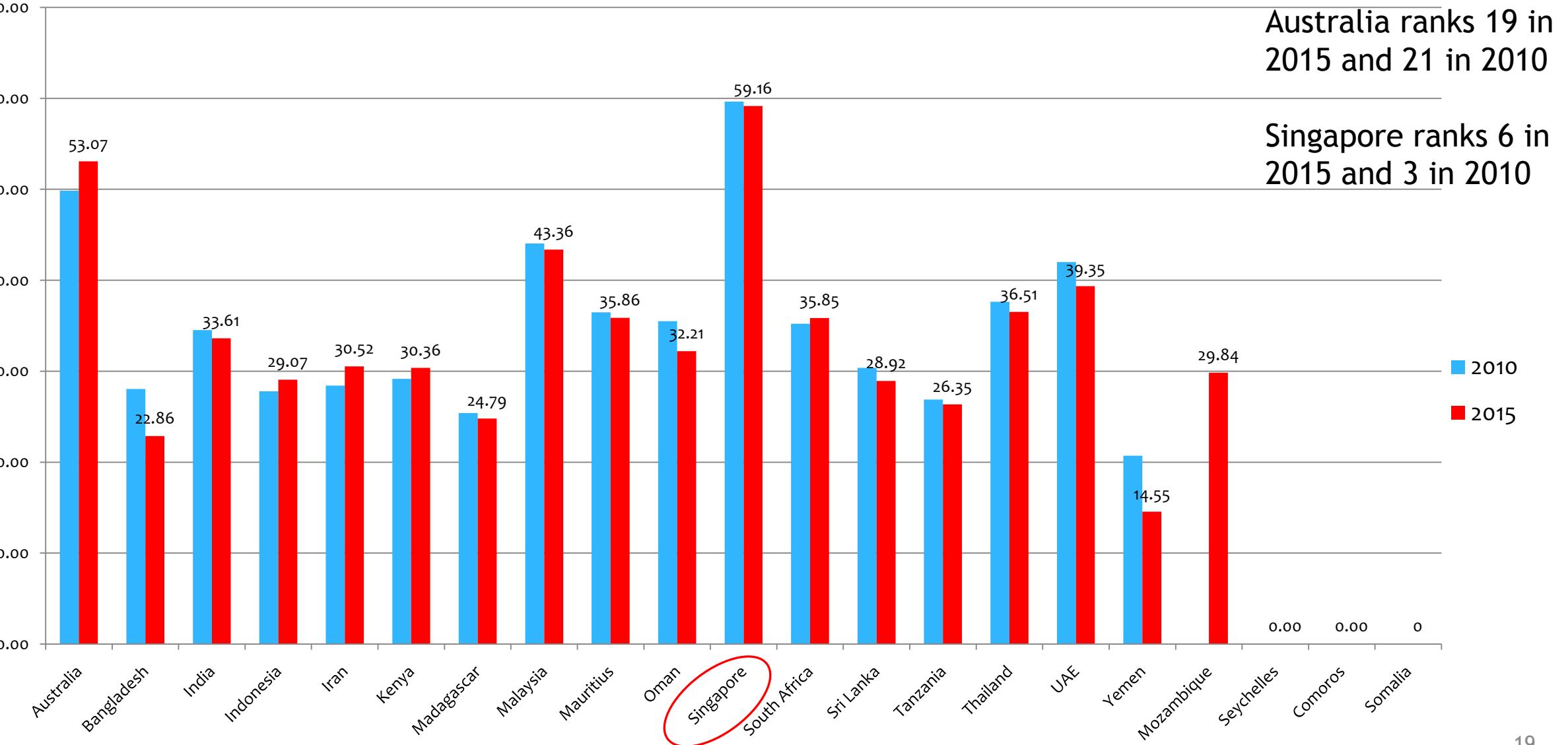
(I.b) Economic Qualification: Gdp In US\$ Billion

High Income	Upper Middle Income	Lower Middle Income	(Lower Middle Income) (LDC)	Low Income (LDC)
Australia, 1270	Thailand, 396	India, 2275	Bangladesh, 218	Tanzania, 48
United Arab Emirates, 383	Iran, 423	Indonesia, 943	Yemen, 31	Madagascar, 10
Singapore, 295	South Africa, 291	Sri Lanka, 83	Mozambique, 12	Somalia, 1
Oman, 72	Malaysia, 297	Kenya, 69		Comoros, 1
Seychelles, 1	Mauritius, 12			

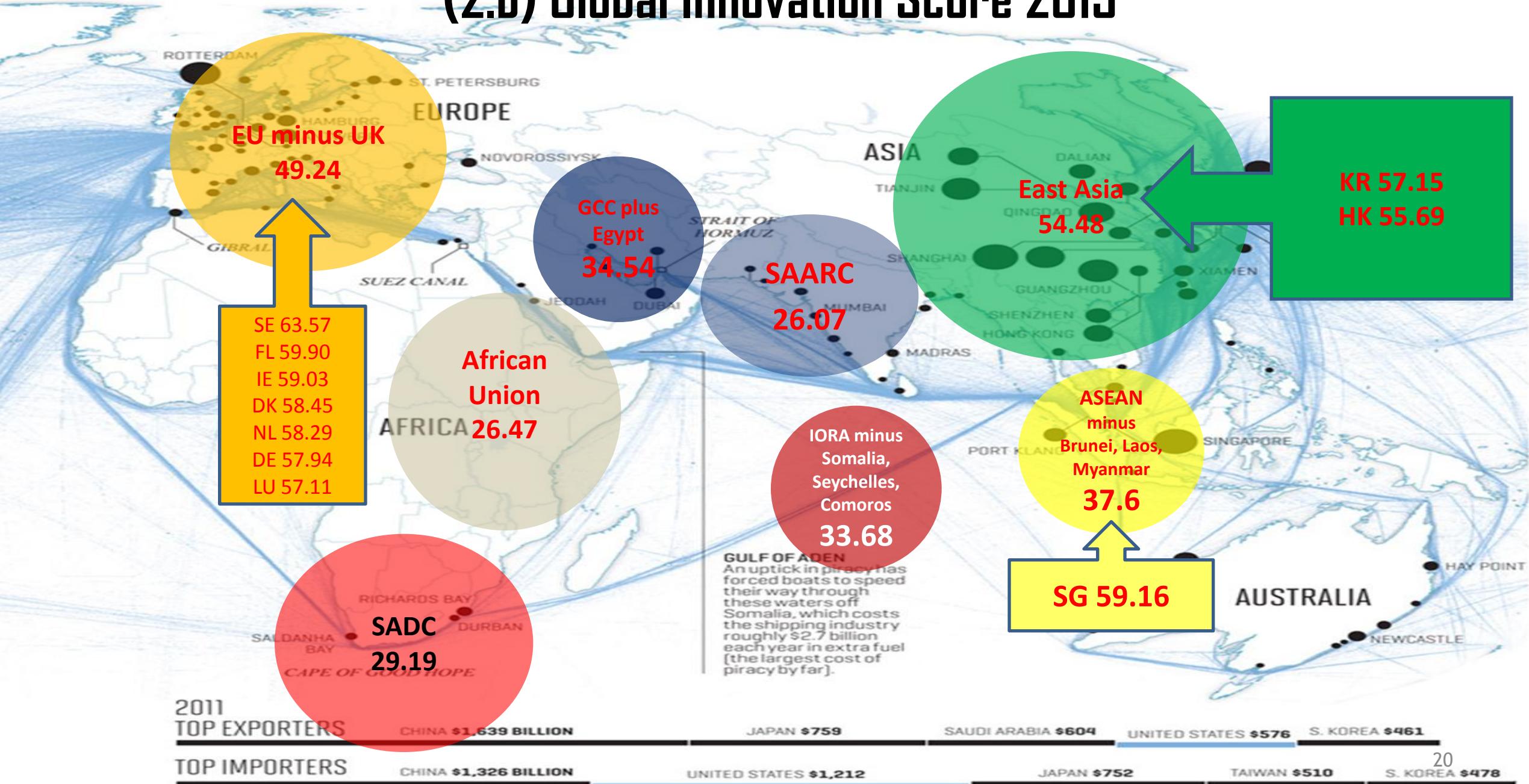
(2.a) Progress of Innovation in Indian Ocean has been slow (2010 and 2015)

Lots of Homework to be done

Index



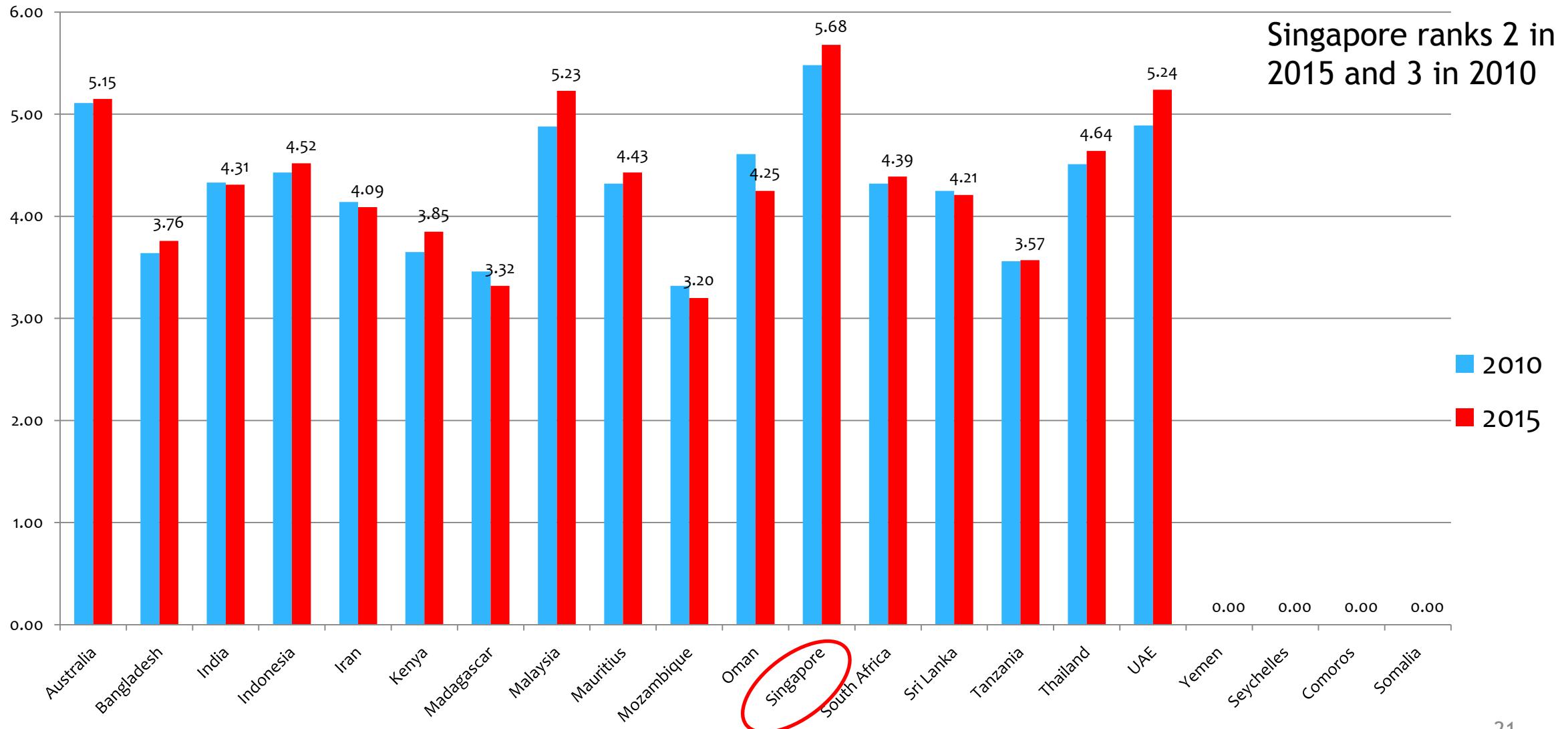
(2.b) Global Innovation Score 2015



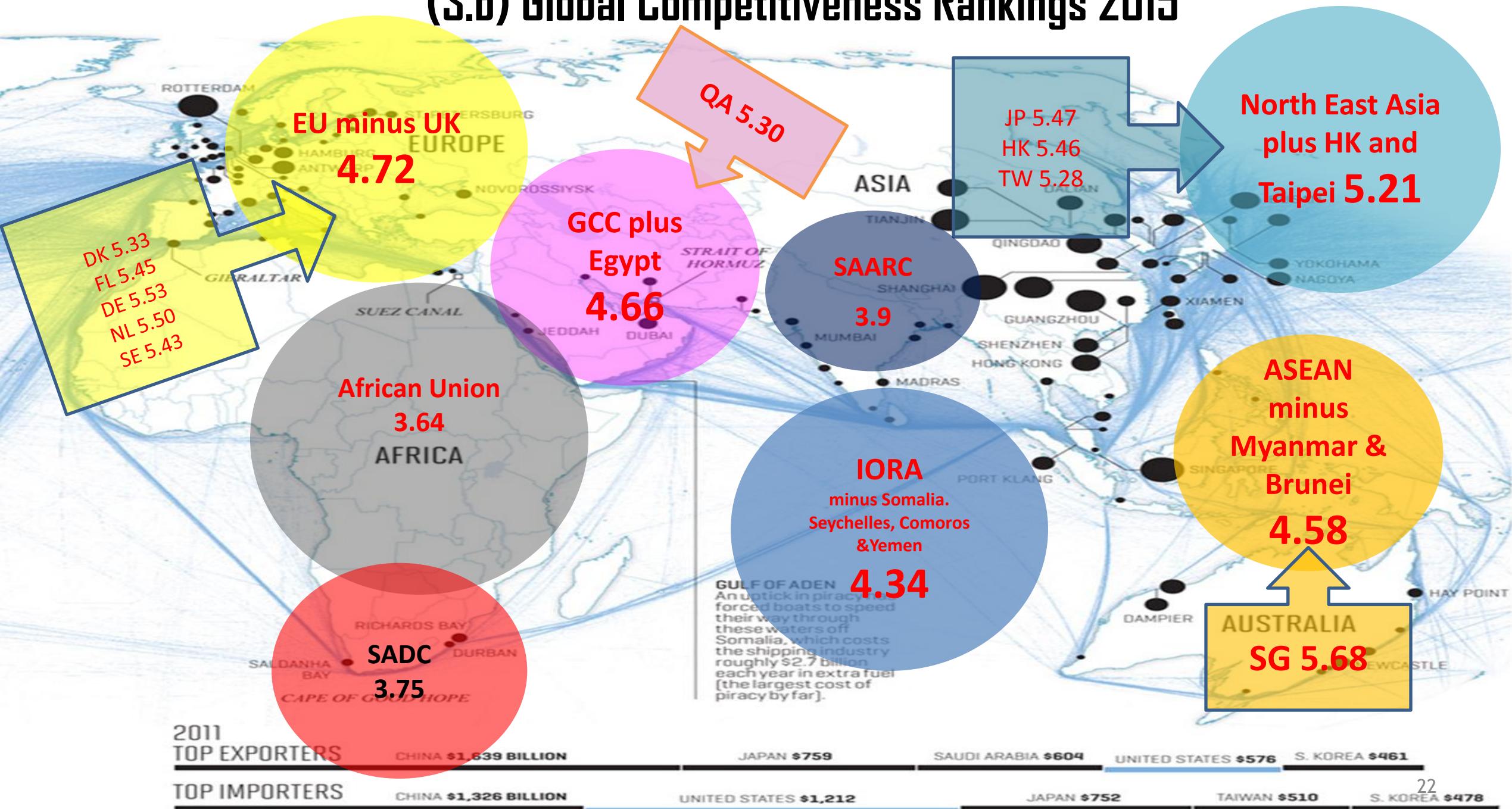
(3.a) Progress of Competitiveness in Indian Ocean (2010 and 2015)

Better score than Innovation?

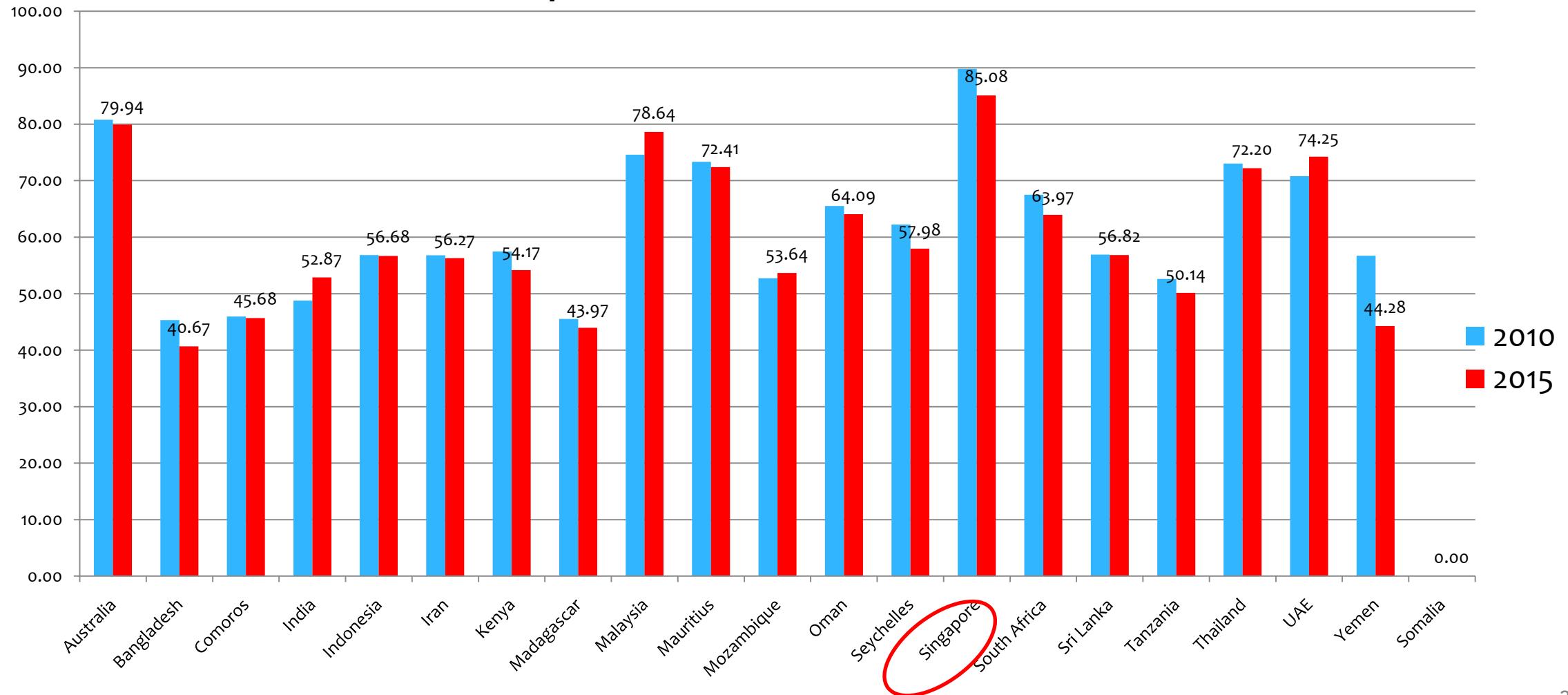
Index



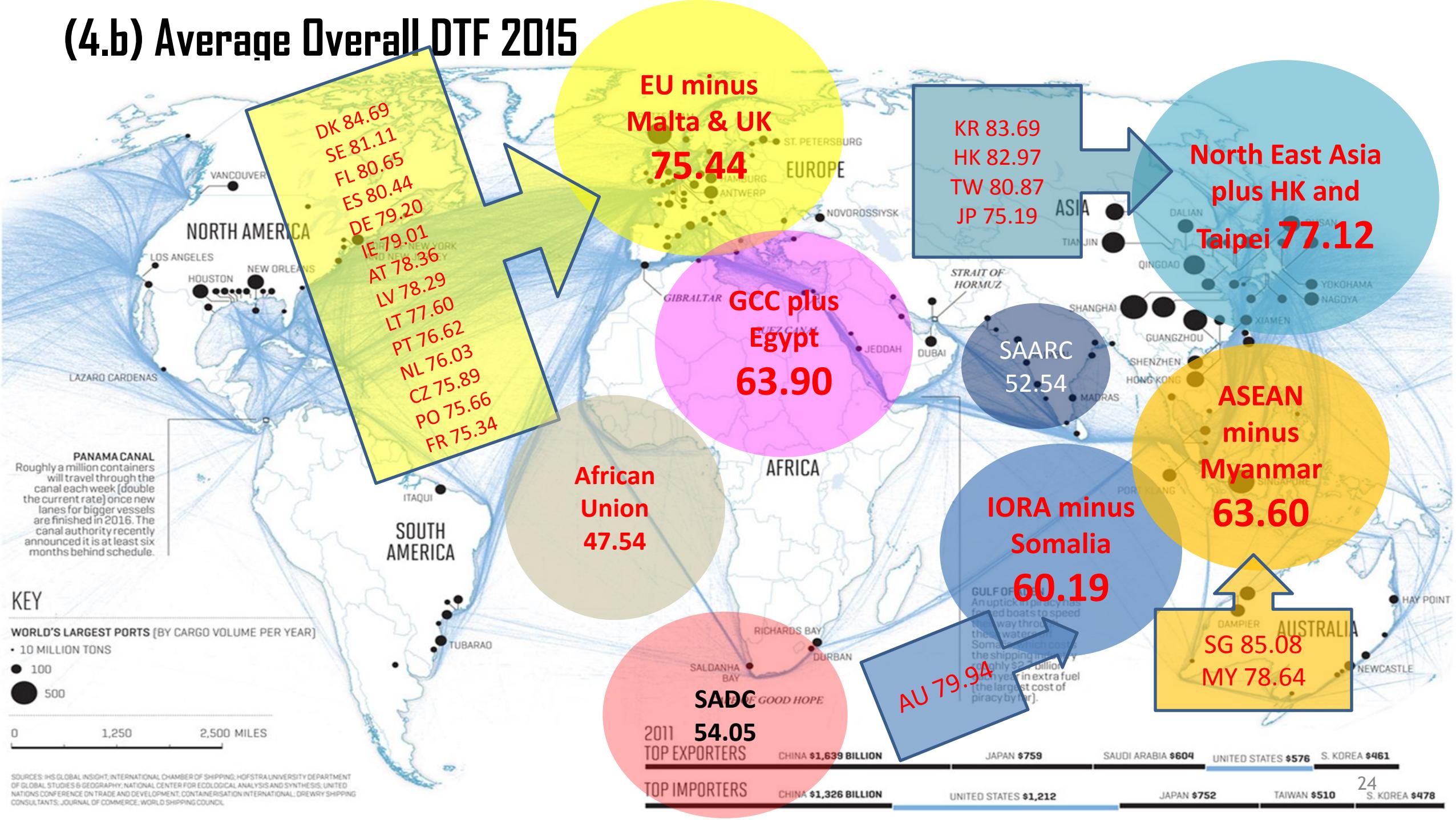
(3.b) Global Competitiveness Rankings 2015



(4.a) Ranking of Ease of Doing Business in Indian Ocean is OK, but progress is slow (2010 and 2015) Lots, lots of homeworks to be done

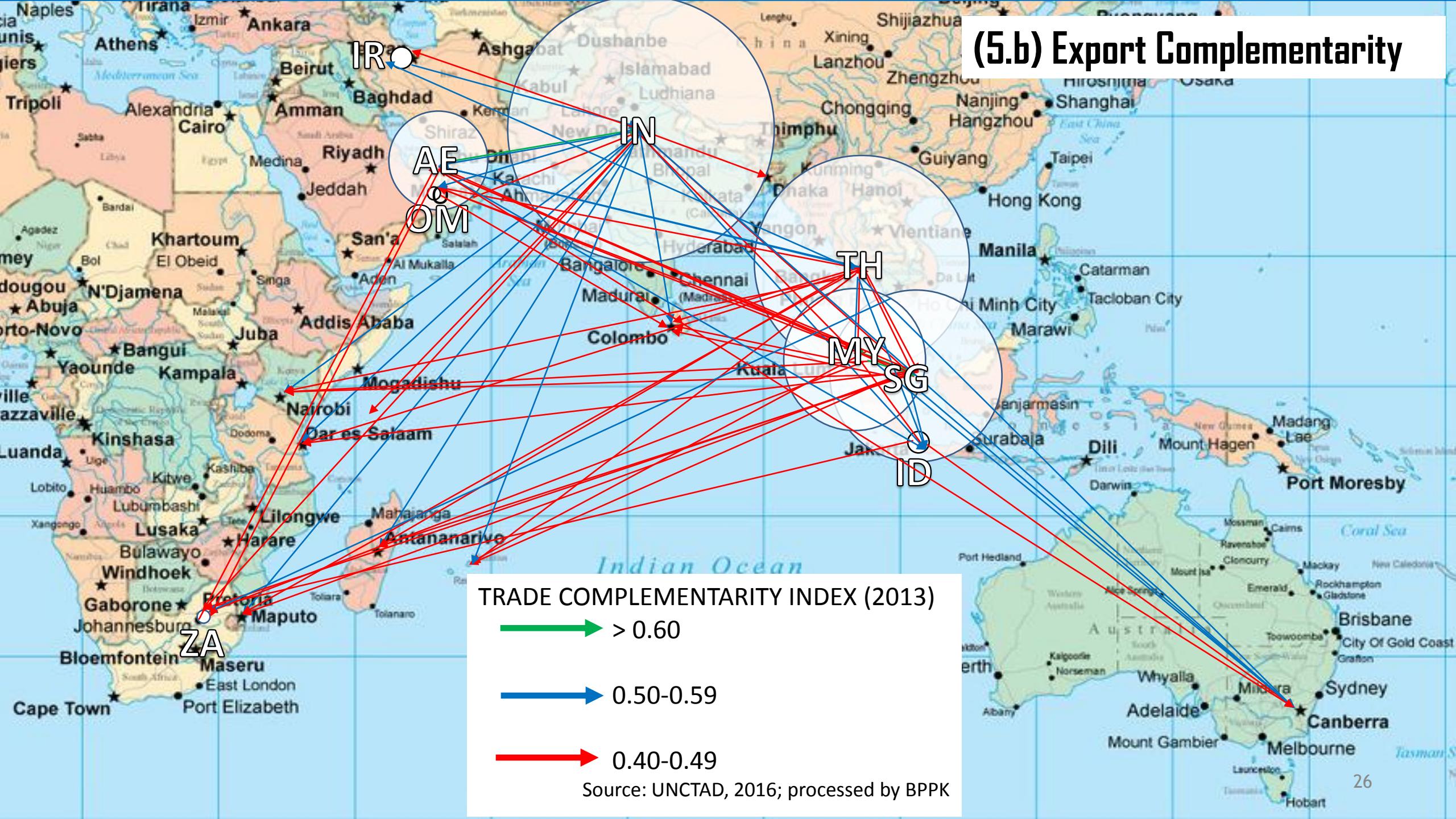


(4.b) Average Overall DTF 2015

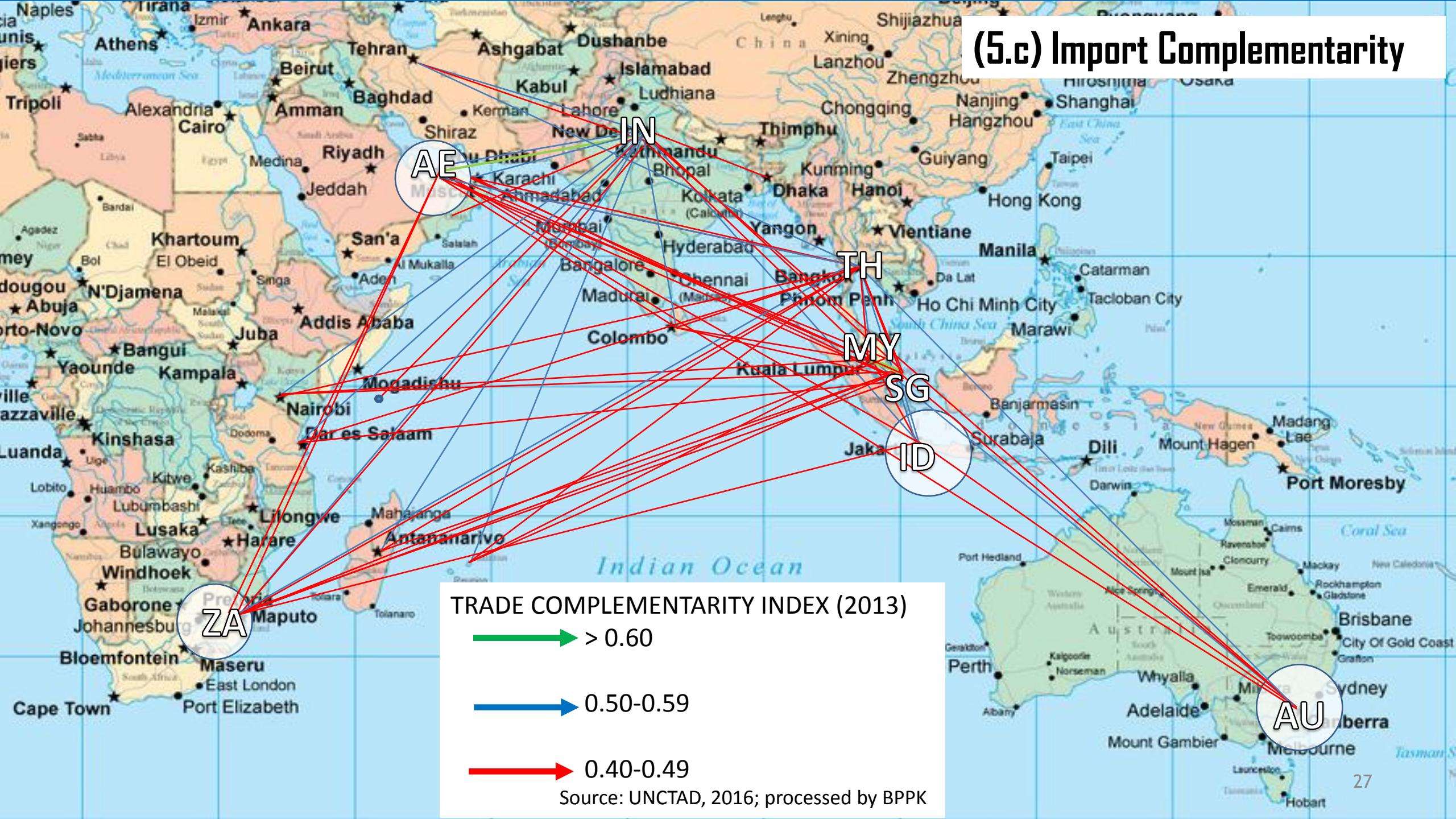


(5.a) IORA Intra-regional Trade Complementarity Index (2013)

(5.b) Export Complementarity



(5.c) Import Complementarity



TRADE COMPLEMENTARITY INDEX (2013)

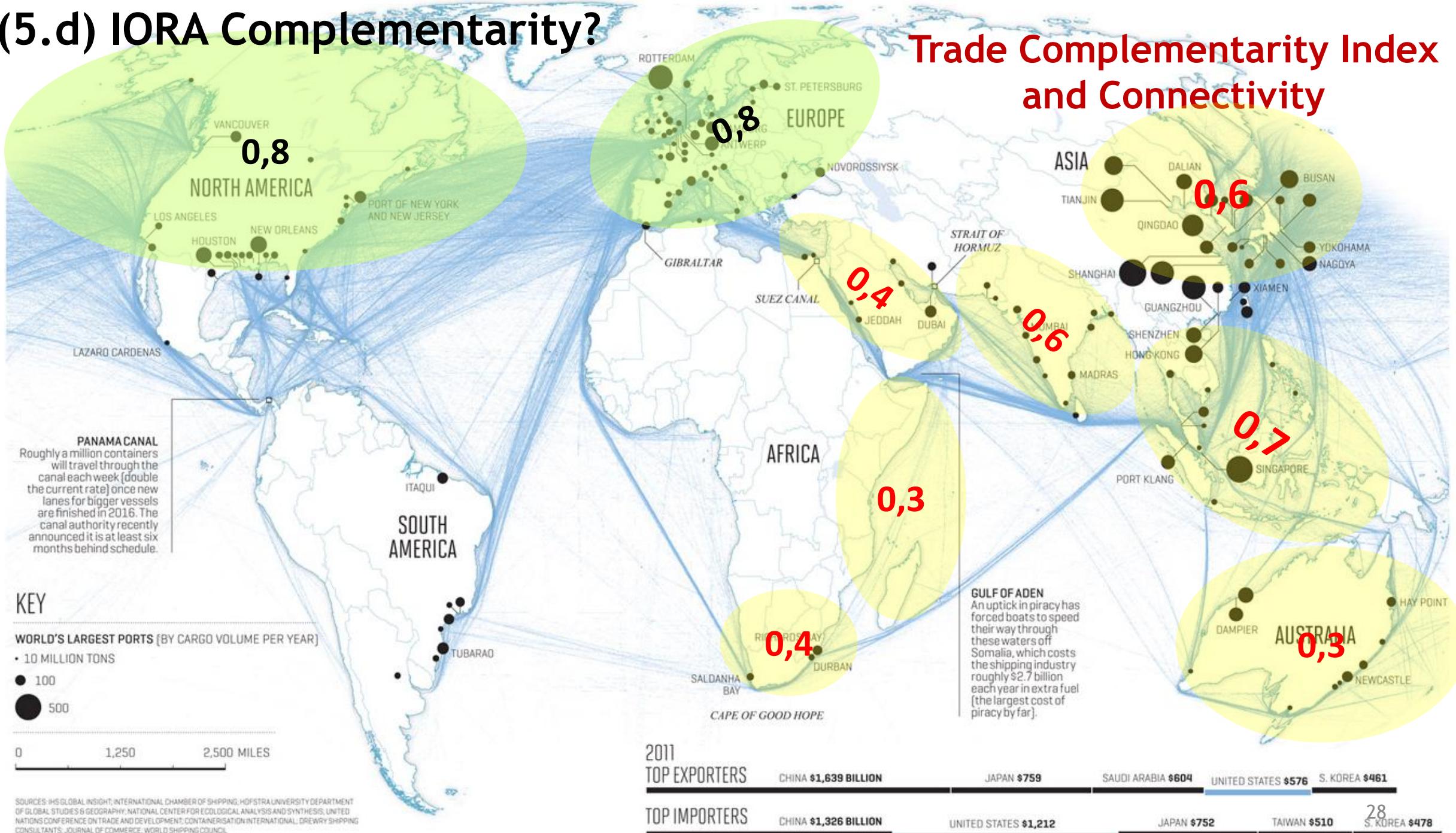
→ > 0.60

→ $0.50-0.59$

→ $0.40-0.49$

Source: UNCTAD, 2016; processed by BPPK

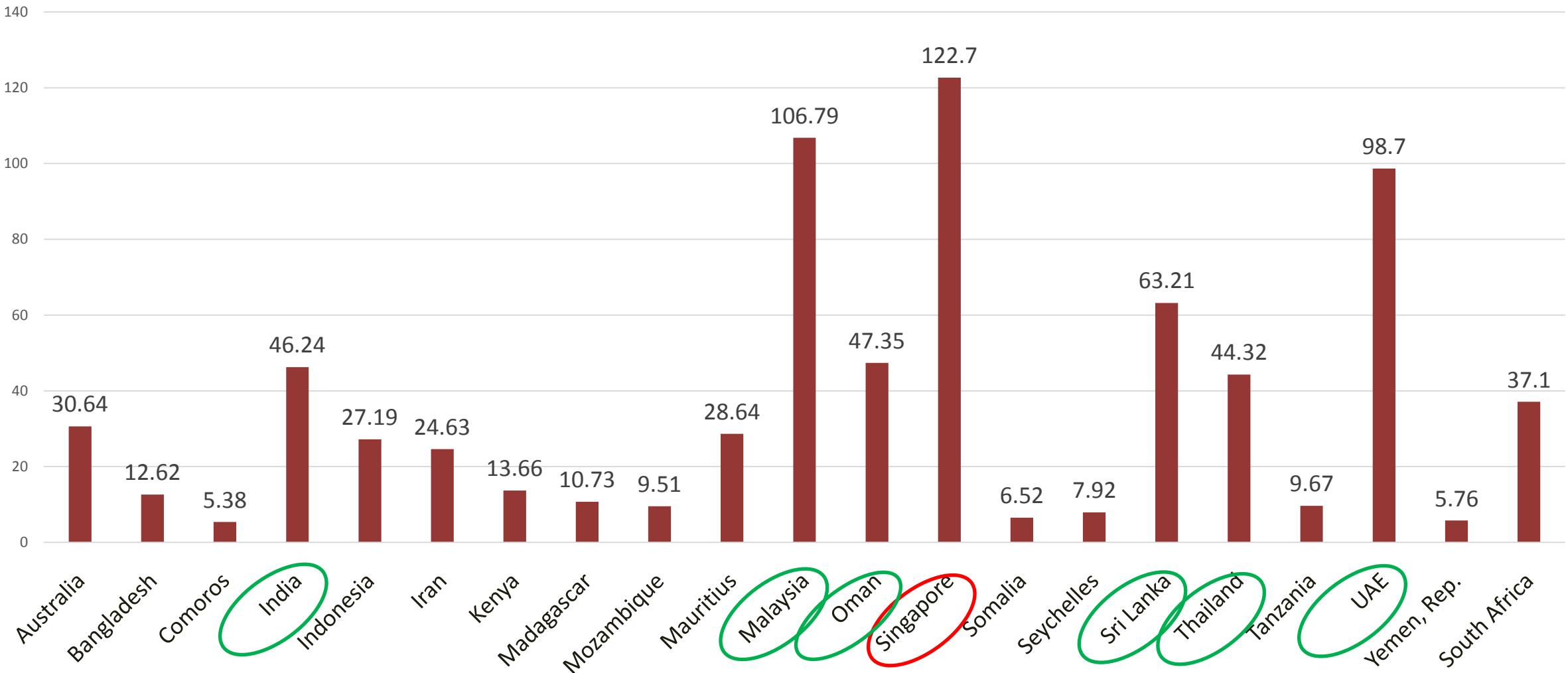
(5.d) IORA Complementarity?



Trade Complementarity Index and Connectivity

(6.a) Will Connectivity be a Challenge?

Shipping Line Connectivity Index 2016

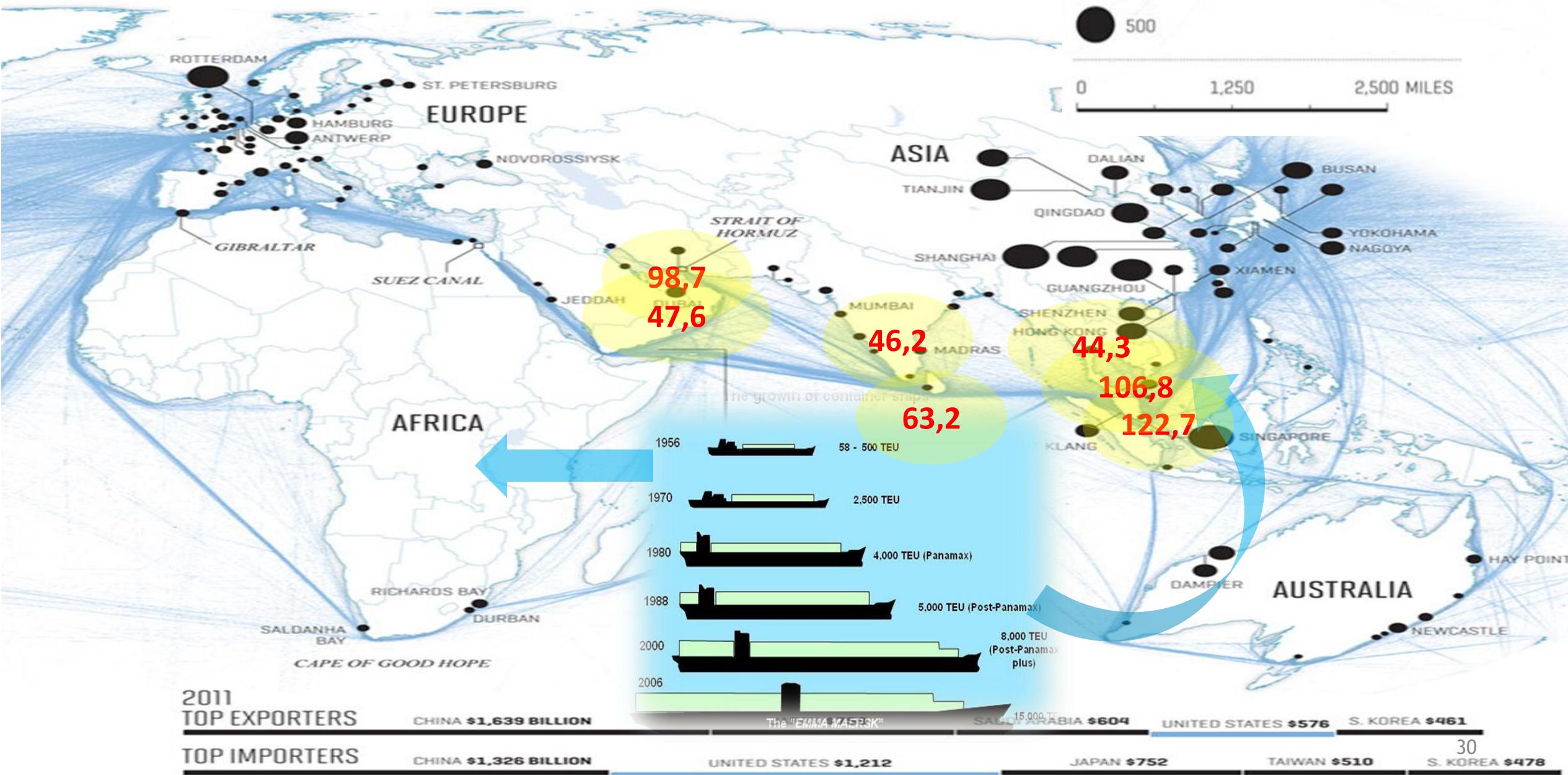


(6.b) Right Infrastructure for the Right Economy

WORLD'S LARGEST PORTS (BY CARGO VOLUME PER YEAR)

- 10 MILLION TONS
- 100
- 500

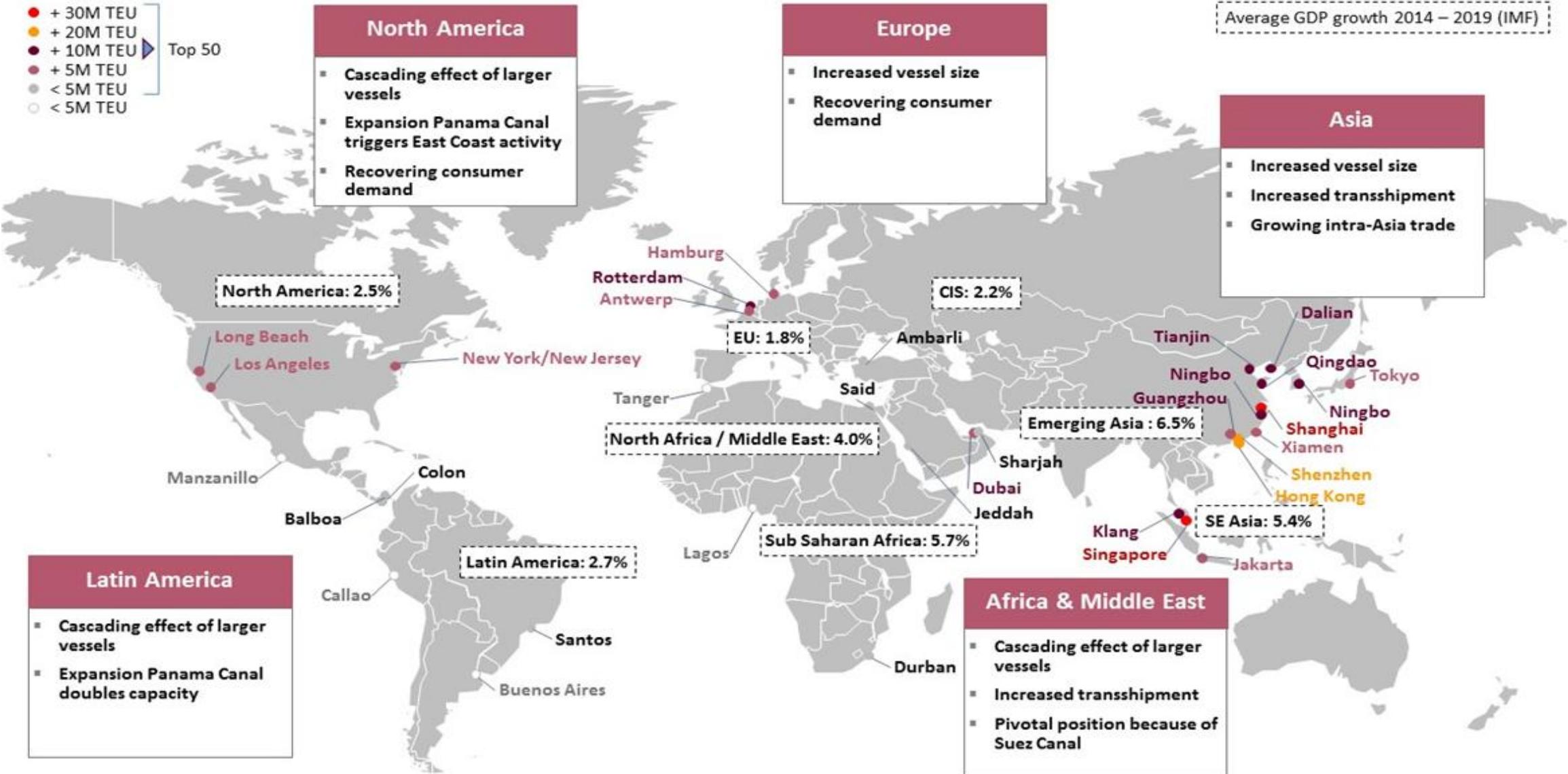
0 1,250 2,500 MILES



(6.c) Container port throughput, annual, 2008-2014, Measure in TEU

	2008	2009	2010	2011	2012	2013	2014
Australia	6,102,342.20	6,200,325.49	6,668,075.25	7,011,580.55	7,154,888.99	7,313,173.61	7,524,342.57
Bangladesh	1,091,200.00	1,182,121.00	1,356,099.00	1,431,850.63	1,435,599.23	1,500,160.65	1,655,365.14
Comoros	..	..	..	..	..	..	..
India	7,672,457.00	8,014,487.20	9,752,908.00	10,284,885.08	10,279,264.54	10,883,342.94	11,655,635.43
Indonesia	7,404,831.00	7,255,004.75	8,482,635.69	8,966,145.92	9,638,606.87	11,273,450.11	11,900,763.07
Iran	2,000,230.00	2,206,476.00	2,592,522.00	2,740,295.75	5,111,317.94	4,924,637.55	5,163,842.97
Kenya	615,733.00	618,816.00	696,000.00	735,672.00	903,400.00	894,000.00	1,010,000.00
Madagascar	143,371.00	132,278.00	141,093.00	149,135.30	160,320.45	172,985.76	181,808.04
Malaysia	16,093,953.31	15,922,799.65	18,267,475.36	20,139,382.42	20,873,479.14	21,168,980.59	22,718,784.40
Mauritius	454,433.00	406,862.00	332,662.00	462,747.00	576,383.00	621,917.26	653,635.04
Mozambique	241,237.00	219,380.93	254,701.26	269,219.23	289,410.67	312,274.11	328,200.09
Oman	3,427,990.00	3,768,045.00	3,893,198.00	3,632,940.45	4,167,044.38	3,930,260.89	3,620,364.19
Seychelles	..	..	..	..	..	..	..
Singapore	30,891,200.00	26,592,800.00	29,178,500.00	30,727,701.80	32,498,651.94	33,516,342.84	34,832,376.32
Somalia	..	..	..	..	..	..	..
South Africa	3,875,952.00	3,726,313.00	3,806,427.00	4,392,975.00	4,360,100.00	4,694,500.00	4,831,462.00
Sri Lanka	3,687,465.00	3,464,297.00	4,000,000.00	4,262,887.00	4,321,000.00	4,306,200.00	4,907,900.00
Thailand	6,726,237.00	5,897,935.00	6,648,532.00	7,171,393.74	7,468,900.37	7,702,475.90	8,283,756.17
UAE	14,756,127.00	14,425,039.00	15,176,524.19	17,548,086.07	18,120,915.03	19,336,426.80	20,900,567.36
Tanzania	363,310.00	370,764.70	429,284.99	453,754.24	487,785.81	526,320.89	638,023.42
Yemen	775,164.92	639,670.54	669,020.85	707,155.04	760,191.66	820,246.81	862,079.39

(6.d) Right Infrastructure for the Right Economy



(7) Will Regional Groupings be Challenges to IORA Closer Economic Cooperation?

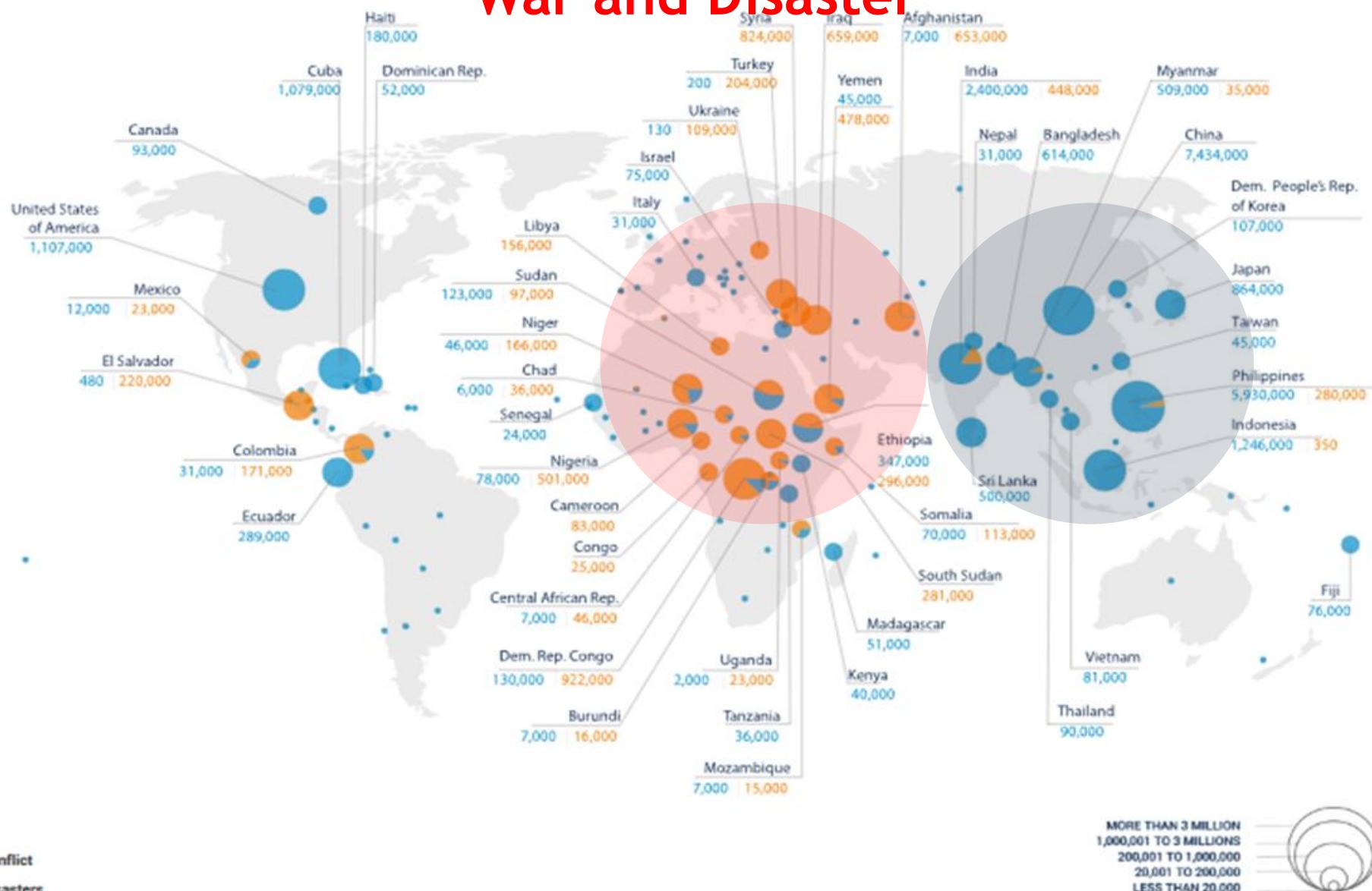
	South-East Asia	South Asia	Middle East	East Africa
South-East Asia	ASEAN RCEP ASEAN-Plus			
South Asia		SAARC BIMSTEC BBIN		
Middle East			GCC	
East Africa				SACU SADC COMESA

- IORA Members have been actively engaged in their sub-regional trade as well as bilateral trade agreements

Source: Mohanty, (RIS) 2017³³

How Does IORA Overcome Human Security Challenges?

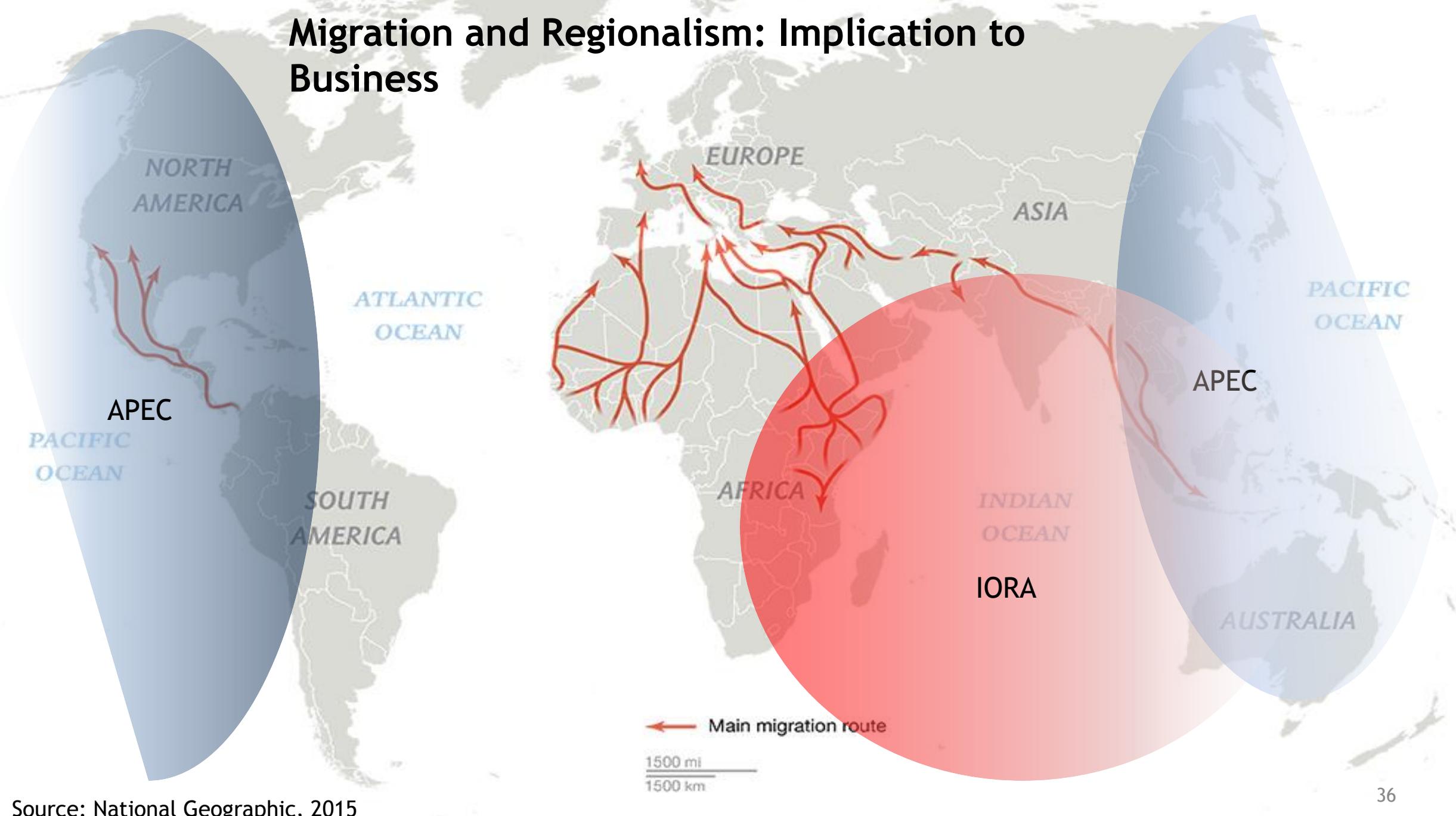
Challenges of Humanitarian Crises: War and Disaster



The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by IDMC.

The country name and the figure are shown only when the value exceeds 20,000 people displaced

Migration and Regionalism: Implication to Business



160 COUNTRIES UNDER THE MAGNIFYING GLASS

A UNIQUE METHODOLOGY

- Macroeconomic expertise in assessing country risk
- Comprehension of the business environment
- Microeconomic data collected over 70 years of payment experience

UNDER POSITIVE OR NEGATIVE WATCH



- Italy
- Ivory Coast
- Latvia



- Finland
- Hong Kong
- Japan
- Kazakhstan
- Namibia
- Taiwan
- Zambia

UPGRADE

DOWNGRADES

HUNGARY A4

- Solid growth (+3% in 2015 and +2.4% in 2016)
- Diversified exports

CANADA A2

- Oil price drop hampers Canada's growth
- Risk of a housing bubble
- Economic recovery will largely depend on the US growth

SOUTH AFRICA B

- Agriculture production suffering from severe drought
- High unemployment and inflation weigh on household demand
- Political situation remains fragile
- Instability of the exchange rate

ALGERIA B

- Economy is heavily reliant on oil and gas sector
- Large public deficit

BAHRAIN B

- Private sector activity will suffer from further decline in consumer and business confidence
- Political uncertainties
- High and rising public debt

BRAZIL C

- Investment, consumption and industrial activity are still declining
- Impact of the current political crisis may delay the budget adjustment process

GABON C

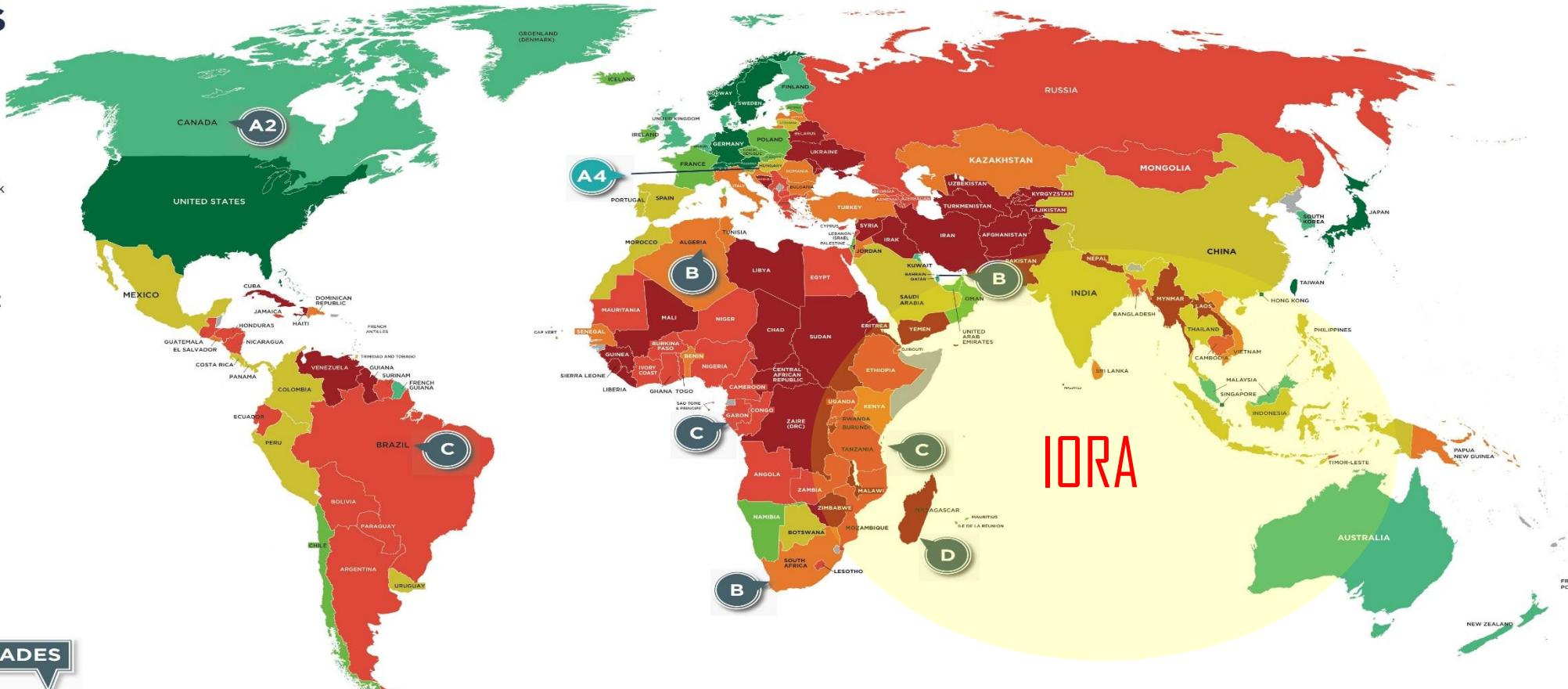
- Investment slowed by fiscal adjustment linked to oil dependency
- Social and political situation might become more strained in the lead-up to the next legislative and presidential elections in 2016

TANZANIA C

- The shilling against the US dollar may continue in 2016
- Difficult political environment: elections on the Zanzibar island have been cancelled due to fraud allegations

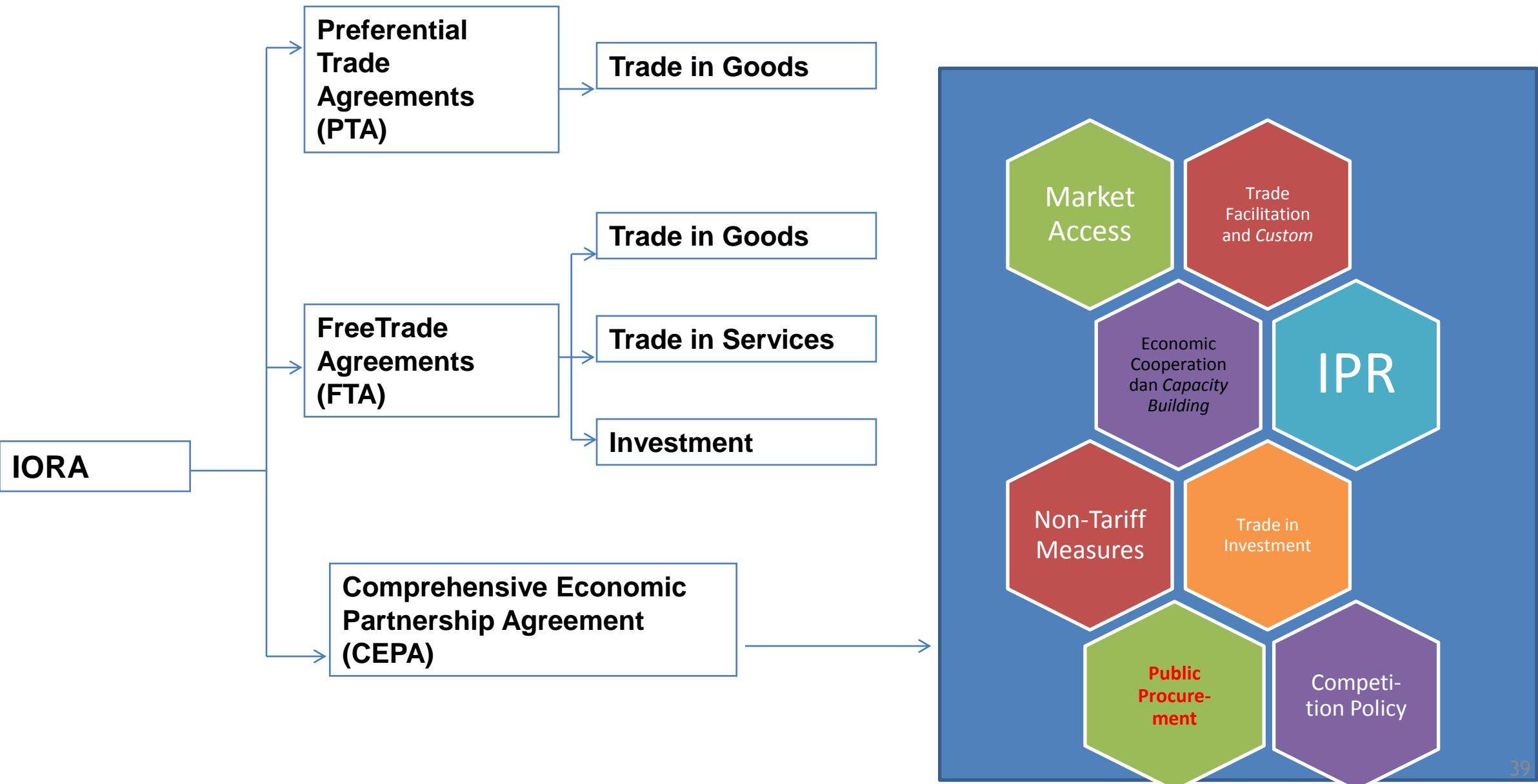
MADAGASCAR D

- Growth limited by political uncertainties
- Low level of nickel and cobalt prices, the leading sources of export earnings for the country, will limit exports



Finding Suitable Form of IORA Closer Economic Cooperation

Choice of PTA, FTA orCEPA-IORA



AFTA

RCEP

- CEPT
- Product coverage
- Schedule of Tariff Reduction
- Quota and Non Tariff Barrier

- Trade in goods
- Trade in services
- Investment
- Economic and technical co-operation
- Intellectual property**
- Competition
- Dispute settlement

TPP

- Trade in goods
 - Customs and trade facilitation
 - Sanitary and phytosanitary measures
 - Technical barriers to trade
 - Trade remedies
 - Investment
 - Services
 - Electronic commerce
 - Government procurement;
 - Intellectual property**
 - Labor**
- Environment**
 - Cooperation and Capacity Building
 - Competitiveness and Business Facilitation
 - Development**
 - SMEs
 - Regulatory Coherence
 - Transparency and Anti Corruption**
 - Administrative and Institutional Provisions
 - Dispute Settlements

The Parameters

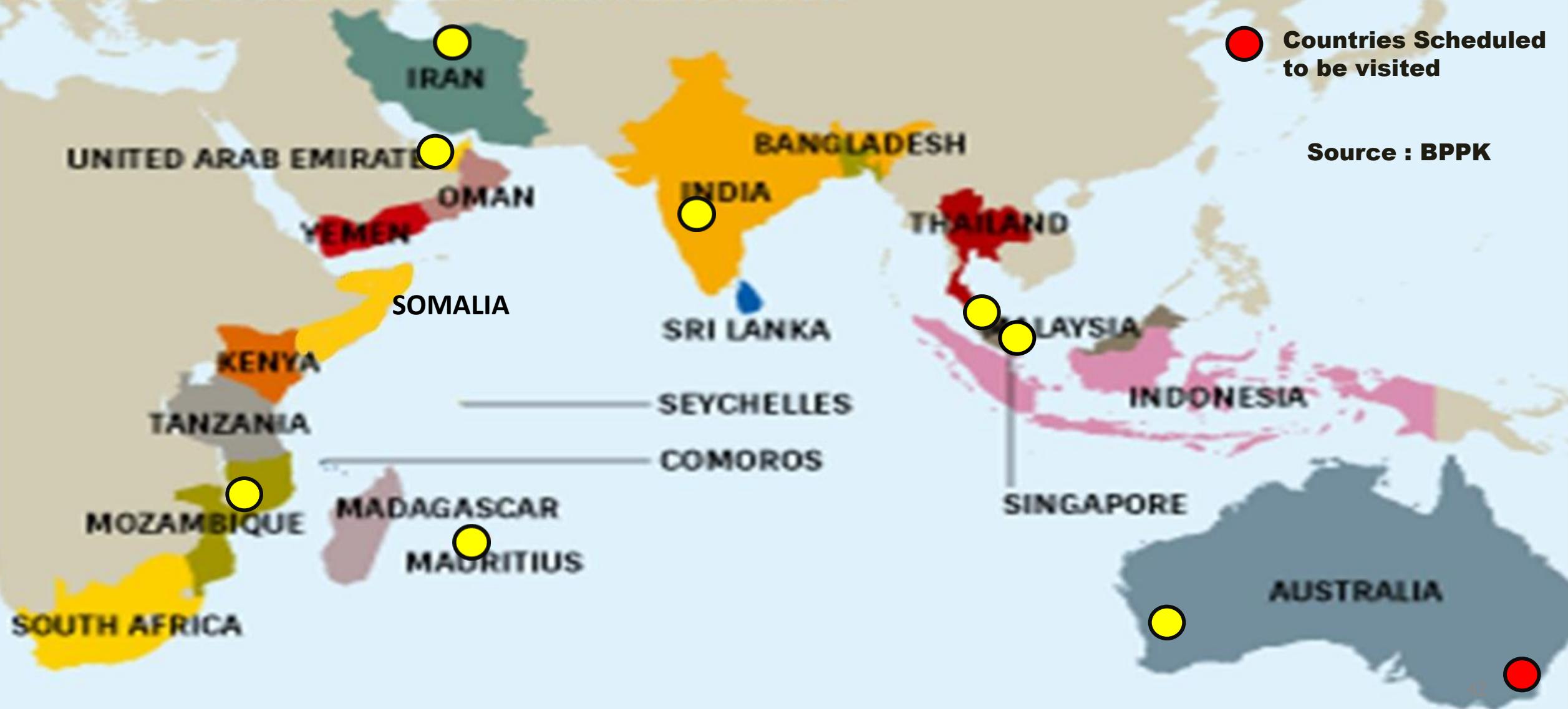
Field Research on IORA-CEPA

Time Frame	May – August 2017
Number of Countries Targeted	8
Name of Countries	Australia, Malaysia, Singapore, India, Iran, UAE, Mozambique, Mauritius
Reason for Targeting	Representing : Region, Economic Group
Institutions Targeted	Government Institutions, Think Tanks, Business Association, Companies
Number of Countries Visited	7

Members of Indian Ocean Rim Association

- Countries visited
- Countries Scheduled to be visited

Source : BPPK



GENERAL IMPRESSIONS ON THE QUESTIONS RELATING TO CEPA

No	Questionnaires (Core Questions)	Response (General Impression)
1	Is IORA known by the public?	<ul style="list-style-type: none"> ➤ Public and business have little understanding about IORA
2	Is IORA CEPA feasible?	<ul style="list-style-type: none"> ➤ All respondents consider discussion about IORA CEPA is too soon. Respondents prefer other form of closer economic cooperation, PTA, Trade Facilitation or Sector Cooperation
3	Does the existing legal infrastructure and economic capacities support the establishment of CEPA or any other regional economic cooperation mechanism?	<ul style="list-style-type: none"> ➤ Respondents convey their concern on economic gap among member countries, and their readiness to engage in closer economic cooperation. Singapore and Malaysia focus more on AEC and RCEP
4	Is WTO membership a pre-requirement for CEPA? Note: Iran and Comoros are not parties to WTO	<ul style="list-style-type: none"> ➤ Respondents are divided on this issue. Respondents in Singapore consider WTO membership is instrumental. On the other hand, respondents in Iran consider Iran's non-membership of WTO will complicate negotiation of FTA/CEPA, though it is not a fundamental issue.
5	The fact that IORA members are bound by different regional groupings, such as SACU, SAARC, COMESA, ECO, GCC, ASEAN of which any of them apply economic policy, will such differences be impeding the establishment of IORA's economic cooperation	<ul style="list-style-type: none"> ➤ All respondents considered membership to regional groupings, particularly the grouping that involve customs union will complicate negotiation on trade liberalizations.

Impression from the Fields (1)

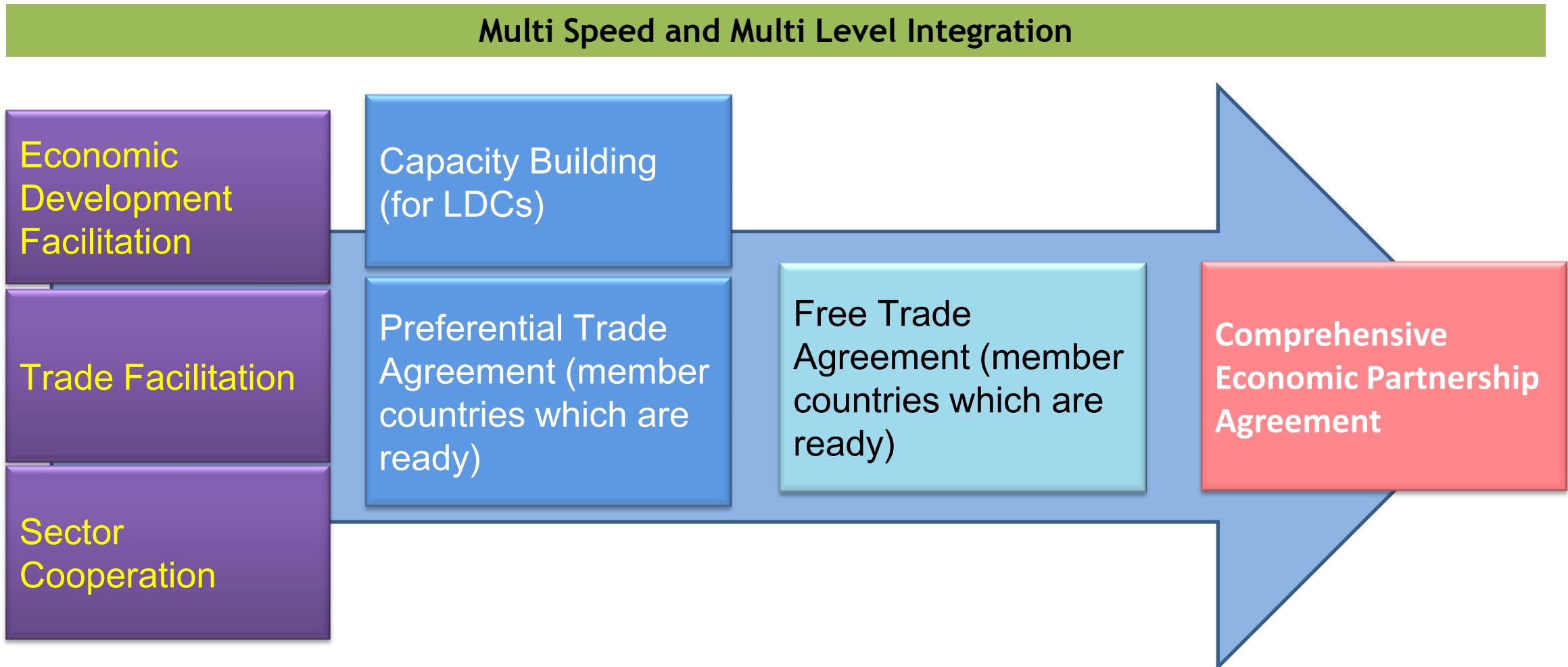
There is a common view on:

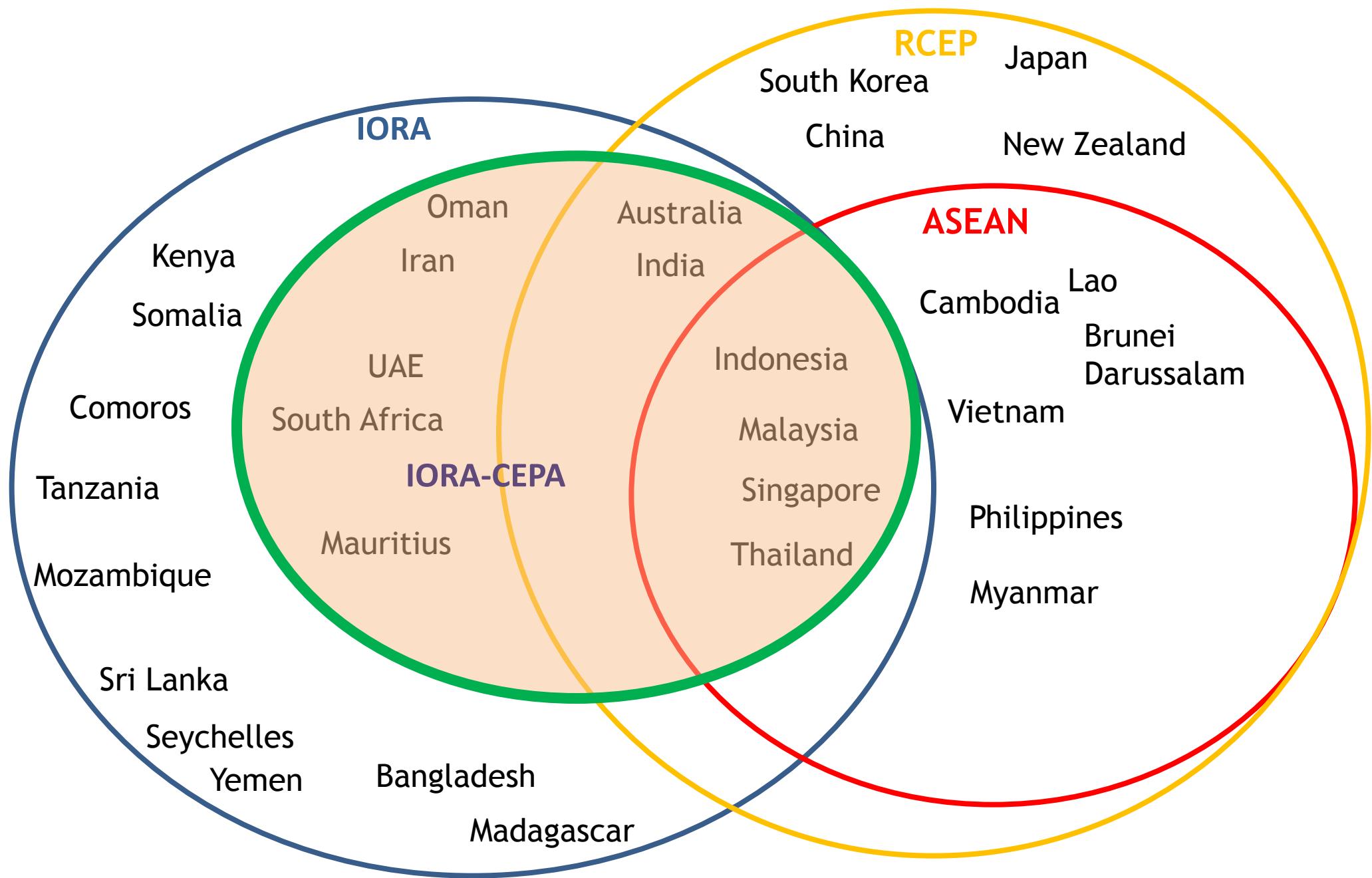
1. The need of a more realistic approach towards closer economic cooperation within IORA
2. The expectation that research would be focused on promoting trade facilitation such as Free Trade Zone Cooperation
3. The need to explore sector cooperation such as mining (Australian respondents), cruise tourism (Iranian respondents), some aspects of blue economy
4. The need to focus more on capacity building to ease economic gaps

Impression from the Fields (2)

1. Negotiation on Trade Liberalization should be started only with member countries which are ready.
2. ASEAN Economic Community could be used as Model for Economic Integration within IORA.
3. Sector Cooperation can also be used as fundamental for Economic Integration, taking example of European Union.

Preliminary Proposal for IORA Closer Economic Cooperation





RCEP, ASEAN, IORA-CEPA 47

Thank You