

## Associate Paper

1 June 2012

### **The Indian Ocean Rim Association for Regional Co-operation: India Takes the Lead**

**Dr Jivanta Schöttli**  
*South Asia Institute*  
*Heidelberg University, Germany*

#### **Key Points**

- The origins of IOR-ARC were tenuous, given there was no shared cultural, historical identity or established economic interaction among its founding members to consolidate the organisation.
- The IOR-ARC has suffered from a lack of leadership, but now that India is, and Australia soon will be, in the driving seat, both countries have shown renewed interest in the organisation.
- Regional arrangements need to have major powers willing to invest in material terms but also to provide an ideational impetus. The rhetoric in India, for instance, about maritime security, maritime interests and influence in the Indian Ocean region has significantly changed.
- The IOR-ARC could benefit from the fact that it cannot be depicted as a monolithic unit, nor can it be perceived as a bloc of revisionist powers. The focus has been on enhancing economic co-operation and improving governance on issues of common concern within the region.

#### **Summary**

Formed in 1997, the Indian Ocean Rim Association for Regional Co-operation (IOR-ARC) came into being thanks to a joint initiative of South Africa, India, Australia and Mauritius. Projecting an ambitious vision, the aim was to enhance economic co-operation by stimulating intra-regional trade and investment, synergising competitive advantages in

commodities, manufacturing and services, collection, classification and distribution of data and information, establishing a network among Indian Ocean Region (IOR) countries and promoting standardisation and harmonisation in data, statistics and procedures.

Unlike organisations such as the North American Free Trade Agreement (NAFTA) or the Asia-Pacific Economic Co-operation Forum (APEC), the proposed IOR-ARC did not, however, rest upon an existing record of economic interaction among the foreseen members. Furthermore, the sheer diversity in geography, culture and economic development made it appear an unrealistic and unwieldy entity. Almost 15 years later, in 2012, the IOR-ARC looks set for a revival. India and Australia are back in the leading seats as Chair and Vice-Chair respectively and, from a number of quarters, both from within and external to the Indian Ocean Region, there appears to be renewed interest in its potential.

## **Analysis**

### ***Origins of the IOR-ARC***

Four countries were at the forefront in conceptualising and spearheading the formation of the IOR-ARC. Each in turn had strategic incentives for doing so. In India's case, the collapse of the Soviet Union forced a review of foreign policy and strategic outlook, prompting the country to come to terms with the need to carve out a space and develop allegiances within a multi-polar world. During the mid-1990s, this entailed an emphasis on improving relations in the near neighbourhood. Under the supervision of then External Affairs Minister, Inder Kumal Gujral, this was given a priority and even nicknamed the "Gujral Doctrine". After India's application to join APEC was turned down in 1991, the IOR-ARC gained further relevance and the decision to support its formation was billed as part of India's evolving "Look East" policy.

This coincided with a new assertiveness on the part of South Africa. Breaking free from the constraints imposed during apartheid, South Africa sought to cast its influence beyond the immediate region. In 1995, then president Nelson Mandela stated, 'The natural urge of the facts of history and geography should broaden itself to include the concept of an Indian Ocean Rim for socio-economic co-operation and other peaceful endeavours.'

In fact, the idea is said to have taken root during a visit of former South African Foreign Minister, Pik Botha, to India in November 1993. It was cemented during the subsequent presidential visit of Nelson Mandela to India in January 1995. Consequently, an Indian Ocean Rim Initiative was formed by South Africa and India, with the assistance of Australia and Mauritius. Australia, at the time was "looking west" and seeking to expand markets, while Mauritius, sensing an opportunity, was keen to host the IOR-ARC headquarters, with the secretariat based in the capital, Port Louis.

In March 1997, the IOR-ARC was formally launched, with seven additional countries as members: Indonesia, Sri Lanka, Malaysia, Yemen, Tanzania, Madagascar and Mozambique.

### ***The Track Record***

Since 1997, the IOR-ARC has met regularly but assessments broadly agree that few tangible results have ensued. Business and civil society networks have been set up but over time faded away or collapsed, generating, in the process, a number of parallel organisations, such as the Indian Ocean Rim Academic Group, the Indian Ocean Rim Business Forum and the Working Group on Trade and Investment.

Perhaps most damage to the fledgling organisation was receding interest among the major players. Australia's enthusiasm dwindled after the second ministerial conference in Maputo in 1999 indicated that voluntary trade liberalisation would not take place. In South Africa, elections resulted in Thabo Mbeki taking over as president and a shift in interest towards African organisations, such as the Southern African Development Community and the New Partnership for Africa's Development.

India's commitment also waned as it realised the organisation did not open up a new regional space and had not been able to stimulate investment and trade. The disaster of the Indian Ocean tsunami, in 2004, highlighted the insignificance of the IOR-ARC through its absence in the relief work. Meanwhile, other trans-regional aspirations had caught the imagination of policy-makers. Most prominent among these was the IBSA Dialogue Forum, involving India, Brazil and South Africa that was set up in 2003 with the aim of galvanising South-South co-operation.

Over the last few years, a number of developments have, on the one hand, dramatically highlighted security concerns in the region and, at the same time, signalled a shift in strategic thinking. Together, these have revived a conviction in the idea that greater economic interaction will benefit the region as a whole. Piracy in the Gulf of Aden and along the coasts of Somalia and Kenya, but also out at open sea, has highlighted the vital importance of protecting the sea-lanes of communication. This has led to unprecedented levels of co-operation among naval forces within the region, as well as with extra-regional blue-water navies.

At the same time, territorial disputes over strategic and resource-rich islands (such as the territorial disputes in the South China Sea), have strained the current balance of power. In the meantime, two major, energy-hungry powers, India and China, are jostling for access to oil and maritime reserves. In other words, the indicators and symptoms of a power shift are evident, both in the vacuum that has emerged as governance is strained, and in the fissures and fault lines emerging between status quo and revisionist actors.

### ***India's Strategic Reorientation***

In response to an evolving regional context, India's strategic outlook has gradually altered. There are three major features to consider: the recognition given to maritime security and the need to invest in modernisation of the navy and coastal defence; the new enthusiasm with which co-operation with major naval powers such as the United States, Japan and Australia is undertaken; and a marked departure from traditional rhetoric about the Indian Ocean.

Maritime security has, in recent years, received a great deal of media and government attention, especially following the audacious 2008 terrorist attacks in Mumbai, which were orchestrated from the sea. A recent book by Dasgupta and Cohen, *Arming without Aiming* (2010), states that India's successful modernisation of the navy is a 'true transformation' in its strategic and military affairs. Largely thanks to India's economic growth, naval modernisation has been driven by the reliance on imported fuel and the recognised vital interests that India and other major economies have in the uninterrupted flow of commercial trade through the Indian Ocean.

At the same time, however, India is anxious to pre-empt any accusations or suspicions of maritime power projection. The Ministry of Defence's annual reports explicitly state that India does *not* 'harbour any extra-regional or territorial ambitions'. Official naval documents try their best to avoid any assertive posturing and, instead, seek to project the Indian Navy's presence in the Indian Ocean as a 'catalyst for peace, tranquillity and stability'. This is where the IOR-ARC has regained its usefulness and attractiveness from India's perspective, for it emphasises the need for co-operation on a number of governance-related matters, such as resource management, environmental sustainability and piracy.

The publication of India's Maritime Doctrine in 2004 was a major step in this direction and was supplemented, in 2007, by the Maritime Military Strategy document – both were produced by the Indian Navy. Analysed by specialists, the documents have been described as being primarily informative and educational, rather than pinpointing or framing tactical or operational plans. Following the Mumbai attacks, a revised Maritime Doctrine was released in 2009, which highlighted threats arising from 'maritime terrorism, piracy and coastal security' and emphasised the need for greater inter-service co-ordination within the armed forces. A number of key security considerations mentioned included the accessibility of the Indian Ocean to the world's most powerful fleets, the large Islamic populations along the coasts and hinterland, the oil wealth of the Persian Gulf, the importance of key straits and the historical diaspora linkages across the Indian Ocean.

India's improved relations with the United States have helped to moderate sensitivities about the US presence in the Arabian Sea and, despite diverging approaches on Iran, the two countries have conducted naval manoeuvres, such as the MALABAR exercises, which took place as recently as April 2011. Furthermore, the wariness about China's rise has persuaded India to encourage Japanese involvement in the Indian Ocean. All of this signals a major turnabout in Delhi's directives, given that much of independent India's foreign policy was previously aimed at keeping extra-regional powers out of India's sphere of influence.

For much of independent India's history in fact, its foreign policy rested upon the language of non-alignment, which emphasised notions of non-interference, peaceful co-existence, Afro-Asian solidarity and the struggle against neo-colonialism. From India's perspective of world politics, the rhetoric about the Indian Ocean focussed on projecting it as a 'zone of peace'. Such an approach has been adjusted to the exigencies of power. These include vital energy concerns. Estimates, based on current growth levels, project that India will soon have an 85 per cent dependence on foreign oil imports. Hence, it will have a crucial stake in

projected pipeline projects and on-going deep-sea oil drilling and gas wells within the Indian Ocean region.

India's public and private-sector oil companies are heavily invested in oil and gas ventures, including infrastructure development, as well as in securing oil concessions in foreign countries such as Sudan, Yemen, Iran, Iraq and Burma. The potential instability of governments in those countries, combined with regular warnings issued by China regarding India's movements in South-East Asia, have led some Indian strategic analysts to posit that energy security will be the single most crucial long-run concern for the country. As a result, it follows that this will require the nation to maintain military capabilities, not only for deterrence purposes, but also in case the state is required to adopt a more assertive position.

Security concerns and militarisation are not the only imperatives that have redirected India's interests in the Indian Ocean Region. Equally important are the commercial considerations that reveal a maritime arc stretching from the Gulf, through the Straits of Malacca, to the Sea of Japan and comprising a trade bloc worth more than US\$1,800 billion. Trade among the IOR-ARC countries amounts to 24 per cent of global trade. Furthermore, the remittances from an Indian overseas community that numbers more than 3.5 million are also a major consideration, as is the responsibility that the Indian state holds for guaranteeing their safety in times of political turmoil and uncertainty.

Within the IOR-ARC, a shift in importance is discernible in the speeches and efforts invested by Indian officials. While previous governmental representatives have judiciously attended the regular meetings, their speeches have been highly procedural and technical, providing a dry depiction of unimpressive achievements and lukewarm proposals for the future. The speech made by the Minister of External Affairs, S.M. Krishna, which inaugurated the most recent meeting in November 2011, is substantively very different. 'As the Indian Ocean is an integral part of our collective destiny, we need a holistic vision for a co-operative response to the challenges in the region,' Krishna told his counterparts and other cabinet ministers representing the respective countries. The language and optimism hark back to the early days of the IOR-ARC, when it was spearheaded by then External Affairs Minister, I.K. Gujral.

Not shying away from stating India's concrete interests, Krishna went on to name key anxieties relating to natural resources, conservation concerns, the need for sustainable harvesting, the challenge of piracy, the urgent need for co-ordination, and enhancing intra-regional investment flows. Further indicators of India's commitment included a decision to provide additional funding of one million US dollars to the organisation's Special Fund and that India's Heads of Mission to all the IOR-ARC member states were requested to participate in the deliberations.

The potential revitalisation of the organisation looks set to receive an additional boost thanks to Australia's renewed interest. Former Foreign Minister Kevin Rudd, who arrived in India to participate in the Bangalore conference, explained that Australia's trade in goods to IOR-ARC countries in 2010-11 totalled more than \$80 billion, or 17 per cent of its total exports. In a statement issued by the Australian High Commission in New Delhi, he pronounced, 'Australia is as much an Indian Ocean nation as we are a Pacific Ocean nation.'

### **Plus Ça Change?**

The IOR-ARC is a unique conglomeration of members, brought together in a forum that is not confined to an agenda focussed on defence, trade or environmental concerns. The association also has five dialogue partners – Egypt, Japan, China, Britain and France and two observers: the Indian Ocean Tourism Organisation (IOTO) and the Indian Ocean Research Group (IORG).

The expansiveness of the themes that are addressed may certainly indicate a weakness of the organisation but this could also turn out to be its strength, for it cannot be identified as a militarised bloc of monolithic interests. While, on paper, the concrete results so far have been thin, India in particular has demonstrated its interest in providing leadership, as well as revealing a willingness to invest resources. This coincides with a number of indications that India is seeking to enhance its standing and influence in the region as a whole.

Nevertheless, the IOR-ARC receives little coverage in the Indian media and has not been a topic of great academic interest. Nor does it feature in major foreign policy speeches by representatives of the Indian Ministry of External Affairs. Despite this, it seems likely that, over the next few years, the remaining year-and-a-half of Indian chairmanship, to be followed in 2013 by Australia's two years, will provide a needed boost to the vision and strategic weight of the organisation.

\*\*\*\*\*

**About the Author:** Dr Jivanta Schöttli is Lecturer in the Department of Political Science at the South Asia Institute, Heidelberg University, Germany. She holds a Masters in Economic History and Bachelors in International Relations, both from the London School of Economics and Political Science, UK. Her PhD in political science from Heidelberg University was on the subject of policymaking and institution building during the transition period after independence under Prime Minister Jawaharlal Nehru. Published with Routledge of London in 2012, it is titled *Vision and Strategy in Indian Politics*.

Dr Schöttli is co-author of *A Political and Economic Dictionary of South Asia*, has written articles on Indian foreign policy and edited various publications. Jivanta has been a research fellow at the Institute for Defence Studies and Analyses, New Delhi and at the Centre for India Studies, Peking University, China. She is a member of the Heidelberg University Cluster of Excellence, 'Asia and Europe in a Global Context' and Deputy Editor of *Heidelberg Papers in South Asian and Comparative Politics* (HPSACP). Her research interests include India's international politics and the interplay between domestic and systemic dynamics of change, continuity and policymaking.

\*\*\*\*\*

*Any opinions or views expressed in this paper are those of the individual author, unless stated to be those of Future Directions International.*

Published by Future Directions International Pty Ltd.  
Desborough House, Suite 2, 1161 Hay Street, West Perth WA 6005 Australia.  
Tel: +61 8 9486 1046 Fax: +61 8 9486 4000  
E-mail: [lluke@futuresdirections.org.au](mailto:lluke@futuresdirections.org.au) Web: [www.futuresdirections.org.au](http://www.futuresdirections.org.au)