THE ECONOMIC PROSPECTS OF THE INDIAN OCEAN RIM COUNTRIES

Dissertation submitted to the Jawaharlal Nehru University in partial fulfilment of the requirements for the award of the Degree of

Master of Philosophy

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Dedicated
to
my parents
and
wellwishers

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TO WHOMSOEVER IT MAY CONCERN

"The Economic Prospects of the Indian Occan Rim Countries", submitted by Md. Mukhtar Alam in fulfilment of nine credits out of total requirements of twenty four credits for the award of Degree of Master of Philosophy (M.Phil) of this University, is his original work and may be placed before the examiners for evaluation. This Dissertation has not been submitted for the award of any other degree of this University or of any other university to the best of our knowledge.

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However, I am solely responsible for the shortcomings which may be found in the present study.

4th July, 1997 — *(Md. Mukhtar Alam)*
New Delhi.

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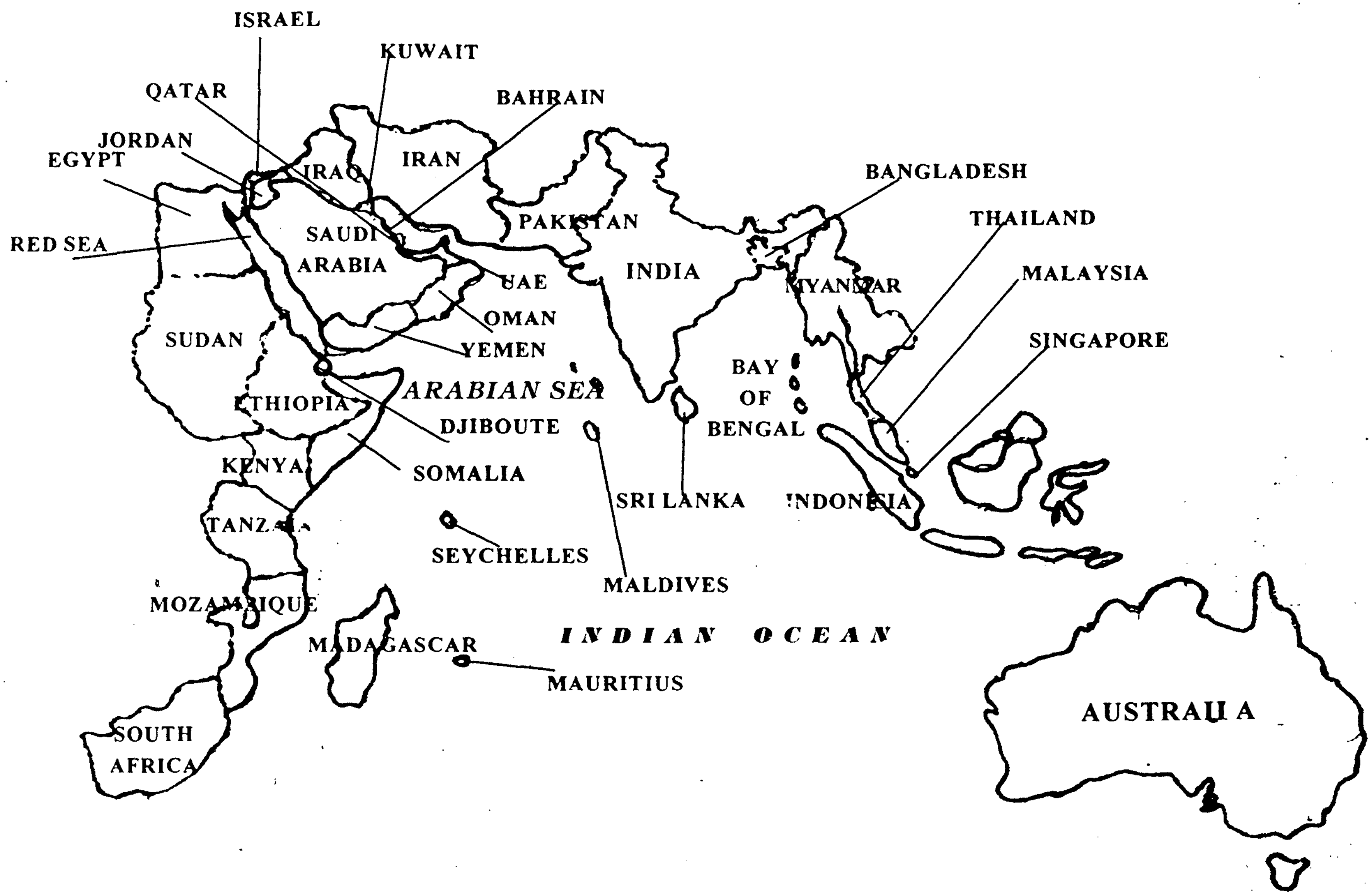

CHAPTER-I

Indian Ocean Rim's Resource Prospects: an introductory Discussion

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Indian Ocean Rim's Resource Prospects : an introductory Discussion

INTRODUCTION:

The geography of the Indian Ocean ensures that it is walled off on three sides: Asia forms the roof, and the whole stretch between the Cope of Good Hope to Cape Leeuwin (South west-tip of Australia) forms the vast expanse of this ocean. The landmass of the northern portion is accessible from both east and west through narrow straits. The tropical character of the ocean makes it free from various obstructions and the geographical situation modifies the rigours of climate, making the Indian ocean navigable and ideal for maritime trade.

Specifically, the Indian Ocean Region comprises: Antarctica bordering on the Indian Ocean with parts of it under extra-regional ownership ; littoral countries of Africa from the Nile delta to Cope of Good Hope; Egypt, Sudan, Djiboute, Ethiopia, Somalia, Kenya, Tanzania, Mozambique and South Africa, Arabian Peninsula: Israel, Jordan, Saudi Arabia, Yemen, Oman, U.A.E. , Qatar Bahrain and Kuwait; West Asia: Iraq and Iran; South and South East Asia: Pakistan, India, Bangladesh, Maynmar Thailand, Malaysia; and Island States:

Madagascar, Maldives, Seychelles Mauritius, Sri Lanka, Indonesia, Singapore and Australia. There are 34 rim countries included in the study of the given topic. The fast-growing competitive economy of the world has compelled for systematic study of the Indian Ocean Rim countries on the light of economy. The study of the economic prospects of the IOR countries is not only important but also essential to bring in the main stream because of protectionism and polarization of the world economic system.

The Gulf region has two-thirds of world's proven oil reserves in a zone extending from northern Iraq through the basins of the Tigris and Euphrates, and along the land bordering the Persian Gulf and the Gulf of Oman.

Much of Australia remains unexplored for minerals though it is already credited with more than 10% of the bauxite, iron ore, silver, zinc and industrial diamond reserves of the world. The failure to locate any significant reserves of oil and gas has made it a net importer of oil and gas.

South east Asia's share of oil and gas, coal and other minerals is not significant, except for 70% of the world's tin (mainly in Malaysia, Indonesia and Thailand) and modest-nickel reserves.

In the Indian sub-continent, India has significant reserves of coal, iron-ore, manganese and bauxite and largest reserve of mica of the world. Whereas two-thirds of the total economically active population is accounted for, by agriculture. Pakistan has almost no fossil fuel or non-fuel minerals, just a quarters of its land area is used for cultivation. And about two-thirds of total land area of Bangladesh is arable as well as a country of without minerals, but has vast agricultural prospects.

The Ocean provide a new frontier for vital resources. The Indian ocean has on area of about 75 million Km^2 , an average depth of 3,900 metres and volume of water about 291945 cu Km. In the face of an unceasing scramble for land resources, and uncertainties and disputes attached to them, the breakthrough in scientific oceanography came as a relief to mankind in its search for new sources of food, minerals and energy. The International Indian Ocean Expedition (1960-65) was a direct outcome of the Internatiional Geophysical year (1958-59). This expedition led to the formation of the National Institute of Oceanography in India in order to develop an information system related to the Indian Ocean. The NIO initiated two important programmes ------ scientific expeditions to Antarctica and explorations of deep seabed minerals deposit in the Central Indian Ocean.

Fishery constitutes one of the oldest and most important human uses of the ocean, and has acquired increased significance in the light of protein requirements of a large part of the population in the IOR. The region has a potential for harvesting more than 10 million tons including both pleagic and demersal fishery near the surface and bottom respectively. India, Bangladesh, Indonesia, Kenya, Pakistan. Thailand and a number of Island states earn significant foreign exchange from this sector. India and other developing countries, almost the entire fishing catch comes from within a 50 meter depth. But a number of non-regional nations take away significant amount form the EEZ of littoral states, largely in tuna fishery. Hence, formal agreement for distributing zones between regional and non-regional states to facilitate production through acquaculture and mariculture could constitute a major element in the future fishery policies of the Indian Ocean States.

Oil and natural gas is the biggest Industry in the world today, given its use in transportation, industrial and domestic sectors. In the IOR, the Persian Gulf region has the world's major proven oil reserves (Saudi Arabia, Kuwait, UAE, Qatar, Bahrain, Iraq and Iran) with possibility of extensive undiscovered deposits. A major portion exported to the western countries, Japan and Australia. While Indonesia and Malaysia are the major producers of oil in Southeast-

Asia with their off shore production increasing significantly in recent years. In 1992, the IOR contributed 35% of the global oil production of that 80% came from the Gulf. IOR has abut 68.6% of global crude oil reserves, of which 95.6% is located in the Gulf region. Natural gas is more evenly distributed. IOR contributed 12.7% as total gas production at the global level, and unlike oil, the Gulf region contributed only 44% of the total natural gas production in the IOR. This region has also large reserves of natural gas amounting to about 35% of the world reserves. The Gulf has a share of about 85% of that reserve in the IOR. Due to rapid technological developments in seismic survey exploratory drilling and field developments as well as in onshore facilities like support. Structures and installations, transportation, and refining and processing future offshore production is likely to increase at a greater rate than land based oil production.

However, it is important to note that some African states of the IOR have small reserves of gas none of them possesses proven commercially exploitable reserves of crude oil. These factors will influence not only the production and consumption but also the trade patterns of commercial energy in the IOR.

The present growth and development of the world economic dynamics have shifted to the petroleum industry. The 10R is the single largest producer among all economic blocs. If the unity like

NAFTA and APEC prevails in the IOR bloc, definitly in the coming future will get economic and political power of the world. It is because consumption has continued to increase, partly because consumers can not rapidly adapt to a change in power source because of their investment in existing equipment; partly because other sources of energy have also risen in price or have failed to develop as quickly as was anticipated. Simultaneously, oil producing countries are investing overseas and bringing yet further income from interest on loans or profits from overseas business ventures.

There are huge deposits of chemical and minerals in seawater and on the seabed. The waters of South Africa, India, Mozambique (Zombesi), Tanzania and Sri Lanka have reserves of ilmenite, monazite, Zircon and garnet. Deep water contain other rare earth metals, but their low concentration and absence of cost effective technology and equipment make their extraction currently uneconomical.

However, in the last quarter of the 19th century, a revolutionary discovery was made of the potato like nodular deposits called polymetallic nodules on the seabed, which forms by the hydrothermal activity. Their importance lies in their ability to scavenge relatively rare metals like copper, nickel manganese and Cobalt, which find vital industrial applications in electrical industry, steel and alloys, aerospace and defence industry, autoemission control as well as purification of petroleum derivaties. There is a significant spread of nodules in the south Australian Basin, Central Indian Ocean, Mozambique, Seychelles and Madagascar basins and several other places. Due to their horizontal spread on the ocean floor, they can be gathered just by scooping dredging or suction (hydraulic or pneumatic).

Apart from above discussion, diversity among the states of Indian Ocean region becomes obvious. If one look even at their basic statistics dealing with area, population, urbanization, GNP and per-capital GNP. There are, however, two other types of diversities that need to be noted because they can act as greater constraint in the evolution of Indian Ocean Community. One type of diversity is among the states in a given sub-system in matters of area, population, GNP, resources and level of development. The other is the diversity in the degree of their integration not so much with other sub--system in the Indian Ocean Region but with regional system beyond the Indian Ocean, such as countries from Africa with SADC, Middle East with OPEC andI IOC, South Asia with SAARC, South East. Asia with ASEAN and Australia with APEC. These diversities can not be overlooked especially when one seeks to evolve a framework of cooperation in the Indian Ocean Region with its primary emphasis upon economic cooperation. While movement of capital and services might not pose greater hindrances especially in the light of the new economic policies, but evolving structures of cooperation in trade will be more difficult. These difficulties can not be and should not be overlooked while one is seeking to give shape to a new structure of regional cooperation in a vast and diversified region like the Indian Ocean.

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CHAPTER-II

Regional Interaction and Interdependence

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Regional Interaction and Interdependence

Meaningful interaction among the countries of the Indian Ocean Region is not only a desirable but a highly practicable idea. It is a region which is richly endowed with material and human resources. A number of small organizations have been in existence in the various sub-regions of this area, some of them since the sixties. A larger, all-inclusive, regional grouping would , thereofre, have the advantage of drawing upon the experience of interaction all these sub-regional levels which would help develop the idea of a more comprehensive, broad based regional organization. The establishment of an Indian Ocean Regional grouping for greater economic interaction merits a deep scrutiny by all the region-based countries, to ensure that the presently less developed littoral countries and the small island states, are not left behind through non-participation in the decision making. The assessment attempts to analyse the desire, concepts, realities and possibilities arising out of the efforts to establish an Indian ocean-based regional economic grouping.

Between the strong desires of some nation states on the one hand and the existent deep realities of the Indian Ocean Region on the other, major consideration to be taken into account in the current flux in global human affairs, international political and security climate is facing turbulent changes. The shaping up of any forum for economic interaction among the countries of the Indian Ocean Region is taking place in the backdrop of momentous global developments which, regardless of where they occur, are likely to impact upon this region in a number of ways. Formulations for a region-based, economically interactive organization would have to consider these fast-changing global developments, as well as other major factors inherent in the materialization of such a regional set up.

As has been universally noted, that the major development. Since the beginning of the Nineties has been demise of the Soviet-Union in December 1991. It marked the beginning of the end of the Cold War and the attendant Superpower contention which had dominated the world scene since the end of World War II. Though the main impression this period leaves on one's mind is that of a world divided into two major zones of political influence of the two major powers, with their antagonistic social, political and economic systems. The same decade also saw the rise of regional blocs in many parts of the world, with smaller countries grouping together for mutual economic safeguards outside the arena of the superpowers struggle for domination.

Two notable groupings were the integration of West European states into an economic blocs, the European Economic Community (EEC) of the Seventies and Eighties to become the European Union (EU) of the Nineties, following the integration of divided Germany into one nation state, and the Association of the South East-Asian Nations (ASEAN) with five nations as the co-founders. Evidently, being located in the superpower zones of influence. The member states of these blocs could not entirely escape direct and indirect, constraints on their national development objectives. It was largely this perception which compelled them to forge region-based economic blocs so as to offset such disadvantages, and to find greater economic leverages through a collective approach. The EEC, consisting of technologically advanced industrialized countries, emerged initially as a collective front., to offset the disadvantages of close proximity to the Soviet-dominated socialist economic bloc of Eastern Europe, the Warsaw pact countries. The ASEAN, on the other hand presented another side of the picture. When ASEAN was established, its member states were highly underdeveloped, had first hand experience of being front line action areas during the war, and wished to develop some collective economic safeguard against the adversities in their region arising out of the expanding Vietnam war in their neighbourhood. The functioning of these economic regional blocs, as well as of those in other parts of the world, gave rise to theories of "regionalism" in which exclusively was an important principle and competitiveness based on protectionism policies vis-à-vis other region a tangible factor.

Interdependence And Regionalism in the Nineties

Some recent developments provide on insight into the perceived needs and current concerns behind the evolving concepts of regionalism. Between 1993-95, while existent regional blocs have changed their configurations, new blocs have emerged. Both the EU and ASEAN have increased their membership. The EU is working towards a single currency and has forged a strategic security alliance with Russia through NATO's "partnership for peace" proposals. Similarly, in July 1994, the ASEAN Regional Forum (ARF) was formally established as security-oriented forum, which includes important extra-regional nations as dialogue partners. The setting up of the ARF was considered a momentous development. Considering that South East Asia was acknowledged to be an economically and politically buoyant-segment, with relative stability and largely cooperative international relations.

However, the efforts towards the firm establishment of the EU, particularly interms of the economic leverages it provided, led to regional responses in other parts of the world. The NAFTA (North American Free Trade Area) formed comprising-the USA, Canada and Mexico. Other notable regional bloc formations emerged, in 1994 were the Group of Three (G-3) Free Trade Agreement comprising Colombia, Mexico and Venezuela (catering to a free trade area of 150 million consumers) for a ten-year period starting in January 1995. On 24th July 1994, twenty five countries in the Latin American and Caribbean regions formally established the Association of Caribbean States (ACS), with the objective of promoting a common approach to their respective regional eco-political problems through on economic regional market. And to work towards an eventual integration into a political union, such as the EU and NAFTA. These developments provide an important organizational backdrop to the Indian Ocean Region and other Indian ocean-based initiatives.

In January 1995, the World Trade Organization (WTO) came into being, formally replacing and incorporating GATT and its legacy of trade relations. In the meantime, regionalism again became a concern interms of what it meant to developed and developing countries. This is a factor of importance in the context of IOR. Other important justification is that one has just to witness the growing meanings being added to the charge made by countries with developed economies that the developing countries are engaged in social dumping and denying their workers basic rights. Though in the IOR, there are plenty of countries with backward social conditions and varying workers levels which can whimsically be blamed for violations of basic rights by the more advanced industrialized nations.

Regional blocs of free trading nations are being formed to obtain increased economies of scale interms of preferred market access and to increase attraction for foreign investments on one hand and unidirectional trade on the other hand. The best examples of such trends are-ASEAN, EU , APEC and NAFTA.

The conventional wisdom used to be that developing countries especially from the IOR, with production bases which do not complement each other has little to gain from a common market or a free trade area. yet another strand of conventional wisdom was that if very large and small countries are to join in a common market the smaller ones will be swamped over by goods from the larger ones. Basically this argument was provided by the president of Uruguay (population: 4 million) when that country joined the neighbouring giants Brazil and Argentina in a free trade area. The president said, Uruguay will be a beneficiary because all investors will now think of Uruguay not as a market of 4 millions but as an entry into a market of 200 millions.

More attractive perhaps for the majority of IOR countries is that economic competition between them will be accompanied by cooperation. That is because there are massive differences between them, and these will give rise to complementarities.

Other compelling factors that can not be ignored. In economic terms, the Indian Oceans Region of the last decade of the twentieth century is something of a jigsaw puzzle. A handful of states-Singapore, Malaysia, Indonesia, Australia, Thailand, India and South Africa possess increasingly sophisticated economies in global terms. Yet other states primarily the oil producers have enormous wealth, but limited economic infrastructure interms of industrial activity and the flow of investment from this region is towards the western industrialized nations instead of the IOR. The majority of states in the region are, however, still locked in an increasingly urgent struggle to maintain a critical level of economic growth. Within this latter category there are great differences: states such as Kenya Sri Lanka, Bangladesh and Pakistan have made considerable economic progress, where as the economies of other Indian Ocean states in this category in Asia and Africa remained bedevilled by crushing debt, the legacies of colonial misrule and civil war.

Recent Strategic Cooperation with Proper Agenda

The IOR countries needs strong cooperation and interaction to control illicit drug traffics, eradication of dreadful diseases, control of illegal transboundary movements of people, terrorism and border disputes. There is an immense scope for regional interaction in health sector and environmental issues.

However, the major area which needs an immediate practical enforcement for regional interactions are:

* A charter for a new business organization with trade promotion and liberalization. Simultaneously, trade facilitation through greater exchange of information and data on patterns of trade; investment, dialogues on common standards, quality and customs procedures.

* Investment promotion, involving dialogue on policies and exchange of information.

* Infrastructure development, providing mechanisms for consultation, cooperation in identified trade related areas-including shipping, air service and telecommunications.

* Cooperation in other economic sectors and development of sector specific ventures in science and technology, tourisms and human resources development.

* Technology flows and complementorities.

*Separate department for the Indian Ocean Research Network and maritime affairs.

Investors forum, to concretise ideas and provide direction for future work.

Apart from the above analyse, the final argument about regional interaction and interdependence comes to the trade and investment. But are trade and investment the only imperatives for regional cooperation? They are certainly the current imperatives. Trade and investment cannot be divorced from consideration of the development and human resource development. Both factors will balance the progress and overall development among the states of the IOR. Undoubtedly, all these issues will impinge upon current dialogues as confidence develops and greater transparency is achieved between the governments and peoples of the Indian Ocean Region.

CHAPTER-III

Patterns of Economic Development and Trade Linkages

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Basically, the patterns of economic development implies the process of securing levels of productivity in all sectors of the economy and this in turn, is a function of the level of technology. For obtaining a higher level of technology, the economy is required to forge the physical apparatus in the form of machines, equipments, tools and instruments of production on the one hand, and on the other, to train the labour force of the country to make use of the physical apparatus thus created. In a nut shell, economic development is a process of stepping up the rate of capital formation. Simultaneously, patterns of economic development is directly related with trade linkages.

Patterns of Economic Development of the IOR

The economy of the region is highly diversified. According to the geological structure, geographical, infrastructure, level of science and technological developments etc. determinants, all three sectors e.g. agriculture, manufacturing and services are important. But the patterns of economic development of the IOR can be

Table - I

Land use Pattern of the IOR

Country	Land area (thousands of Km^2)	Arable land (as % of land area) 1990
Singapore	1 (618 Km^2)	1.6
Kuwait	18	0.2
Thailand	513	37.2
Qatar	11	0.5
Malaysia	330	3.2
Bahrain	1 (678 Km^2)	1.5
Mauritius	2	54.1
UAE	84	0.3
Saudi Arabia	2150	0.5
Seychelles	1 (455 Km^2)	3.7
Iran	1650	8.6
Sri Lanka	66	14.3
Oman	212	0.1
South Africa	1220	10.1
Jordan	89	3.5
Iraq	438	12.0
Indonesia	1910	8.7
Egypt	1000	2.3
Maldives	1 (298 Km^2)	10.0
Kenya	580	3.4
Myanmar	677	14.5
Madagascar	587	4.4
Pakistan	771	26.3
India	3290	55.6
Yemen	528	2.6
Bangladesh	144	69.3
Tanzania	945	4.7
Sudan	2510	5.2
Mozambique	802	3.7
Ethiopia	1220	12.0
Djiboute	23	n.a
Somalia	638	1.6
Australia	7714	6
Israel	21	n.a

evaluate by some geographical, economic and social indicators. These are:

The table shows about the variability of land area of different states of the IOR. Among all trading blocs of the world, the IOR countries are highly unequal interms of total land area. In the region India, Australia, Sudan and Saudi Arabia are the largest country, while, Maldives (298 Km2), followed by Seychelles (455 KM2), Singapore (618 Km2) and Bahrain (678 Km2) are the smallest states. All smallest states of the region are oceanic Islands, though from the mainland Qatar is the smallest followed by Kuwait, Israel and Djibouti.

The big or small size does not mean that, a particular country is economically rich or poor. But the size is directly related with economic potential. No doubt, Singapore being a small country is advance economies while India is a big country, though the economy is in developing stage. But the economic potentialities of India is million times more than Singapore.

Land Use Pattern

Arable land of any geographical unit is directly related with agricultural production and its potential as well as employment generation, through diversification of agricultural production and agro-based industries. The large arable land can support more population, especially economically non-productive and unskilled classes. The classic example is India, where more than 50% population constitutes young and old age groups. They are non-working class and burden on the existing economy. The remaining less than 50% constitutes economically productive. At the same time only 38% of this, less than 50% is the labour force. That means, they are directly related with production . In other words, 62% population of the country dependent on 38%. Even of this 38% labour force, 62% is in agriculture sector and they can be counted as an unskilled labour. However, more than 70% population and 60% economy of the country is supported by the agriculture sector and this is directly related with arable land.

The availability of arable land depends on geological structure, geomorphology and climatic condition of the region. Due to variability of these factors, the percentage of arable land vary from one region to another.

In proportion to the total area, the largest percentage of arable land is found in Bangladesh (69.3%), India (55.2%) and Mauritius. More than 50% area of these countries is arable land which helps in the agricultural production and crop diversification as well as support the largest population of the particular country. Some countries like Thailand and Pakistan have more than 20% arable land.

However, most of the IOR states have less than 10%. The lowest percentage of arable land of the IOR is found in Oman (0.1%) and Kuwait (0.2%). Most of the Gulf states have less than 1% arable land of the total area. But Iraq and Iran having the largest percentage of arable land of their respective country. Basically, the arable land in Iraq is due to two big river valleys while in Iran the major contributing factor is the Caspian Sea and Persian Gulf. In fact along the coastal area of the Caspian Sea, a larger part deposited in the recent geological times. Subsequently, it is important to note that the desert climatic condition and the oldest land mass of the Middle East, characterized by hilly and plateau are the major contributory factors for the least availability of arable land in the Gulf regions. In the African region, the highest share of arable land is in South Africa and the lowest in Egypt only 2.5%.

The arable land is an important part-especially for those country, where total economic revolves around agriculture. In the IOR, agriculture is the nerve and brain of the economy. Hence proper utilization of the existing arable land is not simply agricultural development but necessary to support 30% population of the world in the region.

In the IOR, agriculture has assumed great importance because of the increasing food shortage which in places like North-East Africa verges on food scarcity. In these areas, that are also facing severe environmental degradation, long-term measures need to be adopted for a sustainable environmental upgradation and associated optimum land-water utilization. That will need more time and longterm capital input. But in several areas where the per capita arable land is limited and the yield per unit of land is low, improving irrigation facilities or optimum utilization of available water resources, will not only helpful to raise more than one crop in the same area but will also enable the use of increased chemical fertilizers and improved seeds. These will increase the total out-put by atleast fifty percent if not more. The Table showing the inter-relationship between use of chemical fertilizers, percentage of arable area under irrigation and the total cereal yield in Kg/ha.

TABLE - 2

Effect of Irrigation and Chemical Fertilizer upon Cereal Production (1992) Selected Countries of the IOR.

Country	% of arable land under irrigation	use of Chemical fertilizer (100 Kg/ha)	Yield (Kg/ha)
Egypt	97.7	3437	5905
Indonasia	36.7	1093	3817
Madagascar	30.3	3105	2580
India	27.0	751	2028
Kenya	2.1	391	1597
Ethiopia	1.2	71	1305
Tanzania	4.4	153	1087
Sudan	15.0	72	678
Mozambique	3.8	16	176

The IOR states can be divided into three categories as far as irrigation is concerned. The first category includes those states that have vast arable land (per capita) which enables them, even without irrigation to produce enough food for local consumption and for export. Australia and to an extent South Africa are such examples. In other category are included states with a high density of population which have managed by arriving at on optimam mix of irrigation and use of fertilizers to produce more per unit of land and thus are able to achieve a degree of self-sufficiency in agricultural production. Egypt has about 97.7% of arable land under irrigation. Pakistan follows with 81.0% such states have reached or reaching a dead end in terms of future expansions of irrigation. India, Indonesia, Iran, Iraq, Madagascar and Thailand still have a large potential for irrigation. There are, however, some states especially in the African littoral of the IOR, that have not fully exploited their irrigation potential. These states are Ethiopia, Kenya, Mozambique, Somalia, Sudan and Tanzania .

Lack of sufficient rainfall and absence of adequate irrigation facility also prevents the optimum use of chemical fertilizers and the result is low yield per unit of land.

There is a large annual variation in yield per unit of land in rain-fed area, with output depending upon the type of rainfall in a given year. That adds yet one more uncertainty to agriculture and food production that assumed irrigation can help to resolve to some extent. Hence scientific cooperation in the field of agriculture and environmental upgradation will be major importance in the context of regional cooperation in the IOR. It will also have its economic spin-offs because it will enhance the production not only of food but also of animal products. That will reduce food import thereby making available larger amount of foreign exchange for the import of machinery or other commercial products. That will automatically improve trade as well as the environment for joint ventures.

The economic development can be enhanced in the IOR by the agricultural development through proper irrigation facilities, use of high yielding seeds and chemical fertilizers as well as intra-regional trade with no tariffs. In this way, the food shortage problem can be solved of the growing 30% World population of the region. AT the same time, there is a need to give incentives for the development of agro-based industries that will help to generate extra-employment opportunities.

Occupational Structure and Economic Development

The occupational structure of a country refers to the distribution or division of its population according to different occupations. Generally it has seen that in every progressive economy, there has been a steady shift of employment and investment from the essential "primary" activities to secondary activities of all kinds and to a still greater extent into tertiary production. There is a close relationship between development of an economy on the one hand, and occupational structure on the other and economic progress is generally associated with certain distinct necessary and predictable changes in occupational structure. A high average level of real income per head is always associated with a high proportion of the working population engaged in tertiary industries and low real income per head is always associated with a low proportion of the working population engaged in tertiary production and a high percentage in primary production.

Work Force Participation Rates in the IOR

Labour , being a primary factor of production. The size of labour force is of great importance for the level of economic activity in a particular geographical unit. In the determination of the size of the labor force, it is customary to exclude children below the age of 15 and old people above the age of 60. The work force participation rate proportion of working population to total population, depends upon such factors as age and sex composition, attitude to work, availability of work etc. All these factors differ in different countries and may differ even within the same country in different periods.

In the IOR region distribution of labour force in different economic sectors is very uneven. Which shows the economic features, develolpment and prospect. Similarly, the growth of GNP and GDP are the direct outcome of division of labour force. However the table show distribution of labour force in three three sectors of the economy.

There are four countries namely Singapore (65%), Thailand (56%), Mozambique (55%) and UAE (50.6%), where labour force is more than 50% of the total populaiton. In the 50-40% range, there are 12 countries, of which four countries are from mainland and remaining eight are island states from the Indian Ocean below 40% labour force of the total population is not favorable for economic development. It is because 60% population of that particular country dependent and they consumes huge resources. About 50% states of the IOR having less than 40% labour force. Particularly, Sudan (29%), Pakistan (28%), Maldives (27%), Yemen (25%), Oman (28%), Iraq (24%) Iran (26%) and Jorndan (23) have acute labour force problems. However, many socio-economic, political and religious factors are contributing towards the low proportion of labour force. Basically in

Table - 3

Percentage of Labour Force in Different Sectors (1992).

	Labour Force (as % of total Population)	Percentage of labour force in		
		Agriculture	Industry	Service
Singapore	65	0	35	65
Kuwait	39	1	26	73
Thailand	56	67	11	22
Qatar	42	3	28	69
Malaysia	38	26	28	46
Bahrain	45	3	14	83
Mouritius	41	16	30	54
UAE	50	5	38	57
Saudi Arabia	29	48	14	37
Seychelles	44	n.a	n.a	n.a
Iran	26	30	26	44
Sri Lanka	41	49	21	30
Oman	28	49	22	29
South Africa	38	13	25	62
Jordan	23	10	26	64
Iraq	24	14	19	67
Indonesia	43	56	14	30
Egypt	31	42	21	37
Maldives	27	25	32	43
Keneya	40	81	7	12
Myanmar	41	70	9	21
Madagascar	43	81	6	13
Pakistan	28	47	20	33
India	38	62	11	27
Yemen	25	63	11	26
Bangladesh	47	74	7	9
Tanzania	47	85	5	10
Sudan	35	72	5	23
Mozambique	55	85	7	5
Ethiopia	41	88	2	10
Djiboute	n.a	n.a	n.a	n.a
Somalia	29	76	8	16
Australia	49	6	24	70
Israel	39	4	22	74

the Gulf region social restriction and religion have preventied the female group to participate as a working class. Secondly, there is high birth rate and low life expectancy, that means high proportion of non-working population. At the same time the economy of the Gulf region is not so diversified that can consume various categories of population. Apart-from all these factors, the geogrophical determinants like arid climate and proper infrastructure's developent. Also prevent further economic development. On the other hand, lack of resources and dryness function as a push factor for outmigration of jordanian, consequently the labour force is very small. The prolonged war and conflict have reduced the proportion of labour force of Iran and Iraq. In the African part of IOR, specially in Somalia and Ethiopia as well as Sudan, starvation, civil war and political crisis have reduced the share of working population. High proportion of labour force of the total population indicates diversification of the economy and development of infrastructures. Its's best example are Singapore, Malyasia, Mauritius, Israel, and Australia.

Occupational Struce

The occupational structure of IOR reflects clearly the economic features for the purpose of explaining the occupational structure. It would be better to evaluate separately.

Participation of Labour Force in Agriculture

Agriculture forms the backbone of the IOR and is the soure of livelihood for over 70% of population and share in the formation of major national economy. Generally it has seen that the large agricultural labour force is related with backward economy. But it is the main sector for the emplyment of unskilled labour. Between 90-70% economically active population in agriculture is found in Ethiopia (88%) Mozombique (85%) Sudan (72%), Tanzania (85%), Bangladesh (74%) and Kenya (81%). In the same, way between 70-50% agricultural labour force is in Maynmar, Yemen, India, Indonesia and Thailand. However, the important factors for large proportion of agricultural labour force in these countries, are due to backwardness of manufacturing and service sectors and lack of skill labour.

The group of countries of the IOR having lowest proportion of agricultural labour force are : Kuwait (1%), Qatar (3%) Israel (4%) and U.A.E., (5%). In this category, most of the countries are from Middle East, constraint geographical factors and oil production, forced the poeople to shift either in the industry or service sectors. Among all countries of the Middle East-region, exccept Oman and, Iran, have below 20% work force in the agriucltural sector.

In the IOR, there are three major economies vig. India, Australia and South Africa, where the participation of agriculture labour force is highest in India (62%) followed by South Africa (13%) and lowest in Australia (6%). But Singapore is a exceptional country, where the participation is zero in this sector of economy.

Participation of Labour Force in Industry

The participation of labour force in industry reveals that the manufacturing sector is comparatively small. But on account of its organisation and contribution to national income, industrial labour force occupies on important place in the economy of the IOR. Between 40-30% labour force of this sector is found in UAE (38%), Singapore (35%), and Maldives. It is important to know well, that the manufacturing sector of these countries vary from each other. No doubt, UAE has the largest share of labour force in industry. But it is not as in Singapore. Basically in the UAE the labour force is in oil industry, while the labour force in Singapore is in iron and steel, cotton textile, electronics etc.

Between 30-20% industrial labour force is in Kuwait (26%), Qatar (28%) Malaysia (28%), Mauritius (30%), Iran (26%) Sri Lanka (21%), Oman (22%), South Africa (25%), Jordan (26%), Egypt

(21%), Austlaia (24%) and Israel (21%). The majority states of the IOR have above 20% labourforce in the industrial sector.

But even in many states food products, textile and transport equipments cover a large percentage of the manufacturing sector as seen from the accompaning table of the selected countries.

Table - 4

Manufacturing Sectors in Some of the States of IOR (1992)

Food and Beverages		Textile & clothing		Machines & Transport Equipments	
High 20-40%	Very High 40% plus	High 15-35%	Very High 36% plus	High 15-30%	Very High 31% plus
Bangladesh	Ethiopia	Ethiopia	Bangladesh	Australia	Israel
Egypt	Kenya	Indonesia	Mauritius	India	Malaysia
Indonesia	Sri Lanka	Iran		Iran	Singapore
Jordan		Sri Lanka		Kenya	
Mauritius		Thailand		Thailand	
Thailand					

Source: UN Statistical Yearbook 1992.

The table reveals the preponderance of low technology level indsutries in the IOR except in selected states.

More needs to be done to improve the performance of the manufacturing sectors in IOR and also to spread its network wider than the existing pockets in South and South East Asia.

Participation of Labour Force in the Service Sector

The service sector is increasing at a faster pace, part of that represents bureaucracy. Though the serevices had acquried a large share in the structure of production. It is normally dependent upon the strength and vailidity of the other three sectors agriculture, industry and manufacturing. Otherwise a disproportionate service sector can pose a burden on the economy and the development process of the region.

Unproportionately, between 90-70% labour force of the service sector is found in Bahrain (83%), Israel (74%) and Kuwait (73%) which shows that the very poor share in the agriculture and industrial sectors : (3%, 4%, 1%) and (14%, 26%, 22%) respectively.

Between 70-50% labour force in the service sector is found in Australia, Singapore, Qatar, Mauritius, U.A.E ,. South Africa , Jordan and Iraq.

On the other hand between 50-20%, most of the IOR countries including India comes under this category. Though the lowest, share of labour force in the service sector is found in Mozambique (5%) followed by Bangladesh (9%)., Tanzania (10%) and Ethiopia. In these states, the largest-share of work force in the agricultural sector.

However, the participation of labour force in different economic sectors is a replica of the nature and quality of the economy of any country.

The percentage of labour force in differnet sectors of the economy shows the structure of production and manufacturing which leaves its imprint upon the pattern of trade and the balance of payment.

Table - 5

Balance of Payment in Selected IOR States (1992)

(Percentage of Export over Import)

Less than 30%	31-50%	51-75%	75% plus
Ethiopia	Egypt	Iran	Australia
Jordan	Sudan	Israel	Bangladesh
Somalia	Tanzania	Madagascar	India
		Myanmar	Indonesia
			Kenya
			Mauritius
			Pakistan
			Singapore
			South Africa
			Sri lanka
			and the majority of the oil exporting states of the Gulf

Source: International Trade Yearbook (1992)

Except for some oil and gas exporting states of the Gulf and South East Asia almost all the other states of the IOR have a negative balance of payment . South Africa is an exception because of its minerals and products as well as balance structure of production. Infact, the forced political and economic isolation of South Africa has led to the growth of an autonomous economic entity in the region, with a base that is capable of rapid expansion. As seen from table, in several states of the IOR the percentge of export over import is very low.

Share of Different Sectors in the Economy as Percentage of GDP

The growth of GDP of any country depends on the development of agricultural, industrial and service sectors. The share of these sectors directly related with many geographical, socio-economic and infrastructure factors. These sectors shows overall economic development of a particular country. The share of any sector gives an idea about the nature of economy and finally can find out the economic prespective of any country. Among the IOR states, the share of agricutlural, industrial and service sectors are very localised. Consequently the patterns of economic development of each sub-region has their own identity. Simultaneously, one can find out easily a proper trade linkages among IOR states. At the sametime, a proper strategy can be made for regional development, accordingly to the existing and potential resources of a sub-region. For the stability of economic development , the emphasis should be on agriculture and industrial sectors . However, the contribution of agricultural, industrial and service sectors in the economy as percentage of GDP of the IOR states in the Table 6.

Table - 6

Share of Different Sectors in the Economy as Percentage of GDP

Country	Agricultural (1991) production (as% of GDP)	Industrial (1991) Production (as% of GDP)	Services (1991) (as% of GDP)
Singapore	0	38	62
Kuwait	n.a	n.a	n.a
Thailand	12	39	49
Qatar	n.a	n.a	n.a
Malaysia	n.a	n.a	n.a
Bahrain	n.a	n.a	n.a
Mauritius	11	33	56
UAE	n.a	n.a	n.a
Saudi Arabia	7	52	41
Seychelles	22	24	54
Iran	21	21	58
Sri Lanka	27	25	48
Oman	4	52	44
South Africa	5	44	51
Jordan	7	26	67
Iraq	n.a	n.a	n.a
Indonesia	30	23	47
Egypt	18	30	52
Maldives	n.a	n.a	n.a
Keneya	27	22	51
Myanmar	n.a	n.a	n.a
Madagascar	33	14	53
Pakistan	26	25	49
India	31	28	41
Yemen	22	26	52
Bangladesh	36	16	48
Tanzania	61	5	34
Sudan	n.a	n.a	n.a
Mozambique	64	15	21
Ethiopia	47	13	40
Djiboute	n.a	n.a	n.a
Somalia	n.a	n.a	n.a
Australia	3	32	65
Israel	n.a	n.a	n.a

Share of Agriculture in the Economy

The share of agriculture sector as percentage of GDP in the national economy is highest in Mozambique and Tangzania, 64% and 61% respectively. It is more than 30% in Ethiopia, Bangladesh, India, and Madagascar. While in the group of between 30-20%.,the IOR states are Yemen, Kenya, Pakistan, Indonesia, Sri Lanka, Iran and Seychelles. Basically its show the importance of agricutlure and participation of work force directly and further agricultural potential and development in future indirectly.

In the group of below 10%, mostly industrialised oil and natural gas and other minerals producing states of the IOR and can be considered very poor share of agriculture in the national economy. In this category important states are: Australia, Jordan, South Africa, Oman and Saudi Arabia . Singapore is a single country in the IOR, where the share of agricutlural production as percentage of GDP in the national economy in zero.

Share of Industrial Sector in the Economy

Saudi Arabia and Oman have the highest share of industrial production as percentage of GDP in the national economy of the IOR states. Their share is more than 50% from this sector. The major contributing agents with Saudi Arabia and Oman are the export of petroleum and national gas.

In the 50-30% industrial production as percentage of GDP in the economy, the important IOR states are: South Africa (44%), Thailand (39%), Singapore (38%), Mauritins and Australia. Each state has their own industrial features.

The majority states of IOR comes under 30-20% category. Except India, most of the states are lacking in resources production. At the same time infrasturctures are not favorable for industrial development.

__Share of Service Sector__

The growth of this sector is directly related with industrial development and proper infrasturctures. But one thing is important that unproportionate growth of service sector is harmful for further development of the naitonal economy. In most of the IOR states, the share of service sector is comparatively very high. This sector contribute more than 50% in the national economy in Austrialia (65%), Singapore (62%), Mauritius (56%), Seychelles (54%), South Africa, Kenya, Madagascar and Yemen. The lowest share is in Mozambique (21%) followed by Tanzania (34%), Ethiopia (40%) and India (41%).

In fact, the IOR states have wide variation of different sectors in the capital formation of the economy. If one look properly the table then can find out that the IOR states have immense potential of all these three sectors. There is a need of cooperation of each states to make strong all these three sectors. The best option of cooperation is the creation of common platform e.g. IOR-ARC and that can be emerge as a big economic bloc like APEC, NAFTA and EUL.

Human Resource Development

The study of human resources is vital from the point of view of economic welfare. It is particularly important because human beings are not only instruments of production but also ends in themselves. It is necessary to know in qauantitative terms, the number of people living in a country at a particular time, the rate at which they are growing and the composition and distribution of population. However, important indicators are in the Table 7.

Demographically, the Indian Ocean rim countries comprises about 30% of the world population with uneven distribution. Out of the ten major populous countries of the world, there are four countries namely India,Indonesia,Pakistan and Bangladesh with 880.1, 191-2, 124-9 and 119.5 millions respectively in the IOR region. There are four countries e.g. Iran (61.1m), Thailand

Table - 7

Human Resource Development Indicators

Country	Estimated Population (millions) 1992	Annual Population Growth Rate (%) 1992 - 2000	Total Fertility Rate (%) 1992
Singapore	2.8	0.9	1.7
Kuwait	1.9	1.4	3.8
Thailand	56.1	1.1	2.3
Qatar	0.5	2.3	4.5
Malaysia	18.8	2.1	3.7
Bahrain	0.5	2.6	3.8
Mauritius	1.1	0.9	2.0
UAE	1.7	2.1	4.6
Saudi Arabia	16.0	3.3	6.5
Seychelles	0.1	0.8	n.a
Iran	61.6	3.0	6.1
Sri Lanka	17.7	1.2	2.5
Oman	1.6	3.5	6.8
South Africa	39.9	2.3	4.2
Jordan	4.3	3.4	5.8
Iraq	19.3	3.1	5.8
Indonesia	191.2	1.7	3.2
Egypt	54.9	2.1	4.2
Maldives	0.2	2.9	6.3
Keneya	25.3	3.3	6.4
Myanmar	43.7	2.1	4.3
Madagascar	12.9	3.2	6.6
Pakistan	124.9	2.7	6.3
India	880.1	1.8	4.0
Yemen	12.6	3.4	7.3
Bangladesh	119.5	2.4	4.8
Tanzania	27.9	3.2	6.8
Sudan	26.7	2.7	6.2
Mozambique	15.1	3.2	6.5
Ethiopia	53.1	3.0	7.0
Djiboute	0.5	2.9	6.6
Somalia	9.3	3.1	7.0
Australia	17.6	1.4	1.9
Israel	5.1	2.6	2.9

(56.1 m), Eypt. (54.9 m) and Ethiopia (53.1 m) have more than fifty millions population each. The number of countries from African littoral sub-region are more, though only two countries have more than fifty millions. There are 11 countries from the Middle East only Iran is most populous while from the South Asian part, must of the countries are populous. On the other side from South East Asia, Indonesia and Thailand are highly populated.

Australia is the 6th largest country of the world and largest in the IOR, but interms of populations, it's rank is 17th with 17.6m in the region.

In this region, Seychelles (0.1m), Qatar (0.5 m) and Djiboute (0.5m) are the least populous, area is the major factor with them.

Annual Population Growth Rate

In most of the countreis of IOR, the annual group rate of population is more than average (1.7% per annum) of the world. There are 12 states in the IOR, where the growth rate is above 3% annually. From the littoral Africa and Middle East sub-regions: Seychelles (0.8%), Mauritius (0.9%) and Kuwait have the lowest growth rate in the IOR.

While the highest growth rate of the region is in Oman (3.5%) followed by Yemen (3.4%) and Jordan (3.4%).

Among the South Asian States only Sri Lnaka has the lowest growth rate (1.2%) of the world average. On the other hand, except Malaysia, all countires of Soth East Asia have below world average growth rate .

Fertility Rate

There is a great variation in the fertility rate of the rim countries. The highest per annuum fertility rate is in Yemen, Ethiopia and Somalia, though the lowest fertility rate is in Singapore (1.7%) followed by Australia (1.9%). About 50% states of the IOR, have above 5% fertility rate and most of them from the Middle East and African sub-regions.

Australia, India and South Africa are the big economies of this region, where the fertility rate is 1.9%, 4% and 4.2%, respectively.

From the nature of the data one can come in the concluding point that the growth and fertility rates are directly proportion of the population of any geographical unit. At the same time both indices are very closely related with economic development.

Hence one can easily differentiate between Singapore and Australia on one side, India and Bangladesh on the other side.

Quality of Human Resource Development

The quality of human resource can be judged from life expectancy, infant mortality, adult literarcy, urban population and GNP per capita of a country. There is a great variations of these indicators among the IOR countries. The major indicators are in the table -8 .

One important factor depressing life expectancy is the high level of infant mortality while poverty of the IOR people is at the root of this phenomenon of short life span. But the discovery of wonder medicines to control epidemics like plague, cholera, influenza or small pox, the general improvement in medical assistnace, increase in the number of hospitals, doctors, nurses and better control of diseases have all helped to save life in the recent years.

The depressing factor for life expectancy is the high level of infant mortality. One can see its importance in the case of Mozambique, Ethiopia and Somalia on one hand, Singapore and Kuwait on the other hand. However, more than 80% IOR states have above 60 years life expectancy and their corresponding infant mortality is normal. Most of the littoral states of Africa except South Africa and

Table - 8
Share of Different Sectors in the Economy as Percentage of GDP

Country	Life Expect - -ancy at birth (years) 1992	Infant Morta- -lity/000 bith 1992	Adult Litera- -cy (%) 1992	Rural Pop. as% of the Total Pop. 1992	GNP/capita (US $) 1991
Singapore	74.2	8	100	0	14140
Kuwait	74.6	15	74	4	n.a
Thailand	68.7	26	94	77	1650
Qatar	69.6	26	76	21	15040
Malaysia	70.4	14	80	55	2520
Bahrain	71.0	12	79	17	7150
Mauritius	69.6	21	80	59	2380
UAE	70.8	23	68	18	22180
Saudi Arabia	68.7	31	64	26	7900
eychelles	71	n.a	80	n.a	5070
Iran	66.6	41	56	42	2410
Sri Lanka	71.2	24	89	78	500
Oman	69.1	30	20	89	140
South Africa	62.1	53	99	50	2540
Jordan	67.3	37	82	31	1060
Iraq	65.7	59	62	27	n.a
Indonesia	62	66	84	70	610
Egypt	60.9	58	50	56	610
Maldives	62.6	56	93	69	470
Keneya	58.6	67	71	75	340
Myanmar	56.9	83	82	75	n.a
Madagascar	54.9	110	81	75	210
Pakistan	58.3	99	36	67	400
India	59.7	89	52	75	330
Yemen	51.9	107	41	69	520
Bangladesh	52.2	109	37	82	220
Tanzania	51.2	103	90	78	120
Sudan	51.2	100	28	77	n.a
Mozambique	46.5	148	34	70	80
Ethiopia	46.3	123	50	87	120
Djiboute	48.3	113	48	14	n.a
Somalia	46.4	123	27	76	360
Australia	76.7	n.a	99	15	17120
Israel	76.2	n.a	92	8	12110

Yemen is parallel to the African countries in both respects. But in Iraq, the life expectancy is favourale but infant mortality is very high it's Egypt have below 60 years life expectancy and their infant mortality is 50 per thousand birth similarly in the Miuddle East sub-region, only main factor is war with her neighbours .

However, the variability of life expectancy and infant mortality in different countries of the IOR shows the level of availability of medical facilities and infrastrucutres development and these parametres are directly related with economic prosperity of the particular geographical area.

Most of the IOR states have achieved above 50% literacy. Singapore is the only country in the region that avhieved 100% level of literacy. Simultaneously, Australia (99%), South Africa (99%), Thailand (94%) and Maldives (93%) are likely reaching to 100% level of literacy rate. While the lowest literacy rate is found in Oman (20%) followed by Somalia (27%) and Sudan (27%) from the African part, except South Africa, only Tanzania with 90% literacy shows a miracle achievement.

Rural Population

Urbanisation is a cyclical process through which a nation normally passes as it evolves from an agrarian to an industrial society. But the process of urbanisation involves three elements are :

behaviour in the technology and method of production. It is concenred with more technical and mechanical methods in human activities and change of environments. In other words, urbanisation involves a whole process of change and the resulting consequences. Urbanisation involves centrifugal and centripetal forces. Where as centripetal force tends to agglomerate economies, a centrifugal force tends to restrict concentration and favour dispersion of men and materials. Though in the LDCs like IOR, the centripetal forces are still at work, whereas in DCs, like Australia, Singapore and South Africa, centrifugal forces do seem to operate.

Singapore is totally urbanised. Other highly urbanised states are Kuwait (96%) followed by Israel (92%) and Australia (85%). The lowest urbanised states are Oman, Ethiopia and Bangladesh.

GNP Per Captia

GNP is the best indicator for human resources and economic development of a country. Generally it has seen that the industrialized and more export oriented countries have very high GNP. The highest GNP per capita in found in the UAE followed by Australia, Qatar, Singapore and Israel.

However, the human resources development is directly related with the prosperity of economy of any country.

Without HRD, it is defficult to think and predict about economic prospects. Hence there is a need of cooepration among IOR states in the respect of technology transfer and institutional network for HRD and that can give a new direction to the economy.

Food and Fuel as Percentage of Total Imports of States of the IOR

Beginning with the industrial revolution, a trend emerged toward the greater consumption of high quality fossil fuels and a relatively reduced use of renewable forms, such as wood and water, as an energy source. Basically the progression from the use of wood to coal, then oil and natural gas to uranium show the proper transition .The developing countries originally shifted from wood to oil and gas consumption rather than evolving through an intermediate stage of dependence on coal because petroleum was relatively in expensive, transportation was easier and environment problems could be avoided. But this shift became enormously expensive following the price jumps of the late 1970s and foreign assistance could no longer be guaranted to fill the gap and that resulted balance of payment problem. Accoridng to the given table-9 the percentage of food and fuel imports of the majority countries of the IOR, are very high. Above 20% food importing countries are Egypt (29%) and Jordan

Table - 9

Food and Fuel as % to Total Import of the IOR States]

Country	Low (Below 10%) Food	Fuel	Total
South Africa	5	1	6
Kuwait	n.a	n.a	n.a
Qatar	n.a	n.a	n.a
Bahrain	n.a	n.a	n.a
Seychelles	n.a	n.a	n.a
Iraq	n.a	n.a	n.a
Maldives	n.a	n.a	n.a
Yemen	n.a	n.a	n.a
Mozambique	n.a	n.a	n.a
Djiboute	n.a	n.a	n.a

Country	High (10-20%) Food	Fuel	Total
Singapore	6	13	19
Thailand.	6	8	14
Malaysia	7	4	11
Saudi Arabia	16	0	16
Iran	12	0	12
Indonesia	6	8	14
Myanmar	8	6	14
Tanzania	6	13	19
Australia	5	6	11
Israel	7	8	15

Table - 9 continued....

Country	Very High (20% plus) Food	Fuel	Total
Mauritius	13	9	22
UAE	17	7	24
Sri Lanka	16	9	25
Oman	18	2	21
Jordan	21	14	35
Egypt	29	1	30
Kenya	6	15	21
Madagascar	11	12	23
Pakistan	15	16	31
India	5	23	28
Bangladesh	16	16	32
Sudan	19	19	38
Ethiopia	15	10	25
Somalia	20	2	22

Source: IMF, Direction of Trade Statistics (1994)

(21%). The other category of food importng countries between 20-10% are : Somalia (20%) Sudan (19%), Oman (19%), UAE (17%), Sri Lnaka (16%), Bangladesh (16%), Ethiopia (15%), Pakistan (15%), Mauritius (13%), Saudi Arabia (17%) and Iran (12%).. Most of the food importing countries are from the Middle East and African sub-regions. The major factors with them are unfavorable geographical determinants and lack of agricultural infrasturctures.

Below 10% food importing countries of the IOR are Singapore, Thailand, Malaysia, Indonesia, Maynmar, Tanzania, South Africa, Australia, Kenya and India. The major contributing factors for food production are favourable geographical determinants and proper implementation of the concept of green revolution, which enhanced high productivity both land and labour .

Despite of very large population,India is a least food importing nation and other nations of this category are Australia and South Africa. However, many IOR states are agriculturally very advance and technology to other IOR states that the food productivity and cropping intensity can be improved. At the same time, there is a need to establish an institution that can help to spread and implement of agricultural science and technology among IOR states through proper network.

Most of that littoral countries of Africa and South Asia are importing very hgih percentage of fuel, especially from the Middle East. The largest fuel importing nations in the IOR are: India (23%) followed by Sudan (19%) Bangladesh (16%), Pakistan (16%), Kenya (15%) Jordan (14.%), Tanzania (13%), and Singapore (13%).

Hence the adverse balance of payment creates great financial difficulties , especially for those that import food and fuel in substantial amount. They are also heavily indebted as seen from

Table - 10

Selected States in the IOR : Foreign Debt (1992)

Foreign Debt as% of GNP		Debt Service at% of Export	
High 25-50%	Very High 50% plus	High 10-20%	Very High 20% plus
Bangladesh	Egypt	Bangladesh	India
Ethiopia	Indonesia	Egypt	Indonesia
India	Jordan	Ethiopia	Jordan
Malaysia	Kenya	madagascar	Kenya
Mauritius	Madagascar	Malaysia	Pakistan
Pakistan	Mozambique	Sri Lanka	Tanzania
Sri Lanka	Tanzania	Thailand	
Thailand			

Source : World Development Report (1995)

This table also shows that several of these developing states are caught in the spiral and indebtedness though some of them might project a facade of prosperity and higher standard of living.

Among all exporting items, textiles and cloths are the major parts of agro-based indusrries from the IOR. It's export is more than 50% of the total export from Bangladesh, Mauritius and Sri Lanka. But exports of these countries are unable to resist competition of the world market. At least, they need some low tariff and free market

Table -11

Percentage of Share of Total Export of States of the IOR(1995)

Country	Textile and Cloth	Fuels , Minerals and Metals
Singapore	5	15
Kuwait	n.a	n.a
Thailand	17	2
Qatar	n.a	n.a
Malaysia	6	17
Bahrain	n.a	n.a
Mauritius	54	2
UAE	0	95
Saudi Arabia	0	99
Seychelles	n.a	n.a
Iran	3	90
Sri Lanka	52	1
Oman	n.a	n.a
South Africa	1	22
Jordan	4	34
Iraq	n.a	n.a
Indonesia	18	38
Egypt	18	51
Maldives	n.a	n.a
Keneya	3	16
Myanmar	0	92
Madagascar	10	8
Pakistan	n.a	1
India	25	8
Yemen	n.a	n.a
Bangladesh	72	0
Tanzania	7	4
Sudan	1	96
Mozambique	n.a	n.a
Ethiopia	1	3
Djiboute	n.a	n.a
Somalia	0	99
Australia	1	36
Israel	7	2

from the IOR. It constitute about 25% of the total export of India and earns a substantial amount of foreign exchange. Other important textile and cloth exporting countries are Thailand, Indonesia, and Egypt.

However, the emergence of the IOR-ARC can give a new direction to the growth and development of this industry and near future can proved one of the best sector to solve unemployment problem from IOR-ARC.

Not any economic bloc of the world is as specialised as the IOR-ARC in mineral prouction and export. Such as diamond, gold, manganese and copper from African sub-region, petroleum and natural gas from Middle East, iron ore, coal, mica and marble from India, tin from South East Asia, bauxite, copper and iron ore from Australia.

All these minerals are the base of modern industrialization. But unfortunately all these minrals are using in the industrialized countries of the west. However, interms of minerals exploitation, still the big economic powers use the IOR as an economic colony.

The given table 11 reveals the magnitude of minerals exports. If the IOR use existing minerals for the industrialization, definitly this region will take the position of eastern coastal Amercia. In this way one can say, "the IOR rules the IOR, command the world".

Food Import Dependency Ratio

The level of economic status of a country can be judged by the food import dependency ratio and it is directly related with production and consumption ratio. Iit shows the availability of cultivable land, productivity of land and man, irrigation facilities, use of fertilizers and HYVs and government's policy towards agricultural development directly, development of industrial and service sectors and income of the people indirectly. The table-12 shows, food dependency ratio of the IOR states.

Except few countries, the food import dependency ratio is very high in the IOR states. The highest ratio of this, in the Gulf sub-region. Outside of the Gulf region Mauritius (as 95.3%), Sseychelles (86.8%) Maldives (68.6%) and Djiboute (87.7%) having very high food import dependnecy ratio. Sri Lanka and Malysia have the same condition . Only Maynmar and India can claim self sufficiency in food, because, the import ratio is 0.94 and 1.8% respectivey. Among the littoral countries, Tanzania has achieved this goal. However, despite of

Table - 12
Food Import and Trade Dependency Ratio (1991)

Country	Food Import Dependency Ratio (%) 1991	Trade Dpendency (Exports plus Imports as% of GDP) 1991		
		Export (as% GDP)	Imports (as% GDP)	Total
Singapore	n.a	147	165	312
Kuwait	97.3	n.a	n.a	n.a
Thailand	3.8	30	40	70
Qatar	83.4	n.a	n.a	n.a
Malaysia	51.3	73	75	148
Bahrain	n.a	n.a	n.a	n.a
Mauritius	95.3	53	70	123
UAE	136.5	n.a	n.a	n.a
Saudi Arabia	72.4	50	24	74
Seychelles	86.8	n.a	n.a	n.a
Iran	31.6	16	22	39
Sri Lanka	30.4	32	47	79
Oman	n.a	7	30	37
South Africa	9.7	27	19	46
Jordan	87.2	25	71	96
Iraq	64.5	n.a	n.a	n.a
Indonesia	5.7	25	22	47
Egypt	42.6	13	26	39
Maldives	68.6	n.a	n.a	n.a
Kenya	9.6	17	29	45
Myanmar	0.9	n.a	n.a	n.a
Madagascar	5.2	14	21	35
Pakistan	14.1	16	21	37
India	1.8	8	9	17
Yemen	66	n.a	n.a	n.a
Bangladesh	12.3	7	15	22
Tanzania	3.3	18	62	80
Sudan	14.8	n.a	n.a	n.a
Mozambique	21.9	n.a	n.a	n.a
Ethiopia	9.4	5	17	22
Djiboute	87.7	n.a	n.a	n.a
Somalia	17	n.a	n.a	72
Australia	n.a	13	13	26
Israel	n.a	19	27	46

favourable geographical determinants, food import dependency ratio in the IOR states is very hgih. It can be minimise by the implementation of green revolution. Secondly, food trade within the region. Similarly, agro-based industries should keep on the priority list of the IOR-ARC development agenda.

Trade Dependency Ratio

TDR is the sum up of exports and improts as percentage of GDP. It is the best indicator to measures the economic prospects of a country. The highest trade dependency ratio means the highest trade and commerce activities and foreign exchange from industrial and service sectors. Whether, the export or import is high hardly matter, but types of items and quality affects the national economy. We can take the example of Singapore, where the export percentage is lower than the import., still the economy is booming. It is because Singapore imports more raw materials and exporting the final products and earns huge amount foreign exchange. The same case with Mauritius and Malaysia.

On the other hand, imports of India is slightly 1% more than export but always trapped by the balance of payment problem. The main factor is that India imports capital goods and petroleum, while exporting lower value added goods like, ores and minerals, agricultural products, etc., However among the IOR states, only Saudi Arabia, South Africa and Indonesia are exporting more than imports. In this region, Austrlia is a exceptional, because her exports and imports are balnace. In rest of the countries, the imports percentage is higher than the exports.

In the IOR region, mostly states from South Asia and littoral Africa are in the huge balnace of payment crisis. In fact, to come up from this problem, they must impove their trading dynamics within the region.

Navigation in the IOR region

Ocean transport represent the cheapest means of haulage across water barriers. The ocean offer a free highway in all directions with no maintenance costs, as in roads, railways or canals. Ocean giong ships are capable of carrying for larger loads than railways, road transport or aircraft. By increasing the size of the ocean carrier large volumes of world trade can be handle at even lower costs.

The role of communication, especially maritime transport, has to be seen as an important ingredient, if we have to catch the spirit of IOR *per se*. Today, maritime communication is neglected in many of the IOR states . Not only maritime shipping but also shipbuilding, repair and port facilities, as well as joint shipping ventures will have to be promoted and strengthened keeping in view the specific requirements of the IOR. Not only long distance bulk carriers and tankers but also medium and small ships which are energy efficient, preferably with roll-on-roll off capability, suitable for small inter-island and coastal trade and small and medium ports wil have to be designed and constructed. Science and technology will pay a leading role in ship designing ship building repairs, bunkering facilities etc. These will also be areas for investment and joint ventures.

At a glance there is need to examine of the given date (table 13) most of the IOR states have shipping avenue. In this way, the India Ocean can make a Oceanic super highway that will help intra-regional trade and industrialization of the IOR states.

The given figures of the table simply shows the number of fleets. According to the availability of resources and potential that one can say, most of the fleets carry petroleum, natural gas, minerals and agricultural products from this region to the other parts of the world. If these resources use within the region and export

the manufacturing products then the revenue collection will be hundred times more then the raw mateirals.

Table -13

Navigation in the IOR Region (1995)

Country	Number of Merchant Shipping : Fleets, Total , Oil tankers and Ore as well as Bulk Carrier Fleets
Singapore	11035
Kuwait	2218
Thailand	1116
Qatar	431
Malaysia	2166
Bahrain	103
Mauritius	194
UAE	804
Saudi Arabia	998
Seychelles	4
Iran	4444
Sri Lanka	294
Oman	16
South Africa	346
Jordan	71
Iraq	902
Indonesia	2440
Egypt	1149
Maldives	55
Keneya	16
Myanmar	711
Madagascar	34
Pakistan	360
India	6575
Yemen	24
Bangladesh	388
Tanzania	43
Sudan	64
Mozambique	36
Ethiopia	69
Djiboute	4
Somalia	18
Australia	2862
Israel	652

The joint venture investment within the region can promote shipbuilding industry. Simultaneously, it can help in the development of the tertiary sector.

Prospects of Tourism in the IOR countries

Large-scale internaitonal tourism is a recent development. It is a form of invisible trade and contributes substantially to the national economy. The second advantage of tourism is that it brings large quantities of foreign exchange into the country visited.

The tourism industry employs vast numbers of people in very many occupations including hotel staffs, touris-guides, transport workers and workers associated whith it. As the table *14 reveals that all IOR countries received tourists in large scale. The physiographic scenic beauty both the coastal and mainland, favourable climatic conditions, historical monuments, low cost Asian hospitability and African premitive culture as well as Australian unqiue wild life and coastal coral attract tourists from all over the world. Throughout the year most of the IOR countries have very high potential. However the IOR region will emerge a largest tourist belt of the world. Infact, for further development, the most important requirements for the

Table -14

Number of Tourist Arrivals andAmounts Receipts in the IOR

Country	Number of Tourist Arrivals (000)1993	Tourist Receipts (Million in $ US) 1993
Singapore	5804	5793
Kuwait	73	83
Thailand	5761	5014
Qatar	160	n.a
Malaysia	6504	1876
Bahrain	1450	213
Mauritius	375	301
UAE	1088	n.a
Saudi Arabia	993	1121
Seychelles	116	116
Iran	205	39
Sri Lanka	392	208
Oman	344	95
South Africa	3358	1190
Jordan	765	563
Iraq	400	15
Indonesia	3403	3988
Egypt	2112	1332
Maldives	241	146
Keneya	826	413
Myanmar	55	19
Madagascar	55	41
Pakistan	379	111
India	1765	1487
Yemen	70	45
Bangladesh	127	15
Tanzania	230	147
Sudan	15	3
Mozambique	n.a	n.a
Ethiopia	93	20
Djiboute	25	13
Somalia	20	n.a
Australia	2996	4655
Israel	1654	2110

development of this industry is the establishment of IOR tourist development cell.

Indian Ocean Rim Countries : Trade Linkages

Before discussion of the intra-regional trade linkages of the IOR states, it will better to see the status of some countries in the world trade. It has estimated that the share of the IOR in total world trade is not more than 10%. the Of which the share of ASEAN (excluding philippines-0.42%) and SAARC (excluding Bhutan and Nepal is 5.55% and 0.98%) respectively. However, the share of some ASEAN and SAARC countries in the total world trade is in the table 15.

Table - 15
Share of selected IOR Countrues from ASEAN and SAARC in World Trade(1994)

Country	Percentage of the World
Indonesia	0.84
Malaysia	1039
Singapore	2.34
Thailand	0.98
India	0.61
Pakistan	0.19
Bangladesh	0.09
Sri Lanka	0.009
Maldives	0.003

Source : IMF, Financial Statistics Yearbook , 1995 .

A striking feature of the trade pattern is the pivotal role played by Singapore.

However, due to lack of availability of data. It is very difficult task to show the intra-regional trade linkages of all IOR countries. But the data of two economic blocs e.g. ASEAN and SARRC are available, which may gives to some extent a better understanding about the importance of IOR trade linkages.

Almost half of ASEAN's (excluding philippines) trade in 1990 was between Singapore and Malaysia and another 30% involved Singapore, Indonesia and Thailand. This implies that the only appreciable degree of complementarity within the region is between Singapore and the other members.

Table--16

Indices of Intra-regional Trade Intencity of ASEAN Countries (1990)

	Percentage of ASEAN
Indonesia	
Malaysia	1.15
Philippine	1.64
Singapore	4.15
Thailand	0.75
Total ASEAN	2.44
Malaysia	
Indinesia	1.81
Philippine	3.49
Singapore	12.83
Thailand	3.58
Total ASEAN	7.63

Table - 16 continued...

Table - 16 continued....

Singapore	
Indonesia	n.a
Malaysia	15.01
Philippine	3.29
Thailand	6.68
Total ASEAN	7.23
Thailand	
Indonesia	1.04
Malaysia	2.90
Philippine	1.89
Singapore	4.10
Total ASEAN	2.41

Source : IMF, Direction of Trade Statistics .

Presents trade intensity indices for the ASEAN countries. It shows some interesting features. Indonesia's trade intensity with other ASEAN countries is much lower than that of other members such as Singapore Malaysia and Thailand.

Intra-SAARC Trade

Neither the political nor economic climate within the region has been conductive to promoting intra-regional trade and investmnet linkages. To begin with, the economies of the member countries, along with their infrasturctures, were developed along North-South lines whereby they served as primary producers for the workers of their colonisers, which meant that they developed little if any complementarity in production patterns.

Table - 17

Indices of Intra-regional Trade Intencity of SAARC Members(1990)

		Percentage of SAARC
Bangladesh		
	India	1.91
	Maldives	n.a
	Nepal	20.94
	Pakistan	6.40
	Sri Lanka	6.11
	Total SAARC	3.57
India		
	Bangladesh	15.65
	Maldives	6.87
	Nepal	11.06
	Pakistan	1.11
	Sri Lanka	13.83
	Total SAARC	6.35
Maldives		
	Bangladesh	n.a
	India	n.a
	Nepal	n.a
	Pakistan	n.a
	SriLanka	172.07
	Total SAARC	12.16
Pakistan		
	Bangladesh	17.54
	India	1.27
	Maldives	4.44
	Pakistan	0.89
	Sri Lanka	15.75
	Total SAARC	4.44
Sri Lanka		
	Bangladesh	4.81
	India	1.46
	Maldives	87.72
	Nepal	n.a
	Pakistan	7.50
	Total SAARC	3.37

Source : IMF, Direction of Trade Statistics.

It is undestandable that the SAARC countries such as India and pakistan follow an export-oriented strategy aimed at-exporting much more to the rest of the world than to other countries within SAARC. There is weak demand in the region because of low income and slow growth. And as most SAARC countries continue to suffer from low foreign exchange reserves, their exports need to be aimed at industrialized countries which pay in hard currency. At least they need market of the IOR countries, especially Australia, South Africa, Singapore, Malaysia and Indonesia. But the dominant constraint to intra-regional trade of SAARC is that oriented to donor outside the region. However, the SAARC intra-regional trade is in the above table 17.

There is a general perception among the economist, diplomates and politicians that the establishment of linkages in the service and infrastructure sectors and intra-regional transfer of technologies through the creation of regional joint ventures will promote economic coopertion and trade linkages. But one of the most important and practical aspect is need of regional institution for research and development schemes for economic cooepration and trade linkage. At the same time, state trading organisation of SAARC members should come on the same platform for expanding intra-regional trade and longterm contact arrangements.

Intra-regional Import Matrix Selected Countries of the IOR

Table - 18

Intra-regional Import Matrix, Selected Countries of the IOR (1995)

Imort From → (Values in $ US) Million

Exports by 1995 ↓	Australia	Indonesia	Malaysia	Singapore	Thailand	Bangladesh	India	Maldives	Pakistan	Sri Lanka	Iran	UAE
Australia	0	449	562	1020	413	20	240	0	68	32	8	401
Indonesia	1206	0	290	1293	194	1	153	0	63	1	505	1
Singapore	1005	316	n.a	0	702	2	215	n.a	41	2	36	73
Malaysia	1192	n.a	0	n.a	1670	47	374	6	86	33	466	1491
Thailand	561	198	1125	2480	0	1	544	23	82	30	104	306
Bangladesh	60	54	38	407	36	0	170	n.a	70	8	5	99
India	757	173	546	689	62	15	0	n.a	45	22	482	964
Maldives	n.a	n.a	2	82	4	n.a	7	0	1	10	n.a	1
Pakistan	155	47	245	230	92	38	46	n.a	0	37	172	158
Sri Lanka	43	39	114	103	85	9	118	6	51	0	222	15
Iran	471	60	61	132	133	34	84	n.a	34	73	0	1044
UAE	220	143	184	214	314	6	462	n.a	135	n.a	169	0

Source : Direction of Trade Statistics Yearbook (UN) 1995.

The above table - 18 shows intra-regional import-matrix of 12 selected IOR countries. It is significant to note that this data confirms the operationalisation of growing complementarities in the total grouping. This is reflected in the share of intra-trade of IOR 12 countries as a proportion of their total imports.

The largest share of import of Australia is with Singapore followed by Malaysia and Indonesia. it's share with India is very low in comparison to any South East Asian states. While the UAE is the largest trading partner in the Middle East sub-region and other big partner of Australia is Iran. Though Australia and Singapore are the largest exporter to Indonesia.

The data reveals the fact that Australia, Singapore, Malaysia, India, UAE and Iran are the largest trading states.

The largest export share of India is with Thailand while the largest share of import of its with Singapore, Malaysia and Australia. However, India has consistency of import from all countries. It shows her potentialities that she can prove a meaningful trading partner with all IOR countries.

On the other hand, the largest-exporters to Iran are the UAE, Australia, Thailand and Singapore. Though the share of India's export to Iran is lower than Sri Lanka. India can claim as a largest exporter only to the UAE.

Intra-regional Export Matrix

The countries having consistency of export-intensities are : Singapore, Malaysia, Thailand, India and the UAE. On the other hand, Iran and Indonesia have relative consistency. The performance of Bangladesh, Sri Lanka and Maldives are very poor.

Australia's largest foreign exchange comes from export to Singapore,Malaysia and Indonesia. While the lowest share of the total proportion comes from Sri Lanka, Maldives and Bangladesh.

Table - 19

Intra-regional Export Matrix, Selected Countries of the IOR (1995)

Exports From → (Values in $ US) Million

Imports by 1995 ↓	Australia	Indonesia	Malaysia	Singapore	Thailand	Bangladesh	India	Maldives	Pakistan	Sri Lanka	Iran	UAE
Australia	0	1737	1634	2831	1270	98	813	2	141	82	258	318
Indonesia	996	0	1110	n.a	611	64	349	4	106	97	22	237
Singapore	2592	n.a	22665	0	6824	589	1877	101	306	377	122	849
Malaysia	1128	976	0	15013	2901	55	832	9	715	186	155	687
Thailand	777	811	1554	7917	0	192	290	14	205	216	191	1008
Bangladesh	15	5	6	23	5	0	36	n.a	26	11	45	10
India	351	501	355	807	461	960	0	12	70	383	160	1306
Maldives	n.a	n.a	n.a	1	n.a	n.a	n.a	0	n.a	11	n.a	n.a
Pakistan	91	105	46	88	60	153	39	1	0	55	123	355
Sri Lanka	39	2	22	49	21	10	35	14	45	0	22	67
Iran	15	202	44	433	203	n.a	522	n.a	171	102	0	260
UAE	411	39	33	1305	617	72	1449	195	496	71	983	0

Source : Direction of Trade Statistics Yearbook (UN) 1995.

According to the given table - 19, Singapore is the largest exporter and she has consistency of export with all countries. The export of Malaysia, Indonesia and Thailand is very confined within the South East Asian region. Outside of this region, their largest partners are India, UAE, Iran and Sri Lanka.

The UAE is a single country, outside of ASEAN and SAARC, has consistency of export with all countries.

There are four trading blocs namely ASEAN, SAAR, OPEC and COMESA (common market in Eastern and Southern Africa) have been existing in the IOR. Each bloc has their own compulsion for intra-regional trade linkages. The protectionist nature of trade by the EU and NAFTA had made a compulsion to the other small economic blocs especially of the IOR to take a further initiative for trade and investment security. The best alternative for the IOR countries is to make IOR-ARC stronger and the priority should give intra-IOR-ARC-trade for further economic development.

Foreign Direct Investment and Trade Linkages in the Indian Ocean Rim Countries

Foreign Direct Investment, has been growing rapidly in the recent past, faster, indeed, than international trade, which has long been the principle mechanism linking national economics. Moreover, as the global environment is changing and strategies of Transnational Corporations (TNCs) evolve, new configurations of TNCs activities are emerging. This focuses renewed attention on what FDI means for trade, how FDI and trade are interlinked, and whether and how these interlinkages influence the economic growth and welfare of countries, particularly developing countries. These issues are of particular interest in the context of national and regional policies for FDI and trade.

The rapid growth of FDI and discussions about international arrangments related to such investment have drawn renewed attention to the relationship between trade and FDI. However, FDI and trade are important for economic performance growth and development. They are, moreover, increasingly inter-related. These interlinkages are important for several reasons.

a. The role of trade as a positive factor in growth and development has long been recognised and reflected in trade policies. Foreign Direct Investment, as the principle method of delivering goods and services to foreign markets and the principle factor in the organisation of international production, increasingly influences the size, direction and composition of world trade, as do FDI policies.

b. The role of FDI as a positive factor in growth and development is being increasingly appriciated and is also increasingly reflected in FDI policies. Trade and trade policies can exert various influences on the size, direction and composition of FDI flows.

c. Apart from the autonomous impact of each on growth and development, interlinkages between trade and FDI must be taken into account if the contribution of each is to be maximized and if synergies between the two and broader growth and development objectives are to be.

Foreign investments are mutually complementary activities and hence a suitable liberalised foreign invetment regime should be established to suplement the new liberalised trade regime. One thing is important to know that how a liberalised trade regime would serve the interests of the developed countries and those of the developing countries, because both types of countries are in the IOR region.

Broadly speaking, one could consider two types of regime : open liberal regime and managed liberal regime. The distinction lies in the degree of the role of the state in intervening in the market to remove the markt failure. Of course, the two categories can not be conceived in their extreme pure forms. Each regime has some elements of the other. A managed liberal regime does not mean a highly regimented regime with high degree of protection from competition and rigid restrictions on market induce choices. It only means that under this regime there is greater scope for strategic industrial and trade policies of the state than what is possible in an open liberal regime.

There are four possible combinations of the trade and the investment regime that simultaneously is operating in the IOR region.

Model

		Foreign Investment Regime	
		Open Liberalism	**Managed Liberalism**
Trade Regime	**Open Liberalism**	**Liberal Trade Regime - Liberal Foreign Investment**	**Liberal Trade Regime - Managed Foreign Investment**
	Managed Liberalism	Managed Liberal Trade Regime - Open Liberal Investment Regime	Managed Liberal Trade Regime - Managed Liberal Investment Regime

The schematic presentation of the possible combinations of liberalism and managed approach in the case of trade and foreign investment regime is meant to bring home the point that in the present world economic system. The countires are belonging to these differents cell of the table. Even one accepts the thesis that the combination of a liberal trade regime with a liberal foreign investment regime to best suited to all the countries of the world economy. It is impractical to conceive of bringing about a single universal regime through a multilateral agreement without considering the costs of radical structural adjustment which such a process could entail for the different countries under different regime.

Foreign Direct Investment

When one look the **table 20** of the invested amount in differnet countries and compare with the given model then can reach in final conclusion that the investment magnitude and intentity truely follow this model.

Most of the South East Asian states do follow the principle of liberal trade regime and liberal foreign investment. That is why, the magnitude of investment is high. Among all IOR states,

Table -20

Foreign Direct Investment (Million $ US) In the IOR Countries (i994)

Country	
Singapore	5588
Kuwait	16
Thailand	640
Qatar	37
Malaysia	4348
Bahrain	-31
Mauritius	20
UAE	113
Saudi Arabia	1341
Seychelles	31
Iran	-10
Sri Lanka	161
Oman	130
South Africa	6
Jordan	3
Iraq	n.a
Indonesia	2109
Egypt	1256
Maldives	8
Keneya	4
Myanmar	4
Madagascar	6
Pakistan	n.a
India	620
Yemen	17
Bangladesh	11
Tanzania	n.a
Sudan	n.a
Mozambique	33
Ethiopia	7
Djiboute	3
Somalia	n.a
Australia	4423
Israel	580

the FDI is very high in Singapore, Malaysia, Indonesia and Australia.

On the other hand, some countries of the IOR like India, South Africa, Sri Lanka and Egypt are following the principle of "liberal trade regime-managed foreign investment". Consequently, the proportion of FDI in these countries is very law. Because, here are strict rule and regulation by the state for the investers.

However, all the IOR states should follow very liberal policies for all round economic development. The investors can freely move any parts of the IOR region.

Inward Foreign Direct Investment

The inward and outward investment of any country depends on many geographical, economic and poltical factors. The highest FDI more than 20% is in Seychells and Singapore. Under the category of between 20-10% inward investment, the major IOR states are Malaysia (16.1%), Egypt (14.8%) and Maldives (13.4%). However, among all IOR states, the highest inward investment can be consider is Singapore, Seychells, Malaysia, Maldives and Egypt.

Table -21
Share of Inward and Outward FDI Flows to Gross Fixed Capital Formation, by Region and Economy in %(1994)

Country	Inward	Outward
Singapore	23.5	9.2
Kuwait	0.4	29.4
Thailand	1.1	0.9
Qatar	3.4	n.a
Malaysia	16.1	6.7
Bahrain	-2.1	0.4
Mauritius	1.9	0.1
UAE	1.5	-0.6
Saudi Arabia	5.4	0.3
Seychelles	31.3	1.3
Iran	n.a	n.a
Sri Lanka	5.3	0.3
Oman	6.8	0.4
South Africa	n.a	n.a
Jordan	0.2	-1.2
Iraq	n.a	n.a
Indonesia	3.6	n.a
Egypt	14.8	0.5
Maldives	13.4	n.a
Keneya	0.3	n.a
Myanmar	0.2	n.a
Madagascar	1.8	n.a
Pakistan	4.7	-0.1
India	1.1	n.a
Yemen	0.7	n.a
Bangladesh	0.3	n.a
Tanzania	n.a	n.a
Sudan	n.a	n.a
Mozambique	3.3	n.a
Ethiopia	1.1	-0.1
Djiboute	2.3	n.a
Somalia	0.4	n.a
Australia	6.4	8.5
Israel	2.5	4.6

The second group of countries, where inward FDI in between 10-5% are Saudi Arabia, Sri Lanka, Oman and Australia. And in rest of IOR states, it is below 5%.

Generally, it has seen that inward FDI is directly related wth the economic growth and infrastructural development. In the IOR region, economic liberal policies and various incentives for the investors are requirement for further economic developent.

Out-ward Foreign Direct Investment

The outward investment from any country shows liberal policy of the government and economic prosperity. The data shows that. Kuwait, Singapore, Malaysia, Australia and Israel are the great investors . But the basic agenda is that the out-ward investment of any country should at first confine within the IOR. That will help in socio-economic development of the region.

However, the IOR countries have vast potential of natural and human resources. But due to lack of capital and technology, still the resuorces are unexploited. In this competitive and protectionism economic era the development largely depends on foreign direct investment and trade. The IOR countries required proper strategy to attract the investors that can prompt trade.

CHAPTER-IV

India and the Indian Ocean Rim Countries

CHAPTER - IV

India and the Indian Ocean Rim Countries

India occupies an important geographical position in the central arc of the Indian Ocean Rim. Indeed, India's association with it has been historic and intimate as is borne out by the fact that it is the only ocean in the world that shares its name with that of a country.

Over centuries, the economies, peoples and culture of the Indian Ocean Rim have been bound together into an Indian Ocean Community. Traders, Seamen, fishermen and pilgrims traversed the Indian Ocean and its numerous ports, enabling a vibrant trading network to emerge. Indian has been a central part of this network and her commercial, cultural and people to people links with this region have been close and versatile.

This is the only trading bloc in the world, named after a particular country which means that the geo-political and cultural influence of India over the region since ages has been deeply recognised by the Indian Ocean countries.

There are several reasons for explaining India's interest inthe IOR-ARC. First, as the emergence of APEC, NAFTA, ASEAN, EU. etc. shows that Ocean based regional cooperation has become the fashion in this present time. All the major economies of the world at present busy in trying to reorient their foreign economic policies in this direction. India has an emeging great power was only country left behind in the race, and it promptly realised the IOR-ARC as the proper forum for furthering its legitimate economic interests.

Second, the idea of promoting an economic community has come up at a time when most of the Afro-Asian countries have adopted the policies of economic liberalisation. The export-led strategy, supported by the World Bank and the Internaitonal Monetary Fund became the cornerstone of the "new economic strategies" in these countries. After four decades of inward-oriented development, India adopted the policy of economic liberalisation in 1991 and the domestic propelled compulsion of enhancing trade stressed the need for looking for new markets for her augmented exports. The formation of the trading bloc among the countries of the Indian Ocean Rim will provide market access to India's exports. Therefore, India attaches high priority to the IOR-ARC.

Third, although India is a founder-member of the SAARC and a signatury to SAFTA. These institutions have not made any significant progress due to the Indo-Pak dispute over Kashmir. So hostility inside the South Asian region led Indian to look out-side .

India's initiative for the formation of the IOR-ARC and its decision to join it immediately will help enhance its economic, political, security and other interests in a number of ways. Economically, it can be advocated that in any form of regional arrangement, augmentation of trade is the most important aspect of cooperation among the member countries. Of the total global trade of $7480 billion, the intra-Indian Ocean trade accounts to only $912 billion which means that the current trade within the region is just a more 12% of the total trade. With the formation of the IOR-ARC, India's exports now at $31 billion are expected to cross $75 billion by 2000 A.D. Similar in the case with its imports. At presnt India is depending on the countries of the Indian Occean Region for its import requirement which is 41% its total imports in 1994-95. The growth and direction of India's trade with the selected IOR countries are in the table

In case any effective regional coopertion is made in the region, Indian will get, its imported goods with lower tariff rates and offering at the same time vast markt facilities to other countries of the IOR-ARC.

India has substantial and growing trade and investment relations with IOR-ARC countries. India's bilateral trade with IOR-ARC countries was US $7.3 billion in 1995-96. This accountd for around 10% of India's global tade and is showing an

Table-22
India-selected IOR-ARC Trade
(value in Million US dollar)

	1994 - 1995			1995 - 1996			
	Export	Import	Total Trade	Export	Import	Total Trade	Percentage increase
Australia	310.8	820.9	1131.7	359.2	952.9	1312.1	15.9
Indonesia	249.1	289.1	538.2	632.0	447.1	1079.1	100.5
Kenya	110.1	12.4	122.5	233.3	14.0	247.3	101.8
Madagascar	3.2	2.2	5.4	6.2	1.3	7.5	38.8
Malaysia	257.0	439.7	696.7	374.6	846.2	1220.8	75.2
Mauritius	102.2	1.4	103.6	129.9	8.3	138.2	33.4
Mozambique	16.4	6.5	22.9	31.4	19.4	50.8	121.8
Oman	79.3	24.2	103.5	103.9	18.9	122.8	18.7
Singapore	691.0	807.1	1489.1	871.0	1054.9	1925.9	28.6
South Africa	140.4	138.8	279.2	318.2	231.9	550.1	97.0
Sri Lanka	328.9	27.6	356.5	381.6	41.7	423.3	18.7
Tanzania	59.0	48.7	107.7	77.2	91.7	168.9	56.8
Yemen	37.2	11.7	48.9	76.3	18.9	95.2	94.7
Total	2384.6	2630.3	5014.9	3594.8	3747.2	7342.0	

Source : IMF, Direction of Trade Statistics , 1995-96.

increaisng trend. The trade flows are likely to increase further considering that there are a number of emerging economies among the IOR member countries.

In the field of investments also, Indian enterprises have been active in IOR-ARC countries. Similarly, Australia, Indonesia, Malaysia, Mauritius and Singapore are important sources of foreign direct investment.

Table-23

Countries	Investment *	Joint Venture **
Australia	572.78	1.3
Indonesia	9.17	19.37
Kenya	n.a	12.03
Madagascar	n.a	n.a
Malaysia	1426.97	19.20
Mauritius	704.90	4.57
Mozambique	n.a	n.a
Oman	161.77	0.89
Singapore	327.40	5.47
South Africa	4.58	n.a
Sri Lanka	2.02	27.04
Tanzania	n.a	0.14
Yemen	n.a	n.a
Total	2294.04	90.07

Source : UN Statistical Yearbook, 1996.

All figures in (US dollar) Million

*Denotes amount invested by the IOR countries in India

** Denotes amount invested by Indian joint ventures in the IOR countries.

India has had signfiicant economic and technical cooperation programmes with IOR countries. Indian has been providing technical training facilities, and has established pilot proejcts in partner countries. We have also been availing of the technical cooperation programmes of other IOR-ARC countries. This dimension of our interaction with IOR-ARC countries will be further developed and cooperation intensified, including on a trilateral or plurilateral basis. It will contribute to human resource development and its optimisation in the IOR-ARC.

Politically, India's membership of the IOR-ARC will be highly beneficial. At present New Delhi is trying to get a permanent seat in the UN Security Council as and when it goes for expansion. But unfortunetly, it hopes to sit on this coveted table on the basis of the criteria like the size of its population, geography, leadership of the Non-Aligned Movement. Its contribution to the maintenance of international peace and security etc., which are not acceptable to countreis like the US. They are interested only in admitting Japan and Germany in the Security Council because of their econimic status. If India is really interested in entering Security Council as its permanent member, it must increase its economic clout by activity participating in the economic forums such as the IOR-ARC. It is pertinent to mention here that the recent victory of Japan over India for a non-permanent seat in the UN Security Council was made possible because of the superior economic status of the former over later.

Furthermore, Indian can play its IOR-ARC membership card as a bargain with Pakistan since the later is desperately lobbing to get an entry into the newly formed trading bloc. New Delhi should clearly tell Islamabad that it will support or at least not oppose Pakistan's membgership in the IOR-ARC on the condition that the later will not oppose India's entry into the Organistion of Islamic Countries (OIC) .

India's strategic interest demands that it is not in New Delhi's interest to remain isolated from only sort of regional groupings made in the IOR area. Because of its close physical proximity with the Indian Ocean it has a stake in the preservation of peace and stability in the region. Regional cooperation within and between the sub-regions in the larger Indians Ocean Regions can keep negative extra-regional influence out and serve as an effective counter-balance to the protectionist and insular trends of the developed countries.

From the environmental point, of view, the Indian Ocean Region is of paramount importance because of the need to protect the rare flora and fauna and the forests with their complex bio-spherical relationship. Pollution, deep seafishing and Exclusive Economic Zones and some of the other issues interlinking environment and development on which India should invite the attention of the other member countries of the IOR-ARC.

For India, it is inseparable from the Indian Ocean Rim for more than physical or etymological reasons. India is actually at the hearts of the Indian Ocean region and constitutes the junction between its castern and western rim.

India can play a led-role of the IOR-ARC success like the US in NAFTA and APEC. Basically the destiny and trade of this economic bloc largely depends on India's economic power and dynamic foreign policy.

In fact, the production and potential reserves of metallic minerals, pertroleum and natural gas of the IOR are the path to the world economy and vital resources for future investment and development of the western economies. To control over these resources is vital to their future economic strategy, because it means control over their economic and political destinies. In this circumstances, India's great interest should be in generating more "great games" between east and west or between north and south in the IOR and the strategic hinterlands.

If India get ownership in industrialization, investment, pipelines and refinery capabilities, especially, the oil producing countries then New Delhi consciously uses control of oil and gas as a weapon to force IOR states into firm economic integration and political unity in the region.

Today, energy has become both the stakes and a weapon in what amount to a policy of economic warfare that shold be the part of India's larger strategy. The possibilities that India will be a key player in all aspects of the energy business, e.g. in redirecting energy trade, flows to it and its transport network. Hence there is a need for India that she should acquire the right as a dialogue partner in OPEC.

The landlocked states of Central Asia and Africa are far from the major trading routes. To trade abroad on their own way, they must invest massive amounts of capital in transportation, infrastructure, etc. Those sums are beyond them and the existing transporation systems all traverse rim countries of the Indian Ocean, that can led direct dependence on littoral countries of the Indian Ocean. However, whoever controls trade transportation and pipeline routes for goods and will decide the region's economic and political destiny.

The main rivals in the IOR are the western economic and political powers. The main evidences are Gulf and Middle East, crisis as well as problems of African littoral countries. In general, other IOR states and India in particular should establish both economic and political hegemony to resolve these crisis, to make free the IOR from the western powers. Simultaneously, the success of India over these crisis can led towards the dominancy on the Central Asian strategic hinterlands.

Hence it would be better to say that India is the heart of the Indian Ocean Rim and the importance of rest of the countries are like other organs of the body. Secondly, in terms of economy and politics India's importance should consider as the US in NAFTA and APEC.

CHAPTER-V

Strategy: Regional Cooperation and Economic Interdependence

CHAPTER--V

Strategy : Regional Cooperation and Economic Interdependence

The economic devevelopment and prosperity of a country does not only depends on the availability of resources but largely on the strategy of development. Despite of a huge reservior of raw materials, the IOR region is one of the most economically backward region of the word. Though not only the US, but its economic rivals are crucially, vitally dependent on the resources of this region for sustaining and developing their industrial economies. Therefore, the IOR region will be one of the most important hotbeds of North-South confrontation in the emerging world order. Hence, there is a need of proper strategy for the economic development of the region.

Indian Ocean Rim Business Centre (IORBC)

The objective should be include trade facilitation, development and exchange of information on trade issues, identification of potential trade complementarities, inventory and net-working of trade data sources and trade promotion. Similarly on the investment side, it entails investment facilitation and promotion including collection and dissemination of information regarding foreign investment regimes, Policies, procedures, incentives, Package and availability of infrastructures. That can help to bring together prominent industrialists, prospective investores and academic researchers in the region.

An Indian Ocean Rim Net-work (IORNET).

The activities of IORNET should be the setting up of on IOR website for providing a virtual information service centre over INTERNET. The IORENT should collect and disseminate information on trade and investment related issues, coordinate match-making exercise between potential business partners, provide information on specialized seminars, workshops and buyer-seller create synergies and networking among specialized agencies in the field of standards, reports and research findings on relevant IOR issued etc. The IORNET should specifically provide adequate and timely on live information on potential incentives, impediments and infrastructure in IOR countries.

The IOR Research Institution

The main focus should be on building on intellectual constituency in IOR-countries, that can enhance economic and cultural cooperation among IOR-countries.

The IOR-Financial Arrangement Institution

Each member state will contribute to the finances of the Association as decided. Adequate arrangements will be made by participating member states for providing finances for implementing the work programmes.

The IOR-Tourism Promoting Centere

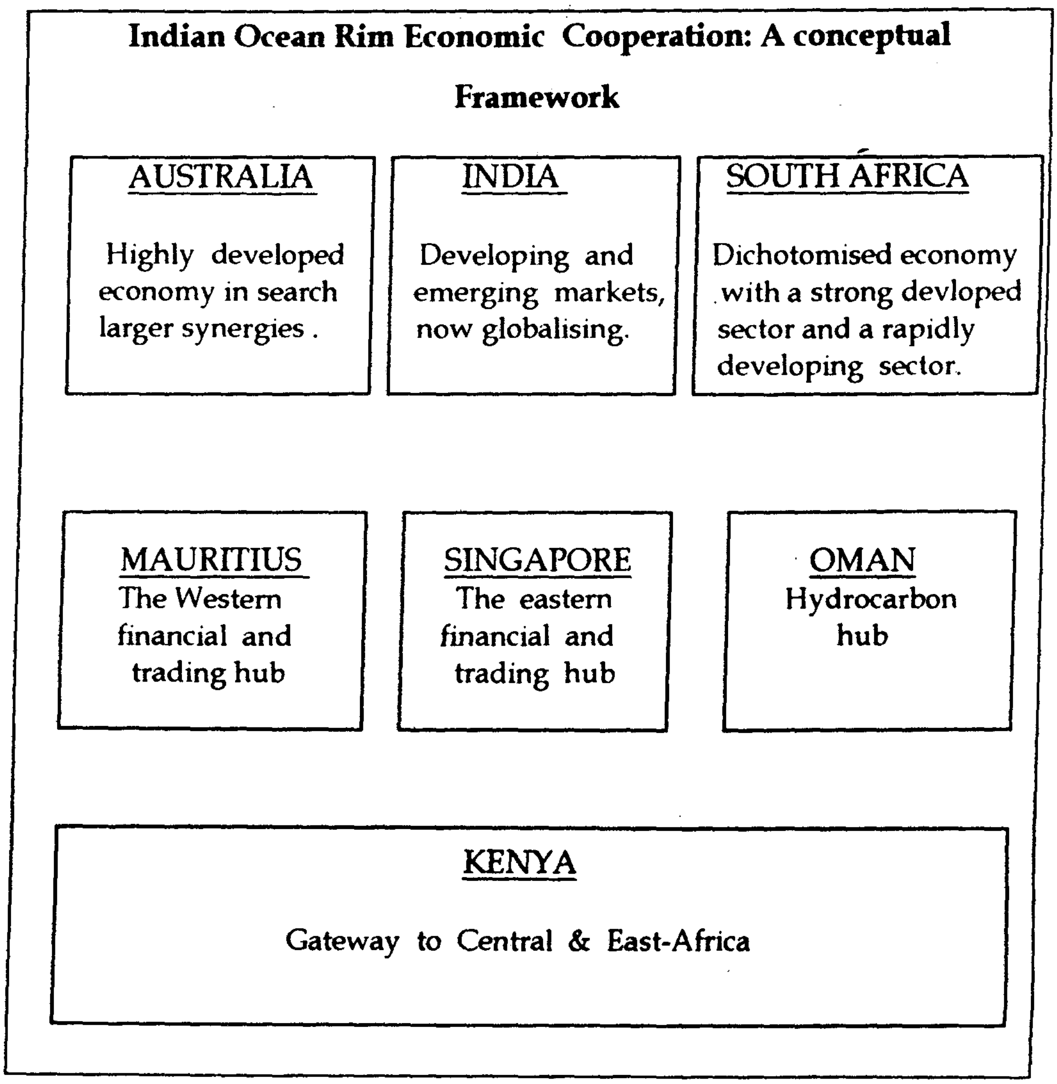
The tourism industry is a highly competitive industry where countries with each other to attract prospective tourists by offering attractive tourist centres, better comforts, attractive prices high standard of services.

However this is one industry that contains a very rich potential for generating largeeconomies of scope if the IOR countries develop integrated approach towards tourism.

The IOR Human Resource Development Centre

In this region , there is a need of proper strategy and network for the HRD. There should be exchange of scientists, technocrates and academician from one country to another that can enhance further HRD. Simultaneously It can help in economic development and cooperation.

Model



Indian Ocean Rim Economic Cooperation: A conceptual Framework

But the success of the above strategy largely depends on the practical implication of the given model.

This model gives ideas to enhance the economic development . In the IOR region , Australia is a developed economic bloc share with other developed regional economic bloc. The economy and market as well as level of science and technology of Australia is the projected form of the western countries. And she has large potential of natural resources. Therefore, Australia looks west of the IOR region for market and fuels. The entry of Australia will be a great challenge to the western power in the Indian ocean region.

The geo-strategic location of India like a bridge, which connect the eastern and western geo-economy of the IOR region. While South Africa is the western most terminal of the IOR-region. Which can provide better accessibility to the souther sub-Saharan states and south America. These both regions are the largest potential market of the IOR-region.

In the wet of the Indian Ocean, Mauritius has emerged as the financial hub. It has become like a gateway for investments across Africa Europe and Asia. On the other hand, Singapore has emerged a financial hub in the east of the Indiana Ocean and attracted the large share of FDI from members of the APEC and ASEAN.

Comparatively, the oil resource of Oman is more accessible to the IOR importers than other oil producing countries. It can help in the petro-chemical industrialization of the IOR. Kenya is a perfect gateway to the sub-Saharan region. She can provide a largest potential market in the sub-Saharan region for both industrial products and raw materials.

The above strategies and its implications can give a new direction towards cooperation and economic development. If the Indian Ocean Rim powers follow the above strategies definitly can command over the world geo-economic power.

CHAPTER-VI

Conclusions

CONCLUSIONS

We have always lived is an interdependent world. This interdependence was sometimes hampered due to growth of adversarial relationship either among the members in the region itself or between the regional and non-regional powers or even due to the contest for supermacy among the non-regional powers operating in a given region. This last aspect has been influencing peace and security in the IOR since the end of the fifteen century, when European powers made the IOR a zone their intra-European contest for supermacy. In the post-world war II era, the cold war, which was intrinsically an intra-North struggle for supermacy replaced the intra-European rivalry of the previous centuries., Now, with the end of European colonialism followed by the end of the cold war, IOR is free to chalk out new policies that can once again restore the ethos of peace and cooperation in the region. The concept of 'peace zone' in the Indian Ocean was conceived of in the context of the cold war rivalry and related regional issues. Now that environment is fast changing . Hence there is a need to give a more positive and constructive meaning to the concept of peace zone in the IOR.

Simultaneously, protectionism and managed trade have become a global phenomena. Under the banner of these two features, the world has divided into different trading blocs. Among all, EU, NAFTA, APEC and OPEC are most powerful. Secondly, the newly created trade barriers in the industrialized North like the EU and NAFTA, with their bult in mechanism are expected to impose trade restrictions in the form of tariff and non-tariff barriers on export from several of developing countries of the IOR. Thirdly, the collapse of the Eastern Bloc not only as a large trading bloc but also as a source of economic and technical assistance has created a void.

Over the past few years several states of the IOR have adopted new economic structural adjustment policies which are Primarily aimed at promoting export-led growth strategies, In these circumstances, the study of the economic prospects of the Indian Ocean Rim countries is an essential task to give a concrete shape of a economic bloc. The basic objective of study is to provide a proper strategic framework for the economic cooperation among IOR states that can help to build peace zone. Peace is indivisible and all the four aspects economic, politicial, social and military are closely related. A regional approach is needed to strengthen the economic prospects. Which can provide a reasonable scope for economic growth with an emphasis not only trade and finance but also upon sustainable development, social development like education, urbanisation etc, and a feeling of security from threat at both internal and external.

This is possible if we seek to promote an environment of regional cooperation based upon economic development. The IOR is an area of immense diversity, especially economic and technological. Thus, those who have been favoured by nature or who have acquired skill by hard work, need to share of it for the uplift of the deprived . If that aspect is neglected, the mechanical framework of regional cooperation will end up as cooperation among they haves. Even if it is not at the cost of the have-nots, it will further widen the disparities in the region . That will be the surest way to undermine if not to defeat the very concept of peace zone in the IOR.

The participation of India in the IOR will provide greater opportunities for a growing and dynamic Indian economy. It is also a noteworthy factor that India has traditionally good relations with all IOR countries which are bilaterally or regionally being further strengthened in the new context. At the same time India occupies an important geographical position in the central arc of the Indian Ocean Rim and can command the geo-economic strategy of the east and west of the region.

As the question of geo economic strategy for the Indian Ocean Rim Community, the European Union is not the model but the Asian pacific Free Trade Area which is an agreed common goal at some distant furture is a closer one. Then it will be one more major building bloc towards total global integration.

Finally, one can come to the conclusion that the study of the economic prospects of the Indian Ocean Rim Countries can help in the formation of IOR-ARC trade bloc. Which can enhance overall prosperity in the region.

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