

# **IORA Trade and Investment Facilitation in the Context of the Iranian Conflict**

**Author**

**Dr Bhavna Mahadew**

**Law Lecturer, University of Technology, Mauritius & IORAG ECPN Steering Committee**

**Member: Internal Stakeholders**

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The Indian Ocean Rim Association (IORA) has long positioned trade and investment facilitation as a cornerstone for regional development, economic integration, and sustainable growth. Through its six Priority Areas and two cross-cutting issues, IORA seeks to strengthen intra-regional cooperation by promoting private sector engagement, advancing the Blue Economy, and empowering women as drivers of inclusive economic growth. The IORA Action Plan 2022–2027 outlines a strategic vision to improve production capacity, competitiveness, and value addition through inclusive public-private partnerships. It also emphasizes connectivity—physical, institutional, and people-to-people—and the promotion of Small and Medium Enterprises (SMEs) as engines for innovation and job creation. These initiatives have taken on added significance in the context of geopolitical tensions, particularly the ongoing conflict involving Iran, which has the potential to disrupt maritime trade routes, energy flows, and regional economic stability.

The Indian Ocean is a critical artery for global trade, including the transportation of energy resources from the Persian Gulf to Asia and Africa. Any escalation of the Iranian conflict could disrupt the Strait of Hormuz, a chokepoint through which a substantial portion of the world's oil is shipped. For IORA member states, such a disruption would have immediate economic consequences, affecting energy prices, supply chains, and trade flows. Countries that rely heavily on maritime commerce, such as Mauritius, India, South Africa, and Indonesia, would face the dual challenge of securing energy imports and maintaining uninterrupted flows of goods and services. In this context, IORA's focus on supply chain resilience, trade facilitation, and investment promotion becomes not only an economic priority but also a matter of strategic regional security.

The Working Group on Trade and Investment (WGTI) plays a central role in addressing such challenges. By studying trade barriers, recommending policy interventions, and coordinating regional investment strategies, the WGTI provides a platform for member states to mitigate the economic fallout of external shocks. Its collaboration with the Indian Ocean Rim Business Forum (IORBF) ensures that policies are informed by the realities of the private sector. Business-to-

business and business-to-government engagements, facilitated through the IORBF, enable member states to anticipate disruptions, identify alternative trade routes, and maintain investor confidence in the face of geopolitical uncertainty.

Recent discussions under the WGTI have highlighted the importance of resilient and predictable supply chains. In 2024, experts examined the role of trade and investment in supply chain resilience, focusing on strategies to adapt to disruptions caused by global crises, including geopolitical conflicts. Earlier, in 2023, presentations emphasized reducing digital trade barriers and creating economic prosperity through integrated regional supply chains. These discussions underscore a clear link between IORA's trade facilitation efforts and the need to buffer the Indian Ocean economies against risks posed by the Iranian conflict, particularly in energy-dependent and export-oriented sectors.

Specific projects further illustrate IORA's practical engagement in this domain. The India–IORA Cruise Tourism Project (2024), for example, aims to enhance connectivity, diversify tourism revenue, and promote regional mobility—a form of economic resilience that reduces dependency on single markets or routes. Likewise, the adoption of an IORA MOU on Promoting SMEs strengthens the capacity of small businesses to access technology, finance, and regional markets. SMEs are often the most vulnerable to trade disruptions; by facilitating their growth and connectivity, IORA enhances economic stability across the Indian Ocean rim. The IORA Centre of Excellence for Dispute Resolution (2024) also contributes indirectly to resilience by providing mechanisms to resolve commercial conflicts that might arise due to delays or disruptions in trade and investment flows caused by external crises.

The conflict in Iran also amplifies the importance of renewable energy and climate-resilient infrastructure, both of which intersect with IORA's broader economic agenda. Energy insecurity resulting from potential disruptions in fossil fuel shipments creates a strong incentive for member states to diversify energy sources. IORA-supported initiatives, such as professional short courses delivered by the Australian National University on climate change adaptation, mitigation, and grid integration of renewable energy, equip policymakers and businesses with the tools to develop sustainable and reliable energy systems. By linking energy resilience with trade and investment facilitation, these initiatives reduce vulnerability to external shocks while promoting long-term economic stability.

Furthermore, IORA's emphasis on knowledge sharing, training, and capacity building enhances the ability of member states to respond collectively to crises. Government, academic, and private sector collaboration ensures that lessons learned from past disruptions, including COVID-19-related trade

challenges, can be applied to new geopolitical uncertainties like the Iranian conflict. By creating platforms for dialogue, exchanging best practices, and fostering collaboration across borders, IORA strengthens regional preparedness and promotes adaptive strategies that benefit all member states.

In conclusion, the Iranian conflict underscores the growing importance of IORA's trade and investment facilitation agenda. Initiatives that promote supply chain resilience, SME development, energy diversification, connectivity, and multi-stakeholder engagement are no longer just economic policy measures—they are essential tools for maintaining stability in a region dependent on secure maritime trade. Projects such as the India–IORA Cruise Tourism Project, the SME MOU, and the Centre of Excellence for Dispute Resolution illustrate how IORA translates strategy into tangible actions that mitigate vulnerabilities. As geopolitical tensions continue to shape global trade and investment patterns, IORA's integrated approach to economic development, private sector engagement, and regional cooperation will be increasingly critical in ensuring that the Indian Ocean rim remains stable, prosperous, and resilient.