



INDIA-SINGAPORE PARTNERSHIP IN THE 21ST CENTURY

Lalhming Sangi

Department of Political Science, Mizoram University, Aizawl, India

✉ hmingsangjohn@gmail.com

Lalhming Sangi: <https://orcid.org/0000-0002-4305-2359>

ABSTRACT

India's rebranded "Act East Policy" has led to a vibrant cooperation under the growing economic relations between India and Singapore in the 21st Century. During the Cold War, Singapore, a natural ally of India remained friendly playing a buffer role in trying to bring India towards other Southeast Asian countries. Although the bilateral relations remained constant they were neither substantial nor warm during the Cold War due to ideological differences. After the launching of India's "Look East Policy", India's relation with ASEAN increases and ASEAN plays a considerable role for the development of bilateral cooperation between India and Singapore. This paper examines Indo-Singapore economic relations as impacted by the growing development of India-ASEAN relations.

Keywords: Cold War, Singapore, Act East Policy, ASEAN, Trade.

Introduction

Singapore occupies an important place in India's foreign policy. India has a keen interest in developing closer relations with the East since ancient times and Indian culture and religion has been assimilated in the Southeast Asian countries through traders since the first millennium. Both countries share common characteristics and a feeling of brotherhood in their fight against imperialism. Although India has adopted the policy of non-alignment, it developed closer relations with the Soviet Union and this created diverse perception with the Southeast Asian countries during

the Cold War. The close relation between India and USSR during the Cold War had lessened the relations between India and Southeast Asia in general and Singapore in particular. The end of the Cold War and the demise of the Soviet Union left India with no powerful partner and its friendship with the Soviet Union was cast aside. Therefore India was left with no other choice but to look towards Southeast Asia to fill the vacuum left by the Soviet Union. As Southeast Asia began to register rapid growth in the 1990's, India on the other hand was on the edge of a financial breakdown. Therefore, India felt the need to

increase substantially its trade and economic relations with them.

The then Prime Minister of India Indira Gandhi had keen interest in Southeast Asia and during this time, Prime Minister of Singapore Lee Kuan Yew had suggested India to take a larger role in ASEAN and to cultivate better economic cooperation with the Southeast Asian countries. However, members of ASEAN countries were not in favour to have a close association with India during the Cold War because India still cooperated with the Soviet Union and ASEAN members were not in favour of the ideology of communism. India's relation with Singapore was one of the cordial ones among the Southeast Asian countries. Singapore has been one of the mediators between India and ASEAN countries and helped and encouraged India in the inclusion of ASEAN. The end of the Cold War and the fall of Soviet Union shaped a new path for India and Singapore in constructing bilateral cooperation.

India's Act East Policy

The end of the Cold War and the demise of the Soviet Union had made India redefine its interests and role more precisely in Asia. India re-established its relations with the East and launched its new model of "Look East Policy" in 1992. India's relations with ASEAN developed through its "Look East Policy" and this elevated India's bilateral relations with Singapore. Singapore placed her role as India's actual regional promoter and developed into India's multidimensional commitment in Southeast Asia. Through Singapore's governmental support, India was raised to be a full

ASEAN Dialogue Partner in 1995 and subsequently due to Singapore's strong insistence to its ASEAN associates, India joined the ASEAN Regional Forum in 1996.

India's "Look East Policy" was formed as an economic enterprise after the liberalization of India's economy in the early 1990's. Since then, it has formed the basis of India's foreign policy with Singapore playing the central role for its entry into ASEAN. Through ASEAN, India has been able to play numerous roles which consist of political, economic, cultural and strategic dimensions. It also includes expansion of relations in the field of safety, connectivity and co-operation in Asia. Subsequently, India as an emerging regional player has sought to influence the prospects for peace, prosperity and commitment in the region. "Look East Policy" has laid a profound interest among ASEAN. This added the regional line of supporters and developed as an internal factor of India's elaborate program. This new chapter is considered as a more positive approach to India's foreign policy in the field of political and economic spheres.

"Look East Policy" the key pillar of India's foreign policy was raised to "Act East Policy" in 2014. "Act East Policy" extends its emphasis to neighbourhood in the Asia-Pacific region. Under this, economic and security integration remain the crucial point not only to Southeast Asia but also in the direction of the East Asian countries. Under the aegis of this, India's share in ASEAN's global trade has grown-up between 2000 and 2016 arguably due to the ASEAN-India Free Trade Area (AIFTA)

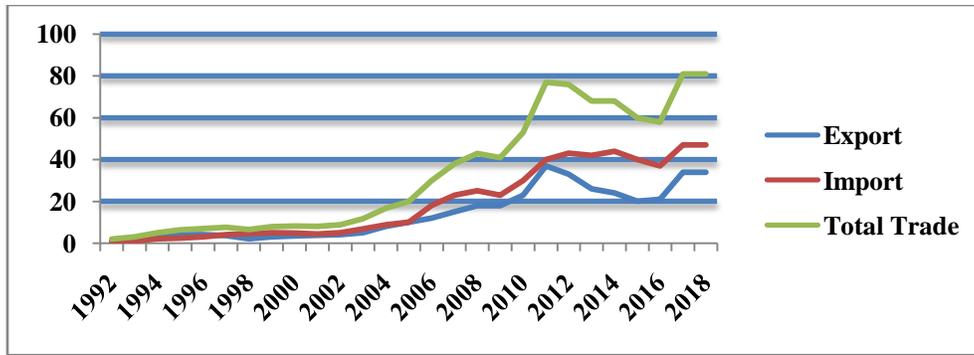


Figure 1: India-ASEAN Trade Relation (Source: DOTS IMF)

that shields about 90 per cent of tariff outlines between ASEAN and India. Singapore bids zero in useful tariff duties to India for World Trade Organization-categorized agricultural, industrial and petroleum products thus permitting India's larger market's right of entry in relation to other regional countries in the RCEP.

The total ASEAN exports to India experienced an average year-on-year growth and the variations remain greatly dependent on the individual ASEAN countries' internal factors and economic cooperation (Fig. 1). The India-Singapore CECA which came into force on August 2005 permits Singapore the pre-arrangements to withstand on trade in service area and shares with India. The CECA's attention in non-trade goods is wide-ranging. It comprises of air transport services and an e-commerce share which offers national conduct for trade in digital products and also agrees to the enlargement of foreign commercial presence from Singapore into India with the establishment of investment security sections for shareholders from both countries. On India's part, it also includes its course program and it covers infrastructure

where expertise and management capability is greatly essential. The India-ASEAN Free Trade Agreement for Trade in Goods which came into effect from January 2010 increased substantially from US\$ 56.23 billion in 2010-11 to US\$ 76.52 billion in 2014-15. ASEAN became the fourth largest trade partner of India. Thus, India-ASEAN shares in trade has progressed very fast between April 2000-March 2018 thereby reaching US\$ 68.91 billion.

India became ASEAN's sixth major trade-off partner in 2017 and its trade cooperation reached US\$81 billion in 2017-2018, this constitutes 10 per cent of India's total trade. India's influence lies in its service division. The approval method of the Agreement on Trade in Services under the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and India is by now finalized. The main objective is to completely occupy the prospects opened up by the immense markets of ASEAN. As a result, India concluded the operative enactment of the ASEAN-India Free Trade (AIFTA) and the functioning of the ASEAN-India Trade Investment Centre.

Comprehensive Economic Cooperation Agreement

The warmth and evolving relation was seen when Singapore Prime Minister GohChok Tong visited India as the chief guest at the Indian Republic Day celebration and this marked India's positive relation with ASEAN members and Singapore. This shows the waning relation of India and USSR thus allowing India to pursue its objective in the right way. Indo-Singapore economic cooperation started after India's liberalization of economy and formal economic integration with Singapore started taking place after the introduction of "Look East Policy". So, LEP plays an important role in the successful cooperation between India-ASEAN relations and along with this the significance of Singapore could not be neglected as the increasing Indo-Singapore economic integration has numerous impetuses among the ASEAN members.

From this growing relation, India's relation with its neighbours started new endeavour and its cooperation has been extended to East Asia and this deliberately has a great impact upon bilateral relations between India and Singapore. During this time, Singapore's economy was moving with constant dynamism and India was looking for a new economic partner with Singapore. However, the relation between the two had been improved by the late 1980's and Singapore Prime Minister GohChok Tong observed that "bilateral relations between Singapore and India had reached a stage best considered as co-operative and forward-looking. The resolve of disputes like Cambodia which had

previously caused some problems in Singapore-India relations and the reformation of the Indian economy have brought forth new prospects for the two countries to forge closer relations and in this regard both countries were able to look ahead to a new chapter in bilateral relations".

By 2000, India develops into Singapore's fifteenth major trading partner and became a top economic partner. According to the Singapore Ministry of Trade and Industry India's vast demand for electronic goods, India's immense group of IT experts and the attraction of Singapore's infrastructure and connections to the Southeast Asian states as well as to the international markets would boost the economic links between India and Singapore. Due to this, the IT area played a significant part in Singapore's bilateral relations with India. India's huge demand of electronic goods from Singapore has boosted the economic relations during the initial years of collaboration between India and Singapore. Thus, IT park of Bangalore is one of the hot talks of economic cooperation in India-Singapore economic relations. In phase one, IT Park of Bangalore has been fully occupied by 91 companies including some familiar foreign multinational corporations like Hitachi, Sanvo, Glaxo, Tata, GE Plastics, Siemens and Sharp.

The CECA leads to larger support for India and Singapore in trade and investment activities and extended connections in specialized service areas mainly in the resource economy. Through this, India has

Table 1: India’s Trade with Singapore

Year	India’s Exports	India’s Imports	Total Trade	Balance of Trade
	(in US \$ million)			
1993	670.5	952.4	1622.9	-281.9
1994	827	1320.5	2147.5	-493.5
1995	932.8	1900.7	2833.5	-967.9
1996	1019.1	2090.7	3109.8	-1071.6
1997	1032.2	2198.3	3230.5	-1166.1
1998	613.5	2468.5	3082	-1855
1999	736.7	2496.1	3232.8	-1759.4

Source: Data obtained from Indian High Commission in Singapore

been able to exert its power in Singapore in terms of business, trade and advertising sector so as to attain larger attractiveness. Also, Singapore-based MNCs helped Indian businesses to enlarge their powers globally. It increased the investment system and the investment park has been continued respectively in both countries. Thus, recorded enterprises have been able to enjoy tax exception on capital expansion from speculations in India. Singapore imports into India became more practical after the signing of CECA as the rates on almost 75 per cent of Singapore’s internal exports has been removed. Consequently, the Mutual Recognition Agreements help cut costs the manufacture particularly in electrical, electronic goods and telecommunication apparatus. This increases the trade in service area and package dealers from Singapore were given right of entry into India’s market.

In the initial years of cooperation, it is interesting to know that many Indian businessmen do not want to enter ASEAN countries except through Singapore. Thus, the total trade between India and Singapore between 1993-1999 (as shown in **Table 1**) shows impressive growth and during this

time Indian exports to Singapore included primary products like fish, fruits, vegetables, precious stones, pearls, apparel, yarn, data machines and electrical machinery. Singapore too exported items like petroleum products, electronic and telecommunication equipment, electrical machinery, chemicals, plastics and scientific instruments. The trade was generally in favour of Singapore and Singapore played a very important role in helping India engage closely with the ASEAN region.

Minister-in-charge of Trade Relations S. Iswaran reiterates Singapore’s intense relationship with India and its wide ranging relation in terms of trade, industry and investment. Mr. Iswaran notes, “The close and resilient relation between India and Singapore and its assurance to maintain and build up collaboration in the field of trade and investment, air and logistical connectivity and smart city improvement. India and Singapore have complementary expertise that can help generate more prospects and shared common assistance amongst various Indian companies”. By 2018, India became Singapore’s top trading partner and its total trade has reached US\$ 26.4 billion. Upon this, Singapore’s invest-

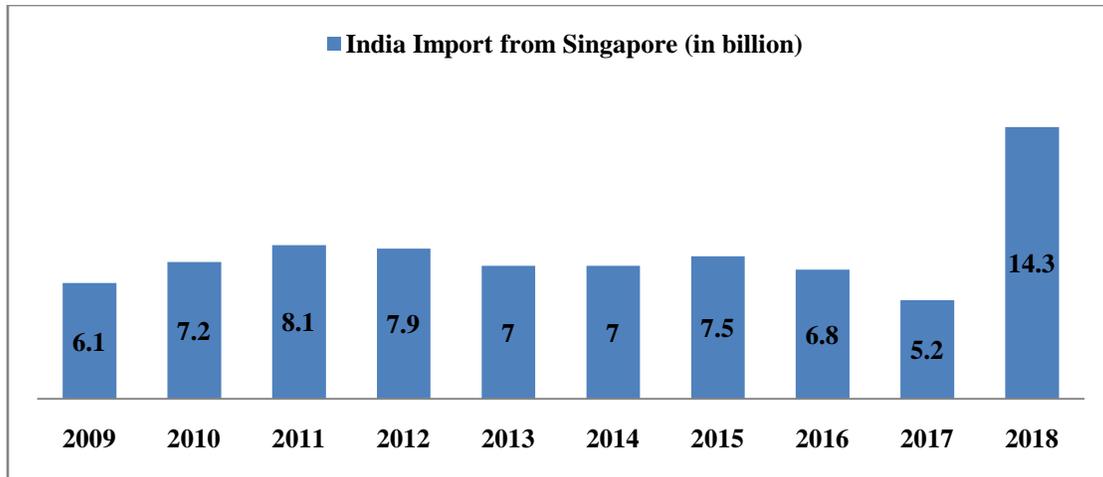


Figure 2: India's Import from Singapore (Source: UNCTAD)

-ment has flourished in India and Singapore's investment has increased numerous in 2018 thus becoming India's major venture capitalist.

Export and Import

India's main import from Singapore accounted for 50 per cent of its over-all imports and it consists of machinery and motorized parts, carbon-based substances, electrical equipment, mineral fuels. Nuclear apparatus, boilers, machine-driven appliances, sound stereos and reproducers, iron and steel, aircraft, spacecraft, iron and steel, ships, boats and floating structures, nickel and articles, diverse chemical goods, dying extracts, inks, cocoa planning, in print volumes, newspapers, pictures, essential oils, perfumery, cosmetic or toilet groundwork. India's import from Singapore has followed a rounded form. India's imports from Singapore increased to US\$ 14.3 billion in 2018 compared to US\$ 5.2 billion in 2017. India's import of merchandise in 2018 improved mostly due to the request of electronic tools and floating

productions. India's import from Singapore shows a sign of increasing economic cooperation amounting to US\$ 7.2 billion in 2010 to US\$ 8.1 billion in 2011.

Likewise, India's imports of iron and steel from Singapore dropped immediately after CECA was signed from US\$ 66 million in 2004-05 to US\$ 54 million in 2005-06 but improved subsequently to US\$ 139 million in 2012-13 (Fig. 2). The imports run down to US\$ 112 million in 2013-14 but enhanced after that to US\$ 234 million in 2015-16. Iron and steel similar to TMT bars and rods also increased extensively. Gems and jewellery were another significant products imported from Singapore. The non-industrial products imported from Singapore were metals, forms of gold. The suppliers from Singapore constitute of site owners and they export enough diamonds to India from its modernized storerooms. Also, airplanes and helicopters were also imported over a year. India's imports of aluminium and objects from Singapore increased from US\$ 12 million in 2004-05 to US\$ 32 million in 2008-09 thereafter showing a quick decline

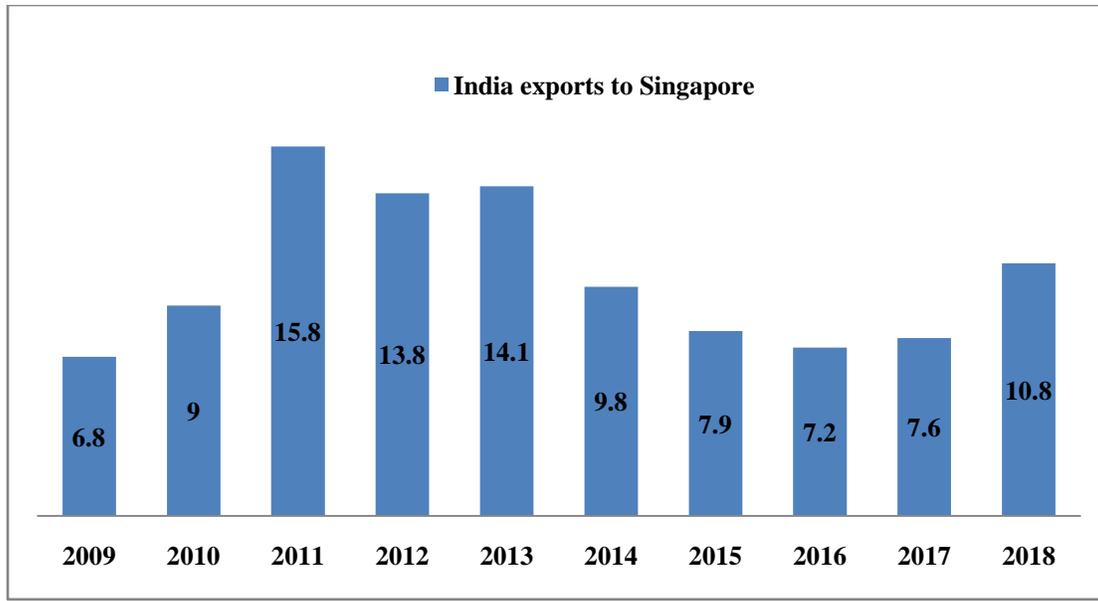


Figure 3: India's Export to Singapore (Source: UNCTAD)

to US\$ 21 million in 2009-10. On the other hand, India's imports immensely improved during 2015-16 amounting to US\$ 48 million.

In terms of India's exports items to Singapore **Fig. 3** shows the declining pattern of export materials to Singapore in the period between 2015-17 amounting to US\$ 7.6 billion in 2017 and a lesser amount of US\$ 6.8 billion in 2009. The lessening is due to the growing internal consumption in India. Singapore's overall import of mineral fuels also declined from US\$ 124 billion in 2012 to almost half at US\$ 65 billion in 2015. Imports of mineral fuels from India to Singapore, however, declined further severely to US\$ 2.9 billion in 2015-16 which is a lesser amount of a third compared to 2012 export level. Mineral fuels and refinement goods were the utmost export objects with 61% of export to Singapore in 2018 while pearls, metallic and precious stones set up 6 % of its export articles.

Singapore is a local centre for oil trade. The key manufacturers of petroleum goods in India use Singapore as an exchange centre which serves as huge oil storing depots. This can be used for growth of further transaction subject to price arbitrage fund. India's export elements to Singapore include taps, cocks, valves, cyclic hydrocarbons, saturated acrylic monocarboxylic acids, nucleic acids and their salts which are used as common drugs and intermediary. On the other hand, like medical tools and applications their accessories and calculating appliances were also circulated to Singapore. Copper and articles, dumpers, tanks motorcycles, aircraft, aluminium, dyeing extracts, iron and steel, tubes and pipes, cotton, exports of vegetables, dry berries of the group capsicum, cashew nuts, tobacco, cigarettes, cocoa beans and garments were also distributed to Singapore.

Conclusion

The end of the Cold War caused severe changes in India's foreign policy. India was disturbed by many conflicts and ideological differences with its neighbour during the Cold War. It chooses to remain non-aligned and did not take greater role in expanding better cooperation with other countries. The concept of regional cooperation and prospects remain inconsequential during the early years of independence. With the arrival of India's "Look East Policy" India's relations with ASEAN and Singapore in particular took on a positive turn as India's growing economic relation with ASEAN gives substantial growth in Indo-Singapore economic relations. India's LEP and its reinvigorated "Act East Policy" built up India's relations with Singapore in improving its bilateral relations in terms of export and import items. Thus, the AIFTA and CECA boosts the growing relation between India-ASEAN and also to India-Singapore cooperation. Upon this, ASEAN plays a pivotal role in increasing economic relations between India and Singapore through its "Act East Policy". On the other hand, India needs to improvise its economic relation with ASEAN and Singapore. Though India's export items have also been increased, on the other side its imports items have reached higher than its exports products. India looks different from the 1991 India with a controlled economy. However, India must give greater interest in supplying materials outside its region under its "Act East Policy".

The significance of India's new economic policy was its commitment in

regional and bilateral cooperation with ASEAN. The "Look East Policy" has been one of the main strategies in which India has been able to build up its economic position. And India's economic policy of "Act East" also supports establishment of good relations with ASEAN and in the Asia-Pacific region. The growth of a resilient relationship with ASEAN through economic cooperation helps India improve formal bilateral relation with Singapore. The ASEAN-India Free Trade Agreement and the India Singapore Comprehensive Economic Cooperation Agreement has been the key pillar for developing relations between India and Singapore. The India-ASEAN trade dimension has improved and deepened every year but India's import from the overall ASEAN countries is higher compared to its export items to ASEAN members.

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