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## India-Singapore Relations

AN OVERVIEW

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# INDIA-SINGAPORE RELATIONS

## An Overview

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Building on their centuries-old historical and cultural linkages, India and Singapore have, over the years, developed a very strong strategic partnership, which covers a whole gamut of areas of cooperation including trade, tourism, security and defence. India's Look East policy, launched in 1992 along with its economic liberalization and export promotion programmes in the backdrop of the economic crisis received the quickest response from Singapore in the form of the latter's 'Look West' policy and 'mild India Fever' programmes. Singapore has played a central role in getting India into ASEAN as a dialogue partner, the membership of the ASEAN Regional Forum (ARF), and also in initiating ASEAN-India Summit meetings. Along with Japan, Singapore has also been instrumental in getting India on board the East Asia Summit, despite opposition from China and Malaysia. Singapore is the core constituency of India's Look East policy and the most ardent advocate of a greater role for it in the Asia-Pacific. India-Singapore relations received a major boost from Singapore's regionalization approach to trade and investment, resulting in the formation of India's first ever Free Trade Agreement (FTA) with any ASEAN country.

Following independence in 1965 and in the light of the perceived politico-strategic threat from China-encouraged communist subversion, Singapore found a reliable partner in India, which had already fought a war against the Chinese in 1962. Considering India's counterbalancing potential and its military power, Singapore asked India to train and equip its army and called for a greater Indian role in Southeast Asia. Singapore also supported India's position in the 1965 war against Pakistan. However, the geostrategic reality of the Cold War era and India's stand-alone and non-aligned overtures in the region minimized any possibility of

transforming a cordial bilateral relationship into a strategic partnership between the two countries. Further, India's pro-Vietnam and ASEAN's anti-Vietnam stance in the Indochina imbroglio placed the two countries in opposing camps, notwithstanding the absence of any irritation in the bilateral relations and the constant exhortations from Singapore's political leadership. The post-Cold War equations and India's economic reforms provided the much-needed impetus as the two countries began to strengthen and widen their relationship. Singapore was, in fact, the first ASEAN country to respond enthusiastically to India's Look East policy and provided a platform for India to engage with other ASEAN countries.

### **POLITICO-STRATEGIC AND SECURITY RELATIONSHIP**

Ever since the inception of India's Look East policy, its politico-strategic relationship with Singapore has been taking shape at two levels – bilateral cooperation and ASEAN-centric regional initiatives. The number of high-level visits during the early years of Singapore's independence suggests the inception of a very strong political understanding between the two countries. Between 1966 and 1971, Singapore's Prime Minister, Lee Kuan Yew visited India three times (1966, 1970 and 1971). India reciprocated these visits with the visit to Singapore of India's Prime Minister, Indira Gandhi in 1968 and the follow-up visit by India's Deputy Prime Minister Morarji Desai. Singapore has always been an ardent advocate of India's greater geo-strategic presence in the ASEAN region and supporter of India's permanent membership of the UN Security Council. Over the years, security and defence cooperation have expanded considerably given the common security challenges facing the two countries such as terrorism,

maritime piracy, safety of Sea Lanes of Communications (SLoCs). Being members of ARF, many issues of regional security concerns are discussed at ARF but the bilateral forums for security cooperation too discuss regional security issues such as maritime terrorism and piracy. The China factor has further strengthened the mutual understanding of security threats facing the two countries in a broader Asia-Pacific context, thereby, facilitating a greater Indian role in the security deliberations of the region.

India's defence cooperation with Singapore dates back to the mid-1960s when the latter as a new born country faced the challenge of setting up its own army. However, India's participation in Singapore's defence programme remained minimal during the Cold War. It was not until October 2003 that the two countries stepped up ties with a defence cooperation agreement signed during the visit of Singapore's Defence Minister, Rear Adm. Teo Chee Hean to India. The agreement led to the setting up of an India-Singapore Defence Policy Dialogue, which has so far held three meetings, the last one being in October 2006 in Singapore. This forum acts as a high-level platform for discussions on bilateral defence cooperation and common security issues. Concerned with the rising networks of terrorist groups in South and Southeast Asia, the two countries are discussing the modalities for setting up a Joint Working Group on Intelligence cooperation in combating terrorism and transnational organized crime. The two countries have also signed a Mutual Legal Assistance Treaty in criminal matters to further consolidate their cooperative offensives against terrorism.

India-Singapore defence and security cooperation cover three major areas – joint training of armed forces, defence technology cooperation and maritime security. The armed forces of the two countries have been involved in army and air force training, officers' level defence exchanges and security dialogues.

Members of the defence establishments from the two countries have been involved in regular exchanges in the form of visits and participation in training courses. The two countries signed a Memorandum of Understanding (MoU) in 2005, outlining detailed modalities for the first army-to-army exercises. In order to intensify cooperation in the defence technology sector, an inaugural meeting of Defence Technology Steering Committee, led by Singapore's Deputy Secretary for Technology and Transformation, Quek Tong Boon and the Chief Controller (Research and Development Wing) of India's Defence Research and Development Organisation (DRDO), A Sivathanu Pillai, was held in Singapore in October 2006.

However, it is in maritime security cooperation, that there is enormous scope for further deepening the defence relationship between the two countries. The navies have been conducting joint naval exercises such as the SIMBEX and MILAN since 1993 in the Andaman Islands and conducted anti-submarine exercises in April 2007. The two navies continue with port visits, exchanges of naval professionals and related activities.

## **TRADE AND ECONOMIC RELATIONSHIP**

The strength and intensity of bilateral economic relations can be gauged from the fact that Singapore is (a) India's largest trading partner among ASEAN countries, (b) the largest ASEAN investor in India, and (c) the 8th largest investor in India (global ranking). The major impetus to India-Singapore economic cooperation has come from two important sources. The first is the convergence of India's efforts towards its integration with the global economy and Singapore's small domestic market and its shift in focus from internationalization to regionalization. India's policies of export-promotion, market liberalization and encouragement to foreign direct investment facilitation drew the attention of Singapore's private businesses, which were facing stiff competition in the developed market. This has led to greater trading and

financial engagements between the private businesses of the two countries. Private business linkages have been further reinforced by policy-level incentives in different timeframes and various institutional mechanisms initiated by both countries. Three distinct catalysts can be identified – India’s Look East policy in 1992, India-ASEAN Summit meetings in 2001, and the bilateral Comprehensive Economic Cooperation Agreement (CECA) signed in June 2005. An India-Singapore Parliamentary Forum was set up in June 2005 under the Federation of Indian Chambers of Commerce and Industry (FICCI) and on the initiative of the Prime Minister of Singapore, the two countries have set up a Singapore-India Partnership Foundation with the support from the Confederation of Indian Industry (CII) and the Singapore Business Federation to promote commercial and economic exchanges.

While the Look East policy led to an overall expansion in India’s trade with Singapore, the CECA has further strengthened the nature and scope of bilateral economic relations. Based on the recommendations of India-Singapore Joint Study Group, which was set up in 2002 during the visit of then Indian Prime Minister, Atal Bihari Vajpayee, to Singapore, the CECA came into force in June 2005 after 13 rounds of negotiations spanning two years (May 2003-June 2005). The CECA prescribes immediate tariff elimination for 506 goods under the Early Harvest Programme (EHP) and phased tariff elimination for more than 4500 items between 2005 and 2009. Some of the key components of the India-Singapore CECA are enumerated below:-

- Mutual Recognition Agreements (MRA) for eliminating duplicate testing and certification of products;
- Setting up of a Joint Council to oversee the MRA;

- A Protocol, revising Double Taxation Avoidance Agreement, signed in 1981 and revised earlier in 1994, offering zero capital gains tax for Singaporean companies along the pattern of concessions given to Mauritius;
- Improved market access and fair and impartial domestic regulation;
- A bilateral trade promotion and protection treaty;
- Unrestricted access to the Indian and Singaporean banks in each other’s country;
- Enhanced investment limits for Temasek Holdings and the Government of Singapore Investment Cooperation (GIC)
- Cooperation on financial services such as between the stock exchanges of the two countries;
- Economic cooperation in areas like education, science, technology, air services and intellectual property; and
- Relaxed visa regimes for Indian professionals in several areas such as information technology, medicine, engineering, financial, and advertising professionals.

India’s bilateral trade with Singapore went up from US\$2.2 billion in 2001 to US\$9 billion in 2006, registering almost 400 per cent growth in the five-year period, while India’s exports to Singapore rose from US\$972 million in 2001 to US\$5.42 billion in 2006. India’s bilateral trade with Singapore comprised in 2005, almost 38 per cent of its total trade with the ASEAN region and roughly 3.4 per cent of its world trade. India’s main exports to Singapore in 2005 included petroleum products both crude and refined, gems and jewellery, electrical machinery and spare parts, transport equipment, precious stones

and jewellery and its main items of import included electronic goods, organic chemicals, transport equipments, printed books and other reading materials, and metal ores and scraps. However, over 50 per cent of Singapore's exports to India are basically re-exports, that is, items which have been imported from India.

Apart from robust trade relations, the two countries have also enhanced the level of their investment linkages. While Singapore accounted for 95 per cent of India's investment in the ASEAN region in 2005, Singapore has become one of the largest investors in India. Singapore became India's 9th largest trading partner in 2005-06 as investment during April 2005-January 2006 increased from US\$55 million to US\$200 million, registering 300 per cent growth. Singapore's cumulative investment in India came to a total of US\$3 billion in 2006. In one of their official releases, India's Assocham has estimated that Singapore's cumulative investment in India would go up to US\$5 billion by 2010 and to US\$10 billion by 2015. As per the statistics of the Government of Singapore, there are almost 2000 Indian companies based in Singapore whose business operations cover areas such as trading, information technology and some manufacturing. Some of the big names in Indian software industry – Satyam, Infosys, WIPRO, TCS, have been operating from Singapore with their eyes on the bigger market of the Asia-Pacific.

Singapore's investment strategy in India has three key elements – promoting private investment from Singapore in India, asking countries like Japan to invest in India and exploring the possibilities of collaborative investment in third countries. The bulk of Singapore's investment has gone to the infrastructure sector in areas like development of ports and their upgradation, roads and constructions. The Port of Singapore Authority (PSA) joined hands with the South India Cooperation (Agencies) Limited (SICAL) in order to bid for the upgradation of Tuticorin port in Tamil Nadu. In 2000-01, the PSA set up a

joint venture with the Government of Gujarat to develop a container terminal at the Pipavav port in Gujarat, which is India's first private sector-run port. The Singapore-based consortium of International Seaports Private Ltd. (ISPL) had received a contract in 1999 to further upgrade the Kakinada project in Andhra Pradesh.

Singapore has also been investing in developing software technology parks in India, such as the Madras Corridor and International Tech Park Limited (ITPL) near Bangalore. The Madras Corridor project was first discussed in 1988 by Lee Kuan Yew, the then Prime Minister of Singapore during his visit to India while the Bangalore ITPL project was first mooted in 1992 by Goh Chok Tong, Lee's successor. The latter project began in 1994 and was finally inaugurated in 2000. The main partners in this project are a consortium of Singapore companies led by Ascendas International, the Tata Group and the Karnataka State Government with respective holdings of 40, 40 and 20 per cent. Ascendas International is also partnering Larsen and Toubro, India's largest construction company for similar IT parks in other cities. A high-level coordinating committee headed by the Principal Secretary to the Prime Minister of India and the Permanent Secretary, Ministry of Trade and Industry of Singapore is also working out modalities for Singapore's investment in the setting up of a model Special Economic Zone in India

Another important sector, which has witnessed strong India-Singapore relations during the recent past, is tourism and India has emerged as the fourth largest tourist market for Singapore. More than 650,000 Indian tourists visited Singapore in 2006 alone.

## **SCIENTIFIC AND TECHNOLOGICAL COOPERATION**

During his visit to Singapore in 2005 the Indian President A P J Abdul Kalam proposed collaboration between the Aeronautical Development Agency of

Singapore and the Hindustan Aeronautics Limited of India for any possible joint venture in designing, developing, producing and marketing ASEAN Passenger Jets. The two countries have also been engaged in deliberations over joint programmes for aircraft maintenance, repair and overhaul given growing demand of international aviation industry. The two countries have also been exploring possibilities for technological cooperation in the field of information and communication technology, biotechnology, biochemistry, pharmaceuticals, efficient use of energy resources and space research. A MoU on setting up a Task Force in Information and Communications Technology and Services was signed in 2000.

### **CULTURAL RELATIONS**

India and Singapore have developed strong cultural linkages facilitating greater people-to-people contact, expansion of tourism and mutual appreciation of each other's cultures. During the visit of Indian President in 2000, the two countries signed an Executive Programme on Cooperation in the Arts, Heritage, Archives and the Library for two years. A MoU on the loan of artifacts to the Asian Civilization Museum of Singapore was also signed during the visit. Greater cultural cooperation between the two countries can be attributed to two important factors – the presence of a large Indian diaspora in Singapore – constituting almost 7 per cent of its total population – and India's Buddhist tourist places. In a bid to revive their centuries-old cultural linkages, the two countries have decided to jointly develop the Buddhist religious tourism circuit in India and revive a multi-disciplinary university in Nalanda in Bihar, which is the first ever university in the history of human civilization and one of the

great centres of Buddhist learning in the ancient times.

### **CHALLENGES AND OPPORTUNITIES**

During the last fifteen years, India-Singapore relations have occupied a very important place in India's Look East policy, as evident from the continued centrality of Singapore in India's Look East policy, even though the geographical range of the policy has expanded enormously from a sub-regional ASEAN in 1992 to a pan-Asian East Asia Summit in 2005. Singapore is still India's most reliable strategic partner in the Asia-Pacific. Singapore has emerged as India's staunchest supporter for the latter's geostrategic initiatives and the military presence in the Asia-Pacific, and provided a strong platform for India's integration with the East Asian economies.

However, Singapore's efforts at doing business in India have remained bogged down due to the procedural hassles, excessive bureaucratic interference, lack of transparency and overall politico-administrative indifference to the urgency of enhanced economic cooperation. The protectionist policies of Indian government, partly due to its coalition politics, have not only slowed down the pace of Singapore's investment and business activities in India, but also generated a sense of frustration and disappointment among investors and businessmen. Further, greater urgency needs to be shown in institutionalizing the rhetoric of political cooperation and strategic partnership and forging greater strategic partnership on issues concerning international politics, regional equations and bilateral relations. Both India and Singapore share responsibility for creating peace and stability in Southeast Asia without any external domination.

## BILATERAL AGREEMENTS SIGNED BETWEEN INDIA AND SINGAPORE

| <b>Agreements</b>  | <b>Year</b> |
|--|-------------|
| Establishment of Diplomatic Relations  | 1965        |
| Double Taxation Avoidance Agreement  | 1981        |
| Executive Programme on Cooperation in the Arts, Heritage, Archives and the Library   | 2000        |
| Memorandum of Understanding on Telecommunications  | 2002        |
| Defence Cooperation Agreement  | 2003        |
| Memorandum of Understanding Concerning a Third Country Training Programme  | 2003        |
| Comprehensive Economic Cooperation Agreement   | 2005        |
| <ul style="list-style-type: none"> <li>• Free Trade Agreement, in goods and services, and investment;</li> <li>• A bilateral agreement on investment promotion, protection, and cooperation;</li> <li>• An improved Double Taxation Avoidance Agreement;</li> <li>• A more liberal Air Services Agreement, and Open Skies for Charter Flights; and</li> <li>• A work programme of cooperation in a number of areas including health care, education, media, tourism, and the creation of an India-Singapore Fund, with a target of US\$1 billion.</li> </ul> |             |
| Protocol amending agreement on avoidance of double taxation and prevention of fiscal evasion   | 2005        |
| Agreement on Mutual Legal Assistance in Criminal Matters   | 2005        |
| Memorandum of Understanding for Army-to-Army Exercises   | 2005        |

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