INDIA'S TRADE WITH SINGAPORE- AN ANALYSIS OF TOTAL EXPORTS AND IMPORTS

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ABSTRACT

This paper attempts to find out the trade relation between India and Singapore. India's export is growing continually. The present study is a descriptive as well as analytical one. The data used for this study have been collected from the secondary sources. The data used is from 1996-97 to 2013-14. The data so collected were processed and analysed as per the requirement of the study to draw inferences and conclusion. Important inputs for the study were also received from the expert's views, made available from different journals articles, internet and news papers.

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Introduction

International trade generally means the buying and selling of goods and services across national borders. International trade has rich history starting with barter system being replaced by mercantilism in the 16th and 17th centuries. The beginning of 19th century saw the move towards professionals, which petted down by end of the century. International trade is the backbone of our modern commercial world. One of the most controversial components of international trade today is the lower production costs of "developing" nations even though many consumers prefer to buy less expensive goods, some international trade is fostered by a specialized industry that has developed due to national talent and or tradition.

Trade and Economic Growth

International trade as the essence of globalization has benefited the world economy as a whole. It allows people, regions and nations to specialize in the production of what they do best, to enjoy the economies of large-scale production and to buy more cheaply those things that others do best. Impediments to trade limit the benefits of trade. Freer trade - from reduced tariffs, regulations and restrictions - permits an economy to make better use of its resources but does not automatically give a country a new and much higher growth rate. Its main benefit is its effect on the level of output rather than on the long-term rate of growth. Trade liberalization stimulates growth and efficiency by allowing producers to exploit areas in which they have a comparative advantage over foreign producers and by reducing their real costs

India and Singapore Economic Relations

India and Singapore are very good trading partners[3], India and Singapore place primary emphasis on the multilateral trading system where rules-based WTO (World Trade Organization) is a key institution that can provide a fair and predictable global trading environment. While an active debate on whether bilateralism/regionalism is a stepping stone towards multilateralism or whether such arrangements detract from liberalization and fragment the global trading system continues to persist, the point to recognize is that regionalism is here to stay and grow. With the limited success of Uruguay Round to liberalize trade, regional/bilateral preferential arrangements

[3] Dr Amitendu Palit (2008) India-Singapore trade relations" Vol no. 46 ISAS (institute of south Asian studies).

are playing an important role in liberalizing world trade. Both India and Singapore look upon regional FTAs (Free Trade Arrangements) and bilateral FTA's as a complement to the multilateral system by ensuring compatibility of the FTAs with rules laid down by the WTO. India has been a member of the seven members South Asian Association for Regional Co-operation (SAARC) which took a major decision towards greater regional economic co-operation in 1991, when it was decided to establish a Preferential Trading Arrangement among the SAARC member countries. The member countries have also envisaged the formation of a South Asian Free Trade Area (SAFTA) through successive rounds of South Asia Preferential Trading Arrangements (SAPTA). Singapore has been involved with regionalism via the ten-member ASEAN (Association of Southeast Asian Nations) grouping and the larger Asia and Pacific region via the twenty-one member APEC (Asia Pacific Economic Cooperation) grouping. In addition, India and Singapore have actively pursued bilateral FTAs.

India and Singapore Bilateral Relations

Political

India and Singapore have a close bilateral relationship based on convergence of economic and political interests. The process of economic reforms in India since the early 1990s created a strong basis for cooperation with Singapore, opening up possibilities for significant presence in each others' economies. For India, Singapore has also played an important role in reconnecting us to the countries of South East Asia since the inception of our Look East Policy in the early 1990s. As pluralistic societies, the two countries share similar concern about the challenges posed by terrorism and religious extremism and have therefore found it mutually beneficial to evolve a broad framework of security cooperation.

Singapore, led by then Prime Minister Goh Chok Tong, took a major interest in India's economic reforms in the 1990s. He visited India in 1994 as the Chief Guest at our Republic Day celebrations. A reciprocal visit by PM Shri Narasimha Rao took place in September 1994. Continued high level interactions, including the visit of PM Vajpayee in 2002, culminated with the signing of the Comprehensive Economic Cooperation Agreement (CECA) in June 2005 during the visit of Prime Minister Lee Hsien Loong to India. Goh Chok Tong was awarded the Jawaharlal Nehru Award for International Understanding in 2004.

Prime Minister Dr. Manmohan Singh paid an official visit to Singapore in November 2011.PM unveiled a bust and commemorative marker of Jawaharlal Nehru jointly with ESM Goh Chok Tong at a prominent location in Singapore. Immediately prior to the visit two MOUs were singed: Cooperation in the field of Personnel Management and Public Administration and an Executive Program under the CEP for the period 2011-14. Prime Minister Lee Hsien Loong paid a State Visit to India in July 2012. During the visit, the two sides renewed the Bilateral Agreement for the Conduct of Joint Military Training and Exercises in India and two MOUs were signed: MOU on Cooperation in the field of "Vocational Education and Skill Development"; and MOU on Cooperation in the Field of Vocational Education and Skills Development for Setting up of Green Field World-Class Skills Development Centre at Delhi. Prime Minister Lee also visited New Delhi in December 2012 to attend the ASEAN-India Commemorative Summit.

Framework of the Relationship: Agreements concluded between India and Singapore reflects the breadth of cooperation between the two Governments, Economies and civil societies in either country. Key agreements include the Comprehensive Economic Cooperation Agreement, CECA (2005); Double Taxation Avoidance Agreement, DTAA (1994); Bilateral Air Services Agreement (1968); the Defence Cooperation Agreement (2003); MOU on Foreign Office Consultations (1994); and Mutual Legal Assistance Treaty (2005). There have been regular Foreign Office Consultations since 1999. The Joint Ministerial Committee (JMC) is at the apex of the expanded bilateral dialogue architecture at Governmental level and is chaired at the level of External Affairs Minister. The India-Singapore Strategic Dialogue, constituted in 2007, is meant to promote exchanges at a Track- II level and is led by the CII on our side and the Institute of South Asian Studies on the Singapore side.

Economic & Commercial

Singapore is India's largest trade and investment partner in ASEAN. Economic and commercial ties have expanded significantly, particularly after the conclusion of the CECA in 2005. Bilateral trade registered a turnover of the order of US$25 billion in 2011-12 and reached US$11.7 billion in 2012-13(Apr-Oct). Singapore has become a preferred centre of operations for Indian companies active in the Asia Pacific region. Combined with a good enabling environment, strong air connectivity and the presence of a large Indian community, Singapore has emerged as a key offshore logistic and financial hub for many Indian corporate/houses. There are estimated to be about 4000 registered "Indian" companies in Singapore. Nine Indian banks operate in the country – Bank of India, Indian Overseas Bank, UCO Bank, Indian Bank, Axis Bank, and State Bank of India, ICICI, EXIM Bank and Bank of Baroda.

Comprehensive Economic Cooperation Agreement (CECA): Concluded in June 2005, the CECA with Singapore was the first such agreement to be signed by India with any country. It integrates agreements on trade in goods and services, investment protection, and economic cooperation in fields like education, intellectual property and science & technology. It also provides Mutual Recognition Agreements (MRAs) that eliminates duplicative testing and certification of products in sectors where there are mandatory technical requirements. The implementation of CECA is to be periodically reviewed by the two Governments and the closure of the 1st Review was announced on 1 October 2007. The 2nd Review was formally launched in May 2010 and is expected to conclude in the first quarter of 2013.

Bilateral Investments: Since the early 1990s, Singaporean companies have been active in India's equity market as FIIs, and the trend has gathered momentum in recent years. There are around 80 FIIs from Singapore which are registered with the Securities and Exchange Board of India (SEBI). Singapore has also emerged as one of the largest source of FDI inflow into India amounting to US $ 18.4 billion during the period April 2000 to October 2012, accounting for 9.91% US$23.42 billion at the end of total FDI inflows. As per RBI statistics, cumulative outward Indian FDI into Singapore was of January 2012.

Review of literature

Rusko. J. Christopher et al (2007), "India and china form trade to peace", this article examines the economic factors for improvement in bilateral relations. For these, the authors set out three possible mechanisms to analyze the subject. The commercial interdependence could lead states towards peace in general. And they examine of these mechanisms for indo-china relations. It shows the participation of both in global economy responsible for improvement in bilateral relations. The authors only highlight about the trade relation for peace. These factors are necessary but not sufficient in this case.

Amitendu Palit (2008), “India-Singapore trade relations” have highlighted an in-depth examination of a select sample of early sample of early harvest programme (EHP) items shows that customs duty elimination through the EHP has had selective impact on exports and re-exports from Singapore to India. Within machinery and appliances, this comprises the biggest chunk of Singapore’s exports to India. The impacts of duty removals on exports are most evident in segments such as automatic data processing machines and electrical capacitors. In some instances, the EHP appears to have encouraged re-exports rather than exports. This is true for some segments within machinery exports. On the whole, for most groups, values of re-exports are seen to exceed those of exports, irrespective of the EHP presence. There are certainly factors other than the EHP that have contributed to the buoyant growth of Singapore exports and re-exports to India in recent years.

T.N. Srinivasan (2006), in his article entitled “India, China and the World Economy”, discusses about rapid growth of two countries and its significant impact on global economy since 1980. The author has described two basic channels, namely import demand and export supply for this analysis. Economic growth of China is greater than India. Although India became a major outsourcing destination in exports of information technology and services it lags behind China in the competition of global manufacturing hubs. The paper concludes whether India overtakes China in the next two decades or not is a matter of global competitiveness that one scores over the other. It is somewhat argued that India may overtake China. The whole analyses are based on medium term while analyses for long term would have been more educating.

Bhat, T.P. et al (2008) in the book India and china: trade complementarities and competitiveness, have highlighted relations, structures, composition and future prospects between indo-Chinese bilateral trade, after China’s entry into the World trade organization (WTO). To measure trade relation and its potential, the authors have used trade intercity and complementary relations in inter industry product because of china’s potential in manufacturing goods while indie’s in knowledge based services. In this study time horizon was taken 1996-2005.

Therotical Background

Hecksher-Ohlin Theory

One of the reasons why a country might have comparative advantage in a good is that countries differ in their factor endowments.There are two factors capital and labor.

The home country is the capital abundant one, the one with more capital per unit of labor.One of the goods is more capital intensive than the other: it uses more capital per unit of labor than the other good. Countries have access to same technologies - factor en- dowments only deference between countries. Under free trade, the capital abundant country (home) is expected to produce relatively more of the capital inten- sive good than the other country.Capital abundant country (home) therefore is expected to export the capital intensive good if no strong bias in consumption. Owners of capital in the capital abundant country (home) benet due to seeing their rents rise relative to prices of goods, while owners of labor (home workers) su⁄er due to seeing their wage fall relative to prices of goods.

As long as capital endowments in the two countries are not too different and which good is capital intensive is the same in both countries, the wage and rent will be the same across countries under free trade with no transport costs.

Objectives

The following is the objectives of the present study.

1. To overview the relationship, both political and economic between India and Singapore.
2. To asses gains or losses from India's trade with Singapore.

Hypotheses

The following is the hypotheses of the study

1. India's Exports with Singapore have increased since 1996.

Data and Methodology

Exports and imports are taken for all the years. Values of re-exports are not taken as those are very small. The data on Foreign Trade generally and specifically on Exports and Imports post liberalization would be considered. The monthly statistics of foreign trade of India, its supplements and statistics of foreign trade of India by countries-all published by Government of India, Directorate General of Commercial Intelligence and Statistics, Kolkata, are the sources of the data regarding India's export and import values, the data on national income of India, production etc., various issues of Statistical Abstract, India published by Central Statistical Organization, India, are consulted. Export prices and import prices are gathered from various issues of International Financial Statistics published by IMF, Reserve Bank of India Bulletin and Report on Currency and Finance; both published by RBI are other publications. The data has been presented with help of tables and graphs.

The data pertaining to merchandised exports, imports and the trade balances were collected from RBI reports and CMIE report on "foreign trade and balance of payments", the data on payments and receipts under current account t and capital account were collected from the annual reports. And handbook of statistics on Indian economy and RBI bulletin monthly abstract of statistics, www.indiastat.com.

Regression model was also used to analyse the relationship between GDP, Exports and Imports of India with Singapore. The regression model is as follows;

$$Y_t = \beta_o + \beta_1 X_t + \beta_2 X_{t-1} + U_t$$

Where Y_t is GDP

β_o is the intercept

X_t is the Exports

X_{t-1} is Imports

U_t is the disturbance term.

Results and Discussion

The results of the analysis of the trade relation between India and Singapore has been presented in the following paragraphs, like already mentioned tables and graphs have been used to exhibit the relationship.

Table 1: India's Total Exports to Singapore

(value in Rs.lakhs)

Sl No	Year	Export	Share in % of GDP	Growth in %
01	2013-2014	7,496,620.27	3.9352	1.31
02	2012-2013	7,399,496.63	4.5276	-7.92
03	2011-2012	8,036,299.98	5.4819	79.66
04	2010-2011	4,473,173.31	3.9138	24.43
05	2009-2010	3,594,829.70	4.2516	-4.79
06	2008-2009	3,775,688.18	4.4908	27.29
07	2007-2008	2,966,223.24	4.5226	8.01
08	2006-2007	2,746,160.82	4.8028	14.33
09	2005-2006	2,401,965.25	5.2626	33.63
10	2004-2005	1,797,534.89	4.7891	84.10
11	2003-2004	976,392.90	3.3282	41.92
12	2002-2003	687,977.67	2.6965	48.36
13	2001-2002	463.712.59	2.2185	15.72
14	2000-2001	400,704.03	1.9684	37.46
15	1999-2000	291,502.58	1.8269	33.88
16	1998-1999	217,727.77	1.5579	-24.36
17	1997-1998	287,850.82	2.2266	-17.05
18	1996-1997	347,001.16	2.9204	
Total Exports	190,501,108.86			

Source: Department of Commerce, Export and Import Data Bank

Graph 1: **India's Total Exports to Singapore**

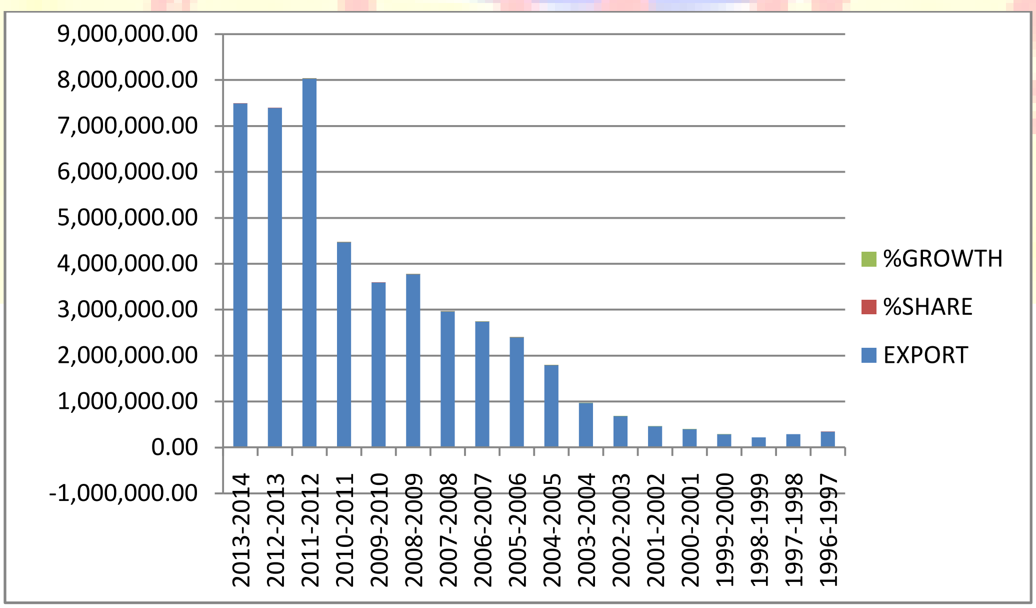

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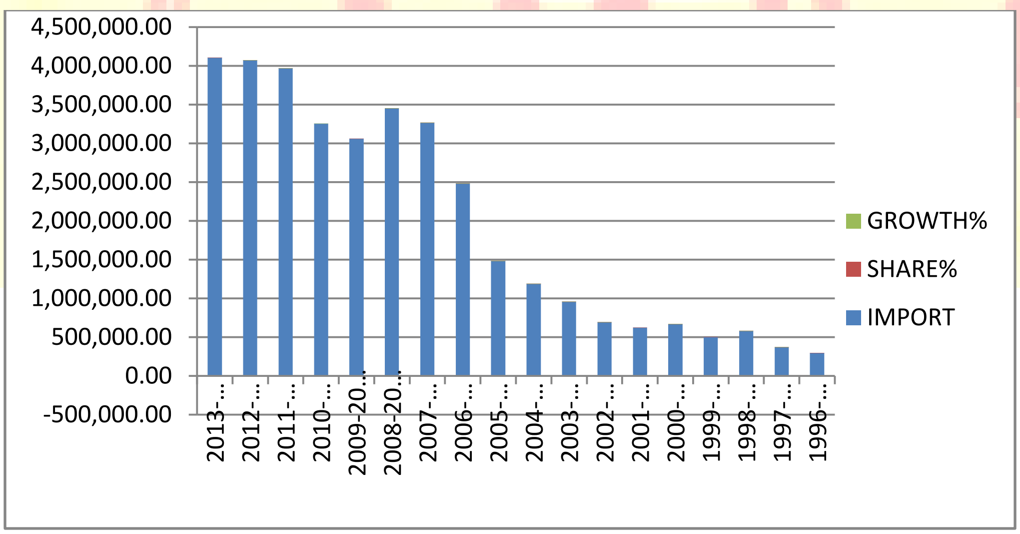
Table 2: India's Total Imports from Singapore

(Values in Rs.lakhs)

Sl No	Year	Imports	Share in % of GDP	Growth in %
01	2013-2014	4,106,346.94	1.5122	0.73
02	2012-2013	4,076,395.09	1.5272	2.66
03	2011-2012	3,970,847.55	1.6930	22.01
04	2010-2011	3,254,576.75	1.9333	6.28
05	2009-2010	3,062,330.81	2.2455	-11.39
06	2008-2009	3,456,141.62	2.5146	5.75
07	2007-2008	3,268,217.81	3.2285	31.57
08	2006-2007	2,483,996.69	2.9554	67.29
09	2005-2006	1,484,833.35	2.2484	24.64
10	2004-2005	1,191,311.70	2.3776	24.32
11	2003-2004	958,260.18	2.6684	38.00
12	2002-2003	694,381.35	2.3364	11.65
13	2001-2002	621,944.90	2.5365	-7.00
14	2000-2001	668,780.39	2.8967	33.01
15	1999-2000	502,794.95	2.3328	-13.66
16	1998-1999	582,325.69	3.2654	56.37
17	1997-1998	372,392.00	2.4154	24.72
18	1996-1997	298,589.95	2.1494	
Total Imports	271,543,390.74			

Source: Department of Commerce, Export and Import Data Bank.

Graph 2: India's total Imports from Singapore



The regression was run and the results were obtained, there as follows;

Intercept	1193784.431 (0.0004)	
Exports	0.847463417 (0.0000)	
Imports	0.421112744 (0.174534)	
R-squared	0.958849632	
t-stat	Intercept	4.418356
	Exports	5.212242
	Imports	1.425344

The regression results have been presented in the above table. The intercept is statisyically significant at 95% confidence interval. Exports and GDP share a positive relationship as 1% increase in exports leads to 0.8474 increases in GDP. Though the regression value between GDP and imports is positive yet it is statistically insignificant as given by the p value in parenthesis. The R Squared is 0.958 which means that 95% variation in the dependent variable i.e., GDP is explained by the independent variables i.e., exports and imports.

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