India-Singapore CECA

An Evaluation

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By

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Methodology

This paper was written mostly using secondary sources of information. Academic papers which were helpful for guiding me about which aspects were important are mostly written by researchers at two institutes- Institute of South Asian Studies (ISAS) at NUS, Singapore; and Institute of Peace and Conflict Studies (IPCS) at New Delhi, India. To obtain Information about the Agreement and understand its contents, the following material were used- International Enterprise Singapore website (their links on CECA), Confederation of Indian Industry's (CII)Summary of CECA, Infokit for media provided by IE Singapore and a PowerPoint presentation on CECA prepared by Federation of Indian Chambers of Commerce and Industry (FICCI). Newspaper archives that were searched extensively to gain understanding of the major issues surrounding this Agreement included those of Hindustan Times Mint, Hindu Business Line, Financial Express and Economic Times.

Data for analysis in the paper was obtained from official sources, i.e. relevant departments/ ministries of the Indian and Singapore Governments. The sources are given in the reference list from numbers 3 through 10. The data analysis (generation of charts/ graphs and calculation of growth rates, etc.) was done using MS Excel.

Introduction

India and Singapore signed a Comprehensive Economic Cooperation Agreement (CECA) on 29 June, 2005 to enhance trade and investment ties between them. The CECA comprises a free trade agreement on trade of goods and services, a bilateral agreement on investment promotion, protection and cooperation and an improved double taxation avoidance agreement. It also includes Mutual Recognition Agreements on quality certification of goods and services, liberalized visa rules for professionals, and undertakings to cooperate on several sectors like customs, dispute settlement, intellectual property rights, education and e-commerce. CECA was the first of its kind of trade agreement signed by India and has ushered in a new model for our future bilateral and regional economic alliances. It was also Singapore's first comprehensive economic pact with a South Asian country. Currently, India and Singapore do trade worth Rs.62,344.4 crore (2007-08), a figure which has growing at an average of 35% since 2003-04. Singapore is India's second largest source of foreign direct investment, 3rd largest consumer of its merchandise exports and its largest trading partner among ASEAN states. For Singapore, India is one of its fastest growing trading partners among major economies.

The idea for establishing a CECA between India and Singapore first came up formally in a meeting between then Prime Minister of Singapore Mr Goh Chok Tong and then Prime Minister of India Shri Atal Bihari Vajpayee in Singapore on 8 April, 2002. A Joint Study Group (JSG) was established to study the potential benefits of a CECA between the two countries. The JSG identified major areas of economic cooperation and recommended a broad outline for the comprehensive agreement. Following the completion of the JSG report, a Declaration of Intent was signed on 8 April, 2003 by BG (NS) George Yeo, then Minister for Trade and Industry, Singapore, and Shri Arun Jaitley, then Minister for Commerce and Industry, India. A month later, the relevant ministries for the two governments began negotiations on the details of the agreement. After 13 rounds of formal negotiation, the two countries finally concluded the CECA. On 29 June 2005, Prime Minister of India Mr. Manmohan Singh and Prime Minister of Singapore H.E. Mr Lee Hsien Loong signed the agreement during the latter's State Visit to India. The CECA has become operational with effect from 1 August, 2005. It is reviewed from time to time; the first round of review was concluded on 1st October, 2007, and the latest review was done recently in 2009 at the level of Secretaries.[1]

In the past decade, India has been engaging other countries and trading blocs in bilateral/ regional trade agreement negotiations at a rapid pace. Below is a table of India's current trade

[1] Ministry of Commerce, Gov. of India. *India's Current Engagement to RTAs* (http://commerce.nic.in/india_rta.htm); IE Singapore(2005, June 29). *Information Kit: India-Singapore CECA.* (http://www.fta.gov.sg/ceca/ceca_india_infokit.pdf)

agreements, compiled from the Ministry of Commerce and Focus on the Global South websites. From the table there are three important points to note. First, a majority of India's bilateral trade agreements have been established only recently and many more are in the pipeline. Second, most of these agreements are with other developing countries/ smaller nations, geographically close to India. Third (and most relevant to this paper), almost all the agreements being currently negotiated or studied are molded along the CECA between India and Singapore. In fact, within the next couple of years, CECAs or CEPAs (a variant of CECA) will be signed with trading partners such as South Korea, Japan, Sri Lanka, Thailand and Malaysia. Further, countries with which we already have bilateral treaties are being targeted for upgradation to CECA/CEPA level from existing agreement. The fact that CECA has become a model for India's trade agreement policy is a testament to the success of the India-Singapore pact.

	Agreement	**Current Status**
1.	SAFTA Agreement on South Asia Free Trade Area	Operational since January 2006
2.	APTA Asia Pacific Trade Agreement or Bangkok Agreement[2]	Operational since September 2006
3.	CECA between The Republic of India and the Republic of Singapore	Operational since August 2005
4.	India Chile PTA	Operational since September 2007
6.	India Afghanistan PTA	Framework Agreement (FA) signed in March 2003
7.	ISLFTA India Sri Lanka FTA	Operational since March 2000
8.	India MERCOSUR PTA[3]	Operational since June 2009
9.	Bhutan-India Agreement on Trade, Commerce and Transit	Original version operational since January 1972. Crrent version operational since July 2006.
10.	Indo-Nepal Treaty of Trade	Original version operational in 1992. Current version operational since March 2002. Renewed in March

[2] Bangladesh, China, India, Republic of Korea and Sri Lanka
[3] MERCOSUR is a trading bloc in Latin America comprising Brazil, Argentina, Uruguay and Paraguay formed in 19991. It is the third largest integrated market after the European Union (EU), North American Free Trade Agreement (NAFTA).

		2007
11.	India-Thailand Free Trade Agreement	Operational since September 2004
12.	Bangladesh- India Amended Trade Agreement	Operational since April 2006
13.	India-Maldives Trade Agreement	Operational since April 1981
14.	ASEAN- India FTA[4]	Negotiations targeted to be concluded in 2009
15.	India-South Korea Comprehensive Economic Partnership Agreement (CEPA)	Negotiations completed. CEPA to be signed in August 2009
16.	India-Japan Comprehensive Economic Cooperation Agreement (CECA)	Under negotiation (mostly completed)
17.	India- Sri Lanka Comprehensive Economic Partnership Agreement (CEPA)	Negotiations completed in July 2008. To be signed
18.	India- Thailand Comprehensive Economic Partnership Agreement (CEPA)	Under negotiations (negotiations on trade of goods completed)
19.	India- Malaysia Comprehensive Economic Partnership Agreement (CEPA)	Under negotiations (negotiations on trade of goods completed)
20.	BIMSTEC FTA (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation)[5]	Under negotiation
21.	India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA)	Under negotiation
22.	India-Gulf Cooperation Council (GCC) FTA	Under negotiation
23.	India-SACU Preferential Trade Agreement (PTA)6	Under negotiation
24.	India-European Free Trade Association (EFTA) Negotiations on broad-based Bilateral Trade and Investment Agreement	Under negotiation
25.	India- New Zealand CEPA/ FTA	Under consideration by JSG
26.	India- Australia FTA	Under consideration by JSG
26.	India- China Regional Trade Agreement (RTA)	Under consideration by JTF
26.	India- Indonesia CECA	Under consideration by JSG

[4] ASEAN- Association of South East Asian Nations. ASEAN has a membership of 10 countries namely Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

[5] The initiative involves 3 members of SAARC (India, Bangladesh & Sri Lanka) and 2 members of ASEAN (Thailand, Myanmar)

[6] South Africa, Lesotho, Swaziland, Botswana and Namibia have formed the South Africa Customs Union (SACU) with a common Custom Tariff Policy.

A Comprehensive Economic Cooperation Agreement should not be confused as being the same as a Free Trade Agreement. A FTA is an agreement in which the countries involved commit to reducing or eliminating tariffs (and other barriers) on a reciprocal basis on trade in goods.[7] A CECA goes far beyond the standard FTA by encompassing the whole gamut of international economic activity between contracting parties. Apart from the standard agreement on tariff reduction/ elimination on trade of goods, CECA includes a free trade area to be established for trade in services. This inclusion of services into an FTA is a noteworthy progressive step in today's world economy, where services are forming an ever-growing percentage of countries' Gross Domestic Products. The other major thrust area where economic barriers have been removed is investment- the CECA provides for national treatment of investors from either country. The CECA between India and Singapore was further historic for it was the first time India notified a trade agreement under Article XXIV of the General Agreement on Tariffs and Trade (GATT). Some aspects even go beyond the WTO standards. As mentioned previously, CECA has provisions that revise previous double taxation avoidance agreement, increase flow of professionals and tourists between the two countries, open financial services markets and promote collaboration in a number of sectors. Seeing the multi-faceted nature of CECA, one may conclude that CECAs embody the true spirit of close cross-border economic engagement and are a better strategy than FTAs for achieving the goal of economic integration and seamless trade between countries.

The CECA is aimed to be beneficial for both countries. For India, Singapore would become a gateway for business with other East and Southeast Asian economies. As a matter of fact, CECA is said to be part of India's 'Look East' policy for foreign economic relations. It was hoped to bring in a large amount of investment, both foreign direct investment and portfolio investment, to develop crucial areas of the economy like infrastructure, telecommunication, SEZs, etc. India would also be able to gain from its comparative advantage of a large base of skilled, English speaking workers in IT and other professions- both through outsourcing processes and emigration. Further, the sharing of technical, technological and managerial expertise through closer business ties would be very beneficial.

From Singapore's side, the CECA was advantageous for the same reasons above - such as providing a good destination for Singaporean investors (India being one of the fastest growing economies worldwide), opening up one of the world's largest markets to its manufacturers, and also to fill the chronic shortage of workers in the city-nation through India's large base of cost effective and skilled workers (in IT and other professions). Some sectors set to benefit from CECA included tourism, management consulting, IT-related fields, education and financial services including banks and asset management firms. The agreement was also designed to

[7] Chidambaram, C. (2004). *The Big Brother: A look at India's PTAs with Sri Lanka, Thailand, China. Singapore.* New Delhi: Centre for Civil Society.

increase trade and business activity in fields such as media, market research, architecture, legal consultancy, pharmaceuticals, food, poultry, milk products, electronic and electrical equipment.[8]

Singapore would also gain more in terms of trade barriers- India had much higher tariffs on more goods than Singapore had at time of CECA's signing. So, most of the tariff reduction/ elimination had to be done on the Indian side. Though this may sound lop-sided for India, we are expected to gain considerably in the long term due to inclusion of services into the FTA and investment commitments from Singapore.[9]

The main aspects of the agreement are

- Free Trade Area in trade of goods
- Services
- Investment
- Double Taxation Avoidance Agreement
- Others- movement of natural persons, education, tourism, intellectual property rights, etc.

The above dimensions will form the chapters of this paper along which the success of CECA will be analyzed. Each chapter will begin with some description of the relevant provisions under CECA followed by a discussion on current implementation.

This paper will aim to explain and examine CECA from the Indian viewpoint. Some questions it will seek to answer include: has it led to an increase in trade beneficial for India? Have the aspects of CECA that were unique for Indian trade agreements at the time (e.g. services, tourism) borne any fruit? What more needs to be done to make CECA a success? This paper will identify areas where implementation of provisions was resisted or delayed and the reasons thereof. It will also discuss the good features in the agreement, to argue that they should be part of future trade pacts. Finally, it will deduce lessons that need to be learned for future CECA/ CEPA negotiations and implementation.

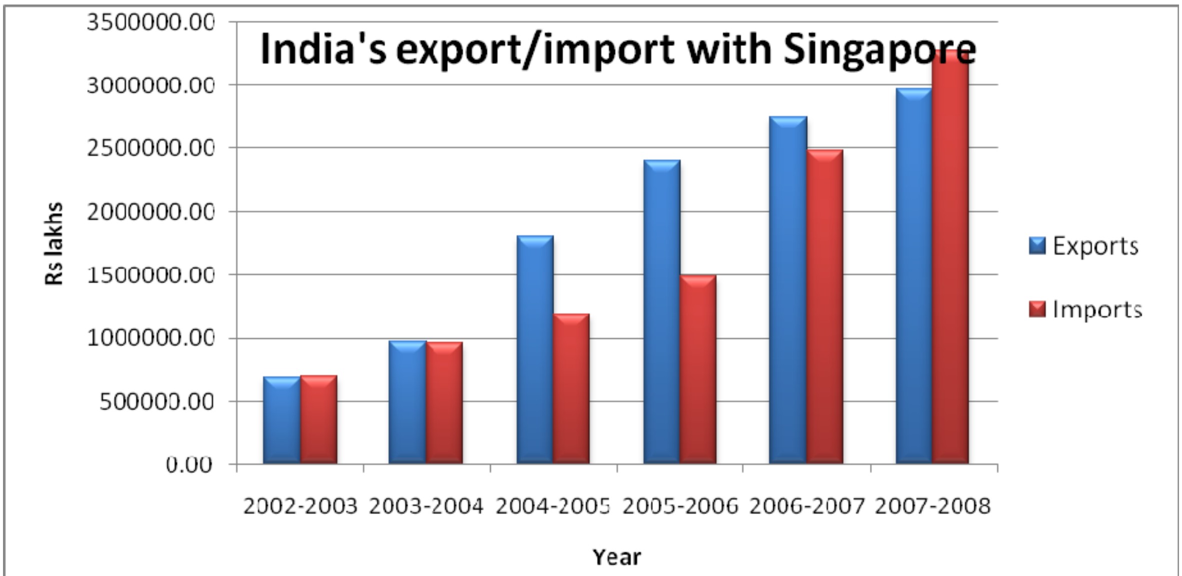
[8] What does India-Singapore agreement hold in store? (2005, July 4). *Economic Times*; Chadha, A. (2006, February 7). CECA Implementation: A First Look. *ISAS:* Working Paper No.9.

[9] Confederation of Indian Industry (CII). *CECA Between India & Singapore: A Summary*.

Trade Data

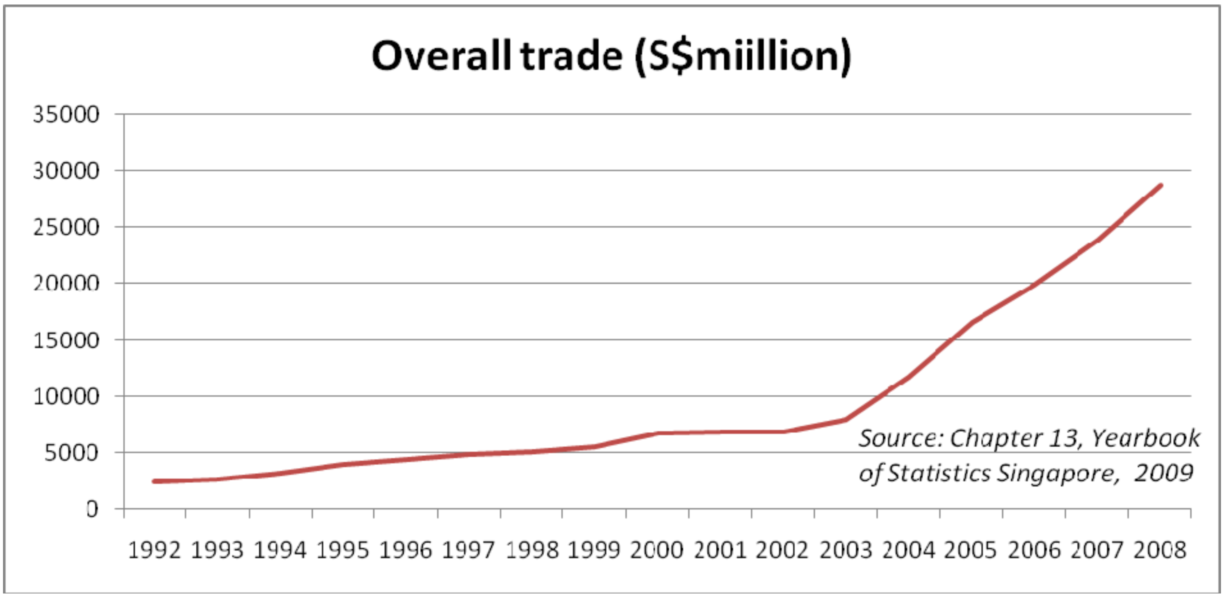
An analysis of trade statistics indicates rapid growth in trade between India and Singapore over the last decade. Since CECA, there has been a significant growth in trade flows between the two countries. This trade data pertains to trade in merchandise/ goods, not services.

Singapore has moved up from being the 9th biggest destination for India's exports in 2002-03 to 3rd place in the 2008-09 (April-Dec) period. On the list of countries from where India gets its imports, it has stayed around the 12-15th position. On the other hand, India is one of Singapore's fastest growing trade partners among major economies. India was Singapore's 13th largest trading partner in 2005. In 2008, it became its 10th largest trading partner. Similarly, it has moved up from being 20th biggest source of import in 2003 to 11th position in 2008, and from 15th largest destination for Singaporean exports in 2003 to the 10th largest in 2008. As a share of Singapore's international trade, India-Singapore trade has doubled from 1.52% to 3.01%. As a share of Singapore's total imports, India's share has gone up from 1.06% to 2.64%.[10]

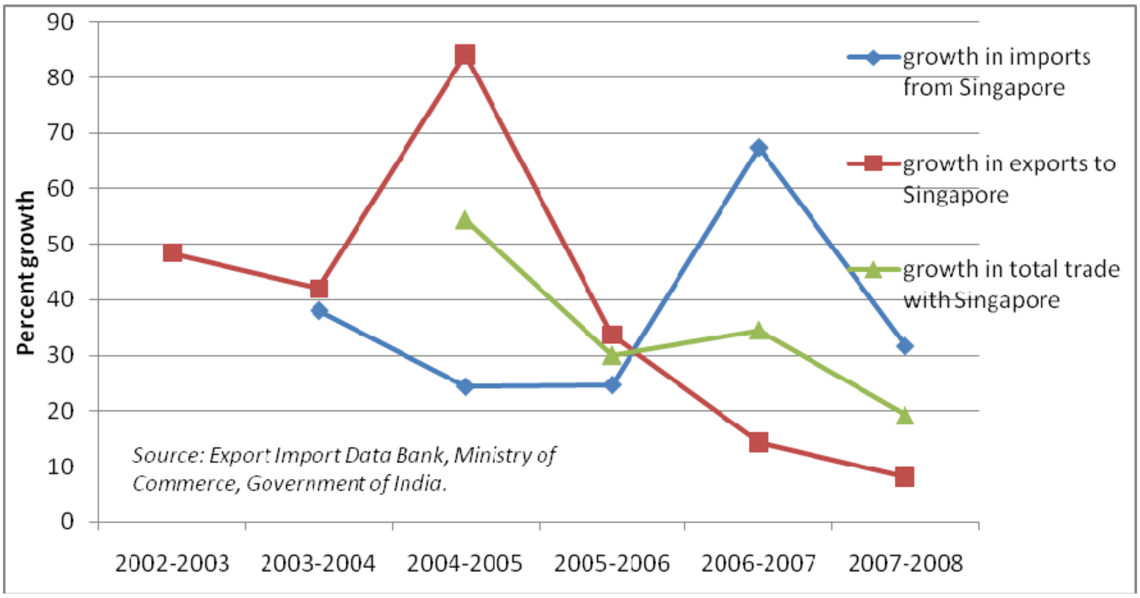


Source: Export Import Data Bank, Ministry of Commerce, Government of India

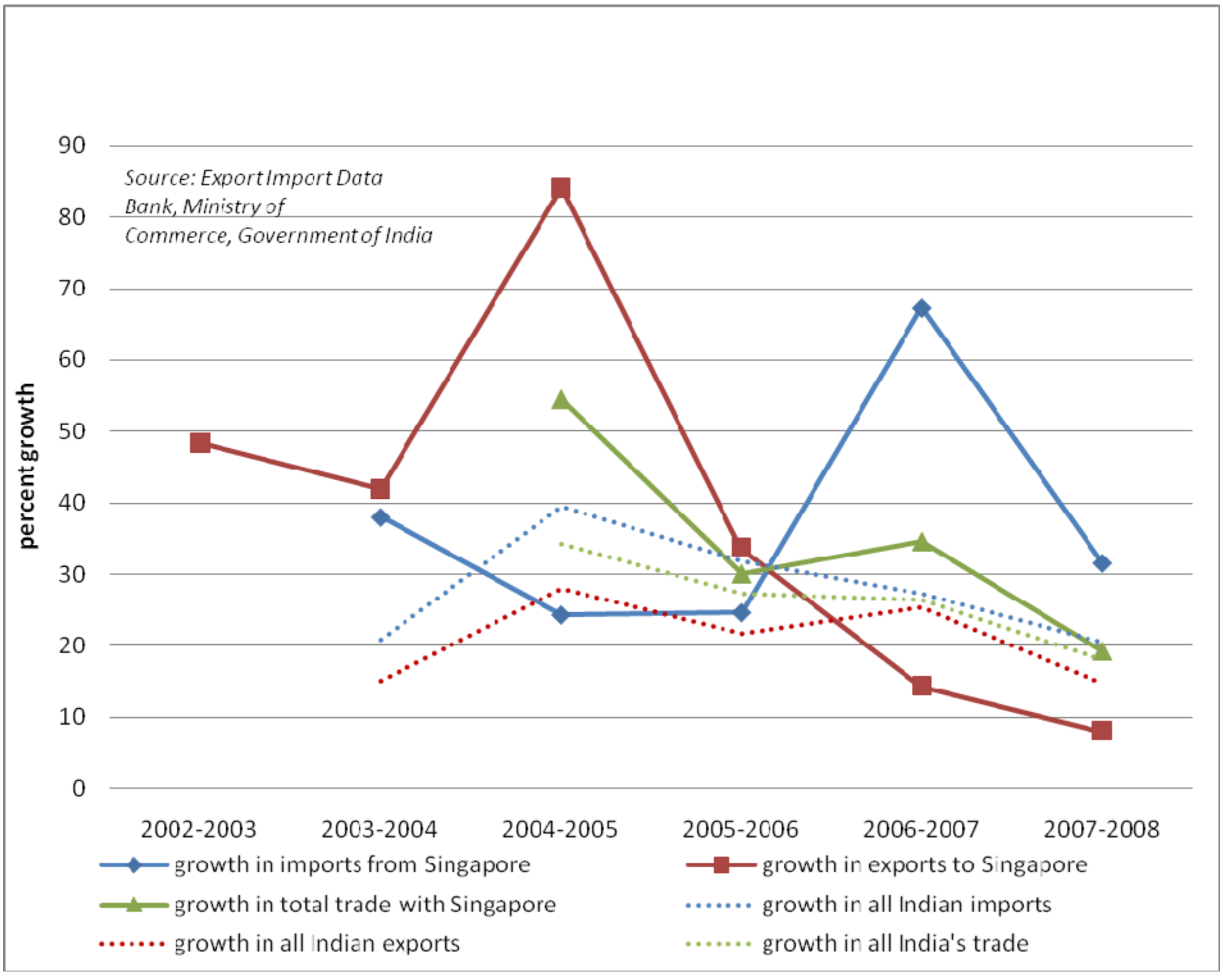
[10] Between 2003 and 2008. Any increase after 2003 should be attributed partially to CECA, because negotiations for CECA were underway at the time and was a factor for the increased trade.



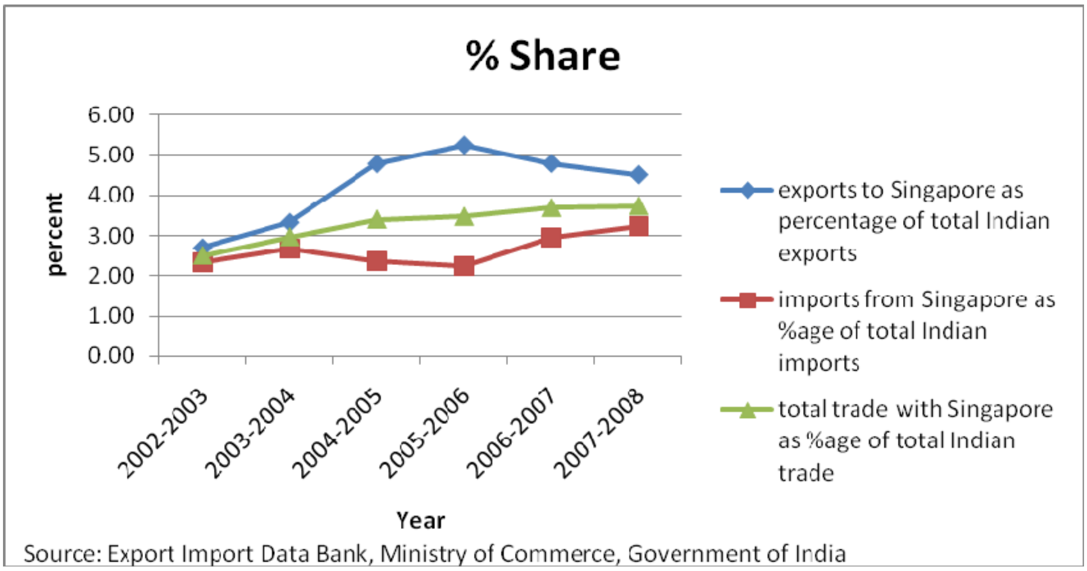
The charts above, showing India's trade with Singapore since 2002-03, shows a remarkable trend of upward movement. From the trade figures, it is quite apparent that Indian exports to and imports from Singapore have been rising substantially since CECA. Indian exports nearly doubled from Rs. 9,764 crore in 2003-04 to Rs. 17,975 crore in 2004-05. A major reason for this probably was the anticipation for CECA's signing, which was in its final stages of negotiation at the time. Total trade has gone up from Rs. 13,823.6 crore in 2002-03 to Rs. 62,344.4 crore in 2007-08, a nearly five-fold increase.



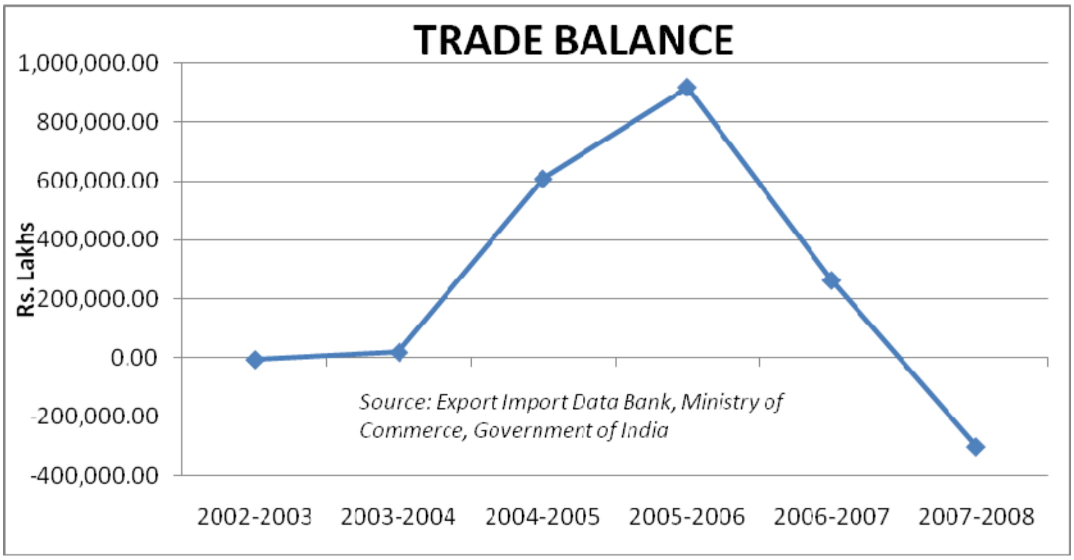
The rate of growth for the last 4 years has averaged at 36.4% for exports, 37.16% for imports and 34.57% for total trade. However, there has been some variation in this. The growth rate for exports has been heading downwards since that first big jump between 2003-04 and 2004-05. Imports growth rate has been rising steadily, and total trade growth rate has been more even.



Have these growth rates moved in line with growth rates for India’s total international trade? If there is close resemblance between them, then it would be difficult to say that India’s trade with Singapore is affected by factors other than the general trend of Indian trade. However, looking at the graph below, which shows growth rate for India-Singapore trade in solid lines and growth rate for India’s total international trade in dotted lines, one can see that there is some variation between them. Not only do the lines move in different directions in some regions of the graph, but even the total trade line is higher for Indo-Singapore trade than for total Indian trade indicating that trade is growing at a faster rate with Singapore than other countries. The only worrying observation is that the solid import growth line is higher than the dotted one, which means that India’s imports from Singapore are increasing in comparison to its imports from entire world. Similarly, the solid export growth line is lower than the dotted one, which means that India’s exports to Singapore are decreasing in comparison to its exports to entire world.



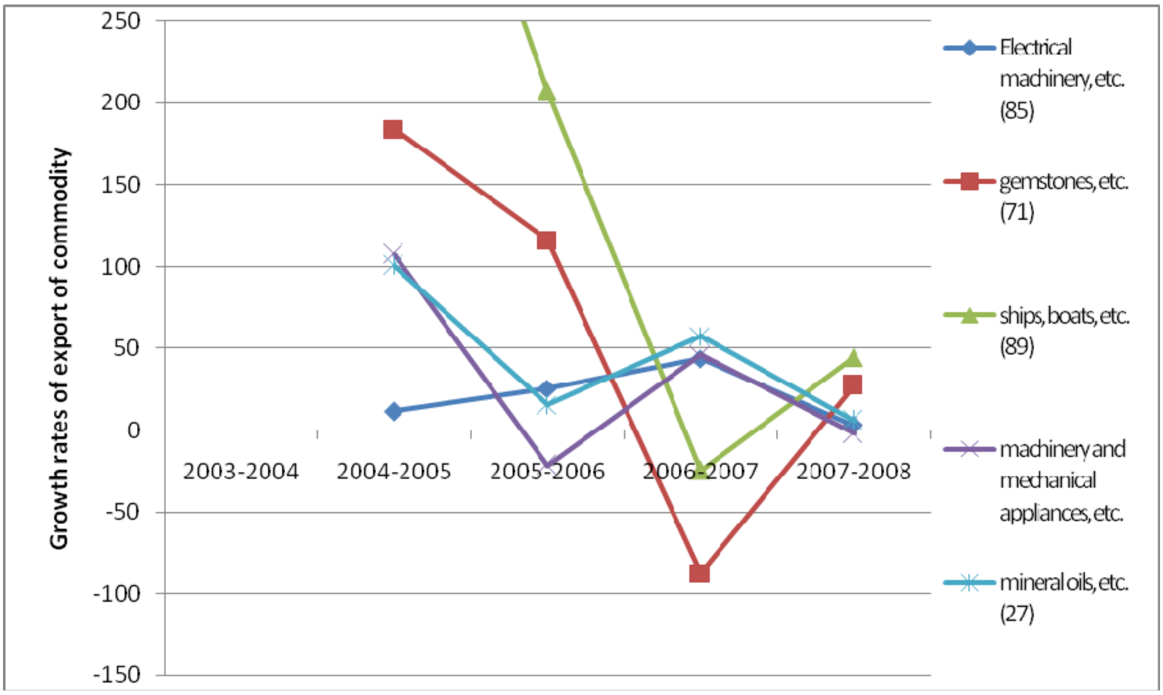
One way to determine whether Indo-Singapore trade has made a special impact on India's international trade is to look at the share of this trade in India's total trade. The above graph indicates that the share of India-Singapore trade in India's total trade has been growing steadily, from 2.97% in 2003-04 to 3.74% in 2007-08. This is more convincing because the share of other top export destinations as a percentage of total Indian exports has been decreasing (except UAE).



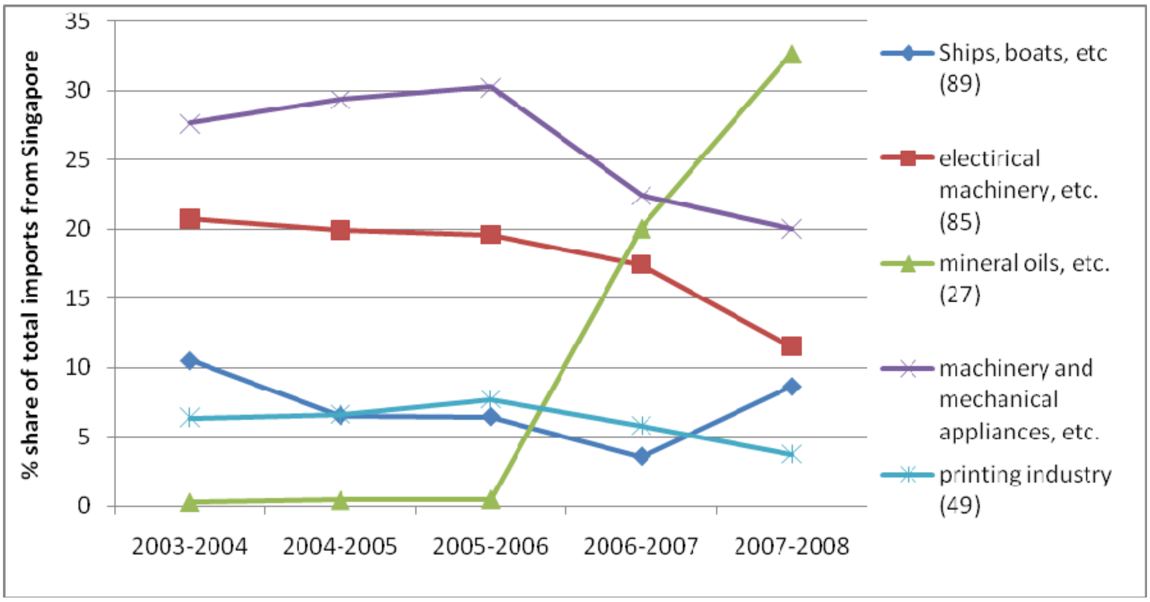
A cause of concern in this data is the dwindling trade balance of India with respect to Singapore. The trade balance has gone from a surplus of Rs. 6062.24 crores in 2003-04 to a deficit of Rs. 3019.95 crores in 2007-08. As could be seen from the previous graphs, export growth rate has been decreasing while import growth rate is keeping steady. While this may seem to be a failure for CECA from India's perspective, it is important to remember that CECA is a multi-faceted economic agreement whose benefits extend from economic areas other than just merchandise trade. Also, India had to give in more on the tariff front because Singapore tariffs were already quite low. As we will see in the other chapters, especially investment, CECA has borne fruitful results for India in other sectors of the economy. Also, while the growth trend for exports is slowing down, it is important to remember that the absolute gain in exports through CECA has been significant. The jump of 6 places in just 6 years on the ranking list of India's top export destinations cannot be ignored. It is important to note that India's imports from most major trading partners have been growing at a high rate, and that Singapore's position on rankings for India's import sources has not changed much. Moreover, an increase in imports from Singapore that are used as intermediate goods by Indian manufacturers could be very beneficial for industrial development and the broader economy, by bringing down prices, improving quality of final goods and increasing exports to other countries.

A brief look at trends for some of the main commodities of import/ export will shed some light on the composition of trade between the two countries. The main commodities exported and imported by India to/ from Singapore in the last few years are given in the table below:

MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES. (27)
SHIPS, BOATS AND FLOATING STRUCTURES. (89)
NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF. (84)
ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS. (85)
NATURAL OR CULTURED PEARLS,PRECIOUS OR SEMIPRECIOUS STONES,PRE.METALS,CLAD WITH PRE.METAL AND ARTCLS THEREOF;IMIT.JEWLRY;COIN. (71)
IRON AND STEEL ALUMINIUM AND ARTICLES THEREOF.
AIRCRAFT, SPACECRAFT, AND PARTS THEREOF.
PRINTED BOOKDS, NEWSPAPERS, PICTURES AND OTHER PRODUCTS OF THE PRINTING INDUSTRY; MANUSCRIPTS, TYPESCRIPTS AND PLANS.
ORGANIC CHEMICALS
VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING STOCK, AND PARTS AND ACCESSORIES THEREOF. *Source: Export Import Data Bank, Ministry of Commerce, Government of India*



In the annexure, there are tables analyzing export/ import trends in some of the above commodities. In exports, there has been a very volatile movement in growth rates of the top 5 commodities. For example, gemstones and precious metals had 2 successive years of more than 100% growth, which was followed by a 87.46% drop in 2006-07 that brought the value of export back to around the original level. Mineral oil and fuel products (motor oils, fuel oil, petroleum products, diesel, ATF, etc.) have increased to become 55% of all exports from India to Singapore. Shipping and boat goods (such as floating/ submersible drilling/ production platforms, small vessels for transport of persons and goods) registered huge growth in export around time of CECA's launch and have grown to 7.3% of India's exports to Singapore from 1.14% in 2003-04. Unwrought aluminium, copper wires and diamond are other important items of export.



When it comes to goods imported from Singapore by India, the most notable change is that import of mineral oil has gone up considerably, while shares of other goods such as printing products and electrical machinery that previously formed a larger chunk of imports have declined. Mineral oil imports constitute 32.7% of total imports in 2007-08, up from just 0.47% in 2005-06. Superior kerosene oil is a major part of this group of imports. Other goods imported in large amounts include personal computers, payments for IT software rights documents, cellular phones, styrene, airplane parts and integrated circuits.

From the trade data, it can be seen that many important items are included in both the import and export list. A major role in Indo-Singapore trade is played by 're-exports', which are defined as '…….foreign goods exported in the same state as previously imported, from the free circulation area, premises for inward processing or industrial free zones, directly to the rest of the world and from premises for customs warehousing or commercial free zones, to the rest of the world'.[11] This can be seen in goods like High Speed Diesel, shipping vessels and parts, fuel oil, airplane parts and tugs and pusher craft. Re-exports here indicate that the goods originate from countries outside Singapore, are imported to Singapore and re-exported to India to take advantage of lower tariffs under CECA. This is because Singapore has Free Trade Agreements with a number of other countries and thus has become a central trading hub.[12]

[11] As cited in United Nations (1998c). International Merchandise Trade Statistics – Concepts and Definitions. Statistics Division, Series F, No. 52, Rev. 2, para. 78

[12] See Palit, A. (2008, June 16). India-Singapore Trade Relations. *ISAS Working Paper No.46*.

Trade in goods

The central focus of CECA is the creation of a free trade area for goods between India and Singapore. The free trade agreement for goods has greatly helped Indian companies build global supply chains using Singapore as a gateway for commerce with the rest of the world. Singapore has 15 FTAs with 23 countries/ regions and is in negotiations with many more. These FTAs cover major economies like US, Australia, Japan, China, and New Zealand. It is a member of ASEAN (Association of South East Asian Nations), whose regional free trade area (AFTA) is a large block of economic and trading activity. Moreover, the large presence of multinational companies from advanced economies, as well as Singapore's developed transcontinental shipment capabilities, enable it to become a focal point for trade.

As mentioned before, India had to give in more on tariff-reduction than Singapore because Singapore had already eliminated tariffs on all goods entering from India. For CECA, only 6 products from India had to be made tariff-free by Singapore (Indian beer was one of them).[13] India made a first gesture by removing customs duties/ tariffs on 506 items under the Early Harvest Scheme, from August 1, 2005 itself. These included important imports like electrical machinery, pharmaceuticals and printing products. It went in for phased reduction of tariffs on other items, while maintaining a negative list of 6,551 items that were not subject to tariff restrictions under CECA (mostly agricultural and textile products). By the end of the phased reduction, about 75% of Singapore's exports to India enjoy zero/ concessional tariff. India recently concluded the targeted elimination of tariffs on 2,202 items and phased reduction of 2,413 goods by 50% in June, 2009. Below is a table that describes the tariff-reduction done by India for imports from Singapore.[14] Remember that the existing tariffs are as under the Most Favored Nation principle (WTO), so any tariff reduction is denoted as a percentage of the MFN tariff already being applied. For example, if MFN tariff on a good is 10%, then a tariff reduction of 50% would mean that the new effective tariff is 5%.

		Items	Timeline
1.	Early Harvest Scheme- Duty free access	506	from 1 Aug 2005
2.	Phased elimination in duty	2202	5 cuts of 10%, 25%, 50%, 75% & 100%, starting Aug 1 2005, then every year on April 1. Completed this year.
3.	Phased reduction in	2413	5 cuts of 5%, 10%, 20%, 35%, & 50%, starting Aug 1

[13] FICCI. (2005, August 20). *(slides) Singapore's Perspective.*
[14] Confederation of Indian Industry (CII). *CECA Between India & Singapore: A Summary*.

	duty		2005, then every year on April 1. Completed this year.
4.	Negative list	6551	Such goods shall enter India on applied MFN rates. 539 additional items from this list selected in Dec 2007 for further concessions (see below)

During the review of CECA in December 2007, India made a fresh commitment to offer tariff concessions on 539 additional items.[15] Some of these items were those that were kept in the negative list earlier- articles of base metals, textiles, machinery and mechanical appliances, chemicals, plastic, rubber and textile articles. At the end of this, 93% of India's imports from Singapore will be under reduced tariffs.[16] The following table describes this further liberalization:

	No. of items	Reduction	Timeline
1.	307	Zero tariffs	5 equal cuts between January 15, 2008 and December 1, 2011
2.	97	Zero tariffs	9 equal cuts between January 15, 2008 and December 1, 2015
3.	135	Reduce to only 5% duty	9 equal cuts between January 15, 2008 and December 1, 2015

An analysis by FICCI in 2007 discovered that out of the top 20 imports from Singapore at the time, 14 goods were part of the Early Harvest Scheme and 2 others were part of the phased elimination list. Prominent among these were cellular phones and personal computers (including laptops) which grew at 270% and 315% respectively in 2006-07.[17]

CELLULAR PHONE IMPORTS FROM
SINGAPORE Commodity Code: 85252017

S.No.	Year	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
1	Values in **Rs. Lacs**	19,682	15,124.22	22,174.17	92,183	4,902
2	**%Growth**		**-23.16**	**46.61**	**315.72**	**-94.68**
3	Total Import of commodity	652,887	756,995	1,280,508	1,418,067	1,136,776
4	%Growth		15.95	69.16	10.74	-19.84

[15] Srivats, K. R. (2009, June 24). Duty-free import regime ushered for 2,202 items from Singapore. *Hindu Business Line*

[16] Singh, Y. (2008, February 2). India-Singapore CECA Enters Second Phase. *Institute of Peace and Conflict Studies.* Article #2481

[17] Sheikh, A. (2007, December 14). *India's trade surplus with Singapore reduced post-FTA*

5	%Share of country (1 of 3)	3.01	2	1.73	6.5	0.43

PERSONAL COMPUTER (LAPTOP,PALMTOP,ETC) IMPORTS FROM SINGAPORE Commodity Code: 84713010

S. No.	Year	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
1	Values in **Rs. Lacs**	3,886.11	4,691.35	10,840.85	40,471.29	61,257.91
2	**%Growth**		**20.72**	**131.08**	**273.32**	**51.36**
3	Total Import of commodity	19,749.11	41,049	119,457.6	188,402.6	276,124.0
4	%Growth		107.85	191.01	57.72	46.56
5	%Share of country (1 of 3)	19.68	11.43	9.08	21.48	22.18

Looking at an updated analysis of these two goods, one can observe that although their import increased tremendously till 2006-07, growth has fallen or become negative since (see tables above).

	HS Code	Commodity (Rs.Lakhs)	2007-2008	2008-2009(Apr-Dec)	List?
1	2710 1930	HIGH SPEED DIESEL (HSD)	420,407.09	327,534.09	**Negative**
2	2710 1910	SUPERIOR KEROSENE OIL (SKO)	445,467.61	282,886.79	**Negative**
3	8901 9000	OTHR VSSLS FOR TRNSPRT OF GOODS & OTHR VSSLS FOR TRNSPRT OF PERSONS & GOODS	58,853.99	89,982.22	**Phased Elimination**
4	2902 5000	STYRENE	83,451.47	79,110.65	**EHS**
5	8905 2000	FLOATNG/SUBMERSIBLE DRLLNG/PRDCTN PLTFORMS	5,310.27	57,932.09	**Phased Elimination**
6	8905 9090	OTHER UNDER HDNG 8905	108,599.94	56,849.49	**Phased Elimination**
7	8523 8020	Information technology software		51,361.98	**NA**
8	8904 0000	TUGS AND PUSHER CRAFT	47,512.35	46,810.81	**Phased Elimination**
9	8471 5000	DIGITL PROCESNG UNITS EXCL OF SUB HDNGS 847141 & 847149,WH/NOT CONT ONE/TWO TYPS OF UNI,LIKE STORG/INPUT/OUTPUT UNITS	68,869.63	45,175.47	**EHS**
10	2710 1950	FUEL OIL	61,019.20	44,706.12	**Negative**

11	2915 2100	ACETIC ACID	24,129.22	44,221.30	**For phased reduction under additional items (Dec 2007) to 5% by 2016**
12	2710 1960	BASE OIL	37,958.09	44,080.42	**Negative**
13	8542 3100	Processors and controllers, whether or not combined with memories, converters, logic circuits, amplifiers,clock and timing circuits, or other circuits		43,976.73	**NA**
14	2902 4300	P-XYLENE	32,107.96	39,141.64	**Phased Elimination**
15	2710 1119	OTHER MOTOR SPIRIT	21,023.16	36,183.51	**Negative**
16	8517 6990	Other Goods under electrical machinery, etc.		33,380.04	**NA**
17	8471 3010	PERSONAL COMPUTER (LAPTOP,PALMTOP,ETC)	61,257.91	27,578.21	**EHS**
18	2710 1111	SPECIAL BOILING POINT MOTOR SPIRITS (OTHERTHAN BENZENE TOLUOL) WITH NOMIAL BOILING POINT RANGE 55-1150C	7,876.01	24,944.60	**Negative**
19	8905 1000	DREDGERS	5.35	23,502.66	**Phased Elimination**
20	8803 3000	OTHR PRTS OF AEROPLANES/HELICOPTERS	42,898.32	21,422.27	**EHS**

In addition, an analysis of the top 20 imports for April- December 2008-09 shows a changed trend from when FICCI studied them in 2007. Currently, only 4 are from the original Early Harvest Scheme and 6 under phased elimination by 2009 (using HS digit codes at level 8).[18]

An examination of the import trends of goods under the Early Harvest Scheme by Amitendu Palit in June, 2008, brought up some notable findings. He divided the EHP items into 16 groups based on their HS 4 digit level codes, and found that the zero-duty application had a "selective impact on exports and re-exports from Singapore to India."[19] His opinion was that the growth in imports from Singapore is primarily due to the growing demand of India's rapidly developing manufacturing industries; the CECA and Early Harvest Scheme have only "reinforced" this demand.

Safeguard clause

[18] 3 of them were not mentioned in the CECA text available online. 1 was under phased reduction under additional items (Dec 2007) to 5% by 2016.

[19] p11-13, Palit, A. (2008, June 16). India-Singapore Trade Relations. *ISAS.* Working Paper No.46

Within the CECA text, there is provision for safeguarding against an excessive influx of imports, so as to cushion the damage to domestic Indian manufacturers (Article 2.9 of CECA). According to the clause, India can bring tariffs back to the MFN rates at time of CECA's signing if it feels that imports of that good would "constitute a substantial cause of serious injury or threat of serious injury to domestic industry". The clause is fairly specific in laying out details for conditions, timeframes and transparency when imposing the safeguard.

Rules of Origin

Only those goods that have at least 40% content value originating from within the exporting country will be eligible for benefits under CECA. This was a very contentious issue during negotiations because Indian authorities feared that with Singapore being an international trading hub, a large amount of goods from other countries would be routed for import to India at the lowered tariffs. The specifics of the Rules of Origin are important to consider in this case. At first, Singapore rejected India's proposal for simultaneous application of three criteria for ROOs: fixed level of minimum value addition in the relevant country, change of tariff heading (CTH) at the 4-6 digit level as per WTO's Harmonised System code that defines the product and specifications of the kind of value addition.[20] In some cases these criteria can be inter-related; for example, a particular CTH may translate to an automatic percentage of value addition. The value addition method alone is inadequate, because minor activities like packaging can be included in the form of rent, labor and profits. While Singapore wished for ROOs based on any one of the three conditions being fulfilled, India stood ground on its stand to avoid any trade deflection. Applying the conditions together has been India's "generic formula" in many of its trade agreements.[21] It is considered more scientific and is part of trade agreements in Europe and North America. India had experienced problems in its FTAs with Thailand and Sri Lanka due to carelessness about ROO specifications. A surge in vanaspati imports from Sri Lanka and high value auto parts from Thailand had led to damages to domestic producers previously because of this.[22]

Finally, Singapore relented and for the first time gave in to the simultaneous application of the three conditions under Rules of Origin. The fixed minimum value addition from the originating country was agreed to be at 40% of the Freight On Board value. According to the Harmonised System code method, "origin is given to an exported products if it falls into a tariff classification that is not the same as that of the imported inputs used in its production".[23] So, the

[20] The last condition is not too relevant, and depends on detailing in the agreement.
[21] p6, Confederation of Indian Industry (CII). *CECA Between India & Singapore: A Summary*.
[22] Singh, A. S. (2005, December 18). India's struggle with Rules of Origin. *The Hindu*
[23] Ibid.

exported good under CECA either has to be wholly manufactured in Singapore, or re-processed/ packaged in such a way that it becomes a completely different item under the HS classification along with a minimum 40% value addition in Singapore. However, Singapore still managed to keep a list of 500 products under alternative ROOs, called product specific rules which are more liberal than the general rules. These items, which Singapore considered 'sensitive' items for its economy, include cocoa butter, soya sauce, sewing machines, and static converters among others. The list also includes computers, software, and related goods which have constituted about 10% of Indian imports from Singapore over the last few years (see annex 2).

Rules of Origin for services were kept strict for CECA, since foreign firms providing services are present in large numbers in both countries. Without strict rules for this, third country-owned companies would be able to bypass the current restrictions easily and take unfair advantage of CECA benefits not meant for them.[24]

Mutual Recognition Agreements for Goods

Mutual Recognition Agreements are defined as "agreements between countries to recognize and accept the results of conformity assessments performed by conformity assessment bodies (CABs) of the countries that are parties to the agreement. Conformity assessment is the process by which products are measured against the various technical, safety, purity, and quality standards that governments impose on products."[25] This is a major step in removing non-tariff barriers of trade. It will eliminate duplicative testing by allowing designated inspecting authority of each country to accept test reports and conformity assessments of the other. For India this is valuable because Singapore imposes non-tariff barriers in the form of rigid quality standards.[26] MRAs have also been designed for service area professionals, which will be discussed in the chapter on services. The sectoral MRAs pertaining to goods will lower costs and shorten time for goods to reach market. This is a particularly beneficial feature for products with short life cycles like food products. A Mutual Recognition Joint Committee has also been set up for review of this aspect of CECA. Some Indian exports that were hoped to get the most benefit from this included egg products, dairy products, packaged drinking water and telecom and telecommunication equipment. Looking at the tables below, one can see that there has been significant growth in telecommunication equipment exports, which include cellular phones, electrical parts for telephones, wires and optical fiber cables for telecom lines. While there does not seem to be any notable change in drinking water exports, dairy produce sales to Singapore have gone up. MRAs have most probably been an influential factor for the growth in these exports.

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[24] p7, Confederation of Indian Industry (CII). *CECA Between India & Singapore: A Summary*.

[25] Mutual Recognition Agreements (MRAs). Retrieved 10 August 2009 from *Global Trade Watch*, Public Citizen Website: http://www.citizen.org/trade/harmonization/MRA/

[26] Mehta, R., & Narayanan, S. (2006, August). India's Regional Trading Arrangement. *RIS Discussion Papers No.114* , pp. 22-25.

INDIA'S TELECOM EQUIPMENT EXPORTS TO SINGPAORE: Commodities: 8517, 8525 and 8544

Table constructed by adding data in tables from annexure for above commodities

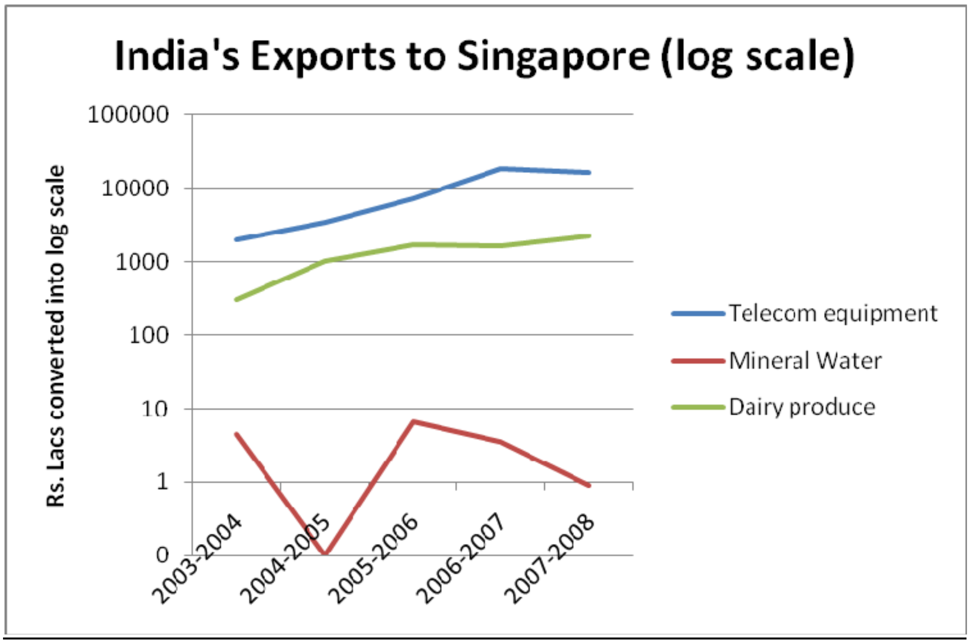
	Year	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
1	**Values in Rs. Lacs**	1971	3382	7187	18295	16103
2	**%Growth**		**71.60**	**112.47**	**154.57**	**-11.98**
3	Total export of commodity	68,180	77,648	120,655	240,111	303,892
4	%Growth		13.89	55.39	99.01	26.56
5	%Share of country (1 of 3)	2.89	4.36	5.96	7.62	5.30

INDIA'S MINERAL WATER EXPORTS TO SINGAPORE
Commodity: 2201 (WATERS INCLDG NATRL/ARTFCL MINRL WATERS & AERTD WATERS NOT CONTNG ADED SUGR/OTHR SWEETENING MATTER NOR FLAVOURED;ICE & SNOW)

	Year	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
1	Values in Rs. Lacs	4.35		6.50	3.42	0.89
2	**%Growth**				**-47.38**	**-73.9**
3	Total export of commodity	241	246	449	366	248
4	%Growth		2.16	82	-18.44	-32.21
5	%Share of country (1 of 3)	1.8		1.45	0.93	0.36

INDIA'S DAIRY PRODUCE EXPORTS TO SINGAPORE
Commodity: 04 (DAIRY PRODUCE; BIRDS' EGGS; NATURAL HONEY; EDIBLE PROD. OF ANIMAL ORIGIN, NOT ELSEWHERE SPEC. OR INCLUDED.)

	Year	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
1	**Values in Rs. Lacs**	307	1003	1701	1603	2212
2	**%Growth**		**227.09**	**69.71**	**-5.77**	**37.95**
3	Total export of commodity	40971	73587	110678	80740	138739
4	%Growth		79.61	50.4	-27.05	71.83
5	%Share of country (1 of 3)	0.75	1.36	1.54	1.99	1.59



Customs

An efficient and transparent customs procedure is required for smooth flow of cross-border trade. The trade pact could not have been successful without improvement in customs clearance for goods. For this reason, it included steps for facilitating better customs procedures between India and Singapore. Under CECA, there is a focus on trade facilitation, risk-management in customs checking, paperless trading, transparency and advanced ruling. There is a straightforward procedure for businessmen to obtain Certificate of Origin to claim preferential tariffs under CECA. The customs authorities also provide advance rulings on the eligibility of originating goods for preferential tariffs and tariff concession. Consequently, exporters get greater certainty on the status of goods at the country of import.[27] In addition, customs authorities are supposed to distinguish between high and low risk goods, so that they can focus on the former group for verification and speed up clearance for the latter. These measures have resulted in more transparency and lower transaction costs for businessmen.[28] The only problem with customs has been that up to a year after CECA's enforcement, there were complaints that

[27] p7, Confederation of Indian Industry (CII). *CECA Between India & Singapore: A Summary*.
[28] p12, Confederation of Indian Industry (CII). "*Trade Facilitation--The Next Big Step in India's Trade Reform*" Chapter submitted for the ICRIER-SRTT Volume on "India's Liberalization Experience: Impact of WTO" by Dr. Jayanta Roy Principal Advisor, Trade & Globalization Research, CII & Pritam Banerjee, School of Public Policy, George Mason University. (7 January 2007).

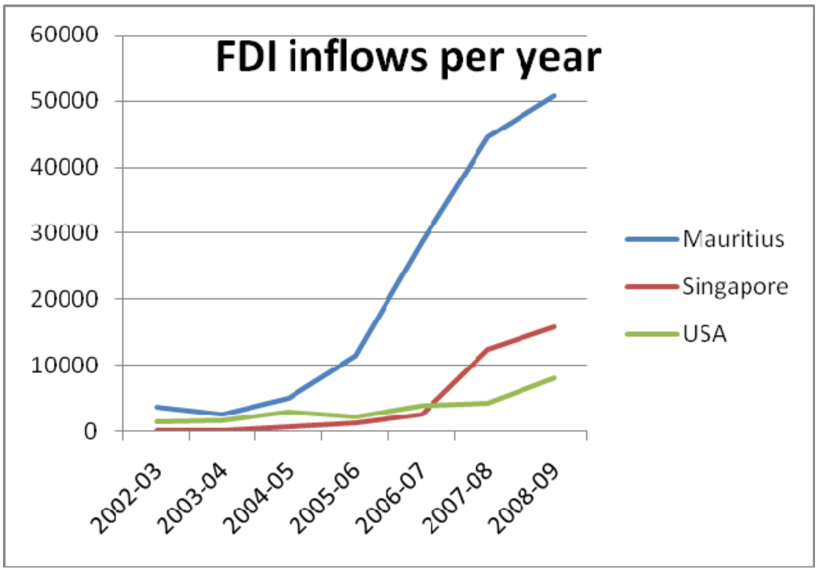
customs officials on the ground at various Indian ports did not actually apply CECA provisions on goods being imported from Singapore.[29]

[29] Patnaik, P. (2006, August 29). Singapore woos Indian cos, relaxes listing regulations. *Economic Times*; 'but says, Indian customs yet to comply with CECA norms.' (2006, August 29) Retrieved from *Financial Express* Website: http://www.financialexpress.com/news/...-but-says-indian-customs-yet-to-comply-with-ceca-norms/175725/

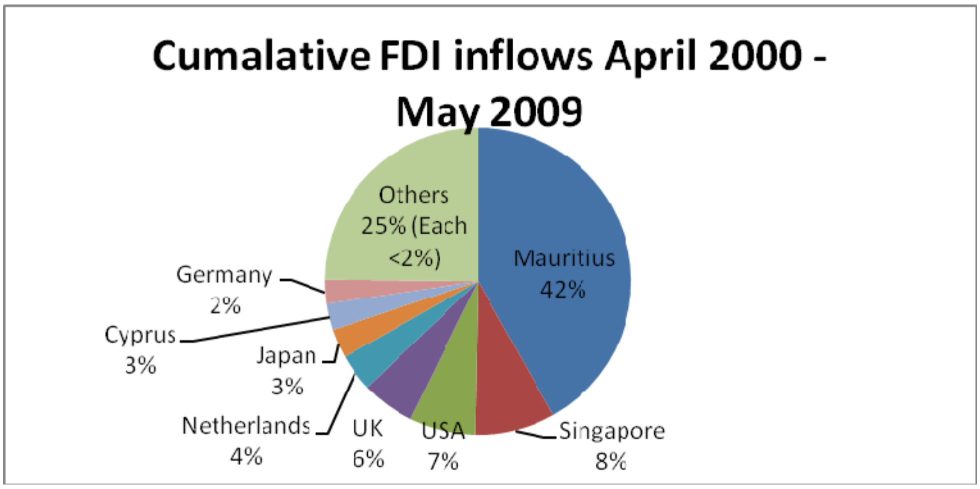
Investment

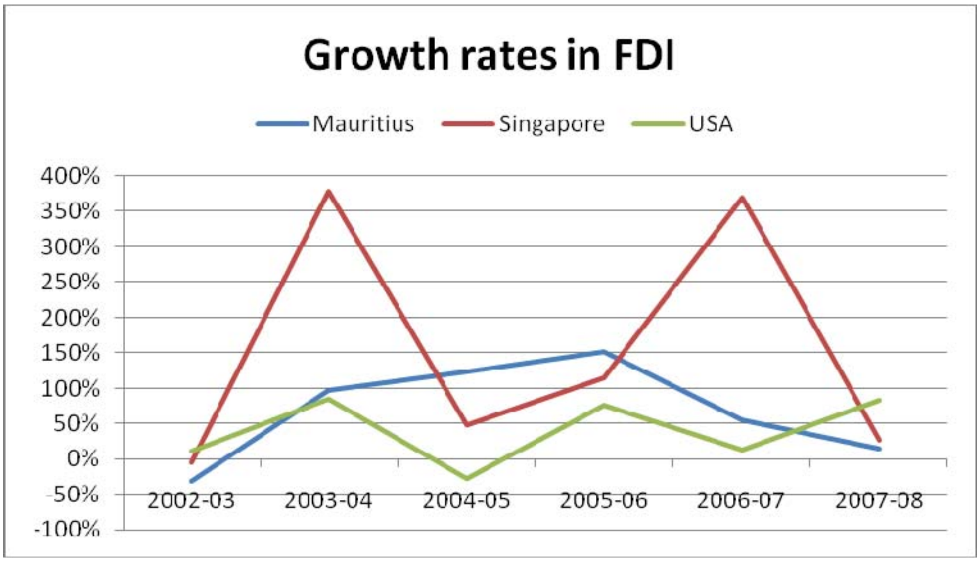
Facts and Figures

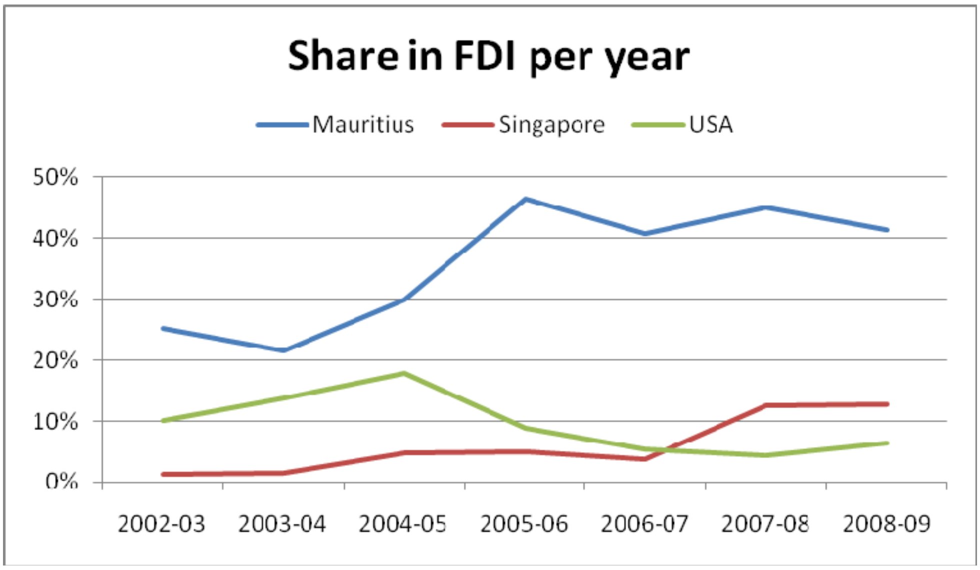
Singapore has become a rapidly growing source of investment funds to India in the past few years. In fact, the data below shows that investment from Singapore has grown to very high levels. Singapore has become India's second largest source of FDI inflow for the period April 2000 till May 2009, with a cumulative amount of Rs. 35, 132 crore. Its share has gone up from less than 1% of total FDI inflow in 2003-04, to 13% in 2007-08. For the past two years, it has overtaken even large developed economies like US, UK and Japan which are normally viewed as the most important places to look for funds. FDI increased from Rs. 172 crore 2003-04 to Rs. 822 crore in 2004-05, a jump of 378%! A major reason for this, as was seen with Indo-Singaporean trade, probably was the anticipation for CECA's signing that boosted investment.[30] Another major boost arrived in 2007-08, when FDI increased by 370%. Since 2004-05, Singapore has been consistently in the top few ranks since 2004-05, a situation not seen prior to this. Although FDI inflow from most countries has grown in the past few years, the pace of growth in Singapore's investment has made others look passé. Below are the charts that describe the above analysis (charts were derived from tables that are available in annexure, which were constructed from data in Singapore Department of Statistics. *FDI inflow/ outflow for Singapore.* (27 July 2009); and Ministry of Commerce, Government of India. *Fact Sheets on FDI inflows*. (till May 2009)).



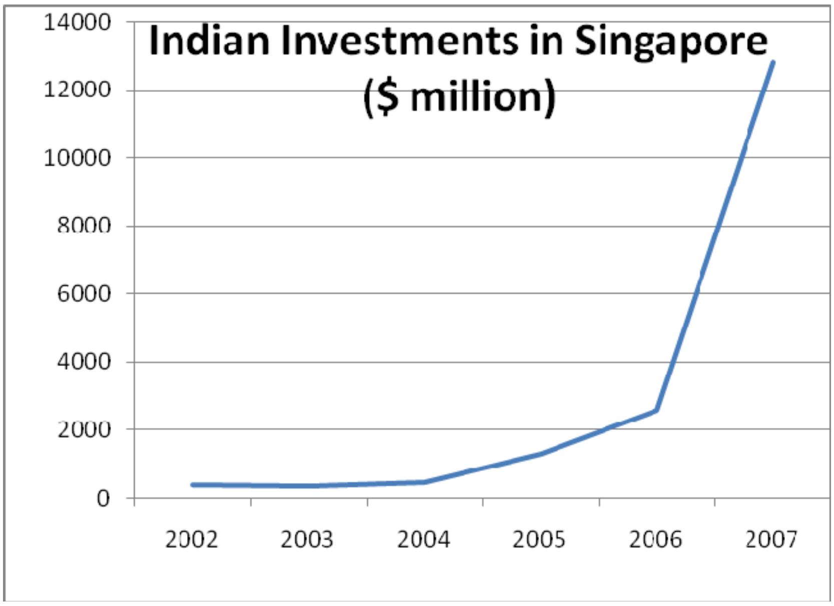
[30] One other reason for the jump could be that earlier there were a lot of Singaporean investments in India that were routed through Mauritius, but after CECA these investments began coming from Singapore itself. See the Chapter on Double Taxation Avoidance Agreement for Temasek's investment vehicles in Mauritius.


Cumalative FDI inflows April 2000 - May 2009
Others 25% (Each <2%)
Mauritius 42%
Germany 2%
Cyprus 3%
Japan 3%
Netherlands 4%
UK 6%
USA 7%
Singapore 8%


Growth rates in FDI
Mauritius
Singapore
USA
400%
350%
300%
250%
200%
150%
100%
50%
0%
-50%
-100%
2002-03
2003-04
2004-05
2005-06
2006-07
2007-08


Share in FDI per year
Mauritius
Singapore
USA
50%
40%
30%
20%
10%
0%
2002-03
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09

From Singapore's point of view, India is only 0.14% of its total investments abroad (2007). Even in Asia, excluding the ASEAN countries to further narrow down the range, India is just 6% of Singapore's outward investments. This shows that there is a large potential still to encourage investment from enterprises and individuals in Singapore for projects in India. Indian investment in Singapore has also grown tremendously- from $353.5 million in 2003 to $12,803.6 million in 2007.[31] One worry is that Indian enterprises/ individuals will take unfair advantage of the exemption to capital gains tax under Double-Taxation Avoidance Agreement and will route money through their shell companies in Singapore into Indian markets. However, the DTAA has been specially designed to take care of this problem, as will be discussed later.



CECA's Investment provisions

The influence of CECA on investment flows is quite evident by this marked rise in FDI figures for both countries. Credit should be given to the Investment dimension of CECA that aimed at promotion, protection and cooperation of investors from both countries. The main step taken in this regard was the accordance of National Treatment, which means that investors of one country will be treated same as investors of the other country. Investors do not need to seek foreign investment approval when investing in the other country. This covers a broad range of investments like shares, debentures, bonds, intellectual property rights, movable and immovable property rights and business contracts.

National treatment is subject only to sectors which have been "committed" to by India and all those not "reserved" by Singapore. India's committed list is a positive list of sectors

[31] Singapore Department of Statistics. *FDI inflow/ outflow for Singapore.* (27 July 2009)

where Singaporean investors do not need approval before investing in them. It includes 100% Foreign Direct Investment for 55 groups according ISIC Classification 1998 including manufacturing of food products, beverages, textiles, printing products, petroleum products, chemicals, metals, rubber, electronics, machinery and vehicles. This has also been extended to the real estate sector; a vital element of India's economy and politically sensitive as well. For telecommunication and banking sectors there are caps of 49% and 74% respectively. Singapore's negative list of sectors where Indian investors do not receive national treatment are limited to the following six kinds of goods- beer, cigars, drawn steel products, chewing gum or any like substance, cigarettes and matches.

Under provisions of CECA, neither country can expropriate investments, directly or indirectly, without proper legal safeguards. There must be justification for any expropriation on basis of public purpose, and that expropriation must be compensated using fair market valuations. Moreover, investors will be allowed to freely transfer funds related to their investments, such as capital, profits, dividends and royalties.[32] For Investor- State disputes, unsatisfied investors will be allowed to take their grievances to an international arbitration tribunal.[33]

Some companies

These progressive steps to facilitate and protect investment have no doubt had a powerful positive effect of bringing in money from Singapore for investment in India's growth and development. The major sectors where Singaporean companies are actively funding projects in India include Special Economic Zones, airports, telecom and real estate. Following are some examples of Singapore investments in India:

- Temasek and GIC Holdings (Government of Singapore Investment Corporation) are Singapore government owned investment funds (sovereign wealth funds in a sense) that have investments in a broad range of sectors in India. Temasek has shares in Bharti Airtel (5% directly and about 16.5% indirectly through its share in SingTel), ICICI Bank (8%), TCS, Mahindra & Mahindra Ltd. and Tata Teleservices Ltd.

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[32] Government of Singapore's International Enterprise Singapore Board website. Information on CECA available at http://www.fta.gov.sg/fta_ceca.asp?hl=6.

[33] FICCI. (2005, August 20). *(slides) Singapore's Perspective.* Retrieved August 2009, 4, from Seminar on India-Singapore Comprehensive Economic Cooperation Agreement (CECA): Opportunities for Indian Business : http://www.ficci.com/media-room/speeches-presentations/2005/aug/ceca.pdf

(9.9%). It recently sold its stake in Matrix Laboratories and Gateway Distriparks.[34] Interestingly, Temasek has a large shareholding in other Singaporean companies operating in India- it owns 100% of PSA International, 66% in NOL Shipping, 28% in DBS Holdings and 21% in Keppel Land. Its investments for India and Pakistan totaled $7bn on March 31, 2008. In Aug, 2007, it had overtaken Warburg Pincus to become the largest institutional investor in India.[35] Temasek Capital recently opened inCube India, an incubation programme to encourage technology start-ups and early stage companies. The activities of some of these companies are described below.

- SingTel, Singapore's leading telecommunications company, owns about 30% in Bharti Telecom, India's largest private telecom company with over 100million subscribers. Temasek, in turn, holds a majority stake in SingTel (55%). Temasek also holds 5% separately in Bharti Airtel.

- The Port of Singapore Authority operates 5 ports in India- Tuticorin Container Terminal, Chennai International Terminals, PSA Hazara International Terminal, Kolkota Container Terminal and Kandla Container Terminal.[36] They have a combined design capacity of 44,30,000 TEUs. The first one is the only port in Sout India that offers direct weekly container services to USA, Europe, Red Sea ports etc.[37] PSA has formed a consortium with Sical Logistics in India, which recently decided to invest Rs 492 crore in a terminal in Chennai port.[38] Sical had planned to work on a Bulk Port project in association with Jurong Port, Singapore, but the project was put off due to the poor trade environment during the recent economic crisis.[39]

- Singapore based Universal Success Enterprise Limited (USEL) announced plans to invest upto Rs.50,000 crore in infrastructure related projects in Gujarat over the next 10 years, in association with Indonesia's Salim Group in January, 2009. The main areas identified are thermal power generation, sea ports, energy trading and mixed use industrial and urban development (SEZs). It is currently implementing the New

[34] Chanchani, M. A. c/ o www.VCCircle.com (2005, March 5). Temasek sells bulk of its stake in Gateway Distriparks. *Reuters India.* Retrieved from http://in.reuters.com/article/indiaDeals/idINIndia-38361720090305
[35] Sengupta, S., & Rosen, R. (2007, August 3). Temasek is the largest PE investor in India. *HT Mint*
[36] Factsheet. Retrieved 10 August 2009 from *PSA International Website*: http://www.internationalpsa.com/factsheet/india.html
[37] SEZ Connectivity. Retrieved 10 August 2009 from *AMRL International Tech City Limited* Website: http://www.amrlitc.com/sez_connectivity.htm
[38] PSA-Sical to operate second box terminal at Chennai port. (2007, March 8). *Hindu Business Line*
[39] Simhan, T. E. R. (2009, Feb 7). Sical Logistics puts off greenfield port plan. *Hindu Business Line*

Kolkota Industrial Development project, which involves 2 SEZs and a 130 km highway.[40]

- The Singapore Airport Consortium was formed by Singapore companies (including Changi Airport Manager and Partners (CHAMPS), CPG Consultants, Singapore Technologies Electronics, ST-Airport Services, Keppel FMO and others) to invest in Airport development in India. They have not had much success. Singapore Airport Terminal Services (SATS) also associated with Air India recently to build and operate a cargo terminal at Bangalore airport.[41] Apart from this, SATS handles cargo at the Hyderabad airport.

- In real estate, Ascendas has carried out 5 projects for commercial construction in India- International Tech Park Bangalore, International Tech Park Chennai, The V Hyderabad and CyberPearl Hyderabad . It launched a private real estate fund called Ascendas India IT Parks Fund, Limited in June 2005 that has been critical to its expansion plans in India. It is also developing International Tech Parks in Pune (ITPP) and Nagpur (ITPN) and CyberVale, an IT Park within Mahindra World City in Chennai.[42]

- Another Singaporean real estate company, Keppel Land, is in a joint venture with Puravankara to develop townships in Bangalore. Its first, Elita Promenade, has been finished, and the other Elita Horizon, should be completed by 2011.[43] It has also developed a high rise condominium in Kolkota in a 74-26% joint venture with Magus Estates and Hotels Pvt. Ltd (26%).[44] Flextronics is another Singapore company that has set up an IT park in Chennai.

- Delphi Corporation has set up Delphi India's Technical Centre India (TCI) in Bangalore where significant engineering work is done for automotive and transportation industry. Delphi also has established manufacturing operations under Delphi India.

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[40] Pandit, V. (2009, January 6). USEL to invest Rs 50,000 cr in Gujarat in partnership with Salim Group . *Hindu Business Line;* USE Limited brochure. Retrieved from *USEL website* on 12 August 2009 from: http://www.usel.biz/pdf/Corporate.pdf

[41] IANS. Singapore- India Consortium Wins Bangalore Airport Deal. (2006, April 12). Retrieved from *WhereinCityNews* Website: http://www.whereincity.com/news/5/1862

[42] International Tech Park Bangalore brochure. Retrieved from *Ascendas website* on 12 August 2009 from: http://www.ascendas.com/downloads/Brochure_ITPB.pdf

[43] FICCI. (2005, August 20). *(slides) Singapore's Perspective.* Retrieved August 2009, 4, from Seminar on India-Singapore Comprehensive Economic Cooperation Agreement (CECA): Opportunities for Indian Business : http://www.ficci.com/media-room/speeches-presentations/2005/aug/ceca.pdf

[44] *Elita Garden Vista, Kolkota.* Retrieved August 15 2009, from Keppel Land Official Website http://www.keppelland.com.sg/res_In_Kolkata.asp

Many Indian companies have also opened shop in Singapore. 3,084 Indian companies are operating in Singapore and are growing at the rate of 10% per year.[45] Indian companies have formed the fourth largest contingent of foreign companies in Singapore after USA, Japan and Malaysia.[46] EXIM bank has reported that “Singapore is one of the top four countries that Indian companies use as an internationalising platform.”[47] Technology companies like TATA Consultancy Services (TCS), eSys, Satyam and Tech Mahindra are notable ones that have offices there. TCS has 400 consultants working in Singapore and tie ups with National University of Singapore (NUS), Nanyang Technological University (NTU) and Singapore Management University (SMU).[48] TATA Steel and Godrej have subsidiaries in Singapore as well. NatSteel is TATA Steel’s wholly owned subsidiary, with over 3500 employees across Singapore and other countries in the Asia-Pacific region and producing more than 2 million tonnes of premium steel products per year.[49] Recently, the Singapore Exchange has been pursuing Indian companies to list themselves in Singapore, and has made listing conditions for them on par with companies from the US, Australia and Europe. Till now, Meghmani Oganics and Asian Paints are two large Indian companies listed on the Singapore Exhange.[50]

Banking is another sector where companies from each country have started operations in the other. This will be discussed in detail in the next chapter on Services.

Looking forward- Infrastructure and Singapore as a gateway for Indian companies

One added reason for the large amount of interest in infrastructure projects by Singaporean investors could be the innovative provision in Article 6.20 that creates an incentive for investments in this sector by them. Under this clause, Singaporean investors putting money in infrastructure in India can ask for exemption of duties on capital goods being imported for the project. This is a great step for encouraging investment in India’s infrastructure, which is in acute need of external funds and is vital for our economic development. It applies to a number of sectors:

- roads and highways;
- ports and other seaport related infrastructure, such as logistics;

[45] India, Singapore open financial turf to bolster trade. (2008, April 17). *HT Mint*; Singh, Y. (2008, February 2). India-Singapore CECA Enters Second Phase. *Institute of Peace and Conflict Studies.* Article #2481
[46] Banerji, S. (2007, December 3). Singapore emerging as India Inc’s gateway to the world. *Indian Express*
[47] Ibid
[48] *TCS Worldwide: Singapore.* Retrieved August 13 2009 from TCS Website: http://www.tcs.com/worldwide/asia/locations/singapore/Pages/default.aspx
[49] *Company Profile.* Retrieved on 13 August 2009 from NatSteel Website: http://www.natsteel.com.sg/about_profile.htm
[50] Patnaik, P. (2006, August 29). Singapore woos Indian cos, relaxes listing regulations. *Economic Times*

- airports and other aviation related infrastructure;
- power (generation, transmission, distribution);
- water resource management;
- waste management;
- other urban infrastructure, such as pollution control and management;
- housing, including townships; and
- telecommunications.

There is still potential to tap Singaporean companies as a source of capital for Indian businesses and infrastructure projects. Governmental departments in various states should be encouraged to take advantage of CECA so that when they look for foreign sources of funding for public infrastructure projects, they can easily tie up with Singapore investment firms. SEZs is one sector where more investments could be sought, given Singapore's previous work in China in this regard.[51] Indian companies also should take more advantage of the ease in setting up businesses/ branches in Singapore. In Singapore, there is a high concentration of MNCs and the latest techniques and processes in the world of business are practiced, making it an ideal learning destination for Indian businesses. Not only would they get connected with international industrial and trade networks for further expansion and tie-ups, they would also learn how to make changes to their businesses at home to improve productivity, use of technology, management, systems, etc.

RBI vs. Temasek and GIC

One issue that took time to resolve was the Temasek and GIC Holdings issue. In India, foreign institutional investors are allowed to hold up to 10% stake in publicly listed Indian firms. However, Temasek and GIC were considered the same entity by SEBI, and therefore were unable to hold more than 10% between them in any Indian company. CECA had a special provision that resolved the matter by treating GIC and Temasek as "independent and unrelated legal entities for the purposes of SEBI".[52] This gives Temasek and GIC the right to each hold 10% individually in a single company, thereby allowing them the option to increase their combined shareholding to up to 20% in a company. However, the Reserve Bank of India (RBI) was reluctant to implement this provision, arguing that since both companies were owned by the Singapore Government, they could not be regarded as separate. The Finance Ministry had also supported RBI at one point by suggesting that an amendment to CECA should be made in this

[51] Singh, Y. (2008, February 2). India-Singapore CECA Enters Second Phase. *Institute of Peace and Conflict Studies.* Article #2481

[52] 1(b) Annex 7- Aggregation of Shares. Text of Comprehensive Economic Cooperation Agreement between India and Singapore. Available online at http://commerce.nic.in/ceca/toc.htm

respect. GIC and Temasek faced difficulty in getting approval to increase their stake in ICICI Bank due to this.[53] Finally, RBI relented but only gave a onetime exception for the ICICI Bank investment by the two Singapore funds.[54] The main argument against this provision in CECA is that by granting such an exemption to GIC and Temasek, it would "open the floodgates" for similar demands from other countries/ investors.[55] However, the justification for such an exemption is that CECA aims to increase funds from a responsible trading partner like the Singapore government. Therefore, granting GIC and Temasek this benefit would be advantageous to India as well. In any case, using dilatory tactics to implement a provision under an international agreement undermines India's reputation in negotiations not only with Singapore, but even other countries with which we already have or hope to sign trade agreements.[56] There should be better coordination between government/ government supported departments and authorities to make sure that the concerns of all stakeholders for provisions in a trade agreement have been adequately addressed before signing.

[53] Sayed, J. (2009, Jan 26). Government seeks cap on Temasek, GIC holdings in listed companies. *Economic Times*
[54] Shankaran, S., & Gupta, M. (2007, April 19). RBI agrees to Temasek stake, but as a one-off. *HT Mint*
[55] Finance ministry official quoted in Sayed, J. (2009, Jan 26). Government seeks cap on Temasek, GIC holdings in listed companies. *Economic Times*
[56] In 2006, regarding this issue, Singapore's minister of trade and industry Lim Hng Kiang said, "If you are not treating them as two separate entities, you are short-changing us and yourself." (quoted form: Shankaran, S., & Gupta, M. (2007, Fenruary 12). RBI raises new concerns over Temasek. *HT Mint*).

Double Taxation Avoidance Agreement

The CECA includes an enhanced Double Taxation Avoidance Agreement (DTAA) between Indian and Singapore. The previous treaty on double taxation was signed in January 1994. The improved version under CECA "provides for avoidance of double taxation of income earned in one Contracting State by a resident of the other and makes clear the taxing rights between the two Contracting States."[57] Most importantly, tax residents in Singapore will no longer have to pay capital gains tax to India on profits proceeding from sale of shares in India. Since Singapore in any case does not impose capital gains tax, Singaporean investors face no tax for their investments in securities in India. In combination with previously discussed steps to promote investments, the improved DTAA aimed to greatly increase the flow of funds for businesses and development projects between India and Singapore. At a rate of 35%, capital gains tax in India is an important factor in a foreign investor's decision making process when buying shares of Indian firms. Therefore, the exemption to it has no doubt contributed positively to the rising FDI figures from Singapore.

This agreement under CECA was modeled along the India-Mauritius tax arrangement. Mauritius accounts for up to 42% of total FDI inflows into India since April 2000.[58] The worry is that Singapore would be misused by Indian and other foreign investors, just as Mauritius is alleged to be because of loose rules regarding resident status. As a result, it is feared that unaccounted money of Indians is actually routed back into India through Mauritius, without paying any taxes to the government. Also, foreign investors can set up shell companies/ investment vehicles in Mauritius to invest in the Indian markets instead of investing from their own countries where they would be liable to tax payments to India. In fact, even Temasek earlier used investment vehicles in Mauritius to fund its Indian investments- Aranda Investments Mauritius Pvt. Ltd. in Gateway Distriparks and Allamanda Investments Pvt. Ltd. in ICICI Bank.[59]

The India-Singapore DTAA addressed this concern by putting in place stringent conditions for investors who want to take avail of the capital gains exemption. The following companies/ tax residents are not entitled to it:

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[57] IE Singapore (2005, June 29). *Information Kit: India-Singapore CECA.* Retrieved July 2009, 29, from IE Singapore: http://www.fta.gov.sg/ceca/ceca_india_infokit.pdf

[58] See chart comparing FDI inflows from Mauritius, USA and Singapore.

[59] Chanchani, M. A. c/ o www.VCCircle.com (2005, March 5). Temasek sells bulk of its stake in Gateway Distriparks. *Reuters India.* Retrieved from http://in.reuters.com/article/indiaDeals/idINIndia-38361720090305; Rediff News. Temasek buys 5.2% ICICI Bank stake. Retrieved on 14 August 2009 from Rediff Website: http://www.rediff.com/money/2003/dec/24icici.htm

- (Article 3.1 of protocol) Those investors/ companies whose affairs are arranged primarily to take advantage of this exemption.
- (Article 3.2-4) Shell/conduit companies with negligible or nil business operations or with no real and continuous business activities in Singapore is disallowed from enjoying the capital gains exception. Further, shell companies are those that:
    - Have a total annual expenditure less than S$200,000 in the 24 months from the date of gains arise; or
    - Are not listed on the stock exchange.

During negotiations, Indian officials were worried that, like Mauritius, the DTAA with Singapore would face the challenge of lack of transparency of investors.[60] The issue of information sharing seems to have finally been sorted out, with Singapore having satisfied Indian officials that the information rules and laws in Singapore were sufficiently stringent to avoid problems on this account.

Even after CECA's signing, there was an unresolved issue over the DTAA that remained. Singapore demanded that India allow trusts also to take advantage of the new protocol. However, India has already faced problems in this regard with Mauritius, with round-tripping of Indian investments. If India included trusts in the coverage of the agreement, than even trusts not registered in Singapore or whose beneficiaries were not Singapore residents would have also gained. Therefore, it is better that India stuck to its standpoint and only allowed trusts controlled by bona fide Singapore residents to be eligible for double taxation exemptions.[61]

[60] p7, Narayanan, S. (2005, April 15). Singapore-India CECA Dialogue: Issues and Options. *ISAS Background Brief* No.1
[61] Subramaniam, G. (2006, August 24). Singapore seeks liberal tax treaty. *Economic Times*

Services

One of the most important aspects of CECA from India's point of view is services, which for the first time was included as part of a trade agreement with another country. India expects to cash in on its advantage of a large base of professional and skilled workers from the CECA deal, whose scope extends beyond the usual trade agreements on lowered tariffs for import/ export of merchandise goods. Therefore, it is crucial to understand how much we have gained from liberalization in services sector and what more needs to be done in order to fully realize the potential benefits of CECA provisions related to this.

According to Statistics Singapore website, "Trade in Services (TIS) refer to service transactions between residents and non-residents. While traditionally confined to transportation and travel, activities such as financial, professional and other business services have also grown in importance with globalization, improved telecommunications network and service trade liberalization."[62] The tables and charts display analysis of Service trade between India and Singapore. The data here was analyzed from a Singapore Government publication, so it is in terms of Singapore's export/ import to and from India.[63]

Data analysis[64]

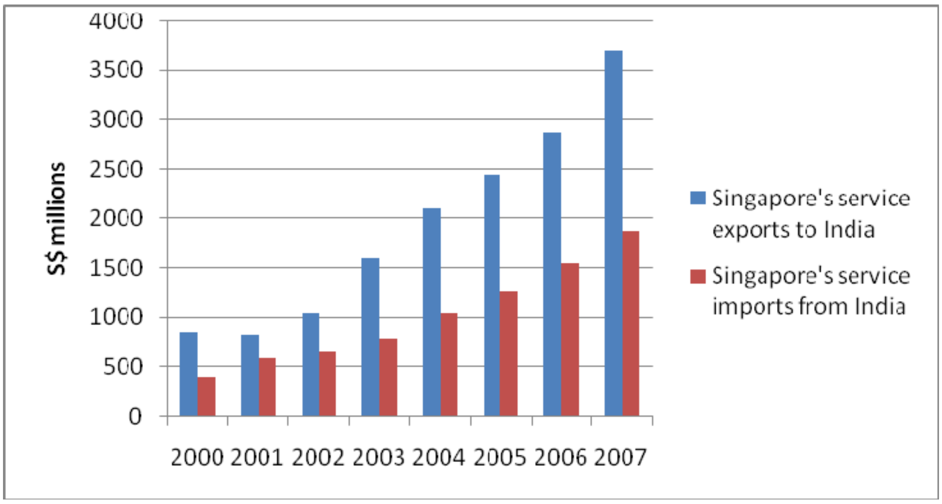
India is still not amongst Singapore's major trade partners worldwide for services, though its position among Asian countries has improved since CECA. It has overtaken Korea, Malaysia and Indonesia on the list of sources for Singapore's service imports. The total service trade between the two countries has grown from S$ 1706.1 million in 2002 to S$ 5584.8 million in 2007 at an average rate of 27% per year. As a share of Singapore's exports to all of Asia, India has grown from 5.54% in 2003 to 7.20% in 2007, and as a share of Singapore's imports from all of Asia, India has grown from 6.37% to 8.04% in the same period.[65]

[62] Statistics Singapore. (2009, March 9) *FAQ On International Trade in Services.* Retrieved on 1 August 2009 from Statistics Singapore Website: http://www.singstat.gov.sg/educorner/faqsinttrade.html

[63] Singapore's International Trade in Services, 2007. Published by Singapore Department of Statistics, Republic of Singapore (March 2009).

[64] Charts have been generated from tables available in annexure, which were created from Singapore's International Trade in Services, 2007. Published by Singapore Department of Statistics, Republic of Singapore (March 2009)

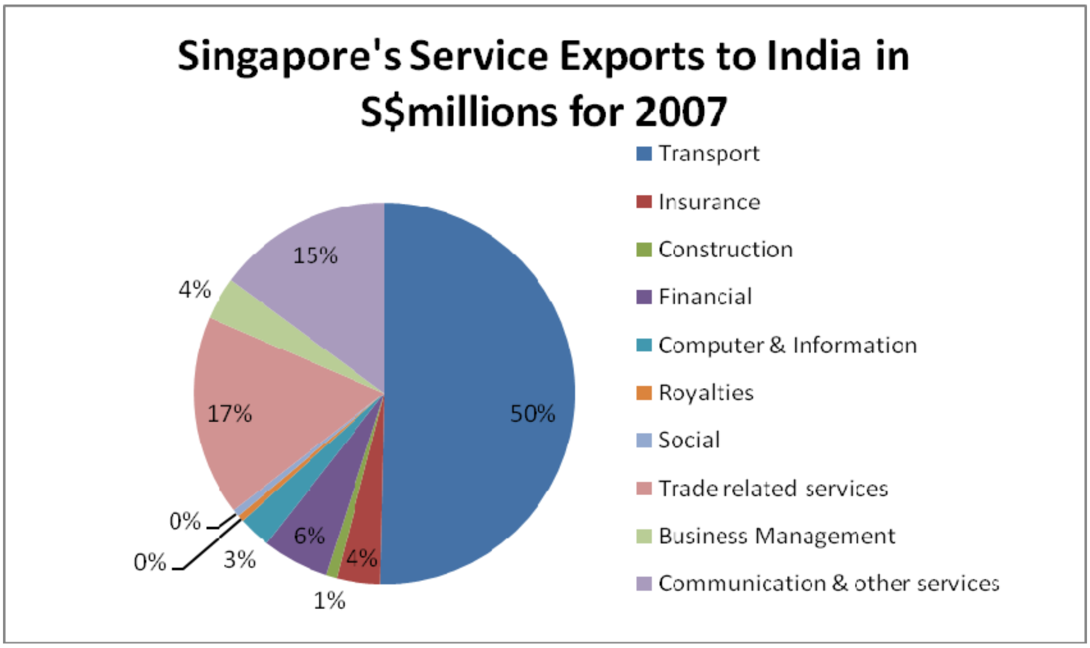
[65] NOTE- I believe it is more prudent to compare India's services trade growth with other Asian economies, rather than Western economies, because it makes sense that our competition in services sector is more with other developing/ emerging economies of Asia than with a country like USA.

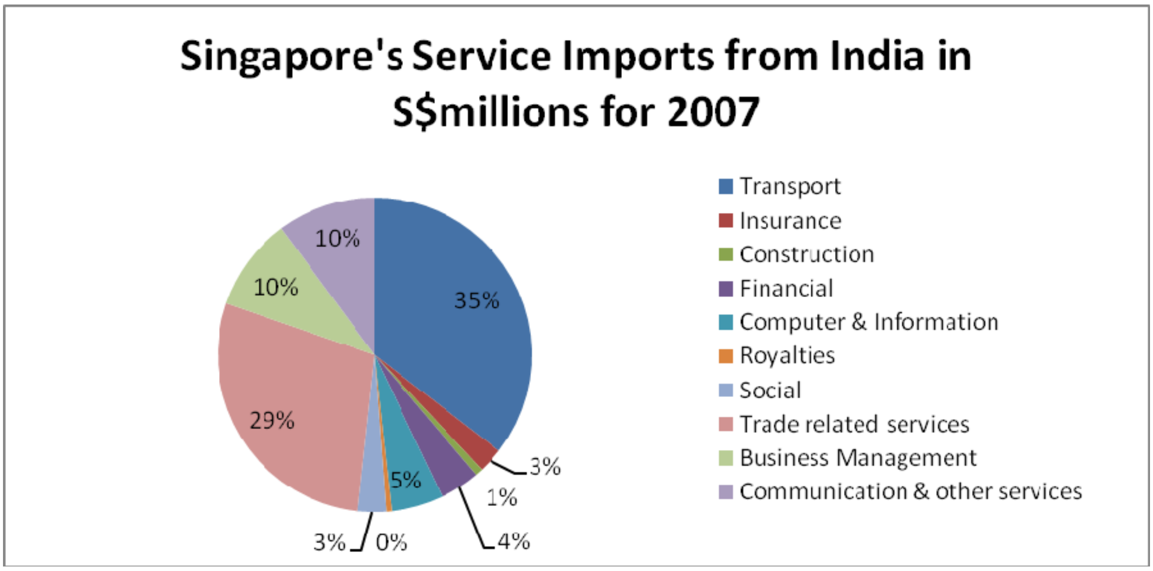


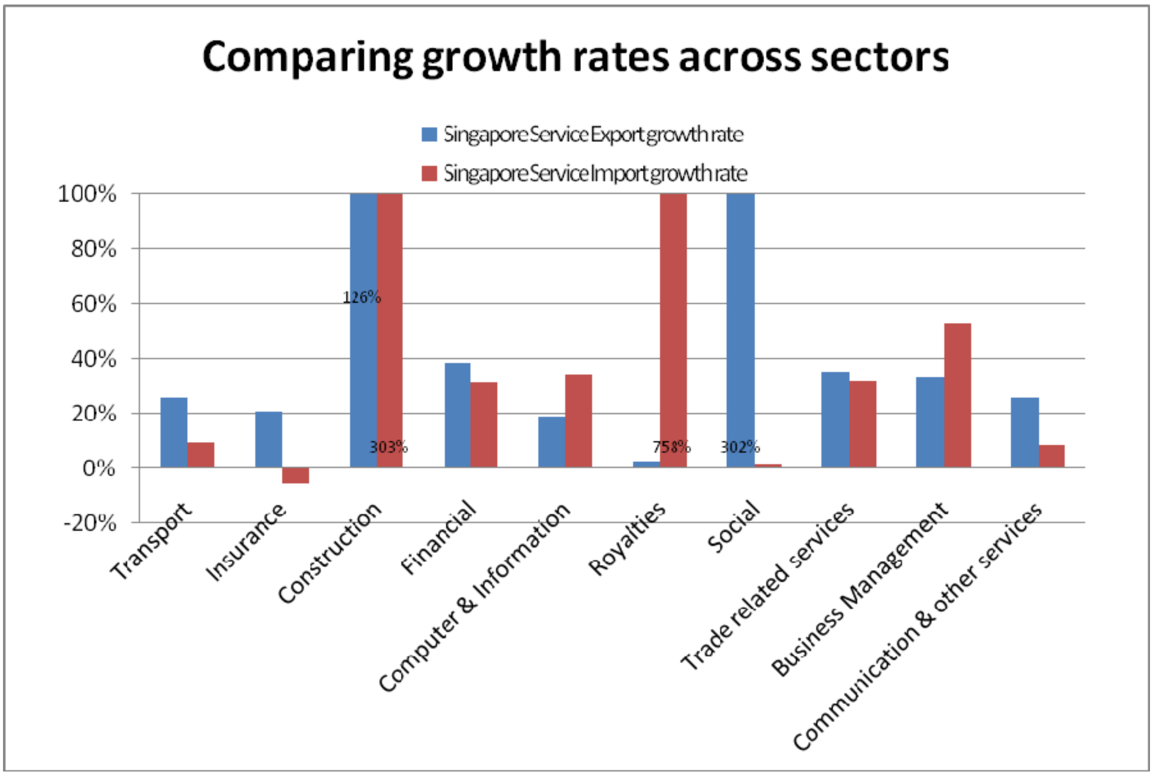
The worrying feature of this data is the growing deficit in services trade for India vis-à-vis Singapore (i.e. = Singapore's growing surplus with India in services trade). The chart shows that this deficit has grown from about S$ 800 million in 2003 to S$ 1823.6 million in 2007. In 2007, Singapore's service exports to India at S$ 3704.2 million had become almost double of its service imports from India (at S$ 1880.6 million). The main reason is the rapidly growing export of services from Singapore to India, which have been growing at an average rate of 29% versus 24% for imports. Though this difference is not large, it should be remembered that Singapore's exports to India were already higher than imports, so percentage growth is calculated on a larger base value for exports than for imports.[66] In particular, in years 2003 and 2007 exports from Singapore grew at 52% and 29% respectively, much higher than the corresponding 22% and 21% for imports from India. Yet, it must be noted that both imports as well as exports from and to India for Singapore are growing at higher levels than corresponding rates for rest of Asia, especially after 2005 when CECA was signed. Also, imports from India have been growing at a stable rate of around 21% every year from 2005 to 2007.

[66] Please be aware that here, since data was used from Singapore government report, analysis is done from Singapore's export/import perspective.

A look at the break-down of the trade in services is useful at this point. For Singapore's export to India, the largest service sectors are transportation (50%), trade related services (17%), communications & others (15%) and financial (6%). For Singapore's import from India, the largest service sectors are transportation (35%), trade related services (29%), business management (10%), communication & others (10%) and computer & information (5%). As a share of the rest of Asia, India contributes to 26% of Singapore's service imports in Computer & Information services, 44% in social services and around 7% in other service sectors. Comparing growth rates across sectors from 2006 to 2007, there has been a significant lead in Singapore's export growth rate over import growth rate from India for Transport, Insurance, Social and Communication & others. Similarly, there has been a jump in Singapore's import growth rate over export growth rate to India for Construction, Computer & Information, Royalties and Business Management. Business Management services and Computer & Information services are two key sectors where India has a good opportunity to gain a larger share of Singapore's demand. The most positive aspect for India is that from 2006 to 2007, the growth rates of Singapore's service imports from India have grown at a higher rate than they have for the rest of Asia (except for transport and insurance). Transport services seem to be the main area where Indian exports to Singapore lag far behind Singapore's exports to India- there is a gap of as much as S$ 1200 million.







<u>CECA provisions</u>

Under CECA, India and Singapore have committed to going beyond their WTO commitments to provide access to service suppliers of the other country. Market access has been provided by disallowing quantitative restrictions such as numerical quotas on sales, limitations on no. of employees, limits on foreign capital participation, etc. There is national treatment for service suppliers, and provisions to ensure that domestic regulations remain "reasonable, impartial and objective."[67] The only condition is that service companies would have to meet ownership conditions stipulated if they want to benefit from CECA. The following are sectors where the countries will get preferential access:[68]

India will get	Singapore will get
Business services, distribution services, education services, environmental services and transportation services.	Business services, construction services, financial services, telecommunication services, tourism and travel related services and transportation services.

Mutual Recognition Agreements for Services

As discussed earlier in the Chapter on Trade in Goods, CECA aims to remove duplicity of testing and conformity assessments through mutual recognition agreements. That chapter only talked about this in terms of merchandise goods. Under CECA, India and Singapore have also aimed to create Mutual Recognition Agreements for certain types of professionals- namely accounting and auditing, architecture, medicine, dentistry and nursing. What this means is that the educational and professional qualifications and licensing criteria, duly assessed by the relevant authorities in one country shall be accepted in the other. Consequently, professionals in the above areas, belonging to either India or Singapore, will be able to practice their vocation in both countries. Professional bodies (e.g. Medical Council of India, Institute of Chartered Accountants of India) are supposed to work out arrangements to recognize qualifications for professionals. According to CECA, the professional bodies should have completed this work by one year after it came into force.[69] However, even as the pact enters its second phase, there is still no resolution of the matter. One roadblock has been to find a way so that educational qualifications of capable professionals from second grade institutions in India are accepted by Singapore. [70] It is difficult for even students from good Indian universities to be considered qualified by Singaporean authorities.[8] As a result, India is losing out significantly on gaining from the liberalization in services under CECA. The initiative has been lacking from professional bodies at our end, and since India has more to gain than Singapore under this dimension of CECA, it cannot be expected that Singapore will be pro-active on this.[71,72]

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[67] p8, IE Singapore (2005, June 29). *Information Kit: India-Singapore CECA.* Retrieved July 2009, 29, from IE Singapore: http://www.fta.gov.sg/ceca/ceca_india_infokit.pdf
[68] Ibid.
[69] Ibid, at p8.
[70] Singh, Y. (2008, February 2). India-Singapore CECA Enters Second Phase. *Institute of Peace and Conflict Studies.* Article #2481
[71] pp7-8, Karmakar, S. (2009, June). The India-Singapore CECA: Gains in Services Trade. *South Asia* (13)
[72] Nerendranath, K. G. (2007, October 1). Two Years of India-Singapore CECA. *Economic Times*

In order to realize the potential gain under CECA, the government should work hand in hand with professional bodies to ensure facilitate the establishment of MRAs in services. During negotiations, India and Singapore decided that any delay or failure to conclude MRAs would not be regarded as a breach of obligations and would not be subject to the Dispute Settlement provisions.[73] This was a mistake on our part, given that services is one area where *we* should demand a time-bound implementation process. Indian government negotiators should strongly take up the issue of Singapore not recognizing qualifications from second- grade Indian institutions, because India has already given a lot to Singapore on the goods front and it deserves reciprocity in the services sector. Once these five fields are taken care of, surely other professions will be brought into the mutual recognition loop. There is no point of designing trade agreements that have long term benefits without keeping clear deadlines and assigning responsibility to the people/ bodies intended to implement it. In face of the rising deficit in merchandise goods trade, India must get its act together to energetically work towards implementing provisions in CECA that will enable it to use its unique advantage of a large, English- speaking, trained labor base to become a top source of service imports for Singapore.

Financial Services

The sector that was most significantly affected (arguably) by CECA was financial services. CECA has special provisions for opening up the banking sector in both countries. India opened its doors to three Singaporean banks- Development Bank of Singapore (DBS), Overseas Chinese Banking Corporation (UCBC) and United Overseas Bank (UOB). These banks have been given the right to establish wholly-owned subsidiaries in India to enjoy treatment on par with other Indian banks. They have also been given the alternative option to instead set up as branches in India. According to CECA, each has been allotted a separate quota of 15 branches (for all 3 banks) over 4 years starting Aug, 2005. This is over and above the regular quota of 20 branches per year given by India to foreign banks (India's WTO requirements are just 12 branches per year). Singapore reciprocated by committing to give Qualified Full Banking (QFB) Licenses to three Indian banks and unlimited wholesale banking licenses provided the Indian bank meets Singapore's admission criteria. A QFB License allows the bank to open 25 branches in Singapore and raise retail deposits.

Currently, 8 Indian banks have a presence in Singapore- Uco bank (the only one to have 2 branches), Bank of India, Indian Overseas Bank, Indian Bank, Bank of Baroda (BoB), State Bank of India, ICICI Bank Ltd. and Axis Bank. Uco Bank, Bank of India, Indian Overseas Bank and Indian Bank are full banks; they offer the whole range of banking activities and are licensed to transact business in both Singapore dollar and ACU (Asian Currency Unit). ICICI Bank Ltd,

[73] Business & Trade Policy, International Trade Center. *The Treatment of Labour Mobility in the India-Singapore CEPA.* Article is based on the discussion in the ITC sponsored Public-Private Dialogue on moving Goods, Services and People across borders. Retrieved on 11 August 2009 from http://www.intracen.org/btp/wtn/newsletters/2007/3_2/ppp4.htm.

Axis and BoB are offshore banks. Axis and BoB were given offshore banking status after CECA. SBI has finally become a QFB and ICICI has applied for the license.

However, implementation of this provision by the relevant authorities of each country- Reserve Bank of India (RBI) and Monetary Authority of Singapore (MAS) - took time due to serious differences. Both authorities were very reluctant to grant licenses as committed under CECA provisions. MAS insisted that the Indian banks meet its "prudential requirements", since it was of the opinion that CECA did not ensure automatic approval for Indian banks.[74] This was in spite of the fact that the agreement did not stipulate this for the 3 QFBs to be granted by Singapore. In response, RBI as well as the Indian Finance Ministry were not willing to grant access to DBS and UOB until MAS adhered to CECA with respect to SBI and ICICI.

Finally, after much negotiation between the two authorities, UOB, SBI and DBS were granted the CECA benefits due them. In August, 2008, DBS was given permission by RBI to open 8 new branches, in addition to the two that it already operated in India.[75] UOB also got permission to open a branch in India, becoming the second Singaporean bank with a presence here. MAS granted SBI a QFB license on 25 March 2008, making it only the 7th foreign bank to get one in Singapore. It can now raise deposits and open 25 branches, including automated teller machines (ATMs) and point-of-sales operations.[76][77]

It seems that RBI took a correct decision by not giving in unilaterally on the banking issue. As observed with MRAs in services, coordination between implementing agencies must be ensured through a proper mechanism within the trade agreement itself. The concerns of all relevant stakeholders must be taken into account before signing an international agreement. If there are disgruntled stakeholders who will hold up implementation in the future then the agreement shouldn't be signed, or if these stakeholders have accepted the agreement then they must be forced to comply with the provisions. Yet, I still believe that for the banking issue between MAS and RBI, this lesson should be addressed to Singapore more and less to India. The one thing India could have done better is to set clear guidelines. We should also try to learn about the dilatory tactics that the other party will use in future, so that adequate penalty clauses can be put in the agreement to prevent them from reneging on commitments.

[74] India, Singapore open financial turf to bolster trade. (2008, April 17). *HT Mint*

[75] Bhoir, A. (2009, January 12). Singapore's DBS Bank faces the 'challenge' of raising deposits. *HT Mint*

[76] India, Singapore open financial turf to bolster trade. (2008, April 17). *HT Mint*; Roy, A. (2008, April 17). Indian Banks in Singapore. *HT Mint*

[77] Interestingly, Temask and GIC have an important stake in ICICI Bank, the one private Indian bank that is first on the list waiting to be granted a QFB in Singapore. Also interestingly, Temasek holds 28% in DBS, the Singapore bank that has largest expansion plans in India.

Other financial services

In financial services, apart from banking, the minimum capital requirement for asset management companies established in India with more than 74% FDI has been lowered under CECA to US $30mn, as opposed to US $50mn otherwise. Both Singapore and Indian fund managers can now invest an additional US $250mn over above current cap of US $1bn into equities and securities (including Exchange-traded funds, Collected investor schemes and mutual funds) listed on SGX (Singapore Exchange) and Indian Sensex. Further, they do not have to make their investments in only entities that have a stake in Indian companies.

Telecommunication Services

Apart from the various tariff reductions/ eliminations on telecom goods, MRAs on telecom equipment, and the case-by-case based exemption to duties on capital goods for infrastructure projects related to telecommunications (Article 6.20), this sector has been further benefitted by increasing the limit for foreign equity share in telecom companies. It has been increased from 25% to 49% for companies that provide basic, cellular and long-distance services, and up to 74% for those that offer internet and infrastructure services.

Others

Movement of Natural Persons

This aspect is regarding the liberalization of Mode 4 (the admission of foreign persons and nationals to another country to provide services there)[78], to encourage free movement of professionals, businessmen and workers across borders. Temporary labor mobility has been given a boost through CECA, even beyond WTO recommendations under GATS (General Agreement on Trade in Services)[79]:

- Singapore has eased visa restrictions for a list of 127 professionals, covering a broad range of sectors. These professionals have been allowed entry and stay for up to 1 year. This is complemented by the MRAs for professionals that need to be worked out.[80]

- Business Visitors can get temporary visa for engaging in business-related activities for up to 2 months, with provision for a further 1 month extension.

- Short term Service Suppliers can get entry for up to 90 days to provide a specific service, with provision for a further 90 day extension.

- Intra corporate transferees (personnel from businesses operating in both countries) can apply for a visa with validity period up to 2 years, with provision for extensions of up to 3 years at one time for a total term not exceeding 8 years.

- The countries have also committed to simplification of procedures and expedited grant of visas.[81]

CECA's chapter on Movement of Natural Persons is a symbol of how it has gone beyond regular trade agreements by promoting cooperation in areas of international economic relations

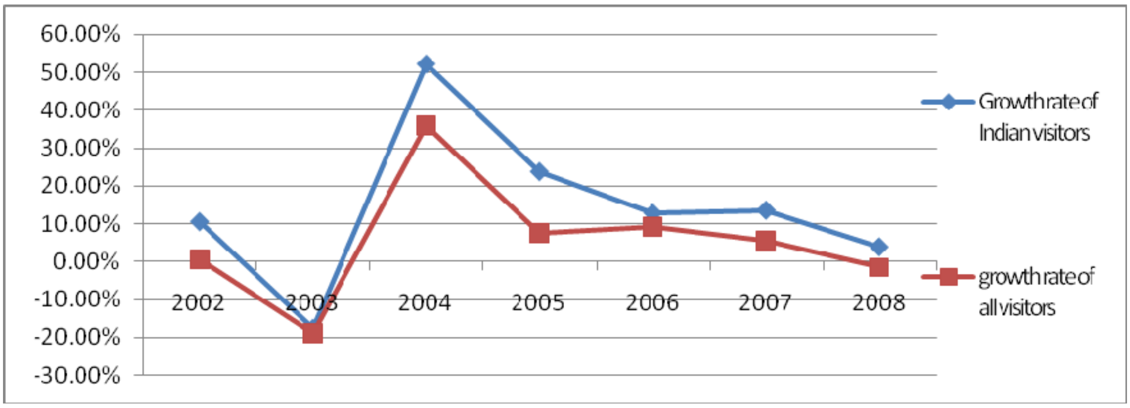
[78] p1595, Baijal, M., and Jain, R. (May 2006). India–Singapore Comprehensive Economic Cooperation Agreement — Implications for Accountancy Sector. *The Chartered Accountant*.
[79] Chaudhari, S. *(slides) Mode 4 – India Singapore CECA*. Retrieved from WTO website: www.wto.org/english/tratop_e/serv_e/...e/.../chaudhuri_e.ppt on 15 August 2009
[80] This is another argument in favor of speeding up MRA work by professional bodies- Singapore must accept Indian professional qualifications in order to benefit from this relaxed visa regime.
[81] Chaudhari, S. *(slides) Mode 4 – India Singapore CECA*. Retrieved from WTO website: www.wto.org/english/tratop_e/serv_e/...e/.../chaudhuri_e.ppt on 15 August 2009

other goods trade. Although Mode 4 represents only 1% of total services trade, remittance earnings through this are considered valuable for India. This liberalization of labor mobility, particularly for highly-skilled workers, enables India to gain from its competitive advantage of knowledge- based professional services. For Singapore as well, MNP facilitation will "expand its economic space and add to its labour market flexibility, both important objectives of Singapore's policymakers."[82]

Tourism

Tourism is another sector where India and Singapore have aimed to increase cooperation in promoting growth. In fact, during review for second phase, this was high on the agenda.[83] This year, the Singapore Tourism Board announced the facility for e-visas for Indian travelers. Now Indians travelling to Singapore can get their visas in a single day, without making a trip to the visa office.[84]

[82] Sen, R., & Nandy, A. (2005, August 31). Bilaterally negotiating temporary entry. *Financial Express*
[83] Pal, N. (2008, August 29). India, Singapore seek to take bilateral trade to $50 billion. *Financial Express* .
[84] PTI. (2009, March 27). Singapore to introduce e-visa for Indian travellers. *HT Mint*



Looking at the figures for tourists to Singapore, it can be seen that Indian visitors to Singapore have been growing at a remarkable pace, consistently clocking a rate of growth higher than for all visitors to Singapore.[85] Its share has gone up from about 5% in 2002 to 7.7% in 2008, when a total of 778,303 Indians visited the country. Further, it has moved up from 7th place in 2002 to 4th position during January-May 2009. In May 2009, India reached top position in terms of total visitor days spent by foreign tourists in Singapore, at an average of 6 days stay per Indian visitor. Singapore, however, does not feature on the top 10 sources of foreign tourist arrivals to India (2007).[86]

Education

India and Singapore have promised to join hands in education to promote collaboration between their universities. National Univesity of Singapore (NUS) has tied up with IIT- Bombay to offer a Student Exchange Program for M.Tech. and Dual Degree students, whereby these students can spend a semester at NUS.[87] NUS has signed MoUs (Memorandum of Understandings) for tie-ups with other Indian Universities such as Bharathiar University and IIM- Calcutta.[88,89] IIM Ahmedabad has student exchange programs for its MBA students with both NUS and Nanyang Technological University of Singapore. NIIT, the Indian institute for training IT professionals, has operations in Singapore. SP Jain Institute of Management and Research and Amity University are two Indian private universities that have campuses in

[85] Data for charts (table in annexure) taken from Tourism Focus May 2009 published by Research and Statistics Department, Corporate Planning Division, Singapore Tourism Board.
[86] Indian tourism at a glance, 2007. Published by Ministry of Tourism, Government of India. Retrieved from http://www.incredibleindia.org/ataglance2007n.pdf.
[87] IIT-Bombay. *Student Exchange Program Application form.* Retrieved on August 14 2009 from IIT-Bombay website: www.ir.iitb.ac.in/IITB-**NUS**_Application_form.doc
[88] *NUS Business School Notes.* Retrieved on August 13 2009 from NUS Business School Website: www2.bschool.nus.edu.sg/corpdev/bizleads/BIZ%20Leads%202006/May06/schoolnotes.htm
[89] Bharathiar varsity ties up with National University of Singapore. (2009, March 9) Retrieved from *Indiaedunews.net website*: www.indiaedunews.net/Tamil_Nadu/Bharathiar_varsity_ties_up_with_National_University_of_Singapore_7655/

Singapore and offer management courses. IIM Bangalore's plan to open a campus in the city-state was shelved recently after the HRD ministry refused to give them permission.[90]

Some other areas in which CECA seeks to build relations between the two countries are

- Intellectual Property Rights
- E-commerce
- Media
- Air service
- Science and Technology

[90] Yousaf, S. (2009, August 13) HRD dampener on IIMB's Singapore campus hopes. Retrieved on 13 August 2009 from *Expressbuzz* website: http://www.expressbuzz.com/edition/story.aspx?Title=HRD+dampener+on+IIMB%E2%80%99s+hopes&artid=FgQtZ8CfNhg=&SectionID=Qz/kHVp9tEs=&MainSectionID=Qz/kHVp9tEs=&SEO=&SectionName=UOaHCPTTmuP3XGzZRCAUTQ==

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3. Government of Singapore's International Enterprise Singapore Board website. Information on CECA available at http://www.fta.gov.sg/fta_ceca.asp?hl=6.
4. Export Import Databank provided by Ministry of Commerce, Government of India. Available online at http://commerce.nic.in/eidb/default.asp. Data accessed in August, 2009. Data was updated till 15 May 2009 and was for 1996-1997 to 2008-2009(Apr-Dec). Source: DGCI&S, Kolkata (www.dgciskol.nic.in)
5. Singapore Department of Statistics. *FDI inflow/ outflow for Singapore.* (27 July 2009)
6. Ministry of Commerce, Government of India. *Fact Sheets on FDI inflows.* (till May 2009).
7. Tourism Focus May 2009 published by Research and Statistics Department, Corporate Planning Division, Singapore Tourism Board.
8. Yearbook of Statistics Singapore, 2009. *Chapter 13 on External Trade*. Published by Statistics Singapore, Government of Singapore (http://www.singstat.gov.sg/).
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11. 'We welcome the presence of Indian banks in Singapore'. (2008, April 17). *HT Mint*
12. Aggarwal, Y. *CECA a winning deal for both S'pore, India.* Retrieved August 11, 2009, from BridgeSingapore website: http://www.bridgesingapore.com/externalreports/CECA%20article%20by%20Yogi%20Aggarwal.pdf
13. AMRL International Tech City Limited. SEZ Connectivity. Retrieved 10 August 2009 from *AMRL International Tech City Limited* Website: http://www.amrlitc.com/sez_connectivity.htm
14. Anuradha, R. V. (2008, October 3). What ASEAN pact holds for India. *Economic TImes* .

15. Ascendas scouts for more investment opportunities. (2008, July 2). *Hindu Business Line* .

16. Baijal, M., and Jain, R. (May 2006). India–Singapore Comprehensive Economic Cooperation Agreement — Implications for Accountancy Sector. *The Chartered Accountant* pp1593-1596.

17. Banerji, S. (2007, December 3). Singapore emerging as India Inc's gateway to the world. *Indian Express* .

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Annexure

Almost all data has been taken from 3-10 in reference list. For trade of goods, most analysis is from Export Import Data Bank provided by Ministry of Commerce, Gov. of India online.

Annex 1

(Chapter 2- Trade Data)

Year (Values in Rs. Lakhs)	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
EXPORT	687978	976393	1797535	2401965	2746161	2966223
%Growth	48.36	41.92	84.1	33.63	14.33	8.01
India's Total Export	25513728	29336674	37533954	45641787	57177927	65586352
%Growth		14.98387766	27.94	21.6	25.28	14.71
%Share	2.70	3.33	4.79	5.26	4.8	4.52
IMPORT	694381	958260	1191312	1484833	2483997	3268218
%Growth		38	24.32	24.64	67.29	31.57
India's Total Import	29720140	35910766	50106456	66040889	84050633	101231170
%Growth		20.82973129	39.53	31.8	27.27	20.44
%Share	2.34	2.67	2.38	2.25	2.96	3.23
TOTAL TRADE	1382359	1934653	2988847	3886799	5230158	6234441
%Growth			54.49	30.04	34.56	19.2
India's Total Trade	55233869	65247440	87640409	111682676	141228560	166817522
%Growth			34.32	27.43	26.46	18.12
%Share	2.50	2.97	3.41	3.48	3.7	3.74
TRADE BALANCE	-6404	18133	606223	917132	262164	-301995
India's Trade Balance	-4206412	-6574092	-12572502	-20399102	-26872707	-35644818

Annex 2

(Chapter 3- Trade in Goods: Rules of Origin)

Commodity: 8471 AUTOMTC DATA PRCSNG MCHNS & UNITS;MGNTC/ OPTCL READRS,MCHNS FR TRNSCRBNG DATA ONTO DATA MEDIA IN CODED FORM N.E.S.

Country: SINGAPORE

S.No.	Year	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
1	Values in Rs. Lacs	131,544	174,164	196,926	244,387	249,101
2	%Growth		32	13	24	2

3	Total Import of commodity	507,881	683,324	924,825	1,205,852	1,225,523
4	%Growth		35	35	30	2
5	%Share of country (1 of 3)	26	25	21	20	20
6	Total Import to country	958,260	1,191,312	1,484,833	2,483,997	3,268,218
7	%Growth		24	25	67	32
8	%Share of commodity (1 of 6)	14	15	13	10	8

Annex 3

(Chapter 4- Investment)

FDI inflows into India(Rs. Crore)								
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2000 April - 2009 May
Mauritius	3766	2609	5141	11441	28759	44483	50794	173700
growth rate		-31%	97%	123%	151%	55%	14%	
share	25%	22%	30%	46%	41%	45%	41%	44%
Singapore	**180**	**172**	**822**	**1218**	**2622**	**12319**	**15727**	**35132**
growth rate		**-4%**	**378%**	**48%**	**115%**	**370%**	**28%**	
share	**1%**	**1%**	**5%**	**5%**	**4%**	**12%**	**13%**	**9%**
USA	1504	1658	3055	2210	3861	4377	8002	28811
growth rate		10%	84%	-28%	75%	13%	83%	
share	10%	14%	18%	9%	5%	4%	7%	7%
Total	14932	12117	17138	24613	70630	98664	122919	415002
growth		-19%	41%	44%	187%	40%	25%	100%

Annex 4

(Chapter 4- Investment)

	Cumulative 2000 April - 2009 May	Share
Mauritius	173700	42%
Singapore	35132	8%
USA	28811	7%
UK	23210	6%
Netherlands	16392	4%
Japan	12722	3%
Cyprus	11571	3%
Germany	10488	3%

Others	102976	25%
TOTAL	415002	100%

Annex 5

(Chapter 4- Investment)

For Singapore

S$ million	2002	2003	2004	2005	2006	2007
FDI from India	404.4	353.5	481	1303	2577.6	12803.6

Annex 6

(Chapter 5- Services)

Singapore's export of services from India = India's import of services from Singapore								
S$million	2000	2001	2002	2003	2004	2005	2006	2007
India	857.8	833.8	1053.4	1596.4	2110.3	2448.5	2874.9	3704.2
growth		-3%	26%	52%	32%	16%	17%	29%
share in Asia	4%	4%	5%	5.54%	5.86%	6.16%	6.62%	7.20%
Asia Total	19243.6	20144	22547.6	28797.9	36011.7	39755.5	43429	51455.6
Asia's growth		4.68%	11.93%	27.72%	25.05%	10.40%	9.24%	18.48%

Annex 7

(Chapter 5- Services)

Singapore's import of services from India = India's export of services to Singapore								
S$million	2000	2001	2002	2003	2004	2005	2006	2007
India	397.5	595.8	652.7	799	1046.7	1270.4	1555.8	1880.6
growth		50%	10%	22%	31%	21%	22%	21%
share in Asia	5%	6.08%	5.97%	6.37%	5.95%	6.89%	7.24%	8.04%
Asia Total	8499.5	9793.3	10931.2	12545	17582.3	18440.8	21484.2	23378.3
Asia growth		15%	12%	15%	40%	5%	17%	9%

Annex 8

(Chapter 5- Services)

Services Surplus for Singapore= Services deficit for India								
	2000	2001	2002	2003	2004	2005	2006	2007
	460.3	238	400.7	797.4	1063.6	1178.1	1319.1	1823.6
growth rate		-48%	68%	99%	33%	11%	12%	38%

Annex 9

(Chapter 5- Services)

SERVICES TRADE	2000	2001	2002	2003	2004	2005	2006	2007
Total trade	1255.3	1429.6	1706.1	2395.4	3157	3718.9	4430.7	5584.8
growth rate		14%	19%	40%	32%	18%	19%	26%

Annex 10

(Chapter 5: Singapore's service exports to India= India's service imports from Singapore)

S$ millions	Transport	Insurance	Construction	Financial	Computer & Information
India (2007)	1865.3	135.7	33.6	209.4	102
India (2006)	1482	112.4	14.9	151.1	85.6
growth	26%	21%	126%	39%	19%
share in Asia (2007)	9%	7%	4%	6%	9%
Asia (2007)	20107.6	1830.9	801.7	3308.7	1196.9
Asia (2006)	16828.7	1683.5	711.1	2012.6	1074.6
Asian growth	19%	9%	13%	64%	11%
	Royalties	Social	Trade related services	Business Management	Communication & other services
India (2007)	20.2	22.5	629.7	134.6	551.1
India (2006)	19.7	5.6	465.1	101.2	437.4
growth	3%	302%	35%	33%	26%
share in Asia (2007)	3%	9%	4%	4%	15%
Asia (2007)	754.8	259.2	16335.4	3263.3	3597.1

Asia (2006)	639.5	222.6	14110.9	2531	3614.6
Asian growth	18%	16%	16%	29%	0%

Annex 11

(Chapter 5: Singapore's service imports from India= India's service exports to Singapore)

S$ million	**Transport**	**Insurance**	**Construction**	**Financial**	**Computer & Information**
India (2007)	666.7	48.6	14.5	77	101
India (2006)	609.9	51.5	3.6	58.7	75.3
growth	9%	-6%	303%	31%	34%
share in Asia (2007)	7%	6%	6%	6%	26%
Asia (2007)	9787.7	764	250.9	1395.2	387.8
Asia (2006)	8459.2	712.7	186.4	1008.9	465.4
Asian growth	16%	7%	35%	38%	-17%
	Royalties	**Social**	**Trade related services**	**Business Management**	**Communication & other services**
India (2007)	10.3	54.3	538.1	179.9	190.3
India (2006)	1.2	53.5	409	117.4	175.7
growth	758%	1%	32%	53%	8%
share in Asia (2007)	2%	44%	11%	8%	7%
Asia (2007)	581.8	122.7	5112.2	2364.9	2611.2
Asia (2006)	754.8	125.5	5023.1	2019	2729.2
Asian growth	-23%	-2%	2%	17%	-4%

Annex 12

(Chapter 7- Others: Tourism)

Visitors to Singapore	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
India	375,697	309,487	471,244	583,590	658,902	748,728	778,303
growth	10.60%	-17.62%	52.27%	23.84%	12.90%	13.63%	3.95%
share	4.96%	5.05%	5.66%	6.53%	6.76%	7.28%	7.69%
World	7,567,112	6,127,291	8,328,720	8,943,029	9,751,141	10,284,545	10,116,050
growth	0.60%	-19.03%	35.93%	7.38%	9.04%	5.47%	-1.64%