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Institute of South Asian Studies
National University of Singapore
29 Heng Mui Keng Terrace
#08-06 (Block B)
Singapore 119620
Tel: (65) 6516 4239 Fax: (65) 6776 7505
www.isas.nus.edu.sg
<http://southasiandiaspora.org>



Prime Minister Lee's Visit to India: Bilateral Cooperation and State-Level Engagement

Singapore's Prime Minister Lee Hsien Loong's visit to India demonstrates the importance of bilateral cooperation. India-Singapore relations are enhanced by the city-state's engagement with India's sub-national States, but the overarching macroeconomic issues need to be addressed for enhanced cooperation.

Rajeev Arumugam¹

At a time when the landscape of global politics is changing, maintaining the ties with long-time friends and partners is exceptionally important for Singapore. Regional cooperation has become increasingly important in the global context, and the role of India in this milieu could be pivotal, not just in terms of strategic relations but economic partnership as well.

At the invitation of India's Prime Minister Narendra Modi, Singapore's Prime Minister Lee Hsien Loong and his official delegation made a five-day working visit to India from 3 to 7 October 2016. Along with Mrs Lee, the delegation included Minister for Trade and Industry (Industry), S Iswaran; Acting Minister for Education (Higher Education and Skills) and Senior Minister of State for Defence, Ong Ye Kung; and Senior Minister of State for Defence and

¹ Mr Rajeev Arumugam is Research Assistant at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore. He can be contacted at isasraa@nus.edu.sg. The author, not ISAS, is liable for the facts cited and opinions expressed in this paper.

Foreign Affairs, Mohamad Maliki Bin Osman. Two Members of Parliament, Denise Phua and Vikram Nair, and officials from the Prime Minister's Office, the Ministry of Foreign Affairs, the Ministry of Trade and Industry, and the Ministry of Education were also in the delegation.

The initial leg of Mr Lee's trip was a three-day visit to New Delhi, which involved the signing of three Memorandums of Understanding (MoUs) and a lunch hosted by Mr Modi at Hyderabad House.² One MoU covers cooperation in the area of industrial property – which includes inventions, designs, and trademarks – between the Intellectual Property Office of Singapore and the Indian Department of Industrial Policy and Promotion. Another MoU is focused on the development of the North East Skills Centre in Guwahati, Assam,³ involving the Institute of Technical Education (ITE) Education Services and the Assam State Government. The third MoU relates to skills development between ITE Education Services and the Indian National Skills Development Corporation.

The following two days were spent in Udaipur, Rajasthan, where two additional MOUs were signed. The first pertains to cooperation on tourism and urban solutions between International Enterprise (IE) Singapore and the Government of Rajasthan. The second covers a capacity-building programme in tourism and hospitality between Singapore Cooperation Enterprise and the Rajasthan Government. Mr Lee also launched the Centre of Excellence for Tourism Training that Singapore is helping to establish.⁴

Trends in Economic Relations

The visit took place at a time when India and Singapore are enhancing their bilateral cooperation. In the past year, the relationship between the two countries was declared and upgraded to a strategic partnership during Mr Modi's visit to Singapore in November 2015. In the backdrop as well is the review of the Comprehensive Economic Cooperation Agreement

² Charissa Yong (October 3, 2016), "PM Lee to meet Modi on five-day work visit to India", *The Straits Times*, accessed October 6, 2016, <http://www.straitstimes.com/singapore/pm-lee-to-meet-modi-on-five-day-work-visit-to-india>.

³ Kenneth Lim (October 4, 2016), "Singapore a 'firm believer' in India: PM Lee", *Channel News Asia*, accessed October 6, 2016, <http://www.channelnewsasia.com/news/singapore/singapore-a-firm-believer-in-india-pm-lee/3178658.html>

⁴ Kenneth Lim (October 5, 2016), "Second leg of PM Lee's India visit to focus on tourism, skills development", *Channel News Asia*, accessed October 6, 2016, <http://www.channelnewsasia.com/news/singapore/second-leg-of-pm-lee-s-india-visit-to-focus-on-tourism-skills/3181198.html>.

(CECA),⁵ as well as ongoing projects such as the development of the capital city of Andhra Pradesh, Amaravati.⁶

While there seems to be an interest in Singapore in cooperating with India in skills development, the macroeconomic trends in trade and investment reflect a less optimistic picture. Bilateral trade has declined by 11.2%, and exports from India fell by 21.2% in the last two years, following a rise of about 60% in trade in the decade after CECA was signed in 2005.

With respect to investment, Singapore overtook Mauritius as the largest source of Foreign Direct Investment (FDI) into India, accounting for more than one-third of India's inward FDI. However, India renegotiated its Double Taxation Avoidance Agreement (DTAA) with Mauritius, which has created a sense of uncertainty among Singaporean investors, who are concerned that they will no longer be able to enjoy capital gains tax relief in the future.

These trends do not necessarily suggest that economic relations are worsening, but that there are challenges to cooperation that need to be negotiated. Some of these problems were highlighted by Prime Minister Lee in an interview;⁷ he argued that India's openness has been one-way, and there are impediments for foreign businesses who wish to operate in the country.

Challenges of State-Level Engagement

However, these broader areas of flagging cooperation have not necessarily hindered Singapore's pursuit of state-level partnership with India. The signing of MOUs with State Governments like Rajasthan and Assam highlights that the relevant projects and sectoral partnerships can continue despite constraints in big-picture bilateral economic cooperation. However, State-level engagement is not without its problems, too. In the case of the development of Amaravati, for instance, a local builder is challenging the appointment of

⁵ Charissa Yong (October 5, 2016), "Singapore, India to step up cooperation in key areas", *The Straits Times*, accessed October 6, 2016, <http://www.straitstimes.com/singapore/spore-india-to-step-up-cooperation-in-key-areas>.

⁶ Suhasini Haidar (October 6, 2016), "India needs to remove bottlenecks: Singapore PM", *The Hindu*, accessed October 6, 2016, <http://www.thehindu.com/news/national/india-needs-to-remove-bottlenecks-singapore-pm/article9189369.ece>.

⁷ Haidar, "India needs to remove bottlenecks: PM Lee".

Singapore companies as the master developer under the Swiss Challenge process. The legal proceedings that followed have been stayed till the end of October 2016.⁸

These challenges at the State level could have an impact on the broader climate for investments by Singaporean companies. The legal setback might discourage further infrastructure investment from Singapore. Indeed, the macro-challenges still need to be addressed for these new State-level MoUs to move forward. To this end, it was announced during Prime Minister Lee's visit that a special team under the leadership of India's Finance Minister Arun Jaitley and Singapore's Deputy Prime Minister Tharman Shanmugaratnam would be established to discuss ways to improve investment flows and enhance financial cooperation.

Moving Forward: Enhancing Cooperation

Strong sentiments about the importance of this bilateral partnership have been expressed. However, these must be considered in the context of regional cooperation in the current global context as well as Singapore-India macro-level engagement. Initiatives such as the Regional Comprehensive Economic Partnership (RCEP), the challenges associated with CECA and the DTAA would require Singapore to engage with India more intensively. This appears to be the strategy employed by Singapore, but the endemic challenges of doing business in India will still need to be addressed for this bilateral cooperation to be sustained.

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⁸ S Narayan (2016), "The Andhra Pradesh High Court Judgement on Amaravati Development – Implications", Institute of South Asian Studies (ISAS) Brief No.447, available at www.isas.nus.edu.sg, accessed October 6, 2016.