INDIAN PM IN SINGAPORE

Price of prospects of India's food inflation hovers at around 10 per cent, making essential food items more expensive for the common man.
PHOTO: IANS

Rising prices are a concern

If India can control its domestic economy, it can play a big role in the buoyant Asia-Pacific region

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Prime Minister Manmohan Singh will be in Singapore four years after his last visit to the country in November 2007. He will be visiting Singapore en route to Indonesia to attend the forthcoming East Asian Summit (EAS).

India's economic engagement with Singapore has become stronger in the period between Dr Singh's two visits. According to statistics provided by India's Ministry of Commerce, bilateral trade has increased from US$15.5 billion in 2007-08 to US$17.5 billion in 2010-11. The volume of trade would be much more if re-exports from Singapore are added.

On the basis of current volume of bilateral trade (excluding re-exports) Singapore is now India's eighth largest trade partner. It is also the second largest source country for incoming foreign direct investment (FDI) into India.

Singapore has emerged as the top destination for India's overseas investments. There are more than 4,000 Indian companies in Singapore now engaged in diverse businesses with particularly strong representation in IT and software.

The outlook for the Indian economy too has changed since Dr Singh last visited Singapore.

The Indian economy was riding a high in November 2007 and was in the country's most robust growth phase after the introduction of economic reforms. Soon after, however, it suffered a contraction in growth due to the onset of the global economic recession. Though it recovered well subsequently to post 8.5 per cent growth in GDP (Gross Domestic Product) in 2010-11, the current year is unlikely to produce a repeat. Most projections now forecast the growth at 7.5 per cent or less for the year.

There are several concerns facing India's economy and the government. Some of these are alluded to by India's Department of Economic Affairs, Ministry of Finance secretary R. Gopalan during his visit to Singapore a few weeks ago.

Speaking at a seminar organised by the High Commission of India and the Institute of South Asian Studies and National University of Singapore on the topic India's Economy: Between Two Budgets, Mr Gopalan highlighted price stability and the slowdown in investment as two of India's pressing economic concerns. India has been struggling to cope with rising prices, particularly food prices, for some time now, with hardly any success. With food inflation at around 10 per cent, the common man in India is continuing to suffer from the unabated rise in prices of his essential consumption.

Surveys carried out by the Reserve Bank of India on household expectations on inflation show that consumers are not expecting any relief from price rises in the next few months. India's efforts to reduce prices by raising interest rates have not been successful. On the other hand, high interest rates have begun acting on investments with a lag. High cost of funds are discouraging new corporate investments.

Apart from the difficulties facing the domestic economy, Dr Singh's visit to Asia comes at a time when the world economy is passing through a sluggish phase. The international financial community's attention is focused on the debt crisis in Europe. It will be a while before the success of the proposed recovery plan can be ascertained.

The US economy is also not showing signs of a turnaround, making economic prospects for North America and Europe fairly gloomy. World economic prospects now depend critically on how the Asia-Pacific will perform.

The East Asia Summit will be an eagerly watched occasion in this respect. For India and Dr Singh, the summit provides an excellent opportunity for embedding the country firmly in the region's strategic economic architecture by clearly articulating India's vision of its future role in a buoyant Asia-Pacific.

Said By Singh

"From being a relatively closed economy at one time, we have become much more open both for trade and technology flows. We are today viewed as one of the most attractive destinations for FDI."