

Singapore Overtakes UAE in India's Export Trade Amid Gulf Crisis

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As per data shared by the Ministry of Commerce and Industry, Singapore replaced UAE as India's second largest export destination in April 2026. The US continues to be India's largest export destination.

Background: The Gulf Crisis and Strait of Hormuz Closure

The **Strait of Hormuz**, a narrow waterway between Iran and Oman, is one of the world's most critical maritime choke points, **accounting for about a fifth of global oil flows** before the **West Asia war** began on February 28, 2026.

- The Strait of Hormuz was formally closed on March 2, 2026, severely disrupting vessel movements and triggering a major global energy supply disruption.
- **West Asian oil producers** — Iraq, Saudi Arabia, Kuwait, UAE, Qatar, and Bahrain — collectively shut in 10.5 million bpd of crude oil production in April, up from 8.9 million bpd in March. The April shut-in alone represents a little over 10% of global liquid fuels consumption.

- The US Energy Information Administration (EIA) also revised upwards by 19% its estimated West Asia oil production shut-in for March, from an earlier estimate of 7.5 million bpd to 8.9 million bpd.

Singapore Overtakes UAE: Key Reasons

India has **Free Trade Agreements (FTAs)** with both UAE (CEPA, 2022) and Singapore (CECA, 2005) — the two key transshipment hubs through which Indian goods are rerouted to global markets. The Gulf crisis has sharply altered the balance between them.

Singapore's Surge:

- Singapore became India's second largest export market in April 2026, behind only the United States.
- Exports to Singapore registered a massive five-fold jump in April compared to February, reflecting an explosive rerouting of trade flows away from West Asia triggered directly by the March 2 blockade.
- On a year-on-year basis, exports to Singapore surged 180% in April to \$3.20 billion, compared to \$1.14 billion in April 2024.

UAE's Decline:

- Exports to the UAE slipped 36% year-on-year in April to \$2.18 billion, compared to \$3.43 billion in April 2024.
- The sharp fall reflects the direct impact of Strait of Hormuz closure on connectivity with West Asian markets, disrupting UAE's traditional role as India's primary transshipment and re-export hub.

Why Singapore and Not Other Hubs?

- **FTA Advantage:** India's CECA with Singapore provides preferential tariff treatment, making Singapore a cost-effective transshipment point for Indian exporters seeking alternative routes to reach European, American, and East Asian markets.
- **Port Infrastructure:** Singapore is one of the world's busiest container ports, with deep connectivity to major global shipping lanes, making it a natural fallback hub when West Asian routes are disrupted.
- **Geographic Position:** Singapore's location at the **Strait of Malacca** makes it an ideal pivot for redirecting cargo originally destined through the Gulf route toward East Asia, Europe via the **Cape of Good Hope**, and North America.

India-Singapore Trade and Economic Cooperation

The sharp rise in exports to Singapore is supported by a strong and steadily expanding India-Singapore economic partnership built over the last two decades through trade agreements, investment flows, and digital connectivity initiatives.

- **Growing trade partnership:** India-Singapore economic ties have strengthened significantly after the CECA signed in 2005, with bilateral trade increasing from around USD 6.7 billion in FY2004-05 to nearly USD 34.3 billion in FY2024-25, making Singapore India's 6th largest trading partner.

- **Major source of foreign investment:** *Singapore has emerged as India's largest source of Foreign Direct Investment (FDI), contributing nearly USD 14.94 billion in FY2024-25, reflecting strong investor confidence in India's economic growth and business environment.*
- **Strengthening institutional cooperation:** India and Singapore have expanded institutional linkages through initiatives such as *Invest India opening its Singapore office in 2024* and the *Singapore Business Federation establishing its first Indian office in Bengaluru in 2025* to facilitate trade and investment flows.
- **Fintech and digital payment integration:** India-Singapore financial cooperation has deepened through the *UPI-PayNow linkage*, which created India's first operational cross-border real-time payment system for Person-to-Person (P2P) transactions.
- **Digital trade and financial connectivity:** Both countries are enhancing digital commerce and trade finance through collaborations such as *ONDC-Proxtera connectivity*, *GIFT Connect between NSE and SGX*, and the *TradeTrust framework for interoperable electronic Bills of Lading (eBLs)*, improving efficiency in cross-border trade and logistics.

Broader Implications for India

- **Import Diversification:** As traditional West Asian energy supplies faced restrictions, ***alternative suppliers such as Oman, Nigeria, and Peru broke into India's top 20 import sources***. Shipments from Oman alone more than tripled to \$1.48 billion in April from \$429.58 million previously, while imports from Qatar fell 47% in March and Saudi Arabia recovered sharply to \$3.85 billion in April.
- **Macroeconomic Strain:** The supply shock has ***widened India's import bill*** due to elevated global energy prices, caused the rupee to depreciate 5.2% against the US dollar since the end of February touching multiple record lows, and clouded the outlook for the current account deficit.
- **Government Response:** To manage foreign exchange pressure, ***import duty on precious metals*** was hiked to curb non-essential outflows, and ***oil marketing companies raised petrol and diesel prices for the first time in four years***.
- **Remittance Risk:** A large Indian diaspora in Gulf countries means prolonged ***conflict threatens remittance inflows*** — a key component of India's balance of payments — adding another layer of external vulnerability.
- **Trade Route Vulnerability:** Over-dependence on Gulf transshipment corridors ***exposes India's export competitiveness to West Asian geopolitical shocks***, reinforcing the need for a multi-hub, multi-route trade architecture.

Way Forward

- **Diversify Transshipment Hubs:** India must strengthen its FTA network with hubs across Southeast Asia, East Africa, and Europe to eliminate single-corridor dependency.
- **Accelerate Energy Diversification:** Faster scaling of domestic renewable energy and broadening of oil import sources beyond the Gulf will structurally reduce India's West Asian vulnerability.
- **Leverage FTA Network Strategically:** India's expanding FTA negotiations — with the EU, UK, and GCC — must be treated not merely as market access tools but as instruments of trade resilience and supply chain security.

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