

# CHAPTER 7

## RECOMMENDATIONS AND FUTURE RESEARCH WORK

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### 7. Recommendations and Future Research Work

The research work recommends some points for policy makers, exporter, importers and international institutions after this study.

#### 7.1. Recommendations

- The present study supports the regional trading arrangements due to its growth and number of signed arrangements between parties; it recommends international institutions such as ASEAN to look at these arrangements closely and try to provide maximum advantage from these arrangements to the member countries especially in IIT. So that most benefit will be reaped from these arrangements. The two-way trade is a win-win situation for trading partners in which economies of scale and specialization can be done at the same level where adjustments and information costs is lower.
- The impact of IIT would have been more if all the member countries of ASEAN are at the same development stage for example Singapore and Brunei Darussalam is developed but Cambodia and Vietnam is least developed nations, therefore it is recommended for all the respective nations to start the process of development and liberalize their respective policies in favour of these regional trading arrangements.
- The present study reflect that intra-industry trade has become an essential part of ASEAN and India's international trade but still it needs more deepness in terms of two-way trade volume and its share between trading partners. The contribution of IIT and intensity of IIT have increased significantly over time. Therefore it is important for policy makers to reduce and remove the tariff and non-tariff barriers between ASEAN and India to promote IIT.
- After understanding commodities at 4 digit IIT index, the policies on trade facilitation and improving international standards products are must. This is based on an observation about subsequent tariff liberalization and rising scope of other non-tariff measures.
- The chapter 84, 85 and 87 has huge scope of IIT index. Therefore, it is important to increase the share of these commodities in the share of chapters at 2digit. The mentioned chapter will also provide huge scope of jobs and businesses for small and medium scale industries. These chapters characteristic does not require huge investment to be a part of international supply chain.

- The direction of trade which has changed drastically towards Malaysia, Thailand, Vietnam and Philippines in post agreement period. The policy makers should make useful arrangements for two-way trade whose share is declining like Singapore and Indonesia. The policy makers should sustain volume and pattern of trade intact with developed economies because of its demand structure and product differentiation requirement.
- Before announcing tariff liberalization under these arrangements, the policy makers should look at the commodities at deepest level with the understanding of IIT or inter-industry. And then announce the tariff liberalization at disaggregated level.
- The policy makers should ease down the non-tariff barriers between nations under these arrangements because if these barriers are not been taken care then it would be difficult for nations to trade with each other such as Rules of Origin and trade facilitation.
- As government of India has taken lots of initiative for promoting trade such as policies aligned towards those sectors, special exporters, and special destinations especially 2015-20 FTP. For the promotion of IIT, Governments should align their FTP according to these regional arrangements and provide utmost gain from these arrangements.
- Policy makers should support potential identified sectors by identifying the commodities at disaggregated level for improved market access from these arrangements. The policymakers can also invest in ASEAN or vice-versa in FDI to make goods more export oriented. There are many commodities at disaggregated level that India and ASEAN has a huge scope and competitiveness which will further make these arrangements strong.
- During this study, few exporters and importers interviewed and it has been realized that many exporters and importers are not at all aware about these arrangements. And those who were aware, they don't use it due to its tedious process. Therefore it is important for policy makers and international institution to ease down the process and make them aware through seminars and conferences.
- The study also provides a basis for framing a suitable trade policy. The study helps in finding the sector which has a potential for IIT but the overall trade policy is not supportive. Therefore by doing a detailed study of the particular sector, it can find out that which product of the sector needs attention for reframing the trade policy.
- Now ASEAN and India should focus on IIT rather than inter-industry trade. As IIT incur lower adjustment costs and does not require major industrial restructuring.

- Lastly the changing pattern of trade should be accompanied by higher growth of IIT and its volume. Therefore it is important for policymakers to gauge this change and make useful and aligned trade policy for exporters and importers.
- The study also recommends the commodities in which foreign direct investment can be called from ASEAN to India or vice-versa. This will open many other avenues and increase IIT between ASEAN and India.
- The FTAs for trade in services and investment have been negotiated and signed in 2013. India had huge potential of being a profitable production base for the global market and incurs much lower transportation costs because of its favorable location in the heart of Asia. Therefore many such arrangements will benefit in future.

## **7.2. Future research area**

Although the preset study has some limitations, but it may prove to be a base for understanding the importance of Regional Trading Arrangements between ASEAN and India; impact assessment of IIT at 2 and 4digit HS classification level. The pattern of trade is in terms of its volume and direction in post AIFTA agreement. The present study is a contribution to the literature to RTAs and its impact on IIT at highly disaggregated level. But still the study ignites some more minds to go further in the below areas:

- Future studies can focus on further disaggregation at 6 digit HS code to find out the impact of AIFTA in promoting IIT. It will give deeper understanding about the product and it can also see the impact of AIFTA on HIIT and VIIT.
- Future studies can also use other models to measure IIT index like Aquino index, which will make another contribution to the study.
- The future studies should look at the other aspects of agreement like non-tariff measures in the form of Sanitary and Phytosanitary measures or Technical Barriers to Trade. This is important due to the process of FTAs which are liberalizing tariff barriers but on the other hand Non-Tariff Measures (NTMs) are becoming important due to countries restrictions on the basis of NTMs on trade in goods.
- The future studies also look at FTAs agreements in its wholeness as Trade in services agreement, investment and economic cooperation.