Chapter-VI

FINDINGS AND CONCLUSION

In this Chapter, the Findings and Conclusions are presented in a detailed manner. Comprehensive Economic Cooperation Agreement between India and Singapore and India and Malaysia is summarized here under.

6.1 India and Singapore

India and Singapore trade has been analyzed using the gravity analysis. In the Pooled analysis whenever India`s GDP increases, trade with Singapore also increases. On the other hand when Singapore`s GDP increases there is no corresponding increase in trade between Singapore and India.

The role of the distance variable in the Indo-Singapore trade has a positive factor. From this, it can be concluded the distance factor play a positive role in Indo-Singapore trade.

The result of fixed analysis is very similar to Pooled analysis and very similar conclusions can be drawn from the analysis except for distance factor.

From the analysis, it can be concluded that whenever India`s GDP increases the trade relationship between India and Singapore increases. On the other hand when Singapore`s GDP increases Singapore`s trade with India is not increasing,
this is because, the productive capacity of Merchandise goods in Singapore is comparatively less.

6.2 India and Malaysia

In Indo-Malaysia Pooled model analysis, the results shows that if India`s GDP increases over time, it is surprising to see that its trade relation with Malaysia tend to decline. On the other hand, if Malaysia`s GDP increases the trade relation between Malaysia and India tend to increase.

With regard to Population an increase in the Population of both the countries increases the trade between India and Malaysia.

In case of Malaysia the distance variable shows a negative sign. From this it can be concluded that the distance factor play a negative role in Indo-Malaysia trade relation.

The result of fixed analysis is very similar to Pooled analysis and very similar conclusions can be drawn from the analysis except for distance factor.

To conclude Indo-Malaysia trade, it was found that in case of population both India and Malaysia trade has a positive influence and in case of GDP Malaysia trade with India is having a positive influence. In Indo-Malaysia trade a significant point is that when Malaysia`s GDP increases the trade relation between Malaysia and India increases. On the other hand if India`s GDP increases there is no significant increase in the Indo-Malaysia trade.
In accordance with the theoretical aspects of Gravity Model, the findings of this analysis go in concurrence with the theory. According to the theory the potential Supply of country ‘i’ and the potential Demand of country ‘j’ to be equal, with the resistant factor.

Here too with the resistant factor ‘Distance’, India’s trade with the CECA countries has increased.

**Hypothesis Testing**

From the above summery, it can be concluded that India’s trade with Singapore and Malaysia shows a positive trend in terms of GDP and Population. Regarding the distance variable it can be concluded from the analysis that the distance variable is not influencing in a highly negative manner hence the study accept the original hypothesis that “India’s Comprehensive Economic Cooperation Agreement has increased the trade relationship with in the contracting parties”.

**6.3 Direction of India’s Trade**

In the analysis of India’s direction of trade, India’s exports to EU, North America and Asia Oceania has been show in a secular decline in terms of percentage. However, in terms of monetary value it is increasing consistently over the study period. Contrary to this, for OPEC, SAARC and CECA countries like Singapore and Malaysia, India’s exports has been consistently increasing in terms of percentage as well as in monetary terms too.
In case of India`s imports, there is a secular decline in terms of percentage with the Economic groups like EU, North America, SAARC, Singapore and Malaysia. Surprisingly India`s imports from the OPEC countries shows significant increase both in terms of percentage as well as in monetary value.

**Hypothesis Testing**

From the above summery, it can be concluded that India`s trade depicts a significant change. Earlier India`s exports trade was oriented towards EU and North American countries. Now this has change towards CECA countries. Hence, the hypothesis “**There is significant change in the direction of trade between India and CECA countries**” is accepted.

**6.4 Trade Intensity between India and CECA**

According to the hypothesis CECA has strengthened the trade relationship between the member countries. To prove this, the trade Intensity Index was used to test how much the contracting parties have benefited because of CECA.

The Intensity Index analysis of India`s exports to Singapore remains at a comfortably high level during the entire study period. However, the Index has marginal fluctuations.

In terms of Singapore`s imports Intensity Index, this is very similar to India`s exports Intensity Index with Singapore. Since India`s exports is Singapore`s imports, it could be understood why these two Index are behaving similarity.
On the other hand, India’s imports Intensity Index from Singapore and Singapore’s exports Intensity Index to India behaves in a very similar fashion. In simple terms both these Index are declining over time.

From the above summary, it can be concluded that India exports more to Singapore in terms of Merchandise, it can be conclusively stated that because of CECA India could exports this much to Singapore.

The Intensity Index analysis of India`s exports to Malaysia remains at a comfortably high level during the entire study period. However, there is a overall decline in the exports Intensity Index with fluctuations.

In terms of Malaysia`s imports Intensity Index this is very similar to India`s exports Intensity Index with Malaysia. Since India`s exports is Malaysia`s imports it could be understood why these two Index are behaving similarly.

On the other hand, India`s imports Intensity Index from Malaysia and Malaysia`s exports Intensity Index to India behave in a very similar fashion. In simple terms both these Index are declining over time.

From the above summery, it can be concluded that India and Malaysia have a high level of trade Intensity Index. It is to be noted that CECA came in to existence in the year 2001 the full effect of CECA on Indo–Malaysia trade is very difficult to identify.
Hypothesis Testing

From the above passage, it can be concluded that India`s trade with Singapore has a high level of Intensity which in turn strengthened relationship between the two countries. This is also true for India`s trade with Malaysia. Hence, it is agreed that “Comprehensive Economic Cooperation Agreement (CECA) has strengthened India`s trade between the member of contracting parties”.

6.5 Trade Reciprocity Indices between India and CECA

The Reciprocity Index which is the measures of Reciprocal trade between any two countries. In case of India and Singapore the Index is less than ‘one’ for most of the study period. From this it can be concluded that India is doing more trade with Singapore. And Singapore is doing less trade with India.

In case of Malaysia the Reciprocity Index is more than ‘one’ for most of the study period. From this it can be concluded that India is doing more trade with Singapore. And Singapore is doing less trade with India.

Hypothesis Testing

From the above discussion, it can be clearly understood that India`s trade with CECA member countries has a high level of Reciprocal trade.

Based on the above statement, the hypothesis which says “There exists a strong reciprocal demand between India and CECA member countries” is accepted.
6.6 Conclusion

In this study an analysis has been made between India and CECA countries. Tools like Gravity Model, Trade Intensity Index and Trade Reciprocity Index has been used to test the trade flows between India and CECA countries. It was found that India is having a strong Economic trade relationship with Singapore and Malaysia after the implementation of CECA. To test the efficacy of trade flow additional tools has been used. Again it was found out that and India is having a high level of Intensity Index with the CECA member countries and India is also having a strong Reciprocal trade between CECA countries. From this it is concluded that Comprehensive Economic Cooperation Agreement is more beneficial for India and it has to pursue further in this direction.

6.7 Policy Implications

1. CECA is the First stage for Economic Union of Asian Countries. Hence the policy has to be pursued for a period of time. May be, it is hoped that in future these small countries may get united and became Economic Union.

2. Taking a cue from European Countries, the conflicts in Asia in general and South and East Asia in particular, the imbroglio between these countries can be solved through the use of trade, hence CECA may prevent the Asian Countries from rival conflicts. This process can enhance economic activity leading to Economic Development.
3. A successful CECA can lead to expansion of Market among the member countries and leads to faster Economic Development.

6.8 Scope for Further Study

1. As a precursor to CEPA, the role of CECA has to be studied in detail, to predict the future prospects of Asian trade.

2. To study the influence of CECA, research can be made on select Merchandize and Service goods between the member countries.

3. The study on CECA can be extended to Service Sector, and the full impact can be understood.

4. As many Asian Countries pursue CEPA in recent times, research can be expanded from CECA to CEPA.