

ABSTRACT

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On 13 August 2009, a free trade agreement was signed between India and ASEAN popularly known as ASEAN-India Free Trade Agreement (AIFTA). The major objective of AIFTA is to reduce the tariffs on approx 80% of commodities exported and imported between the India and ASEAN. ASEAN is the fourth largest trading partner of India. The shares of India's export to ASEAN in India's total export are 7.55%, 10.68% and 11.97% in the year 2001, 2008 and 2017 respectively. On the other hand, share of India's import from ASEAN in India's total import are 8.57%, 8.46% and 10.20% in the year 2001, 2008 and 2017 respectively. At 12th ASEAN-India Summit, 'Look East Policy' of India modified to 'Act East Policy' to provide further momentum in the trade relations between both the parties.

Despite all of these, the trade relationship between India and ASEAN are below the potential level. Therefore, various questions are raised such as Is India's trade with ASEAN countries not good? Is AIFTA does not bring any significant improvement in the India-ASEAN trade relationship? Is there no trade complementarity exist between the India and ASEAN? Is tariff reduction providing less benefit to India? Are there any avenues to promote trade between the India and ASEAN countries? Is AIFTA creating trade for India? Etc.

To address all these questions, the present study made an attempt to achieve the objectives which are: (i) To analyze the India's trade relationship with each member country of ASEAN for the period 2001 to 2017 before and after implementation of AIFTA, (ii) To examine the India's trade relationship with ASEAN as a whole for the period 2001 to 2017 before and after implementation of AIFTA, (iii) To measure the India's Trade Intensity, Export Intensity and Import Intensity with each member

country of ASEAN, (iv) To analyze the India's export portfolio with each member country of ASEAN, (v) To estimates the India's Trade Complementarity with each member country of ASEAN, (vi) To suggest the avenues for promotion of trade between the India and ASEAN countries, (vii) To find out the influence of AIFTA on the trade creation, trade diversion and consumer surplus in India and (viii) To find out the determinants of India's trade with ASEAN countries.

The present study is based on the secondary data which has been obtained from Department of Commerce (Ministry of Commerce & Industry, Government of India), World Trade Organization (WTO), World Integrated Trade Solutions (WITS), World Bank Database, UN Comtrade Database, International Trade Centre (ITC), Trade Map, CEPII, etc. Apart from these sources, data has been also collected from the reports published by various international and national organizations, articles, journals, etc. The present study covers only trade in goods. Annual growth rate in India's export, import and total trade with ASEAN, percentage share of India's export to ASEAN country in India's total export and India's import from ASEAN country in India's total import, Revealed Comparative Advantage (RCA) Index, Trade Intensity Index, Export Intensity Index, Import Intensity Index, Trade Complementarity Index, Hirschman-Herfindahl Index, Software for Market Analysis and Restrictions on Trade (SMART) and Gravity Model are used in the present study to analyse the data.

It is found from the study that the volume of merchandise export and import of India with ASEAN member nations has picked up after the signing of the AIFTA but it is not consistent during the period of study. The export and import of India are very low with the less developed countries of ASEAN. On the other hand, developed nations of ASEAN which are Indonesia, Malaysia, Philippines, Singapore and Thailand are India's important trade partner of among ASEAN countries. Vietnam has emerged as a significant trade partner of India in the recent years due to continuous improvement in the economic and trade relationship between the countries during the recent period of time. The trade intensity of India is enormous with Myanmar among the ASEAN countries followed by Indonesia, Vietnam, Singapore, Malaysia and Thailand. The export intensity of India is high with Indonesia, Malaysia, Singapore and Vietnam while India's import intensity is high with Indonesia and Malaysia. Export portfolio of India is diversified very well with Malaysia, Indonesia, Myanmar, Philippines, Singapore, Thailand and Vietnam. India has exported the highest number of products

to Malaysia among the ASEAN countries. India's export profile is less diversified with less developed countries of ASEAN namely Brunei, Cambodia and Lao PDR. There are large numbers of products in which India have comparative advantage. India will get benefitted by exporting these commodities to the ASEAN countries in which they have comparative disadvantage. The tariff reduction schedule in AIFTA has created a significant trade for India in the selected products which are Black Tea and Coffee in ASEAN region while due to tariff reduction the India's trade in these products has also diverted from other countries. GDP of India and ASEAN countries have a significant and positive influence on the India's total trade with ASEAN countries. Distance variable have a negative and significant influence on the India's total trade with ASEAN countries. Common Border, Common Language and FTA variables are not influencing the trade between India and ASEAN countries significantly. Common Colonial relationship variable have a positive and significant influence on the India's total trade with ASEAN countries.