TRADE-GROWTH RELATIONSHIP IN INDIA IN THE PRE AND POST TRADE AGREEMENTS REGIME

Abstract:

The paper tries to delve into the causal relationship between trade and growth in India, with particular emphasis on the effect of introduction of various trade agreements on this relationship. A lot has been discussed about the impact (good or bad) of RTAs, PTAs and FTAs on an economy. The author has tried to check whether there has been any causal relationship between trade and growth in India in general and whether any change (positive or negative) was brought about by the implementation of the agreements. It is found here that, before India became a part of the trade agreements, exports led to growth but growth didn’t lead to export formation. However, with the advent of the trade agreements, the relationship was seen to be swapped, the causation running in the opposite direction and the relation seemed to be strengthened. Also, it is seen that in the pre trade agreements regime, though exports caused growth, the effect on growth was insignificant; whereas in the post agreements regime GDP caused exports and the relationship is statistically significant and negative (rise in GDP led to fall in exports).

Keywords:

Trade-growth, Causality, Regional Trade Agreements

JEL Classification: F10, F14, F13