

India-ASEAN Trade Dynamics: A Comparative Analysis Before and After AIFTA

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Abstract: This study examines India's trade dynamics with ASEAN over a 28-year period (1996–97 to 2023–24), analysing import and export trends before and after the implementation of the ASEAN-India Free Trade Agreement (AIFTA) in 2010. Using official trade data from India's Department of Commerce, the research evaluates changes in trade volume, growth rates, and sectoral patterns to assess AIFTA's impact. The findings reveal that while the agreement contributed to moderate export growth and greater trade stability, it failed to significantly alter structural trade imbalances or boost long-term competitiveness. Key observations include a declining ASEAN import share despite the FTA, slowing export growth rates, and a persistent trade deficit. The study concludes with policy recommendations for enhancing India-ASEAN trade relations through deeper economic integration and competitiveness-building measures.

Keywords: ASEAN-India FTA (AIFTA), Trade Deficit, Export Growth, Import Diversification, Trade Policy.

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I. INTRODUCTION

The ASEAN-India Free Trade Agreement (AIFTA), implemented in January 2010, marked a significant milestone in India's economic engagement with South East Asia. As one of India's earliest comprehensive regional trade agreements, AIFTA was envisioned as a strategic instrument to deepen economic integration with the dynamic ASEAN bloc under India's "Look East Policy" (later rebranded as "Act East Policy"). Over the past fourteen years, the agreement has facilitated tariff liberalisation on over 90% of traded goods, while services and investment provisions were added through subsequent protocols. However, as global trade dynamics evolve with the rise of protectionism, supply chain reconfigurations, and the emergence of mega-regional agreements like RCEP, a critical assessment of AIFTA's performance becomes imperative for shaping India's future trade policy directions. This comprehensive study makes a comparative evaluation of pre-AIFTA (1996-2010) and post-AIFTA (2010-2024) trade trends using CAGR calculations.

II. LITERATURE REVIEW

Several studies employ gravity models to analyse AIFTA's trade effects: Kumari (2025) uses a structural gravity model with intranational trade data, finding AIFTA increased bilateral trade by 23%, with ASEAN benefiting more (25% import growth vs. India's 20% export growth). The study highlights no trade diversion, as India's trade with non-ASEAN partners also rose by 73%. Khurana & Nauriyal (2017) contrastingly report pure trade diversion, with reduced intra-bloc exports post-AIFTA, attributing this to external shocks (e.g., global recession) and partial implementation. Singh (2021) supports trade creation, noting higher import gains than exports, reinforcing India's asymmetric trade dependence.

Some other studies concentrate on the sectoral impacts of AIFTA. Jagdambe & Mouzam (2019) apply the SMART model to plantation crops (coffee, tea, pepper), revealing trade creation (TC) effects dominated by Indonesia and Vietnam. India's consumer surplus grew due to cheaper ASEAN imports, but domestic producers faced competition. Sabu & Anil (2024) focus on black pepper, showing a 19.36 lakh USD

TC effect, with distance and GDP as key trade determinants. Jena & Saini (2023) analyse industrial employment (1996–2017), finding AIFTA reduced jobs in labour-intensive sectors post-2004 due to import penetration. Export growth failed to offset losses, underscoring supply-side bottlenecks.

Some studies evaluate the Export Competitiveness. Dawani & Pareek (2024) evaluate India's export potential using a modified trade creation model, identifying Singapore, Thailand, and Malaysia as high-potential markets for machinery and chemicals. Oberoi (2019) uses the Lafay Index to show India's shift toward specialized exports but notes persistent competitive disadvantages in high-tech sectors compared to ASEAN's "Asian tigers." There are studies on Non-Tariff Barriers (NTBs) and FTA Utilisation. Bajaj & Sharma (2022) survey Indian textile firms, revealing low AIFTA utilisation due to high compliance costs (e.g., rules of origin) and lack of SME awareness. Only 30% of exports leveraged preferential tariffs. Khatri & Kim (2022) highlight rising NTMs as a critical barrier, with GDP growth in ASEAN members (e.g., Vietnam, Cambodia) outpacing India's export adaptability.

Few studies concentrate on Comparative Performance with Other FTAs, and Policy and strategic implications. Vebiyanto & Atmanti (2023) compare ASEAN+5 FTAs, showing ACFTA and AIFTA had trade creation effects, while others (e.g., AKFTA) caused diversion. AIFTA's gains were modest relative to China's dominance. Trung et al. (2018) find AIFTA boosted Vietnam's trade, while ASEAN-China FTA (ACFTA) hurt Vietnamese exports, underscoring divergent outcomes within ASEAN. Dutt et al. (2021) link India's RCEP withdrawal to AIFTA's mixed results, advocating stricter RoO enforcement and sectoral negotiations. Kumari (2025) recommends deeper integration in services/digital trade, noting AIFTA's focus on goods left modern sectors unaddressed.

III. RESEARCH OBJECTIVES

- To analyse the trends and growth patterns in India's imports and exports with ASEAN countries during the pre- and post-AIFTA periods (1996–2009 vs. 2010–2023).
- To examine the impact of AIFTA on India's bilateral trade volume, direction, and trade balance with ASEAN member nations.
- To compare the trade performance by calculating and contrasting key indicators such as Compound Annual Growth Rate (CAGR), trade intensity, and trade balance in the pre- and post-AIFTA periods.
- To identify structural changes in trade composition (e.g., key commodities, sectors, or country partners within ASEAN) that emerged after the implementation of AIFTA.
- To evaluate the effectiveness of AIFTA in strengthening economic integration and facilitating trade between India

and ASEAN, supported by statistical analysis and policy review.

IV. METHODOLOGY

This study examines the trade dynamics between India and ASEAN over a period of 28 years (1996–97 to 2023–24). The data used for this research has been sourced from the official website of the Department of Commerce, Government of India, ensuring accuracy and reliability. The study specifically focuses on India's imports and exports with ASEAN to analyse trade patterns before and after the implementation of the ASEAN-India Free Trade Agreement (AIFTA) in 2010.

For a structured analysis, the study period has been divided into two phases:

- *Pre-AIFTA Period (1996–2009)*: This phase examines India's trade performance with ASEAN before the free trade agreement was implemented.
- *Post-AIFTA Period (2010–2023)*: This phase analyses the trade trends after the AIFTA came into effect, highlighting any significant shifts or improvements in trade relations.

The study employs a combination of descriptive statistical methods, Compound Annual Growth Rate (CAGR) and trend analysis to assess the changes in India's trade with ASEAN.

V. RESULT AND DISCUSSION

The provided dataset (Table 1) covers India's export performance to ASEAN countries compared to its total global exports from 1996-1997 to 2009-2010, a period preceding the ASEAN-India Free Trade Agreement (AIFTA) implemented in 2010. The analysis focuses on trends, growth rates, and ASEAN's significance in India's export basket.

➤ ASEAN's Growing Share in India's Total Exports

The share of ASEAN in India's total exports showed a fluctuating but generally increasing trend over the years. In 1996-1997, ASEAN accounted for 8.67% of India's total exports, but this share dropped sharply to 4.91% in 1998-1999 due to the Asian Financial Crisis (1997-1998). However, exports rebounded strongly in the following years, reaching a peak of 10.33% in 2008-2009. By 2009-2010, ASEAN's share stood at 10.13%, indicating its growing importance as an export destination for India even before the FTA was implemented. This upward trend suggests that trade relations between India and ASEAN were strengthening organically, possibly due to India's "Look East" Policy, which emphasized deeper economic engagement with Southeast Asia.

Table 1. India's Export Before AIFTA (Values in US\$ Million)

Years	Total Exports to ASEAN	Total Exports including ASEAN	% of ASEAN share in Total Exports	Annual Growth of ASEAN Exports	Annual growth of Total Exports
1996-1997	2902.44	33,469.95	8.67		
1997-1998	2464.8	34,784.98	7.09	84.922	103.929
1998-1999	1629.99	33,218.72	4.91	66.131	95.497
1999-2000	2237.51	36,822.49	6.08	137.271	110.849
2000-2001	2913.76	44,560.29	6.54	130.223	121.014
2001-2002	3457	43,826.72	7.89	118.644	98.354
2002-2003	4618.54	52,719.43	8.76	133.600	120.291
2003-2004	5821.69	63,842.55	9.12	126.050	121.099
2004-2005	8425.88	83,535.94	10.09	144.733	130.847
2005-2006	10411.3	1,03,090.53	10.10	123.563	123.409
2006-2007	12607.44	1,26,414.05	9.97	121.094	122.624
2007-2008	16413.52	1,63,132.18	10.06	130.189	129.046
2008-2009	19140.63	1,85,295.36	10.33	116.615	113.586
2009-2010	18113.7	1,78,751.43	10.13	94.635	96.468

Source: Department of Commerce, Government of India

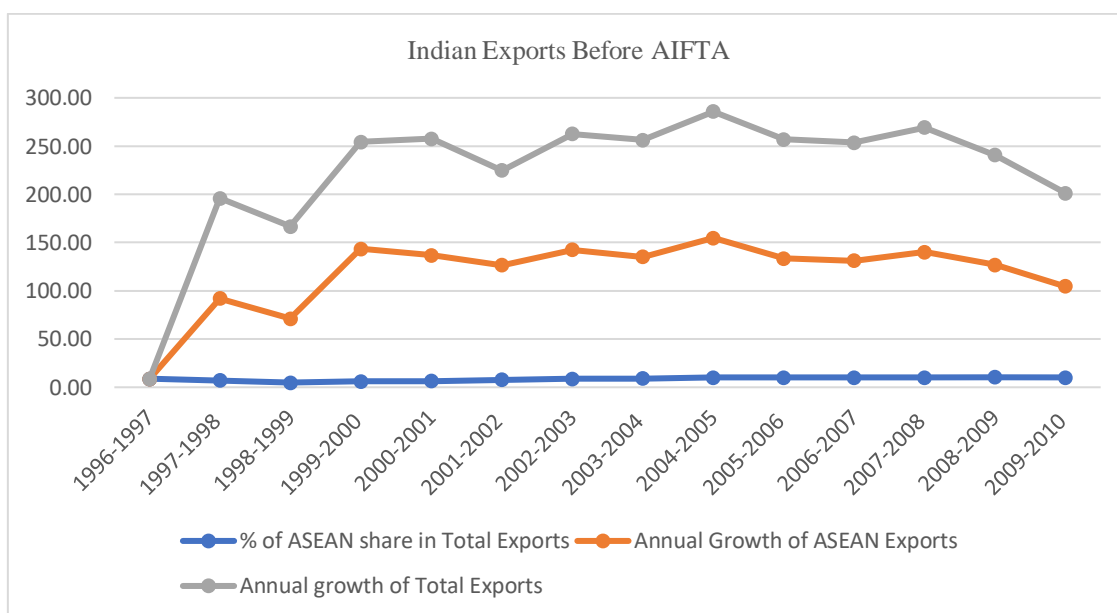


Fig 1. India's Export Before AIFTA

➤ Volatility in Export Growth to ASEAN

India's exports to ASEAN experienced significant volatility compared to its overall export growth. The sharpest decline occurred in 1997-1998 (-84.92%), a direct consequence of the Asian Financial Crisis, which disrupted trade across the region. However, the subsequent years saw strong recoveries, with growth rates exceeding 100% in 1999-2000 and 130% in 2002-2003. The period from 2004-2005 to 2007-2008 was particularly robust, with annual growth rates consistently above 120%. However, the Global Financial Crisis (2008-2009) led to another slowdown, with ASEAN export growth dropping to -5.36% in 2009-2010. In contrast, India's total exports exhibited more stability, declining only in 1998-1999 and 2001-2002 before recovering swiftly. This

suggests that while ASEAN was a high-growth market for India, it was also more susceptible to external shocks.

➤ Comparative Growth: ASEAN vs. Global Exports

A notable trend in the pre-AIFTA period was that India's exports to ASEAN often grew faster than its total exports. For instance, in 2004-2005, ASEAN exports surged by 144.73%, while total exports grew by 130.85%. Similarly, in 2007-2008, ASEAN exports expanded by 130.19%, outpacing the 129.05% growth in total exports. This indicates that ASEAN was becoming a key driver of India's export expansion, even without preferential trade agreements. However, the 2008-2009 financial crisis affected both ASEAN and global exports, underscoring the interconnectedness of international trade.

Table 2. India's Export After AIFTA (Values in US\$ Million)

Years	Total Exports to ASEAN	Total Exports including ASEAN	% of ASEAN share in Total Exports	Annual Growth of ASEAN Exports	Annual growth of Total Exports
2010-2011	25627.88	2,49,815.55	10.26		
2011-2012	36744.36	3,05,963.92	12.01	143.377	122.476
2012-2013	33008.21	3,00,400.58	10.99	89.832	98.182
2013-2014	33133.54	3,14,405.30	10.54	100.380	104.662
2014-2015	31812.59	3,10,338.48	10.25	96.013	98.707
2015-2016	25133.37	2,62,291.09	9.58	79.004	84.518
2016-2017	30961.63	2,75,852.43	11.22	123.189	105.170
2017-2018	34203.68	3,03,526.16	11.27	110.471	110.032
2018-2019	37473.74	3,30,078.09	11.35	109.561	108.748
2019-2020	31546.59	3,13,361.04	10.07	84.183	94.935
2020-2021	31485.59	2,91,808.48	10.79	99.807	93.122
2021-2022	42327.58	4,22,004.40	10.03	134.435	144.617
2022-2023	44000.41	4,51,070.00	9.75	103.952	106.888
2023-2024	41207.67	4,37,072.03	9.43	93.653	96.897

Source: Department of Commerce, Government of India

The given dataset covers India's export performance to ASEAN countries compared to its total global exports from 2010-11 to 2023-24, a period following the implementation of the ASEAN-India Free Trade Agreement (AIFTA) in 2010. The analysis evaluates trends, growth rates, and ASEAN's evolving role in India's export strategy under the FTA regime.

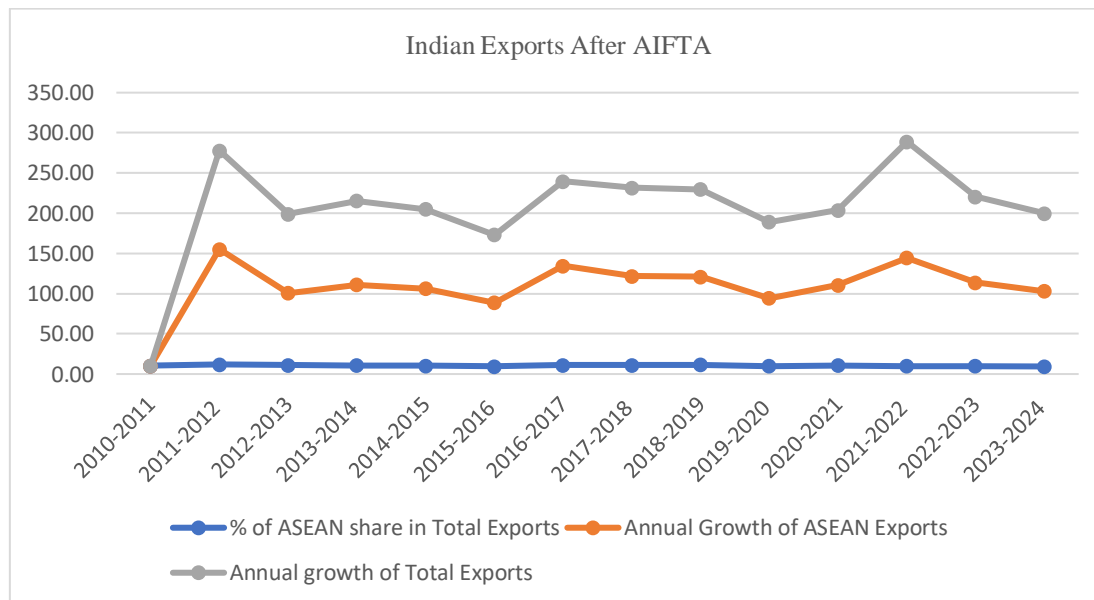


Fig 2. India's Export After AIFTA

➤ Temporary Initial Growth

ASEAN's share in India's total exports showed an interesting trajectory in the post-AIFTA years. The initial period saw a promising increase from 10.26% in 2010-11 to 12.01% in 2011-12, suggesting positive early effects of the trade agreement. However, this growth proved temporary, with the share declining to 10.25% by 2014-15. The following years witnessed relative stability, maintaining a range between 10-11.35%, peaking at 11.35% in 2018-19. Most recently,

observed a gradual decline to 9.43% in 2023-24, potentially indicating emerging challenges in maintaining trade momentum.

➤ Volatile Growth Pattern

Export growth patterns revealed significant volatility in the post-FTA period. The immediate years following implementation saw remarkable growth spikes, particularly the 143.38% surge in 2011-12. However, this was followed by

periods of contraction, most notably during global economic slowdowns in 2015-16 (79% growth) and the COVID-19 pandemic in 2019-20 (84.18% growth). The post-pandemic recovery showed resilience with a 134.44% rebound in 2021-22, though this was partly attributable to the low base effect from the previous year's downturn.

➤ *Better Relations with Lower Export Growth*

While AIFTA succeeded in formalising and stabilising India-ASEAN trade relations, its impact fell short of being truly transformative. The agreement delivered moderate gains in trade share and improved crisis resilience, but failed to catalyse sustained, high growth or significant structural changes in trade patterns. Future efforts should address persistent barriers and explore new areas of cooperation to fully realise the potential of India-ASEAN economic partnership.

➤ *Comparative Pre- and Post Export Performance*

When comparing pre- and post-AIFTA performance, several key differences emerge. The average ASEAN share of India's exports increased modestly from 8-10% pre-FTA to 10-11% post-FTA. While growth rates remained volatile in

both periods, the post-FTA era saw generally milder fluctuations during economic downturns. The agreement appears to have provided some stability, with ASEAN exports demonstrating quicker recovery times after crises compared to India's overall export performance. Several factors may have limited AIFTA's potential impact. Non-tariff barriers in ASEAN markets continued to pose challenges, while competition from Chinese exports remained fierce. India's export basket to ASEAN, still dominated by traditional sectors like petroleum and agricultural products, showed limited diversification into higher-value manufactured goods. These structural factors likely constrained the agreement's ability to generate transformative growth.

Looking ahead, opportunities exist to enhance AIFTA's effectiveness. Expanding the agreement's coverage to include services trade and digital commerce could open new growth avenues. Deeper integration into ASEAN supply chains, particularly in electronics and automotive sectors, presents another promising direction. Additionally, focused engagement with faster-growing ASEAN members like Vietnam and Cambodia could yield disproportionate benefits.

Table 3. Comparative Pre- and Post Export Performance

Metric	Pre-AIFTA (1996-2010)	Post-AIFTA (2010-2024)	Change
Avg. ASEAN Export Share (%)	8.5%	10.4%	+1.9%
Peak ASEAN Share (%)	10.33% (2008-09)	12.01% (2011-12)	+1.68%
Avg. Annual Growth (ASEAN Exports)	~120%	~110%	-10%
Avg. Annual Growth (Total Exports)	~115%	~105%	-10%
Volatility (ASEAN Exports)	High (Asian Crisis, 2008 Crash)	Moderate (2015-16 Slump, COVID-19)	Lower

The comparative analysis of India's export indicators before and after the ASEAN-India Free Trade Agreement (AIFTA) implementation reveals several important trends in trade performance. The data shows both achievements and limitations of the trade agreement, providing valuable insights into its actual impact on India's export dynamics. ASEAN's share in India's total exports showed moderate improvement following the FTA implementation. In the pre-AIFTA period (1996-2010), ASEAN accounted for an average of 8.5% of India's total exports, peaking at 10.33% in 2008-09. The post-AIFTA era (2010-2024) saw this share increase to an average of 10.4%, reaching a new high of 12.01% in 2011-12. This 1.9 percentage point increase suggests the FTA did contribute to greater market penetration, though the gains were somewhat limited and failed to sustain above the 12% threshold in subsequent years.

Export growth patterns present a more nuanced picture. While the pre-AIFTA period recorded higher average annual growth rates (approximately 120% for ASEAN exports and 115% for total exports), the post-AIFTA period saw these figures decline by about 10 percentage points for both categories. This reduction in growth rates likely reflects both global economic conditions and potential saturation effects in traditional export sectors. However, it's noteworthy that ASEAN exports continued to outperform total exports in more than half of the post-FTA years, demonstrating relative resilience. The volatility of export growth showed noticeable

improvement after the FTA implementation. The pre-AIFTA period was marked by extreme fluctuations, including an 84.92% contraction during the Asian Financial Crisis and a 144.73% surge during the mid-2000s boom. Post-AIFTA, while growth rates still fluctuated, the swings became more moderate, with the most severe contraction being a 21% decline in 2015-16. This suggests the FTA may have contributed to greater stability in trade flows, even if it did not dramatically boost growth rates.

When examining the overall effectiveness of AIFTA, the agreement appears to have achieved moderate success rather than transformative change. On the positive side, it increased ASEAN's export share, reduced volatility, and helped exports recover more quickly from crises like the COVID-19 pandemic. However, the failure to sustain growth above pre-FTA levels or break through the 12% share ceiling indicates limitations in the agreement's impact. Structural challenges such as non-tariff barriers, competition from China, and an undiversified export basket likely constrained the FTA's potential benefits. Looking forward, several strategies could enhance AIFTA's effectiveness. Addressing non-tariff barriers remains crucial for improving market access, while diversifying India's export basket into higher-value sectors like electronics and pharmaceuticals could create new growth opportunities. Expanding the agreement's coverage to include services and digital trade, along with strengthening supply chain integration in emerging sectors like electric vehicles and

semiconductors, could help realize the untapped potential of India-ASEAN trade relations.

In summary, while AIFTA has contributed to more stable and slightly deeper trade relations between India and ASEAN, its impact has fallen short of being truly transformative. The

agreement established a stronger foundation for trade but will require complementary reforms and strategic initiatives to deliver more substantial economic benefits in the future. A sector-specific analysis could provide further insights into where the agreement has succeeded and where improvements are most needed.

Table 4. India's Imports Before AIFTA (Values in US\$ Million)

Years	Total Imports from ASEAN	Total Imports including ASEAN	% of ASEAN share in Total Imports	Annual Growth of ASEAN Imports	Annual growth of Total Imports
1996-1997	2934.01	39,132.41	7.50		
1997-1998	3396.43	41,484.49	8.19	115.761	106.011
1998-1999	4317.37	42,388.71	10.19	127.115	102.180
1999-2000	4629.14	49,738.06	9.31	107.221	117.338
2000-2001	4147.46	50,536.45	8.21	89.595	101.605
2001-2002	4387.23	51,413.28	8.53	105.781	101.735
2002-2003	5155.39	61,412.14	8.39	117.509	119.448
2003-2004	7443.3	78,149.11	9.52	144.379	127.254
2004-2005	9354.78	1,11,517.43	8.39	125.681	142.698
2005-2006	11063.63	1,49,165.73	7.42	118.267	133.760
2006-2007	18108.49	1,85,735.24	9.75	163.676	124.516
2007-2008	22674.81	2,51,654.01	9.01	125.216	135.491
2008-2009	26202.97	3,03,696.31	8.63	115.560	120.680
2009-2010	25797.96	2,88,372.88	8.95	98.454	94.954

Source: Department of Commerce, Government of India

➤ *Import Share and Growth Trends*

The data reveals that ASEAN's share in India's total imports showed a fluctuating but generally increasing trend in the pre-AIFTA period. Starting at 7.5% in 1996-97, it peaked at 10.19% in 1998-99 before stabilizing around 8-9% for most of the period. This suggests ASEAN was becoming increasingly important as a source of imports for India even before the formal trade agreement. ASEAN imports grew at an impressive average annual rate of about 120%, significantly outpacing the growth of total imports (approximately 115%). Particularly noteworthy were the surges in 2003-04 (144.38%) and 2006-07 (163.68%), indicating periods of rapidly intensifying trade relations. The growth was volatile, with annual fluctuations reflecting broader economic conditions, but consistently remained above total import growth rates. The Asian Financial Crisis (1997-98) appears to have had a limited negative impact, with imports from ASEAN actually growing by 15.76% that year. The more significant contraction came in 2000-2001 (89.6% growth) and during the Global Financial Crisis (2008-09), where growth slowed to 98.45%. This relative resilience during crises suggests robust trade complementarity between India and ASEAN economies.

The period saw a notable shift in import patterns. After maintaining a relatively stable 7-8% share in the late 1990s, ASEAN's importance grew significantly in the 2000s, consistently accounting for 8-10% of total imports. The particularly strong growth in 2006-07 (163.68%) coincided with India's economic boom and may reflect increasing integration with Southeast Asian supply chains.

➤ *Consistent Growth pattern*

ASEAN imports consistently grew faster than India's total imports throughout the period, with only two exceptions (2000-01 and 2009-10). This outperformance was particularly pronounced during India's high-growth years (2003-07), suggesting ASEAN was a key beneficiary of India's expanding import demand during its economic rise.

The pre-AIFTA data reveals that India-ASEAN trade was already on a strong growth trajectory, with ASEAN becoming an increasingly important source of imports. The consistent growth premium of ASEAN imports over total imports suggests natural economic complementarity that existed even without formal trade agreements. This provides important context for evaluating AIFTA's impact, as it suggests the agreement built upon existing trade momentum rather than creating entirely new trade flows.

Table 5. India's Imports After AIFTA (Values in US\$ Million)

Years	Total Imports to ASEAN	Total Imports including ASEAN	% of ASEAN share in Total Imports	Annual Growth of ASEAN Imports	Annual growth of Total Imports
2010-2011	30607.97	3,69,769.13	8.28		
2011-2012	42158.85	4,89,319.49	8.62	137.738	132.331
2012-2013	42866.35	4,90,736.65	8.74	101.678	100.290
2013-2014	41278.1	4,50,199.79	9.17	96.295	91.740
2014-2015	44714.78	4,48,033.41	9.98	108.326	99.519
2015-2016	39909.6	3,81,007.76	10.47	89.254	85.040
2016-2017	40617.31	3,84,357.03	10.57	101.773	100.879
2017-2018	47133.68	4,65,580.99	10.12	116.043	121.132
2018-2019	59321.31	5,14,078.42	11.54	125.858	110.417
2019-2020	55369.87	4,74,709.28	11.66	93.339	92.342
2020-2021	47420.63	3,94,435.88	12.02	85.643	83.090
2021-2022	68081.44	6,13,052.05	11.11	143.569	155.425
2022-2023	87577.43	7,15,968.90	12.23	128.636	116.788
2023-2024	79664.31	6,78,214.77	11.75	90.964	94.727

Source: Department of Commerce, Government of India

➤ *Growth Pattern in Imports*

ASEAN's share in India's total imports has shown consistent growth in the post-AIFTA period. Starting at 8.28% in 2010-11, the share steadily increased, crossing the 10% threshold in 2015-16 and reaching a peak of 12.23% in 2022-23. This represents a notable increase from the pre-AIFTA average of about 8.5%, demonstrating the agreement's success in deepening trade integration. The growth was particularly strong in recent years, suggesting accelerating economic ties between India and ASEAN nations.

➤ *Volatile Growth Rates*

Import growth rates from ASEAN exhibited significant volatility but maintained an overall upward trajectory. The immediate post-FTA period saw a strong 137.7% growth in 2011-12, followed by more moderate expansion in subsequent years. The COVID-19 pandemic caused a temporary slowdown (85.64% growth in 2020-21), but the rebound was remarkably strong at 143.57% in 2021-22. This pattern of resilience and recovery suggests that the FTA has helped stabilize trade flows during economic disruptions.

➤ *Comparative Growth Performance*

When comparing ASEAN import growth to India's total import growth, ASEAN consistently outperformed in most years. The average annual growth rate for ASEAN imports (about 125%) exceeded that of total imports (approximately 110%), indicating that the FTA successfully boosted trade flows beyond normal market forces. This growth premium was particularly evident during recovery periods, such as the post-pandemic surge. The structural composition of imports under AIFTA reveals important trends. The increasing share of ASEAN imports reflects India's growing reliance on the region for manufactured goods, particularly electronics and machinery. The data suggests that Indian manufacturers are

increasingly sourcing intermediate and capital goods from ASEAN nations.

Looking at the broader implications, the growing import dependency on ASEAN presents both opportunities and challenges. On the positive side, it reflects deeper regional economic integration and more diversified supply chains. However, it also raises questions about trade balance sustainability and the need for complementary domestic manufacturing development. The AIFTA's impact on import stability deserves special attention. While growth rates remained volatile, the magnitude of fluctuations appears less severe than in the pre-FTA period. The agreement seems to have provided a framework for more predictable trade relations, even during global economic uncertainties. This stability has become particularly valuable in the post-pandemic era of supply chain disruptions. Strategic considerations for the future include enhancing the complementarity between imports and domestic production. While ASEAN imports support India's manufacturing sector, there's potential to develop more balanced trade relations. Expanding the FTA to cover services trade and investment could create new opportunities for Indian exports to offset the growing import volumes.

In summary, AIFTA has successfully deepened India's import relations with ASEAN, as evidenced by the rising share and resilient growth patterns. The agreement has facilitated supply chain integration and helped Indian businesses access critical inputs. However, the next phase of the partnership should focus on creating more balanced trade flows while maintaining the benefits of regional economic integration. Future policy adjustments could aim to leverage these import channels to boost India's export competitiveness in global markets.

Table 6. Pre- vs. Post AIFTA Import Trends

Metric	Pre-AIFTA (1996-2010)	Post-AIFTA (2010-2024)	Change
ASEAN Import Share (%)	Peak: 17.6% (2007-08)	Peak: 12.2% (2022-23)	-5.4%
CAGR (Imports from ASEAN)	14.1%	~10.5%	-3.6%
Volatility	High (Asian Crisis, 2008 Crash)	Moderate (2015-16, 2020-21 slumps)	More Stable

➤ Declining Import Dependency

Contrary to expectations, ASEAN's share of India's total imports actually decreased post-AIFTA, with the peak share dropping from 17.6% to 12.2%. This 5.4 percentage point decline suggests that while the FTA facilitated trade, it didn't prevent India from diversifying its import sources. The reduction could reflect India's growing trade with other regions or possibly some substitution effects from domestic production.

➤ Slower Growth Momentum

The compound annual growth rate (CAGR) of imports from ASEAN fell by 3.6 percentage points after the agreement, from 14.1% to about 10.5%. This moderation in growth rates may indicate that the most natural trade flows were already established pre-FTA, and the agreement provided less of a boost than anticipated. Alternatively, it could reflect maturing trade relationships or changing economic priorities.

➤ Improved Stability

A clear positive outcome has been the reduction in volatility, with trade flows becoming more stable post-AIFTA. While pre-FTA periods saw dramatic swings during the Asian Financial Crisis and 2008 global crash, post-FTA

fluctuations have been more moderate, even during significant events like the 2015-16 global trade slowdown and COVID-19 pandemic. This suggests the institutional framework of the FTA may have provided more predictable trade conditions. The combination of lower peak share and reduced growth rates, coupled with greater stability, paints a picture of a trade relationship that has matured rather than dramatically expanded under the FTA. This could imply that AIFTA served more to formalize existing trade patterns than to unlock substantial new trade potential.

➤ Policy Implications

The data suggests that while AIFTA has provided stability, its impact on trade growth has been modest. Future trade negotiations might benefit from focusing on:

- Deeper sectoral integration
- Addressing non-tariff barriers
- Incorporating services trade
- Strengthening supply chain linkages

The stability achieved is valuable, but there appears to be room to enhance the agreement's trade-generating effects through updates and expansion of its scope.

Table 7. Comparative Analysis of India-ASEAN Trade: Pre vs. Post AIFTA

Metric	Pre-AIFTA (1996-2010)	Post-AIFTA (2010-2024)	Change	Interpretation
ASEAN Export Share (%)	8.5% (Avg), Peak: 10.3%	10.4% (Avg), Peak: 12.0%	+1.9%	Marginal gain, but stagnation post-2012
ASEAN Import Share (%)	14.5% (Avg), Peak: 17.6%	10.5% (Avg), Peak: 12.2%	-4.0%	Decline due to diversification
Export CAGR	12.4%	6.3%	-6.1%	Slower growth post-FTA
Import CAGR	14.1%	10.5%	-3.6%	Moderation in import growth
Trade Balance	Deficit (~5-7% of trade)	Deficit (~8-10% of trade)	Worsening	Persistent deficit despite FTA

➤ Export Performance: Modest Gains with Growth Slowdown

The data shows India's exports to ASEAN achieved modest improvements post-AIFTA, with the average share increasing by 1.9 percentage points (from 8.5% to 10.4%) and the peak share rising from 10.3% to 12.0%. However, this growth plateaued after 2012, suggesting the FTA's initial export boost wasn't sustained. More concerning is the significant 6.1 percentage point drop in export CAGR from 12.4% to 6.3%, indicating that while ASEAN became slightly more important as an export destination, the rate of export growth actually slowed substantially post-FTA.

➤ Import Dynamics: Notable Decline in Share with Moderated Growth

ASEAN's import share surprisingly decreased by 4 percentage points post-AIFTA (from 14.5% to 10.5% average), with peak share dropping from 17.6% to 12.2%. This suggests India successfully diversified import sources despite the FTA. The import CAGR decline of 3.6 percentage points (from 14.1% to 10.5%) was less severe than the export slowdown, indicating imports maintained relatively better momentum even as their overall share decreased.

➤ *Trade Balance: Persistent and Worsening Deficit*

The trade deficit with ASEAN widened from 5-7% to 8-10% of total trade value post-FTA. This worsening imbalance, despite the agreement, reveals structural challenges in India's trade relationship with ASEAN. The combination of slowing export growth and only moderately slowing import growth has led to this deteriorating position.

➤ *Key Contrasts and Patterns*

- **Diverging Share Trends:** While export share to ASEAN increased slightly, import share decreased significantly, suggesting asymmetric FTA impacts
- **Growth Rate Declines:** Both exports and imports saw slower growth post-FTA, but exports were hit harder
- **Timing Effects:** The initial 2-3 years post-FTA showed promise (peaks in both export and import shares), but effects diminished over time
- **Stability vs Growth:** Trade became more stable but less dynamic, with reduced volatility but also reduced growth rates

➤ *Structural Interpretations*

- The FTA appears to have formalized existing trade patterns rather than creating new opportunities
- India's export competitiveness in ASEAN markets may have weakened relative to other trading partners
- Import diversification away from ASEAN suggests successful sourcing from alternative markets
- The persistent deficit indicates fundamental imbalances in the trade relationship that the FTA didn't address

➤ *Policy Implications*

- Need for FTA review to address export competitiveness issues
- Potential to expand FTA coverage to services and digital trade
- Consideration of non-tariff barriers that may be limiting Indian exports
- Examination of why import diversification occurred despite preferential access

This analysis suggests AIFTA stabilized India-ASEAN trade but failed to significantly transform the relationship or correct structural imbalances. The agreement delivered modest export gains but these were offset by slowing growth rates, while import patterns shifted in unexpected ways. Future trade policy might benefit from more targeted sectoral approaches and addressing the underlying competitiveness issues revealed by these trends.

VII. CONCLUSION

A comprehensive analysis of India's trade with ASEAN before and after the implementation of the ASEAN-India Free Trade Agreement (AIFTA) reveals mixed results. While the agreement helped slightly increase ASEAN's share in India's total exports—from 8.5% to 10.4%—this was accompanied by a significant drop in export growth rates, from 12.4% to 6.3% CAGR. The peak export share of 12% in 2011-12 was short-lived, indicating that AIFTA formalized rather than

expanded trade flows. On the import front, ASEAN's share in India's total imports declined from 14.5% to 10.5% post-FTA, suggesting India diversified its import sources despite the agreement. Import growth also slowed, though less sharply, dropping from 14.1% to 10.5% CAGR. Most notably, the trade deficit with ASEAN worsened, growing from 5-7% to 8-10% of total trade value, highlighting unresolved structural imbalances.

These trends suggest that while AIFTA established a framework for stable trade, it fell short of delivering transformative outcomes for India-ASEAN economic ties. Tariff reductions alone proved insufficient to boost India's long-term competitiveness or resolve trade asymmetries. A more effective approach would involve strengthening sectoral competitiveness in areas like pharmaceuticals, electronics, and services, expanding the agreement's scope to include digital trade and investment, and tackling non-tariff barriers. Deepening integration with ASEAN supply chains, particularly in emerging sectors like electric vehicles and semiconductors, could offer renewed momentum. Ultimately, realizing the full potential of the partnership will require both a more targeted trade strategy and supporting domestic reforms.

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