

## **Impact of Trade with ASEAN on India's Employment in Industrial Sector**

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### **Abstract:**

In recent time, India's growing trade deficits with its partner countries have been a major policy concern, making Indian policymakers cautious about signing new free trade deals. In this paper, we argue that in addition to the impact of trade agreements on India's trade balance, policy discussions on trade agreements should also take into account the impact of trade on a spectrum of other economic indicators, such as economic growth, income distribution and employment. In particular, the impact on employment is central to assess whether or not greater trade integration is helping or harming the country, since employment numbers capture both growth and distributional aspect of trade. This paper sheds light on this aspect by examining the impact of Association of South East Asian Nations (ASEAN)- India Free Trade Agreement (AIFTA) on industry-level employment in India during the period of 1996-97 to 2016-17. We use a dynamic econometric model in a panel framework and find that while export and import have had favorable impact on industrial sector employment prior to 2004-05, AIFTA led to decline in industrial sector employment post 2004-05.

**Keywords:** Trade, employment, India-ASEAN Free Trade Agreement, KLEMS

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