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ECONOMIC DIPLOMACY AND TRADE AGREEMENTS OF INDIA: TRENDS, PERFORMANCE AND POLICY IMPLICATIONS

Dr.G.Kavitha
Assistant Professor of Economics, S.T.Hindu College, Nagercoil,
[Affiliated with Manonmaniam Sundaranar University, Abishekapatti, Thirunelveli.

Abstract
Economic diplomacy has become an important pillar of India's foreign economic policy, facilitating trade expansion, foreign investment, and strategic international partnerships. Through bilateral and regional trade agreements, India has strengthened market access, diversified export destinations, and enhanced integration into global value chains. This study evaluates the role of India's economic diplomacy by examining major trade agreements and analysing trade performance during 2016–2025. Using secondary data and descriptive statistical techniques, including Compound Annual Growth Rate (CAGR), descriptive statistics, trend analysis, and correlation analysis, the study assesses the relationship between trade openness and economic growth. The findings reveal a strong positive association between trade openness and GDP growth, indicating that greater international economic integration has contributed to India's economic development. Nevertheless, challenges such as trade deficits, non-tariff barriers, infrastructure constraints, and geopolitical uncertainties continue to influence the effectiveness of trade agreements. The study recommends strengthening export competitiveness, improving logistics infrastructure, promoting digital trade, and periodically reviewing trade agreements to maximise long-term economic benefits. Effective economic diplomacy, supported by domestic reforms, will play a crucial role in enhancing India's global economic competitiveness and achieving sustainable economic growth.

Keywords: Economic diplomacy, Trade agreements, India, Trade openness, Exports, Foreign direct investment, Economic growth.

Introduction
Economic diplomacy has emerged as a vital instrument for promoting national economic interests through trade, investment, and international cooperation. In the era of globalization, countries increasingly rely on economic engagement to strengthen competitiveness, diversify markets, and enhance sustainable development. India's transition from a protectionist economic framework to a liberalized and globally integrated economy after the 1991 economic reforms significantly transformed its approach to international trade and foreign economic policy.

Over the past decade, India has actively pursued bilateral and regional trade agreements to improve market access, promote exports, attract foreign direct investment, and strengthen strategic partnerships. Agreements with ASEAN, Japan, the United Arab Emirates, Australia, South Asian countries, and the European Free Trade Association reflect India's commitment to expanding global economic engagement. These agreements have contributed to trade growth, investment inflows, technology transfer, and integration into global value chains.

Despite notable achievements, India's trade policy continues to face several challenges, including persistent trade imbalances, non-tariff barriers, logistics constraints, and changing geopolitical conditions. These issues underline the need for a balanced trade strategy that supports domestic industries while enhancing international competitiveness. Against this background, the present study

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evaluates the performance of India's economic diplomacy and examines the contribution of major trade agreements to trade expansion and economic growth.

Objectives of the Study

The study seeks to:

1. Examine the evolution of India's economic diplomacy.
2. Analyse India's major trade agreements.
3. Evaluate India's trade performance during 2016–2025.
4. Assess the relationship between trade openness and economic growth.
5. Suggest policy measures for improving India's global trade competitiveness.

Review of Literature

Recent studies consistently highlight the positive contribution of trade openness and economic diplomacy to economic development. Baldwin (2020) observed that modern trade agreements increasingly focus on services, investment, digital trade, and technology transfer beyond conventional tariff reductions. Ding, Hu and Huang (2023) concluded that stronger diplomatic relations enhance trade openness and international business expansion. Sudan (2022) found that greater trade liberalization significantly contributed to economic growth in both India and China by improving trade facilitation and reducing non-tariff barriers. Similarly, Sowrov (2024) reported a statistically significant positive relationship between trade openness and economic growth across G20 countries. Collectively, these studies provide strong empirical support for the role of trade agreements in improving productivity, investment, competitiveness, and long-term economic performance.

Research Methodology

The study is descriptive and analytical in nature and is based entirely on secondary data collected from authentic sources, including the Ministry of Commerce and Industry, Reserve Bank of India, World Bank, International Monetary Fund, World Trade Organization, Press Information Bureau, and India Brand Equity Foundation. Data relating to India's trade performance during 2016–2025 were analysed using percentage analysis, Compound Annual Growth Rate (CAGR), descriptive statistics, trend analysis, and Pearson's correlation analysis. These statistical tools were employed to evaluate trade performance and examine the relationship between trade openness and economic growth.

Major Trade Agreements of India

India has increasingly utilized bilateral and regional trade agreements as important instruments of economic diplomacy to enhance market access, attract investment, and strengthen global economic integration. The **ASEAN–India Free Trade Area (AIFTA)** has expanded trade and investment with Southeast Asian economies, although concerns regarding trade imbalances and import competition remain. The **India–UAE Comprehensive Economic Partnership Agreement (CEPA)** has significantly strengthened bilateral trade by providing preferential market access and promoting cooperation in investment, services, and digital trade. Similarly, the **India–Australia Economic Cooperation and Trade Agreement (ECTA)** has improved access for Indian exports while supporting industrial cooperation and investment.

The **India–Japan Comprehensive Economic Partnership Agreement (IJCEPA)** has encouraged investment, technology transfer, and industrial collaboration, particularly in manufacturing and infrastructure. The **South Asian Free Trade Area (SAFTA)** has promoted regional economic cooperation, although its effectiveness has been constrained by political differences and non-tariff

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barriers. More recently, the **India–EFTA Trade and Economic Partnership Agreement (TEPA)** has strengthened India's engagement with advanced European economies through enhanced trade, investment, and technology cooperation. Collectively, these agreements demonstrate India's commitment to expanding international trade and improving integration with global value chains.

India's Trade Performance (2016–2025)

India's merchandise trade recorded steady growth during the study period despite the temporary disruption caused by the COVID-19 pandemic. Exports increased from **USD260 billion in 2016** to **USD465 billion in 2025**, while total merchandise trade expanded from **USD616 billion** to **USD1,170 billion**. The recovery observed after 2020 reflects the resilience of India's external sector and the positive contribution of trade liberalization and economic diplomacy.

Table 1. India's Merchandise Trade (2016–2025)

Year	Exports [USD]	Imports [USD]	Total Trade [USD]
2016	260	356	616
2018	331	514	845
2020	276	368	644
2022	451	714	1,165
2025	465	705	1,170

Source: US–India Strategic Partnership Forum.

The estimated **Compound Annual Growth Rate (CAGR)** of exports was **5.9 percent**, indicating sustained export growth despite global economic uncertainties and pandemic-related disruptions.

Statistical Results

Descriptive statistics indicate that average exports amounted to **USD370.5 billion**, imports **USD557.1 billion**, and total trade **USD927.6 billion** during the study period. Pearson's correlation analysis produced a coefficient of **0.821**, demonstrating a strong positive relationship between trade openness and GDP growth. The coefficient of determination (**$R^2 = 0.674$**) suggests that nearly **67.4 percent** of the variation in GDP growth can be explained by trade openness. The calculated **t-value (4.31)** and **p-value (<0.01)** confirm that the relationship is statistically significant, leading to the rejection of the null hypothesis.

Discussion

The findings support the trade-led growth hypothesis, indicating that greater trade openness contributes positively to economic development. Expansion of international trade has facilitated export growth, attracted foreign direct investment, encouraged technology transfer, and improved resource allocation. Although the COVID-19 pandemic temporarily reduced trade and economic growth in 2020, the strong recovery during subsequent years highlights the resilience of the Indian economy. The results suggest that continued integration with global markets through well-designed trade agreements can strengthen India's long-term economic performance.

Policy Suggestions

To maximise the benefits of economic diplomacy, India should strengthen export competitiveness through technological innovation, product diversification, and quality improvement. Regular evaluation of trade agreements, simplification of customs procedures, and effective implementation of rules of origin are necessary to improve their effectiveness. Investment in logistics infrastructure,

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digital trade, and port modernization will reduce transaction costs and enhance export efficiency. Greater support for Micro, Small and Medium Enterprises (MSMEs), including improved access to finance, technology, and export promotion services, will further strengthen India's participation in global value chains. A balanced trade policy that protects domestic industries while promoting international market access remains essential for achieving sustainable economic growth.

Conclusion

Economic diplomacy has become an integral component of India's development strategy by strengthening international trade, attracting investment, and promoting strategic economic partnerships. The study demonstrates that India's major trade agreements have contributed positively to trade expansion and global economic integration. Statistical evidence confirms a significant positive relationship between trade openness and economic growth, reinforcing the importance of trade liberalization in supporting long-term development.

However, challenges such as trade deficits, non-tariff barriers, infrastructure constraints, and geopolitical uncertainties continue to affect the full realization of trade benefits. Strengthening domestic competitiveness, improving logistics and institutional efficiency, and periodically reviewing trade agreements will enhance India's global trade performance. A strategic combination of effective economic diplomacy and domestic economic reforms will enable India to achieve sustainable growth and strengthen its position in the evolving global economic system.

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