

ABSTRACT

As in any modern economy, trade is central to the progress of the economy in the Association of Southeast Asian Countries (ASEAN) region, but environmental degradation occurs with Globalization. The study shows trade and environmental linkages between India & ASEAN countries and shows how intensive trade flow can harm environmental quality as a result of higher production levels along with greatest exploitation of natural resources. Trade and the Environment are related at the most basic level, because all economic activity is based on the environment – whether because all basic inputs are sourced from nature (metals, minerals, forests and fisheries) or because the energy needed to process them is derived from the environment. The waste produced at the end of most tradable goods' life cycle is also absorbed by the environment. The environment affects trade, in turn, because exporters often have to respond to consumer demand for 'green' or 'greener' goods. Since the beginning of the 1970s there have been some efforts to investigate the link between international trade and natural environment. Recently, attention for trade and environment has increased significantly. The links between foreign trade and environmental quality can be analysed by means of formal methods based on specific theories. In this study, using EGT based model of India's growth as a result of trade with ASEAN nations, we are trying to capture the statistical performance of India-ASEAN trade by performing conventional (R, F, DW) and advanced diagnostic (time-varying parameters and GMM over-identifying restrictions) tests. In this study, we have focussed on a unidirectional direction of trade and growth in a dual context, that is, India's trade with the ASEAN and its possible causal impact on India's growth (the so-called India's perspective).