Fixing ASEAN-India Trade in Goods Agreement (AITIGA): A litmus test for India-ASEAN relations

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India and ASEAN: At a Crossroads on Trade

India and ASEAN appear to be on the verge of a make-or-break revision to trade terms. On 10 July 2025, Commerce and Industry Minister Piyush Goyal held a virtual meeting with Malaysia's Minister of Investment, Trade and Industry, Tengku Zafrul Aziz, to discuss the ongoing review of the ASEAN-India Trade in Goods Agreement (AITIGA) and associated structural challenges. During the exchange, Minister Goyal underscored India's intent to "fast-track discussions with ASEAN Member States to ensure fair trade and balanced growth". His recent remarks at the India Global Forum (IGF) in London, where he referred to the agreement as "silly" and described certain ASEAN countries as having become a "B Team of China", sparked considerable commentary across domestic and

international policy circles.

On 13 July, External Affairs Minister Dr. S. Jaishankar visited Singapore, while on 10–11 July, Minister of State for External Affairs Pabitra Margherita led the Indian delegation at the ASEAN-India Foreign Ministers' Meeting in Kuala Lumpur. This echoed India's growing effort to link trade and strategic alignment under the broader Indo-Pacific vision, chief among them, the urgency of accelerating the AITIGA review process and restoring balance to the trade relationship. In Singapore, conversations extended beyond the regional framework, also centering on the potential for deepening bilateral trade and investment ties.

AITIGA, operational since 2010, has been under formal review by a Joint Committee since 2024. The review aims to address structural imbalances in trade, particularly as India's deficit with ASEAN reached USD 43.57 billion in FY 2022–23. India's exports to the region fell 5.77% on year in 2024-25 to $ 38.96 billion while imports grew 5.65% to $ 84.16 billion. Key Indian concerns include non-tariff barriers, rules of origin circumvention, and tariff asymmetries that have enabled indirect third-country access, particularly from China, while limiting the competitiveness of Indian exports.

Nine rounds of negotiations under the AITIGA review framework have been completed thus far. The review process is expected to conclude by October 2025, following two additional rounds of in-person negotiations. The next round is tentatively scheduled for August in New Delhi, with the concluding round likely to take place in Malaysia in October.

> *Over the last two years, there has been a growing realization that India's regulatory framework to address its growing trade deficit with China suffers from non-bilateral loopholes, primarily the flow of Chinese goods into India through third countries. In many senses, India's frustration with ASEAN mirrors Trump's frustration with trade re-routing*

countries such as Vietnam.

The AITIGA Review: Imbalance and Frustration

As the world fragments further under the weight of tariff wars, amplified by the United States' new tariff regime set to take effect on August 1, countries are actively exploring new trade arrangements and strategic partners. In this shifting landscape, the India–ASEAN economic relationship, once heralded as a cornerstone of India's Act East Policy, appears to be losing momentum. What began with high expectations has increasingly turned into a story of friction and divergence.

At the core of India's growing disillusionment is a set of structural imbalances embedded in the AITIGA, which have not only strained commercial ties but also prompted sharp political commentary.

One of the principal concerns is the disparity in tariff liberalization. India eliminated duties on 74.2% of tariff lines—up from just 3%—whereas ASEAN's average of 76.4% was statistically inflated (and hence misleading) by members like Singapore, which already had 100% duty-free access. In reality, major ASEAN economies made modest offers—Indonesia at 50.1% and Vietnam at 69.7%—while higher eliminations by smaller economies like Cambodia, Brunei, and Laos had limited commercial relevance for India. This imbalance has been compounded by a growing number of non-tariff barriers (NTBs) in ASEAN markets—ranging from burdensome product standards and certification requirements to restrictive sanitary and phytosanitary (SPS) norms—disproportionately affecting key Indian sectors such as pharmaceuticals, agriculture, and processed foods.

Further aggravating Indian concerns is the weak enforcement of Rules of Origin under AITIGA. Investigations have revealed that heavily subsidized and low-cost Chinese goods—particularly in sectors such as steel—have

> *entered the Indian market through transshipment via ASEAN countries. By exploiting loopholes, such as the absence of a 'melt-and-pour' clause, these products enjoy preferential tariffs despite lacking substantial ASEAN value addition, thereby undermining the agreement's intent and disadvantaging Indian manufacturers.*

The China Factor

These trade-related concerns now intersect with shifting geopolitical dynamics. China's expanding influence in Southeast Asia, via initiatives like the Belt and Road, upgraded FTAs, and the Global Security Initiative, has entrenched Beijing across economic, political, and security domains, weakening ASEAN's traditional hedging capacity. With the U.S. adopting a more economically inward posture, exemplified by its recent tariff regime, ASEAN lacks viable strategic alternatives and appears increasingly aligned with Chinese interests. India's unease has been exacerbated by ASEAN's apparent reluctance to expedite the AITIGA review. Despite nine rounds of negotiations, progress has remained slow. In contrast, ASEAN concluded an ambitious FTA upgrade with China —initiated in late 2022—in a fraction of the time.

As a result, ASEAN is steadily losing credibility in India's strategic calculus, not only for enabling the indirect entry of Chinese goods but also for its perceived erosion of autonomy and reluctance to uphold a balanced trading relationship.

Domestic Constraints

However, the challenges confronting India's trade performance are not solely external. Persistent deficits with ASEAN and other FTA partners, including Japan, South Korea, the UAE, and Australia, also point to underlying structural constraints within the Indian economy. Exporters continue to face challenges related to weak R&D investment, low productivity,

inadequate quality control, and inconsistent compliance with global regulatory standards. Recent incidents, such as the banning of MDH masala products in multiple countries, including Singapore, due to the presence of ethylene oxide, highlight ongoing reputational and safety-related concerns that have undermined India's export competitiveness.

> *While there are valid grounds for criticizing AITIGA's design and ASEAN's negotiating posture, New Delhi must also confront its own institutional and industrial shortcomings. Without addressing domestic supply-side bottlenecks and improving the quality, efficiency, and global readiness of its export ecosystem, India risks undermining the potential gains from any trade agreement, regardless of how well it is renegotiated. A more calibrated approach, combining outward pressure with inward reform, is likely to yield a more sustainable trade strategy.*

A Tilt Toward Bilateralism

Amid mounting trade frustration with the ASEAN bloc, India has begun deepening bilateral ties with select member states to preserve strategic momentum. These include the renewed CECA discussions with Malaysia, the inaugural India–Malaysia Security Dialogue held in January 2025, and the first India–Cambodia joint army exercise (CINBAX) conducted in Pune. Engagement with Singapore has expanded significantly, with cooperation in areas such as semiconductors, digital trade, healthcare, skill development, petrochemicals, and aerospace MRO. Connectivity remains a key pillar of India's regional vision.

The India–Myanmar–Thailand Trilateral Highway, repeatedly described by EAM Jaishankar as a "game changer", upon its completion, continues to be framed as a strategic priority despite setbacks in Myanmar. India is now seeking practical alternatives to maintain momentum, including

multimodal solutions and deeper diplomatic engagement.

These initiatives reflect a calibrated shift in India's regional approach, prioritizing bilateral strategic partnerships as a means of advancing its interests, even as broader trade-related frictions with the ASEAN bloc remain unresolved.

Path Forward

ASEAN has maintained that both sides have been making concerted efforts over the years to expand ties across sectors, and that the AITIGA review should be conducted in that spirit. Officials have expressed surprise at the sharp public commentary, noting that trade dynamics involve broader regional patterns, including India's high trade with China. They have emphasized the need to keep the review process constructive and technical, aimed at updating the agreement to reflect current realities and further strengthening the ASEAN-India partnership. Malaysia, as ASEAN Chair for 2025, has taken a proactive role, with Minister Zafrul Aziz holding productive talks with Minister Goyal and reaffirming support for upgrading the agreement. PM Modi also welcomed Malaysia's continued backing during talks with PM Anwar at the BRICS Summit.

> *Unless ASEAN addresses structural issues with urgency and sincerity, the erosion of trust—already apparent in New Delhi—could deepen further. While a complete withdrawal from the agreement remains unlikely, that position is gaining traction in certain policy circles. Given India's stronger and more balanced trade relationships with countries like Singapore, Malaysia, and Indonesia, expanding bilateral frameworks is increasingly seen as a pragmatic alternative, particularly where they offer clearer economic advantages.*

A restructured and credible FTA would also serve as a strategic signal to the West, particularly the United States,

that India views trade as a critical lever of economic diplomacy and is positioning itself as a proactive shaper of a more balanced and rules-based regional order.