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Beyond Ports and Shipping Lanes: Trade Policy as the Missing Link in ASEAN–India Maritime Connectivity

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Key Takeaways

- ASEAN–India maritime connectivity is constrained as much by regulatory barriers as by physical infrastructure.
- The AITIGA review offers an opportunity to strengthen policy connectivity through simpler rules of origin, streamlined NTMs and better trade facilitation.
- Digital trade integration, customs cooperation and regulatory convergence can turn physical connectivity into deeper trade and more resilient supply chains.

1. Introduction: Maritime Trade in a Volatile Indo-Pacific

Maritime trade is the backbone of the global economy. Approximately 80–90% of world trade by volume moves by sea, with Asia accounting for nearly 47% of total maritime trade—a share that has grown steadily from 35% in 2000. For ASEAN and India, maritime connectivity is foundational: India conducts roughly 95% of its trade by volume through maritime routes, Malaysia similarly relies on the sea for 98% of its trade, and Singapore's maritime sector represents a critical share of its national economy.

Yet this dependence on the sea comes with growing vulnerabilities. Geopolitical tensions, including conflicts in the Black Sea and the Strait of Hormuz, have disrupted energy markets and shipping lanes. Piracy costs the global economy

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an estimated USD 12–14 billion annually across key maritime regions. Critical chokepoints such as the Strait of Malacca, the Suez Canal, and the Panama Canal remain susceptible to disruption. Port congestion, cybersecurity threats to shipping systems, and an accelerating wave of protectionism and regulatory fragmentation further compound these risks.

Beyond physical threats, a structural policy challenge is emerging. Since 2020, around 18,000 new discriminatory trade measures have been introduced globally. Technical regulations now affect roughly two-thirds of global trade, raising compliance costs, especially for smaller exporters. The share of global trade conducted on WTO terms has fallen to 72%. Global goods trade could contract by 0.2% in 2025 under prevailing conditions, and by up to 1.5% under harsher tariff scenarios. In this environment, the Indo-Pacific cannot rely on infrastructure investment alone to sustain maritime commerce. A deeper solution is required.

2. The ASEAN–India Connectivity Paradox

ASEAN and India possess strong structural foundations for trade integration. They are linked by shared maritime history, geographic proximity, well-established shipping routes, and formal institutional arrangements. Yet the data tells a strikingly different story.

India's share of ASEAN's total trade has remained stubbornly low, hovering between 2.4% and 3.1% since 2011, and reaching only approximately 2.78% in 2024. This compares poorly with China's 20.1%, the United States' 11.8%, the EU's 7.6%, and Japan's 6.2%. In absolute terms, ASEAN–India trade stood at approximately USD 107 billion in 2024, a fraction of the USD 773 billion that ASEAN trades with China. Despite India being ASEAN's eighth largest trading partner, the relationship remains underperforming relative to its potential.

The persistence of this gap cannot be explained by deficiencies in physical infrastructure alone. Port performance across the region has improved considerably i.e., Singapore remains one of the world's leading maritime hubs, and India has reduced vessel turnaround and container dwell times substantially. The more fundamental constraint lies in the policy and regulatory domain: non-tariff measures (NTMs), divergent technical standards, complex rules of origin, and limited trade facilitation provisions that together create friction across supply chains.

Recent empirical studies confirm that while the ASEAN–India Free Trade Agreement (AIFTA/AITIGA) has successfully reduced tariffs, NTMs have emerged as a significant barrier, often offsetting the intended gains of trade liberalisation. The connectivity–integration gap is not a physical problem. It is a policy problem.

3. Why AITIGA Falls Short

The ASEAN–India Trade in Goods Agreement (AITIGA), in force since 2010, was designed to strengthen economic integration through tariff liberalisation. More than a decade on, the agreement has yielded modest gains. The reasons lie in its structural limitations across four critical dimensions:

Trade facilitation and customs modernisation. AITIGA lacks binding commitments on pre-arrival processing, time-bound release of goods, and interoperable electronic systems. Delays in cargo clearance and duplication of documentation remain largely unaddressed. More advanced agreements i.e., CPTPP and CETA—incorporate high-standard, binding commitments on advance rulings, risk management, expedited release of goods, and paperless trading.

Rules of origin (ROO). AITIGA's ROO provisions are relatively complex and restrictive, including a 35% regional value content threshold combined with product-specific rules and documentation burdens. These complexities discourage firms, particularly SMEs, from claiming preferential tariffs. By contrast, CPTPP allows broader cumulation across members and self-certification by exporters or producers, while RCEP introduces a single harmonised ROO regime across 15 countries, reducing compliance costs and supporting regional supply chain integration.

Digitalization. AITIGA's provisions on cross-border digital interoperability are limited. The agreement does not adequately support electronic certificates of origin, electronic bills of lading, or port community systems; tools that have been shown to reduce cargo dwell time and improve clearance efficiency across leading trade corridors.

Regulatory coherence. AITIGA provides only basic cooperation on sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) measures, with limited mutual recognition or harmonisation mechanisms. Exporters must comply with multiple separate regulatory regimes, increasing costs and delays. CPTPP and CETA, by contrast, incorporate provisions for mutual recognition, equivalence, and institutionalised regulatory dialogue.

The consequence is clear: strong structural connectivity has not been matched by effective policy connectivity. AITIGA remains a first-generation agreement in an era that demands next-generation solutions.

4. Policy Recommendations: Upgrading AITIGA for the Indo-Pacific Century

The ongoing review of AITIGA presents a timely and strategic opportunity to transform it into a comprehensive policy connectivity instrument. Four reforms are essential.

Recommendation 1: Modernise NTM Disciplines

ASEAN and India should embed a proactive, results-oriented agenda within the existing AITIGA Joint Committee to systematically address NTMs. This should include:

- A **rolling list of NTM** priorities with defined timelines for resolution, with progress reported periodically to the ASEAN–India Leaders' Summit;
- A **shared online registry** of NTMs to improve transparency and reduce information asymmetries for traders;
- **Time-bound consultation processes** for NTM disputes, ensuring resolution within defined periods;
- **Performance indicators** to monitor and publicly report progress on NTM elimination.

Recommendation 2: Simplify Rules of Origin

Practical ROO reform should draw on precedents from peer agreements:

- Adopt **self-certification** of origin (following CPTPP), eliminating the need for government-issued certificates of origin and reducing administrative delays;
- Introduce **broad cumulation provisions** modelled on RCEP's single harmonised regime, enabling firms to source inputs from any participating country while maintaining preferential eligibility;
- Standardise **Product-Specific Rules** to improve transparency and reduce compliance uncertainty for businesses operating across complex, multi-country supply chains.

Recommendation 3: Strengthen Trade Facilitation in Maritime Logistics

- Advance the **linkage of National Single Window (NSW)** systems, building on the ASEAN Single Window's existing electronic exchange of e-certificates of origin, to extend efficiency gains to the ASEAN–India interface;
- Adopt **pre-arrival processing and risk-based inspection** regimes to reduce vessel turnaround times and container dwell times;
- Prioritise **digital trade tools**, including electronic bills of lading and electronic certificates of origin, to streamline the full end-to-end supply chain beyond port-to-port transactions;
- Institutionalise **coordinated border management** involving customs, port authorities, and relevant regulatory agencies to minimise duplication.

Recommendation 4: Promote Regulatory Coherence and Mutual Recognition

- Expand **Mutual Recognition Agreements (MRAs)** in priority sectors such as food products, pharmaceuticals, and industrial goods;
- Align technical standards (TBT) and SPS measures, drawing on CPTPP's science-based equivalence framework and CETA's institutionalised regulatory dialogue;
- Establish an **ASEAN–India Regulatory Cooperation Forum** with a mandate to identify and progressively resolve divergences in standards and conformity assessment procedures.

5. Way Forward: Shaping the Next Cycle

The broader international trade environment reinforces the urgency of these reforms. As major powers compete through trade restrictions, export controls, and competing regulatory frameworks, ASEAN and India face a strategic choice: wait for the global rules-based trading system to be restored, or actively shape the next cycle.

Trade liberalisation tools can strengthen maritime networks by increasing trade flows, reducing friction, and encouraging investment in ports, shipping, and logistics. Digital systems, including Port Community Systems and Single Windows—reduce cargo dwell time and improve clearance efficiency. Crucially, these gains compound: demand-side integration reinforces supply-side investment.

The reform agenda should proceed in three phases:

1. **Immediate (2026):** Agree on a structured NTM work programme with timelines; establish the shared NTM registry; initiate technical consultations on ROO simplification and NSW linkage.
2. **Short-term (2026–2027):** Conclude an upgraded trade facilitation chapter; finalise self-certification arrangements; launch digital trade pilot programmes at priority ports.
3. **Medium-term (2027–2030):** Operationalise regulatory cooperation mechanisms; expand MRAs in key sectors; fully integrate digital trade frameworks across the ASEAN–India supply chain.

India and ASEAN cannot afford to let structural maritime advantages remain stranded behind policy barriers. An upgraded AITIGA, comprehensive in trade facilitation, modernised in rules of origin, and coherent in regulatory alignment, can translate physical connectivity into sustained economic integration. Beyond ports and shipping lanes, the real work of the Indo-Pacific century is to ensure that "trade done right" becomes the foundation of a deeper, more resilient ASEAN–India partnership.

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