



## INDIA -INDONESIA BILATERAL RELATIONS

**NEWS:** Indonesian President Prabowo Subianto arrived in India ahead of the 76th Republic Day celebrations in New Delhi, where he will be the chief guest.

### WHAT'S IN THE NEWS?

- **Cultural & Historical Ties:** India and Indonesia share over two millennia of close cultural and commercial contacts.
  - Hinduism, Buddhism, and later Islam spread to Indonesia from India.
  - Indian epics like Ramayana and Mahabharata influence Indonesian folk art and dramas.
  - The Bali Yatra festival is celebrated in both countries with enthusiasm.
- **Political Relations:** Both countries have common experiences of colonialism, democracy, pluralism, and progressive leadership.
  - President Sukarno of Indonesia was the Guest of Honour during India's first Republic Day in 1950.
  - Both nations were instrumental in the independence movements of Asia and Africa, and contributed to the Bandung Conference (1955) and the formation of the Non-Aligned Movement (1961).
  - India's 'Look East Policy' (1991) and 'Act East Policy' (2014) have accelerated bilateral relations, particularly in politics, security, defense, commerce, and culture





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- **G20 Engagement:** Indonesia chaired the G20 Presidency in 2022 with the theme “Recover Together, Recover Stronger.”
  - India participated actively in G20 events hosted by Indonesia, and Prime Minister Modi attended the G20 Leaders’ Summit in Bali in November 2022.
  - India assumed the G20 presidency in December 2022, hosting over 100 meetings with strong Indonesian participation.
- **Economic Relations:** Bilateral trade for 2022-23 was USD 38.85 billion, with Indian exports at USD 10.02 billion and imports at USD 28.82 billion.
  - India is a major buyer of Indonesian coal, crude palm oil, and other resources. India exports refined petroleum, vehicles, agricultural products, and more.
- **Investment:** Indian investment in Indonesia reached USD 1,219 million in 4,750 projects (2000-2022).
  - Much of Indian investment enters Indonesia via Singapore and other gateways, so the actual volume may be higher.
  - Areas for Indian investment include joint ventures in diverse sectors.
- **Blue Economy Opportunities:** The blue economy focuses on sustainable economic activities related to oceans and seas.
  - Indonesia is a leader in leveraging its maritime resources for sustainable economic growth.
- **Digital & Technological Cooperation:** Both India and Indonesia are highly digitalized and use technology for public services and e-governance.
  - India’s success with Digital Public Infrastructures (DPI) can serve as a model for Indonesia, which is also developing its DPis.
  - Cybersecurity is a key area for cooperation as both countries face new security risks in digital public services.
- **Defence:** India and Indonesia have strong defence and security cooperation. In May 2018, during Prime Minister Narendra Modi’s visit, both nations signed a new Defence Cooperation Agreement, marking the elevation of their relationship to a Comprehensive Strategic Partnership.
  - Exercise GARUDA SHAKTI is a joint training exercise between Indian Special Forces and the Indonesian Special Forces.

## Challenges in India-Indonesia Relationship



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- **Trade Imbalance:** India's heavy imports of **palm oil** and **coal from Indonesia** create a trade imbalance, with palm oil imports alone reaching **\$11 billion** in **2022**.
- **Unrealised Trade Potential:** Bilateral trade potential is estimated at **\$61 billion**, **33% higher** than current trade, highlighting **untapped opportunities** in agriculture and renewable energy sectors.
- **Dominance of China:** Indonesia's substantial Chinese investments under the **Belt and Road Initiative**, such as railways, have raised concerns in India about growing Chinese influence in the region.
- **Regulatory Challenges:** Differences in **defense procurement processes** have stalled joint defense projects, limiting deeper defense cooperation.
- **Ineffective Investor Window:** A special window to address **Indian investors' concerns** has been dysfunctional, hindering business expansion in Indonesia.
- **Connectivity Issues:** Limited direct **air connectivity** and **visa barriers** restrict people-to-people interactions, impeding tourism and business growth between the two nations.

## Future outlook

- Cooperation in the blue economy and digital technology offers promising opportunities for India and Indonesia.
- These collaborations will not only strengthen bilateral ties but also contribute to the broader Indo-Pacific region's prosperity.
- There is potential for India and Indonesia to collaborate on marine pollution, overfishing, sea farming, maritime security, waste management, blue carbon spaces, and marine resource utilization for fuel and food production.



## WHAT IS THE SIGNIFICANCE OF ASEAN FOR INDIA?

### ▪ Historical Context and Elevation of Partnership:

- **1992:** India became a **Sectoral Dialogue Partner** with ASEAN, marking the start of formal engagement.
- **1995:** Elevated to a **Dialogue Partner**, increasing interactions to the Foreign Minister level.
- **2002:** The relationship was further upgraded to **Summit level**, with the first Summit taking place in 2002.
- **2012:** At the **20-year Commemorative Summit in New Delhi**, the Dialogue Partnership was upgraded to a Strategic Partnership.
- **2018:** During the **25-year Commemorative Summit**, India and ASEAN agreed to focus on cooperation in the maritime domain.
- **2022:** The **30-year anniversary** of ASEAN-India relations was celebrated, designated as **ASEAN-India Friendship Year**, culminating in the elevation of the Strategic Partnership to a **Comprehensive Strategic Partnership**.



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- **Economic Powerhouse-Gateway to Southeast Asian Markets:** ASEAN represents a crucial economic bloc for India, offering access to a market of over **650 million people** with a combined GDP of **USD 3.2 trillion**.
  - The ASEAN-India Free Trade Area has boosted bilateral trade to **USD 110.39 billion in 2021-2022**.
  - ASEAN is one of the major trade partners of India with a share of **11% in India's global trade**.
  - **Singapore is India's largest trade partner in ASEAN and 6th largest trade partner worldwide** and it was the largest source of FDI during the last financial year valued at **USD 11.77 billion**.
- **Strategic Counterbalance:** In the context of rising geopolitical tensions, particularly with China, ASEAN serves as a crucial strategic partner for India.
  - **India's 'Act East Policy' and ASEAN's 'Outlook on the Indo-Pacific'** share complementary visions for regional stability.
  - The elevation of India-ASEAN ties to a **Comprehensive Strategic Partnership in 2022** underscores this alignment.
  - India's engagement with ASEAN in forums like the **East Asia Summit** and **ASEAN Regional Forum** provides platforms to assert its role as a net security provider in the region, countering Chinese influence and promoting a rules-based international order.
- **Connectivity Catalyst:** ASEAN is pivotal in India's vision of enhanced regional connectivity.
  - Projects like the **India-Myanmar-Thailand Trilateral Highway** and the **Kaladan Multi-Modal Transit Transport Project**, despite delays, represent India's commitment to physical integration with Southeast Asia.
  - Digital connectivity initiatives, including the **recent focus on 5G and cybersecurity cooperation**, further strengthen these links.
  - These connectivity projects are not just about infrastructure but are strategic investments in creating an **integrated economic and cultural space that can rival China's Belt and Road Initiative in the region**.
- **Cultural Confluence:** The deep-rooted historical and cultural ties between India and Southeast Asia provide a unique foundation for soft power diplomacy.
  - Initiatives like the **ASEAN-India Artists' Camp and Music Festival** celebrate this shared heritage.



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- The establishment of the **ASEAN-India Network of Universities in 2022** further strengthens academic and cultural exchanges.
- These cultural links are increasingly important in an era where public diplomacy plays a crucial role in international relations, helping India build goodwill and influence in the region.
- **Technological Synergy:** ASEAN's rapidly digitalizing economies present significant opportunities for India's IT sector and start-up ecosystem.
  - The inaugural **ASEAN-India Start-up Festival** showcases the potential for collaboration in areas like fintech, e-commerce, and artificial intelligence.
  - The **ASEAN-India Science and Technology Development Fund**, with its recent **USD 5 million boost**, supports joint research in cutting-edge fields.
- **Maritime Security Collaboration:** ASEAN is a key partner in India's maritime security strategy, particularly in the context of the Indo-Pacific region.
  - Collaboration on issues like piracy, illegal fishing, and disaster management in bodies like the **ASEAN Regional Forum** and the **Expanded ASEAN Maritime Forum** aligns with **India's SAGAR (Security and Growth for All in the Region) doctrine**.
  - The inaugural **ASEAN India Maritime Exercise** was held in the **South China Sea** in **May 2023**.
- **Energy Security and Sustainability:** ASEAN's energy-rich members offer opportunities for India to diversify its energy sources, crucial for its growing economy.
  - Simultaneously, **India's expertise in renewable energy**, particularly solar power, aligns with ASEAN's sustainability goals.
  - The recent ASEAN-India High-Level Conference on Renewable Energy exemplifies this synergy.
  - Cooperation in **semiconductors, clean energy technologies** and **sustainable development practices** positions both India and ASEAN at the forefront of global efforts to combat climate change while ensuring energy security.
- **Supply Chain Resilience:** In the **post-Covid era**, ASEAN has emerged as a key partner in India's efforts to build resilient supply chains.
  - The pandemic exposed vulnerabilities in global supply networks, prompting a **rethink of over-dependence on single sources**.
  - India-ASEAN cooperation in sectors like pharmaceuticals, electronics, and automobiles is crucial for creating diversified, robust supply chains.



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- This collaboration aligns with broader initiatives like the **Supply Chain Resilience Initiative (SCRI) involving India, Japan, and Australia**, aimed at reducing dependence on China and creating more secure regional value chains.

## Source:

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