



सत्यमेव जयते

Policy Planning & Research Division  
Ministry of External Affairs  
Government of India



CENTRE FOR  
STRATEGIC AND  
INTERNATIONAL  
STUDIES

# INDIA-INDONESIA

## TRACK 1.5 DIALOGUE





# INDIA-INDONESIA

## Companion Souls in a New Era

October 2024



CENTRE FOR  
STRATEGIC AND  
INTERNATIONAL  
STUDIES



CENTRE FOR  
STRATEGIC AND  
INTERNATIONAL  
STUDIES

## Executive

Executive Directors: Manjeet Kripalani, Yose Rizal Damuri

## Publication

Project Managers: Aliasger Bootwalla, Waffaa Kharisma

Website and Publications: Charuta Ghadyalpatil

Cover Design & Layout: Debarpan Das

**in** Gateway House: Indian Council on Global Relations

**🐦** @GatewayHouseIND

**f** @GatewayHouse.in

**📷** @gatewayhouse.in

For more information on how to participate in Gateway House's outreach initiatives, please email [outreach@gatewayhouse.in](mailto:outreach@gatewayhouse.in)

© Copyright 2024, Gateway House: Indian Council on Global Relations, Centre for Strategic and International Studies (CSIS).

All rights reserved. No part of this publication may be reproduced, stored in or introduced into a retrieval system, or transmitted, in any form or by any means (electronic, mechanical, photocopying, recording or otherwise), without prior written permission of the publisher.

Printed in India by Aiolite Printers

## Acknowledgements

This event is in partnership with the Public Policy & Research division of the Ministry of External Affairs, Government of India, and the Embassy of Indonesia in New Delhi. It has also been supported by Government of Maharashtra, India, along with Indorama and Sinarmas, Indonesia.



सत्यमेव जयते

Ministry of External Affairs  
Government of India



महाराष्ट्र शासन



**INDORAMA**

PT. Indo-Rama Synthetics Tbk



**sinarmas**



# Table of Contents

<b>1. Introduction</b> .....	<b>08</b>
<b>2. Key Findings</b> .....	<b>09</b>
• Geopolitics	
• Defense and maritime security	
• Cybersecurity	
• Trade and investment	
• People to people ties	
• Resilience in supply chains	
• Energy transitions	

## 1. Introduction

The India-Indonesia Track 1.5 Dialogue is a two-year initiative between Gateway House: Indian Council on Global Relations, Mumbai, and the Centre for Strategic and International Studies (CSIS) Indonesia, Jakarta. Think tank experts, government officials, and business leaders will convene biennially to promote bilateral economic growth and innovation.

India and Indonesia have a comprehensive strategic relationship built on their ancient and modern histories, and a flourishing relationship sustained by trade, economic exchange and people-to-people contact. Both countries are expanding and there are new areas to explore for mutual benefit. They prioritise defence and security, energy, and the Indo-Pacific region. The Track 1.5 Dialogue is a suitable format for this. The Dialogue aims to provide policy recommendations to promote innovation and navigate evolving governance issues through bilateral and multilateral cooperation.

Therefore on 23-24 September 2024, Gateway House and CSIS Indonesia, co-hosted the first-ever India-Indonesia Track 1.5 Dialogue, in partnership with the Ministry of External Affairs, Government of India, and the Ministry of Foreign Affairs of the Republic of Indonesia, through the Embassy of the Republic of Indonesia in New Delhi; supported by Government of Maharashtra, India, along with Indorama and Sinarmas, Indonesia.

The two-day event focused on transforming India and Indonesia from the “companion souls” of Rabindranath Tagore’s 1927 journey to the geopolitical, geostrategic and geoeconomic partners of today, assisting each to expand their space on the global stage as the largest and third largest democracies. The thematic sessions were chosen to reflect the strengths of both countries and the technical collaborations that can be effectively leveraged.

The roundtable discussion was held in-person in Mumbai. Government officials, corporations, entrepreneurs and leading scholars and experts from both India and Indonesia participated in the dialogue.

The dialogue was opened by Ashish Kumar Sinha, Joint Secretary (South), Ministry of External Affairs, Government of India; Y. Jatmiko Heru Prasetyo, Director for South and Central Asian Affairs, Directorate General of Asia-Pacific and African Affairs, Ministry of Foreign Affairs, Republic of Indonesia; Sandeep Chakravorty, Ambassador, Embassy of the Republic of India in Jakarta and Ina H. Krisnamurthi, Ambassador Extraordinary and Plenipotentiary, Embassy of the Republic of Indonesia in New Delhi.



## 2. Key Findings

India and Indonesia are two major Asian powers celebrating 75 years of diplomatic relations. As the geopolitical, geostrategic and geoeconomic importance of the two major democracies grows, bilateral exchanges are set to deepen. This first Track 1.5 roundtable reflected the forward-thinking nature of the bilateral and the technical collaboration that India and Indonesia can leverage through cooperation.

### Geopolitics

- India and Indonesia recognise the importance of hosting the first-ever Track 1.5 Dialogue in a world in transition, with their newly elected governments moving from non-alignment, and the necessity therefore to strengthen the comprehensive strategic partnership. The Dialogue aims to learn from each other's developmental successes, and collaborate regionally to better navigate common geopolitical challenges, particularly in the Indo-Pacific. It adds to the ongoing discussions on counter-terrorism, maritime security, digitalisation, defence and healthcare.
- Both countries share deep historical ties that date back centuries, with intertwined cultures reflected in ancient texts and epics. Now they must focus on modern integration, transformation, and cooperation.
- There is an understanding on the positions taken by both countries in multilaterals like the United Nations. However, there is anticipation that Indonesia can participate in India's diplomatic initiatives, ranging from the International Big Cat Alliance, Global Biofuels Alliance and International Solar Alliance to BRICS and The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), which have recently opened membership to other countries. India-Indonesia engagement can also work to enhance the role and capacity of ASEAN-led mechanisms, such as the East Asia Summit, to accommodate the pressing strategic needs of both countries.
- India can play a significant role in Indonesia's development and social programmes by providing expertise on established programmes like the mid-day meal school scheme, food security and agriculture, digital public infrastructure (DPI); but it has to overcome challenges of trust and perception mismanagement.
- To further the bilateral:
  - Review and audit the existing 20 bilateral mechanisms and keep the best.
  - Increase high-level meetings between both nations by convening a bilateral summit at the leaders' level along with the 2+2 Foreign and Defence Ministers meeting.

### Defence and Maritime Security

- The current India-Indonesia defence cooperation spans four areas: defence agreements; defence industry collaborations; capability building and training.
- The Defence Cooperation Agreement (DCA) signed during Prime Minister Modi's visit to Jakarta in 2018 was ratified six years later in September 2024, reflecting how slowly defence cooperation between the two countries is advancing, hindering broader improvements in the bilateral.
- Indonesia is diversifying its military technology supplies from Russia and has opened to foreign and private investment in the sector, India can potentially be an alternative defence provider to Indonesia as both are interlinked with the Russian defence system and equipment supply chain. This will increase opportunities for defence partnerships for India in Southeast Asia, as Indonesia is the biggest market in the region.

- India's large OEMs prefer direct engagement with government organizations rather than working through intermediaries or nominated agents. Indonesia can overcome its logistical and supply chain gaps and disruptions by working this route, which will remove barriers to effective collaboration, increase transparency, and speed up the procurement process. The recent port call of an Indian Navy submarine in Jakarta reflects growing trust and emphasizes the importance of collaborative efforts to enhance maritime security.
- Both countries seek self-reliance in defence through joint development and co-production of naval systems, complemented by maritime information-sharing agreements for effective incident responses.
- Collaboration in the underwater realm remains largely unexplored, presenting significant security concerns. Both can cooperate in underwater domain awareness with India providing hardware for deployment at depths of up to 2,000 meters, managing petabytes of data, and utilizing AI and machine learning techniques for anomaly detection.
- Recommendations:
  - Establish defence collaboration through partnerships and joint ventures at multiple levels (government, industry, start-ups)
  - Expedite approval process for a multi-domain and tri-service exercises
  - Revive exchange of military personnel/instructors and subject-matter experts in each other's training institutions.
  - Create an India-Indonesia security dialogue to:
    1. Increase collaboration in counter terrorism and de-radicalisation where Indonesia has seen success. For example, India can learn from Indonesia's de-radicalization programme to counter extremism.
    2. Focus on crises in Asia, given China's growing influence in the Indian Ocean and assertive behaviour in the South China Sea
    3. Synchronise and synergise ongoing bilateral and plurilateral maritime security cooperation like the Indo-Pacific Oceans Initiative (IPOI) and ASEAN Outlook on Indo-Pacific (AOIP).
  - Leverage the India-Indonesia-Australia trilateral to co-produce defence equipment.
  - The placement of an Indonesian officer in the Indian Ocean Region's Information Fusion Centre will enhance cooperation.
  - Commercially, India and Indonesia must initiate a white shipping information exchange agreement to improve vessel identification and reduce operational risks.
  - The development of Sabang Port in Aceh Province, with its strategic access to the Andaman and Nicobar Islands (Campbell Bay, Nicobar, is 166 km from Sabang, Aceh) and the Indian Navy jointing the Malacca Straits Patrol (MSP), will reinforce the partnership.
  - On undersea data cables:
    1. Create a consortium between Indian and Indonesian companies to invest in subsea cables or their landing stations in both/either country.
    2. Discuss this topic in detail at the next India-Indonesia Track 1.5 Dialogue
  - Deepen blue economy research collaboration

## Cybersecurity

- Elections in democracies need electoral processes to be continuously adapted to address challenges of disinformation and cyberthreats which can undermine public trust in democratic institutions. Taiwan's successful elections amidst digital threats can be a good use case; so is India's Electronic Voting Machines (EVMs) and its ecosystem.
- Both nations must prioritize cybersecurity for several reasons: the rapid advancement of Artificial Intelligence, and the increasing sophistication of ransomware attacks like CIPHER 4.0.
- Recommendations:
  - Collaborate to heighten public awareness through education; bridge the skill gap in cybersecurity through increased training programmes and institutional collaborations
  - Establishing trust is vital as the government's handling of public data will strengthen public confidence in the digital economy. Both countries can reinforce their cybersecurity frameworks by sharing threat intelligence and best practices.
  - Keeping regulatory frameworks up-to-date with technological advancements. IndiaStack includes the consent architecture framework, data empowerment and protection architecture or DEPA and the techno-legal regulation, which can be shared.

## Trade and Investment

- India and Indonesia should plan, and set, an ambitious target to double bilateral trade to \$80 billion in the next three to four years, with an aspirational goal of \$100 billion by 2030. This goal-oriented approach can motivate both governments and businesses to actively pursue opportunities. A detailed India-Indonesia trade and investment study is to be undertaken after this Dialogue, ideally to complement the proceedings of the next iteration of the Track 1.5 meeting in Jakarta.
- India's markets are valued at approximately \$5.5 trillion, with foreign portfolio investors holding nearly 19% (\$1 trillion) and adding another 10% when including foreign direct investment. India enforces strict regulations requiring quarterly disclosure of investor numbers because of which it is attractive, with over 100 IPOs in 2023. The stock exchanges of both countries can be linked, especially featuring Indonesia's blue-chip stocks in finance, mining, and telecommunications and India's finance, infrastructure, technology and small and medium enterprises.
- Increase investments from Indonesian companies in India. For instance, Bukaka is interested in building a plant in Gurugram.
- India and Indonesia have vibrant start-up cultures. India already has 116 unicorns in 2024 so far, many born from the ecosystem developed by India's Digital Public Infrastructure which fosters private innovation. Indonesia can adopt the same. Investments from Indonesia companies in India. For instance, Bukaka is interested to open and build a plant in Gurugram.

## People-to-people Ties

- To deepen ties and foster mutual understanding, it is necessary to enhance connectivity – have direct flights from New Delhi to Jakarta, and Aceh to Andaman.
- Maps in Indonesian textbooks typically exclude India, cutting off the view to the west at Thailand and Sumatra, which shapes a “mental map” that overlooks India’s proximity to Indonesia. This can be corrected through promotion of the larger “Indo-Pacific” mental map. Collaboration between Indonesian and Indian filmmakers to create narratives that highlight their rich cultural legacies for the younger generation. Leverage digital technologies like animation, virtual reality, and 3D filmmaking, to modernize and celebrate respective histories, fostering a deeper appreciation of a shared heritage.
- Investing in educational connections is essential for fostering a better understanding. India offers over 1,000 scholarships annually but uptake remains low. Promote these opportunities in popular subjects like engineering or IT. Indian private universities can open campuses in Indonesia.

## Resilience in Supply Chains

- Trade is restricted due to existing barriers in the form of luxury tax for two-wheelers, limited market access, non-tariff barriers on critical minerals and lack of corporate engagement.
- India and Indonesia can position themselves as complementary manufacturing hubs and together be a part of the China+1 strategy. This requires both countries to further open their economies.
- Given the new environmental policies from Western economies, like the EU’s Carbon Border Adjustment Mechanism (CBAM), the EU Deforestation Regulation (EUDR) and EU’s Corporate Sustainability Due Diligence Directive (CSDDD), India and Indonesia can develop and share good sustainable practices.
- India and Indonesia are both members of the Indo-Pacific Economic Framework for Prosperity (IPEF) and the India-ASEAN Free Trade Agreement is under review. Indonesia urges India to join other regional trade agreements like RCEP or CPTPP. For India, only CPTPP is a viable option, but may have domestic implications.

## Energy Transitions

- India and Indonesia are heavily dependent on coal for power generation (55% of India and 40% of Indonesia’s electricity is generated from it), and therefore cannot phase out fossil fuels until cost-effective and advanced alternatives are in place.
- The shift to renewables requires critical minerals, which are currently in limited supply. India imports minerals from Australia, but processing them is expensive at source or destination. Indonesia can be an ideal mid-point location for refining such elements.
- Recommendations:
  - Collaborate on new norms-setting rules at the global level regarding energy transition for Global South economies.
  - Collaborate to diversify mineral sources and invest in extraction and processing, reducing the risk of supply disruptions.

- The existing Memorandum of Understanding (MoU) on energy cooperation between India and Indonesia has seen limited follow-up. Working groups on renewable energy and natural gas should be revitalised to focus on:
  1. Indonesia's potential as a carbon capture and storage hub, supported by India's expertise to cooperate in green hydrogen development and setting production standards and sharing technological innovations.
  2. India's strong equity market, which can be used to fund joint ventures in energy transition technologies to speed up the energy transition

### **Next Steps**

- The next India-Indonesia Track 1.5 Dialogue to be held in Indonesia in March-April 2025.
- Ministry of External Affairs, Government of India to request India Exim Bank to fund and work with Gateway House to undertake a detailed India-Indonesia trade and investment study in preparation for Part 2 of the Track 1.5 Dialogue.



CENTRE FOR  
STRATEGIC AND  
INTERNATIONAL  
STUDIES



