

# Getting closer to Indonesia



**BHASKAR  
BALAKRISHNAN**

► *The Indonesian President's visit to India has prepared the ground for improved bilateral economic and strategic ties.*

**T**he Indonesian President, Mr Susilo Bambang Yudhoyono's three-day trip, his second to India, as chief guest on Republic Day, marks a significant boost to bilateral relations between the two countries. It may be recalled that 1950, President Soekarno was the chief guest at India's first Republic Day celebrations.

Indonesia, a multi-cultural, multi-ethnic and pluralistic democracy like India, has been playing an increasingly important role in global affairs, such as the G20. This month, Indonesia took over the Chair of Association of the Southeast Asian Nations (ASEAN) from Vietnam.

India regards Indonesia as a key member of ASEAN. Both nations had agreed to establish a strategic partnership during Yudhoyono's first state visit to India in 2005. India's President visited Indonesia in December 2008. The Prime Minister, Mr Manmohan Singh, and the Indonesian President, Mr Yudhoyono, have been regularly meeting on the margins of international forums.

## **NATURAL RESOURCES**

Indonesia's relatively shielded economy weathered the 2008

global economic crisis quite well, buoyed by strong domestic demand and a government stimulus package of 1.4 per cent of GDP. After India and China, Indonesia is the third fastest growing economy (growth rate of 6 per cent) in the G20 group.

Indonesia has proven oil reserves of 4.3 billion barrels and accounts for 1.2 per cent of world oil reserves, the world's 20th largest. Domestic consumption has grown, and Indonesia ceased to be a net oil exporter and member of OPEC since 2004. Indonesia has proven gas reserves (2008) of 112 trillion cubic feet (TCF), making it the world's 11th largest. It is the world's third largest exporter of LNG, supplying mainly to Japan, South Korea, and Taiwan.

However, the LNG sector is undergoing more development, while India has emerged as a large potential buyer. Indonesia has many geological basins that await exploration efforts.

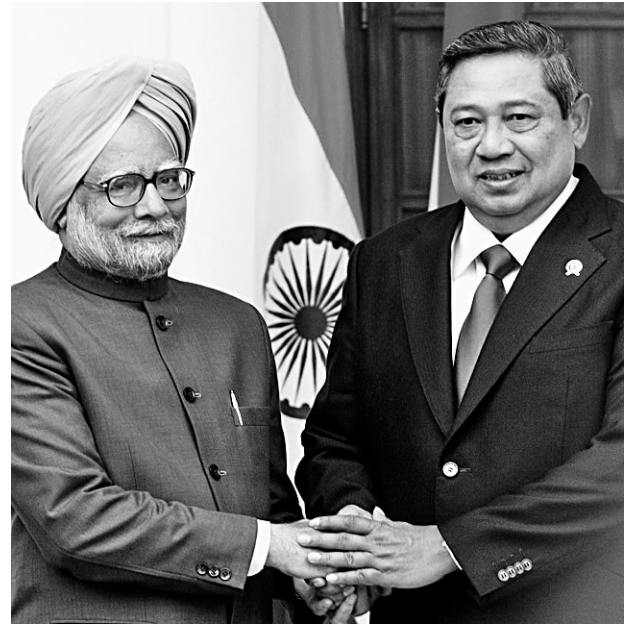
In addition, it has some 453 TCF of coal bed methane resources, one of the world's largest, but only a few contracts have been signed so far. Energy and hydrocarbons, therefore, is an important sector for cooperation with India.

## **INFRASTRUCTURE POTENTIAL**

Indonesia plans to spend \$140 billion until 2014 on improving its infrastructure and reaching a growth target of 7 per cent. It aims to attract \$90 billion of this from private investors. Indian business has invested in Indonesia in sectors such as textiles, steel, automotive, banking, power, railways, hospitality and natural resources.

At least 20 leading Indian industrial groups have already set up manufacturing joint ventures in Indonesia.

Indonesia is a key player in the finalisation of the India-ASEAN Free Trade Accord. Indonesia has approved the agreement and it has been operationalised with effect from October 1, 2010. Both sides



**The Prime Minister, Dr Manmohan Singh, and the Indonesian President, Mr Bambang Yudhoyono ... beefing up bilateral ties.**

have also completed the joint study for initiating negotiations on the Comprehensive Economic Partnership Agreement (CECA), similar to those under discussions with Singapore, Thailand, South Korea, Japan and Malaysia.

## **DEALS SIGNED**

During the Presidential visit, the two sides signed 18 deals worth over \$15 billion, at a business summit. The deals include two greenfield international airports in North Bali and Yogyakarta, Java, to be set up by GVK Power and Infrastructure Ltd; and a \$3.3 billion, three million tonnes per annum steel plant to be set up by the ICV Consortium (including Steel Authority of India Ltd).

Trade between the two countries has tripled from \$4 billion in 2005 to \$12 billion in 2010. Indonesia has some very high grade coal reserves of interest to Indian steel industry. Both sides agreed to boost trade to \$25 billion by 2015.

The two governments concluded three agreements and seven MoUs. A joint statement was issued on the India-Indonesia New Strategic Partnership over the coming decade.

An Indian consulate is to be opened in Bali. Visa on arrival facility is to be granted to Indonesian tourists. In space cooperation, India has already launched one micro satellite for

Indonesia, and two more are due to be sent into orbit. India provides training for 125 Indonesians annually and has set up a vocational training centre in Jakarta and another is coming up in Aceh.

## **STRATEGIC INTERESTS**

Indonesia has suffered, like India, from terrorist attacks in recent years. Since 2000, the Jakarta Stock Exchange bombing was followed by four more large attacks. The deadliest killed 202 people (including 164 foreign tourists) in the Bali resort town of Kuta in 2002. The attacks severely damaged Indonesia's tourism industry and foreign investment prospects.

However, after the capture and killing of most of its key members and leaders, terrorist cells in Indonesia, including the Jemaah Islamiyah (JI), are less of a threat. Indonesia's counter-terrorism and intelligence set-up have been quite effective and India could learn some lessons in this field.

Indonesia's armed forces comprising some 430,000 personnel in the three services, is one of the largest in the region. The defence budget accounts for 1 per cent of GDP. The defence industry is growing and modernisation is under way.

*(The author is a former ambassador to Cuba and Greece.)*