



# Delhi Policy Group

Advancing India's Rise as a Leading Power

## EAST ASIA EXPLORER MAY 2025

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## East Asia Explorer

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*The views expressed in this publication are those of the authors and should not be attributed to the Delhi Policy Group as an Institution.*

### Cover Image:

Indian Prime Minister, Narendra Modi welcomed Indonesian President Prabowo Subianto for a bilateral meeting at Hyderabad House, New Delhi, on January 25, 2025. Source: [Narendra Modi](#)

President of the Republic of Indonesia, Prabowo Subianto received Premier of the People's Republic of China (PRC), Li Qiang for a bilateral meeting at the Merdeka Palace, Jakarta, on May 25, 2025. Source: [President of the Republic of Indonesia](#)

Thailand hosted the 6th BIMSTEC Summit, the first in-person meeting of leaders in seven years, in Bangkok on April 4, 2025. Source: [X/BIMSTEC](#)

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# The Evolution of India-Indonesia Relations: Economic and Security Partnerships

by

Satish Chandra Mishra

## Introduction

This paper explores the dynamic and fast evolving relationship between India and Indonesia, two major Indo-Pacific powers whose partnership spans trade, defence and diplomacy. In the unstable multipolar world that is set to replace the Unipolar world dominated by the USA, and the emergence of a bi-polar Asia, divided between China on the one hand and India-Indonesia on the other, the future holds a promise of reigniting the march towards the Asian Century and changing the face of global governance, trade, technology, health and people to people exchange.

In this article, I argue that given the deep historical and civilization links of the past, the economic and security demands of the present and the promise of a peaceful and technology advanced Asia, it is time to pay far greater attention to India/Indonesia relations. The foundations of this relationship have grown significantly over the last 25 years after the advent of democracy in Indonesia, its growing ambition to be regional and global power on its own terms and its determination to raise the tempo of economic growth, employment, productivity founded on faster industrialization, and a greater focus on the rapidly growing internal market. Moreover, its moderate Islamic culture has produced a unique blend of democracy and Islam, something of great import in today's polarized world. Thus, both from a strategic-economic standpoint as well as a political-social one, it is time to accelerate the interaction and partnership between the fastest growing economy in the world and Indonesia: the second fastest growing economy. (OECD, 2024)

## Historical Foundations of India-Indonesia Relations

The relationship between India and Indonesia is built upon deep historical roots that extend back centuries before formal diplomatic relations were established. Archaeological and cultural evidence demonstrates that the civilizational impact of Hindu and Buddhist traditions originating in India have permeated Indonesian society, leaving an indelible mark that remains evident in modern Indonesian culture, particularly in Bali, Java, and Sumatra.

The modern diplomatic relationship between these two nations began shortly after Indonesia gained independence from colonial rule, with formal relations established in 1951. This timing is significant as it represented solidarity between two newly independent nations seeking to assert their sovereignty in the post-colonial world order.

The 1955 Bandung Conference represents a pivotal moment in the bilateral relationship, where Prime Minister Jawaharlal Nehru and President Sukarno emerged as leading voices for non-aligned nations. This conference not only strengthened bilateral ties but also positioned both countries as influential actors within the global south, shaping their foreign policy orientations for decades to come.

Following the end of the Cold War, both nations underwent significant economic liberalisation in the 1990s, creating new imperatives for deeper engagement beyond political solidarity. This shift marked the beginning of a more comprehensive relationship encompassing economic, security, and cultural dimensions that continues to evolve today.

## Economic Engagement: Bilateral Trade and Investment

The economic relationship between India and Indonesia has experienced remarkable growth over the past two decades, evolving from modest beginnings to become a cornerstone of bilateral relations. Trade volumes have increased more than fivefold since the early 2000s, reaching an impressive \$21 billion in 2022. This substantial growth reflects both countries' economic expansion and their growing recognition of mutual economic complementarities.

The implementation of the ASEAN-India Free Trade Agreement in 2010 marked a significant milestone in economic relations, creating a structured framework for reducing tariff barriers and facilitating greater market access. Despite this progress, the trade relationship remains characterised by persistent imbalances, with Indonesia maintaining a substantial surplus of approximately \$9 billion. This imbalance stems primarily from Indonesia's exports of raw materials and natural resources to India, especially coal, palm oil, and minerals.

- **\$29.4 Billion Bilateral Trade:** Value reached in 2023/24, representing more than a fivefold increase from \$4b in the early 2000s, demonstrating the rapidly expanding economic relationship.

Indonesia is now India's largest trading partner in ASEAN. Aim to raise this rapidly to \$50B by 2025

- **\$54 b (including that channeled through Singapore)** - Indian Investment: Approximate cumulative value of Indian investments in Indonesia across various sectors including energy, infrastructure, pharmaceuticals, and technology.
- **2010 FTA Agreement** - Implementation year of the ASEAN-India Free Trade Agreement, which has progressively reduced tariff barriers and expanded market access
- **\$9b Trade Deficit for India:** Indonesia's significant trade surplus with India, primarily driven by exports of coal, palm oil, and raw materials.

Investment flows have also witnessed significant expansion, with Indian businesses investing approximately \$54 billion, including that channeled through Singapore, (\$7billion if Singapore sourced Indian investment is excluded), across various sectors in the Indonesian economy. These investments span traditional industries such as textiles and pharmaceuticals as well as emerging sectors like digital technology and renewable energy. Notable Indian corporations with substantial Indonesian operations include Tata Group, Reliance Industries, and various IT services companies that have established regional hubs in Jakarta.

The marked expansion of trade between India and Indonesia has not been without friction. Non-tariff barriers, regulatory anomalies and infrastructure problems have kept bilateral economic engagement to well below its full potential. Although both countries have established working groups to address these issues, aiming to create a more conducive environment for trade and investment through regulatory harmonization and streamlined procedures, the process has been slow. In the current global economic environment marked by unforeseen tariff wars and shifting defense and economic alliances, efforts at greater economic cooperation and deeper inter-industry supply chain linkages, remains an urgent priority. Some possibilities of so doing are listed below.

## Key Economic Sectors in Bilateral Engagement

The economic partnership between India and Indonesia encompasses diverse sectors, reflecting the complementary nature of their economies and

evolving strategic priorities. Understanding these key areas of cooperation provides insight into the multidimensional nature of bilateral economic relations and highlights potential growth trajectories for future engagement.

## 1. Energy Sector

Indonesia serves as a critical energy partner for India, supplying significant volumes of coal that contribute to India's energy security. This relationship has expanded beyond simple buyer-seller dynamics, with Indian companies like ONGC Videsh and Coal India actively investing in Indonesian oil, gas, and coal exploration projects. These investments facilitate technology transfer and create sustainable supply chains.

In recent years, cooperation has progressively shifted toward renewable energy, particularly in solar power and biofuels. Given Indonesia's abundant solar resources and India's expertise in photovoltaic technology, this partnership presents mutual benefits. Joint research initiatives focusing on sustainable energy solutions are increasingly prominent features of bilateral energy cooperation.

## 2. Infrastructure Development

Infrastructure represents another vital area of economic collaboration, with Indian companies securing significant projects across the Indonesian archipelago. Major Indian conglomerates like Larsen & Toubro and Tata Projects have established operations in Indonesia, participating in road construction, railway development, and urban infrastructure projects. These engagements demonstrate India's growing capabilities as an infrastructure partner for emerging economies.

Maritime infrastructure has become particularly significant, with joint port facility developments enhancing connectivity between the two nations. These projects align with both countries' maritime strategic objectives while facilitating greater trade and people-to-people exchanges. Technical expertise sharing in areas such as sustainable urban planning has created additional avenues for collaboration beyond traditional construction activities.

One should note that sectoral engagements represent more than just commercial transactions; they serve as channels for knowledge exchange, capacity building, and strategic alignment. As both nations continue their economic development journeys, these sectoral partnerships are likely to



deepen and expand into new domains such as green technology, advanced manufacturing, and digital services.

## Security and Defence Cooperation

The security and defence partnership between India and Indonesia is another area that has evolved significantly over the past two decades, transforming from limited engagement into one spanning across various dimensions of military cooperation. This evolution reflects both countries' growing recognition of new and shared security challenges.

The Defence Cooperation Agreement signed in 2001 established the formal framework for military-to-military engagement between the two nations. This landmark agreement facilitated regular defence dialogues, joint exercises, and training exchanges. These have progressively increased in complexity and scope. The institutional mechanisms created under this agreement ensure continuous engagement between defence establishments despite political changes in either country.

Naval cooperation stands out as the most developed aspect of defence relations, with the bilateral exercise "Samudra Shakti" serving as a flagship initiative since its launch in 2018. These exercises have progressively incorporated more complex elements, including advanced manoeuvres and anti-submarine warfare components. The focus on maritime security reflects both countries' identities as significant maritime powers with extensive coastlines and vital interests in ensuring freedom of navigation in regional waters. In addition, counterterrorism cooperation has emerged as another crucial dimension of security relations, given that both countries face threats from extremist groups. Intelligence sharing mechanisms have been established to address these challenges, particularly concerning terrorist organisations with cross-border networks. Joint working groups coordinate responses to emerging threats while enhancing border security measures and countering terrorist financing networks.

An important new departure is the cooperation defence related industrial production, with early-stage discussions on joint production of military equipment. These initiatives align with India's "Make in India" programme and Indonesia's ambitions for greater self-reliance in defence production. Such programmes are in their early stages but signal the direction in which such mutual cooperation continues to move forward.



## Strategic Dialogue Architecture

Despite the progress in economic and defence cooperation, a sustained and closer relationship between India and Indonesia requires these to be grounded within a wider and strategic vision. A start has been made in this direction in recent years. The danger is that without an in-country strategy of engagement with the partner country, piecemeal approaches rarely work. They also lead to unrealistic expectations and reversals. The recently established Arthashastra Institute in Bali, Indonesia, represents an initiative in helping to provide analytical and communication hub surrounding discussions of the key components of what such a long-term strategic partnership of India with Indonesia.

## Maritime & Indo-Pacific Collaboration

Not unexpectedly a constant refrain in Indonesian policy circles has been the need for it to be a Maritime State and a frustration that not enough has been done to develop a clear concept such an entity. In recent years, piece by piece, a number of elements of a Maritime State are being crafted.

### 1. Maritime Security Cooperation

Joint naval exercises between the Indian and Indonesian navies have become increasingly sophisticated, progressing from basic manoeuvres to complex operations incorporating anti-submarine warfare and maritime interdiction elements. The annual "Samudra Shakti" exercises serve as the flagship of this cooperation, demonstrating growing interoperability between the naval forces. These exercises are complemented by coordinated patrols in the Andaman Sea, which help secure vital sea lanes of communication against piracy, illegal fishing, and other transnational threats.

### 2. Blue Economy Initiatives

Economic cooperation in the maritime domain encompasses diverse activities aimed at sustainable utilisation of ocean resources. Both countries have established working groups focusing on marine biotechnology research, exploring potential applications in pharmaceuticals, nutrition, and industrial processes. These scientific collaborations leverage the extraordinary marine biodiversity found in both countries' waters.

Maritime governance cooperation is evident through collaborative efforts in

various multilateral forums, particularly the Indian Ocean Rim Association (IORA). Both countries actively support the implementation of the United Nations Convention on the Law of the Sea (UNCLOS) as the fundamental legal framework governing maritime activities. They have aligned positions on preserving the rules-based maritime order, and a firm commitment to strategic autonomy in the Indo-Pacific region.

Physical infrastructure complements these cooperative initiatives. Thus, strategic port development projects in Sabang (Indonesia) and the Andaman Islands (India) have been designed to enhance maritime linkages. The establishment of direct shipping routes between major ports has reduced logistics costs and transit times, facilitating greater trade flows. Investments in port infrastructure and logistics improvements support these connectivity objectives while creating economic opportunities in coastal regions of both countries.

## **Recent Initiatives in India-Indonesia Relations (2020-2025)**

The past five years have witnessed a significant acceleration in bilateral engagement between India and Indonesia, with numerous initiatives launched across various domains. These developments signal a recognition of their strategic importance to each other. They also demonstrate their commitment to building a comprehensive partnership that enables them collectively to address common threats as well as benefit from new opportunities. Some of the noticeable steps in closer India-Indonesia cooperation between India and Indonesia are summarized in the following snapshot.

### **1. 2020: Pandemic Response Collaboration**

The COVID-19 pandemic triggered unprecedented cooperation in healthcare and pharmaceutical sectors. Joint medical research initiatives were established, focusing on vaccine development and therapeutic interventions. India provided critical pharmaceutical supplies including hydroxychloroquine to Indonesia during the early stages of the pandemic when global supply chains were severely disrupted. This health diplomacy strengthened bilateral trust and created institutional linkages between medical research establishments in both countries.

### **2. 2021: Maritime Connectivity Enhancement**

Significant progress was achieved in maritime infrastructure development,

with the Sabang deep-sea port project advancing through renewed investment commitments. This strategic port located near the Malacca Strait enhances connectivity while offering commercial and security benefits to both nations. Joint naval exercises were expanded in scope, incorporating more complex scenarios and involving multiple branches of the armed forces. These developments strengthen the maritime dimension of bilateral relations while contributing to regional stability.

### **3. 2022: Trade Framework Upgrade**

Economic relations reached a milestone with bilateral trade surpassing \$20 billion for the first time, representing a fivefold increase since the early 2000s. This achievement was accompanied by the signing of the Economic Cooperation Framework Agreement, which established mechanisms for addressing trade barriers and facilitating greater market access. Specific provisions for digital trade, services, and intellectual property protection make this agreement more comprehensive than previous frameworks. Sectoral working groups were established to implement these provisions and monitor progress.

### **4. 2023-2025: Future Roadmaps:**

The most recent period has seen the launch of forward-looking initiatives designed to shape bilateral cooperation over the coming decade. The Green Growth Initiative established joint projects in renewable energy, sustainable urban development, and circular economy principles. Similarly, the India-Indonesia Innovation Bridge created institutional linkages between startup ecosystems and technology hubs in both countries, facilitating knowledge exchange and collaborative ventures in emerging technologies.

## **Emerging ideas and priorities for strategic India-Indonesia cooperation**

The India-Indonesia relationship continues to evolve although there is a long way to go. Regional stability and accelerated economic integration are two foundations of a strategic-cooperation agreement on which there is growing clarity.

## **Regional Stability Contribution**

The India-Indonesia partnership provides a stabilising influence in the Indo-Pacific amidst intensifying great power competition. As democratic nations

with significant demographic, economic, and military capabilities, their aligned perspectives on regional architecture help maintain strategic equilibrium. Both countries advocate for a multipolar regional order that respects the sovereignty of middle powers and smaller states while resisting domination by any single external actor.

Their commitment to inclusive multilateral frameworks, particularly ASEAN-centred mechanisms, reinforces institutional approaches to regional governance. Joint advocacy for rules-based resolution of territorial disputes and maritime conflicts helps mitigate tensions in contested areas.

## **Economic Integration Pathways**

Economic relations are poised for transformation through the implementation of the Comprehensive Economic Partnership Agreement currently under negotiation. This agreement would substantially liberalise trade flows while addressing structural barriers that have limited bilateral commerce. Deeper economic integration would create more balanced and sustainable commercial relationships that extend beyond commodity trade to encompass services, investments, and technology transfers.

Enhanced connectivity through shipping routes, air links, and digital corridors would significantly reduce transaction costs and facilitate greater people-to-people exchanges. Integration of financial systems through collaboration between central banks and regulatory authorities would facilitate investment flows and currency stability. These economic linkages would strengthen resilience against external economic shocks while creating interdependencies that reinforce strategic alignment.

## **New possibilities in a fast-evolving technological landscape**

Cooperation in a new world of AI, fast evolving industrial technologies, and common interest in fighting climate disasters, provides powerful agenda for joint action. Climate change mitigation efforts, including joint research on renewable technologies and carbon capture mechanisms, align with both countries' international commitments and shared vulnerability. Health security cooperation, building on pandemic response experiences, creates frameworks for addressing future biological threats through integrated surveillance, research, and response mechanisms.

Technological innovation partnership represents another significant trajectory, with potential collaboration in artificial intelligence, quantum

computing, and biotechnology. Joint research initiatives, technology transfer arrangements, and startup ecosystem linkages could accelerate innovation while ensuring beneficial applications address development challenges. Educational exchanges focusing on science, technology, engineering, and mathematics build human capital while creating constituencies supporting bilateral relationships across generations.

## Conclusion

Indonesia and India have come a long way since the end of the 20<sup>th</sup> Century. They now rank among the largest of the World's economies. They are both democracies. Indonesian democracy although barely 25 years old has laid down firm roots into the political landscape. In the fast evolving multi-polar today, it is apparent that Asia with close to over 40% of the Global population and its young growing middle class will be a formidable economic and security force in the future. Asia is too large to contain a single pole. It is likely to contain two poles: one around China and the other around an India/Indonesia strategic partnership with a number of civilizational fellow-travellers in the South East Asia Region. This will be new world of the Asian Century, a period of peaceful coexistence and technological breakthroughs. The evolution of India/Indonesia closer ties in the last decade and the strategic call of the future demands serious and constant policy attention and public acknowledgement.

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## China's Continued Regional Diplomacy with Southeast Asia

by

Jayantika Rao T.V.

Following Chinese President Xi Jinping's visit to Vietnam, Malaysia, and Cambodia, Chinese Premier Li Qiang visited Indonesia from May 24 to 26. This visit preceded his attendance at the inaugural summit involving the Association of Southeast Asian Nations (ASEAN), China, and the Gulf Cooperation Council (GCC) on May 27. At the time of the visit, the United States and China announced a trade deal, which is currently in question, also highlighting that China was still seeking to strengthen its ties with Southeast Asia, a region significantly impacted by President Trump's tariffs. As noted in previous analyses, China's increased engagement in Southeast Asia amid the tensions over US tariffs stems from directives established at the Central Conference on Work Related to Neighboring Countries, held on April 8-9, 2025.<sup>1</sup>

China's Premier Li Qiang arrived in Jakarta on May 24, and was greeted with the customary fanfare of red carpets, military salutes, and photo opportunities. This was followed by the Indonesia-China Business Meeting. The subsequent day, Premier Li conducted a bilateral meeting with Indonesian President Prabowo Subianto, during which a series of agreements were signed aimed at enhancing bilateral cooperation between Indonesia and China across several priority sectors, including industry, tourism, economy, and health.<sup>2</sup>

Among the primary memoranda of understanding (MoUs) signed was one focused on the enhancement of economic cooperation in the domains of industry and supply chains. Moreover, a trilateral MoU was established involving the Coordinating Ministry for Economic Affairs, the Ministry of

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<sup>1</sup> T.V., Jayantika Rao. "Will China Win the Trade War against the United States through Regional Diplomacy?". Delhi Policy Group – East Asia Explorer Volume III, Issue 4, April 2025. [https://www.delhipolicygroup.org/uploads\\_dpg/publication\\_file/east-asia-explorer-5317.pdf](https://www.delhipolicygroup.org/uploads_dpg/publication_file/east-asia-explorer-5317.pdf)

<sup>2</sup> "President Prabowo and Premier Li Qiang Witness Signing of 12 RI-China Strategic Memorandums of Understanding". President of the Republic of Indonesia, May 25, 2025. <https://www.presidentri.go.id/siaran-pers/presiden-prabowo-dan-premier-li-qiang-saksikan-penandatanganan-12-nota-kesepahaman-strategis-ri-tiongkok/>



Trade of the People's Republic of China, and the Fujian Provincial Government of China, pertaining to the "Two Countries Twin Parks" project.<sup>3</sup>

Analysts were more focused on the speeches made by Premier Li and President Prabowo during the Indonesia-China Business Dinner than on the agreements themselves. President Prabowo touted the usual increasing economic ties and mutual respect between the countries, but then further praised China standing up to oppression, imperialism and colonialism.<sup>4</sup> Prabowo, went on to praise China for defending the struggles of liberation movements everywhere, especially of the Palestinian people.<sup>5</sup> These remarks should be interpreted within the context of the ongoing geopolitical tensions between the United States and China, as President Prabowo subtly expressed appreciation for Beijing's perspective and its approach to addressing geopolitical crises in contrast to that of Washington.

In his address to the Indonesian business community, Premier Li underscored the potential advantages of embracing the Bandung Spirit to enhance comprehensive cooperation between the two nations. He emphasised that, despite increasing external challenges, China's economy has experienced rapid growth, fuelled by strong internal drivers and significant growth potential. The goal of Premier Li's speech was to position China as an attractive market for two-way investment and collaboration. Notably, he highlighted Indonesia's primary commodities, such as coffee, swallow's nest, and tropical fruits, as popular trading goods in the Chinese market.<sup>6</sup>

The reality is that Chinese leaders utilize diplomatic visits to Southeast Asia to gain the trust of ASEAN leaders with the objective of shifting the regional balance of trade and investment in their favor. However, by consistently emphasizing their comparative advantages and efficiency, China risks giving the impression that it will prioritise its own economic interests in the Sino-US trade war, potentially at the expense of its Southeast Asian neighbours. This perception is increasingly felt among many citizens in the region. As a result, although Chinese diplomatic efforts are making

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<sup>3</sup> Ibid

<sup>4</sup> "Speech - Indonesia-China Business Reception 2025". President of the Republic of Indonesia, May 24, 2025. <https://www.presidentri.go.id/transkrip/indonesia-china-business-reception-2025/>

<sup>5</sup> Ibid

<sup>6</sup> Purnama, Yeta and Muhammad Zulfikar Rakhmat "The real message Indonesia's Prabowo Subianto delivered to China's Li Qiang". The Interpreter, June 3, 2025. <https://www.lowyinstitute.org/the-interpreter/real-message-indonesia-s-prabowo-subianto-delivered-china-s-li-qiang>

significant progress with regional leaders, without structural improvements in trade relations, Indonesia's markets—like many other Southeast Asian markets—may become highly resistant to the idea of increasing Chinese trade and investment in the country.

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## Strengthening Regional Cohesion Through Transport Connectivity in the Bay of Bengal Region

by

Divya Rai

### Introduction

The Bay of Bengal (BOB) holds significant strategic value for India, particularly in the context of integrating the Northeast region through the 'Act East Policy'. At the heart of this effort is BIMSTEC, which is expected to play a major role in transforming the Northeast from a remote frontier into a linchpin of regional connectivity, economic growth, and strategic cooperation. This momentum was clearly visible at the 6th BIMSTEC Summit, held in Bangkok on April 4. After years of stasis and continuous delay, the 6th Summit was the first in-person meeting of leaders in seven years. Centred around the theme "Prosperous, Resilient, and Open BIMSTEC", the summit delivered several key outcomes, including the adoption of the Summit Declaration, a forward-looking report on BIMSTEC's future, and new procedural rules. Notably, leaders unveiled the "PRO BIMSTEC 2030" vision, charting a course for economic integration, enhanced connectivity, and human security.<sup>7</sup> A major highlight was the signing of the Maritime Transport Cooperation Agreement, aimed at strengthening regional partnerships, boosting maritime connectivity, and facilitating greater trade and travel. Prime Minister Narendra Modi further emphasised the need for deeper collaboration by proposing a comprehensive 21-point action plan covering disaster management, human resources, digital connectivity, people-to-people ties, sustainable maritime transport, energy cooperation, and the launch of the "BODHI" initiative for human resource development.<sup>8</sup>

Over the years, India has given considerable attention to strengthen ties with neighbouring countries such as Myanmar, Thailand, and Bangladesh, focusing on upgrading transport infrastructure, modernising cross-border

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<sup>7</sup> Home-The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic. "Thailand Hosts the 6th BIMSTEC Summit in Bangkok on 04 April 2025.," n.d. <https://bimstec.org/event/247/thailand-hosts-the-6th-bimstec-summit-in-bangkok-on-04-april-2025->

<sup>8</sup> "PM Proposes a 21-point Action Plan Covering Different Aspects of Cooperation Amongst BIMSTEC Nations," n.d. [https://www.pmindia.gov.in/en/news\\_updates/pm-proposes-a-21-point-action-plan-covering-different-aspects-of-cooperation-amongst-bimstec-nations/](https://www.pmindia.gov.in/en/news_updates/pm-proposes-a-21-point-action-plan-covering-different-aspects-of-cooperation-amongst-bimstec-nations/).

supply chains, and better connecting the Northeastern states with the rest of the country. These efforts are designed to eliminate the 'landlocked' nature of the northeast and provide it direct access to regional ports and key economic corridors. However, the trade and connectivity projects, including Kaladan Multi-Modal Transport System (KMMTS) and India–Myanmar–Thailand Trilateral Highway (IMT–TH), of India have been derailed due to a number of issues, such as instability in Myanmar, political unrest in Bangladesh and earthquakes in Myanmar and Thailand.

## Kaladan Multi-Modal Transport System (KMMTS)

Myanmar plays a pivotal role in BIMSTEC due to its strategic location, serving as a crucial land bridge for India to access Southeast Asia. This connectivity is especially important for India's Northeast, as it provides an alternative to the congested and vulnerable Siliguri Corridor ("Chicken's Neck"), which has traditionally been the main land route linking the region to the rest of India.<sup>9</sup>

Currently, goods and people travelling between Kolkata and the Northeast either use the long Siliguri Corridor. The Kaladan Multi-Modal Transit Transport System (KMMTS) offers a much shorter and more efficient route. Conceived in 2003 and formalised in 2008, the KMMTS links Mizoram in Northeast India to Sittwe port in Myanmar's Rakhine State through both road and inland waterway components.

**Table 1: Kaladan Multimodal Transport Project<sup>10</sup>**

Stretch	Mode	Distance
Kolkata to Sittwe port in Myanmar	Shipping	539 km
Sittwe to Paletwa	Inland Water Transport	158 km
Paletwa to Indo-Myanmar Border (In Myanmar)	Road	110 km
Border to NH 54 (Lawngtlai in India)	Road	100 km

<sup>9</sup> Sivaranjini R, "From Look East to Act East: A Review of Kaladan Multi-Modal Transport Project," Centre for Public Policy Research (CPPR), 29 March 2019. <https://www.cppr.in/centre-for-strategic-studies/from-look-east-to-act-east-a-review-of-kaladan-multi-modal-transport-project>.

<sup>10</sup> "Kaladan Multi-Modal Transit Transport Project: National Emblem: Ministry of Development of North Eastern Region: Government of India." Ministry of Development of Northeastern Region, North East India, Government of India. <https://www.mdoner.gov.in/kaladan-multi-modal-transit-transport-project-inland>.

The Kaladan Multi-Modal Transit Transport Project (KMMTTP), once completed, will allow ships to travel from Kolkata to Sittwe Port in Myanmar's Rakhine State via the Hooghly River and the Bay of Bengal. From Sittwe, goods will move up the Kaladan River to Paletwa in Chin State and then by a 109-km road to Zorinpui on the India-Myanmar border in Mizoram.<sup>11</sup> This route will significantly cut travel time and distance between Kolkata and Northeast India compared to the current route through Bangladesh. However, the project has been hampered by the political instability, logistical challenges, and security concerns, especially in Myanmar's Rakhine State, which have complicated matters.

After a military coup in 2021, the Rakhine State through which the KMMTTP passes came under the control of the Arakan Army. Thus, to get the corridor working, India has to deal with the 'army'. The town of Paletwa witnessed intense fighting amid Myanmar's civil war, with the military junta locked in a violent armed conflict against the Arakan Army, due to which the road between Myanmar's Paletwa and Mizoram's Zorinpui remains unfinished.<sup>12</sup>

The current political situation in Bangladesh has underscored the urgency for India to complete the Kaladan Multi Modal Transit Transport Project (KMMTTP). This project, connecting Mizoram to Kolkata through Myanmar, has become even more critical for ensuring alternative access to the sea for the Northeast. While the inauguration of Sittwe Port in May 2023 and Mizoram Governor General VK Singh's announcement of the completion of construction on the Indian side<sup>13</sup> brought renewed optimism, but ongoing military retaliation against resistance groups in Myanmar has cast uncertainty over the KMMTTP project's full completion timeline.

## India–Myanmar–Thailand Trilateral Highway (IMT-TH)

Another strategically vital initiative is the India-Myanmar-Thailand Trilateral Highway (IMT-TH), a 1,360-kilometre road corridor designed to create a seamless land link between India, Myanmar, and Thailand. The highway

<sup>11</sup> "Embassy of India, Yangon, Myanmar," n.d.

<https://embassyofindiayangon.gov.in/pages/MTUz>.

<sup>12</sup> Deccan Herald. "Explained | Why Bypassing Bangladesh and Connecting Northeast With Kolkata via Myanmar Is Important for India.", May 18, 2025.

<https://www.deccanherald.com/india/explained-why-bypassing-bangladesh-and-connecting-northeast-with-kolkata-via-myanmar-is-important-for-india-3546137>.

<sup>13</sup> India Today. "Opinion: Myanmar'S Escalating Civil War Threatens India'S 'Act East' Policy." August 30, 2024. <https://www.indiatoday.in/opinion/story/myanmar-escalating-civil-war-threatens-india-act-east-policy-opinion-2591004-2024-08-30>.

connects Moreh in Manipur, India, to Mae Sot in Thailand via Myanmar, significantly enhancing regional connectivity. The project involves constructing 78 km of new roads, upgrading around 400 km of existing highways, installing all-weather approach lanes, and repairing or rebuilding weak bridges. India is responsible for building the 120 km Kalewa-Yagyi section and the 160 km Tamu-Kyigone-Kalewa (TKK) section, which includes the construction of 69 new reinforced cement concrete (RCC) bridges.<sup>14</sup> The Trilateral Highway will provide a direct and efficient overland route, lower transportation costs, and reduce transit time. This improved connectivity will facilitate the flow of goods and services, making exports more competitive. However, the project has faced significant delays and challenges since its conception.

**Table 2: Current Status of Projects in the India–Myanmar–Thailand Trilateral Highway<sup>15</sup>**

Countries	Stretch	Distance	Progress	Year
<b>India and Myanmar</b>	Moreh(India)-Tamu-Kaley-Kalewa (Myanmar)	149.70 km	Completed	2017
<b>Myanmar</b>	Kalewa-Yagyi	120.74 km	Under construction	-
	Yagyi-Chaungma-Monywa	64.4 km	Completed	2021
	Monywa -Mandalay	136 km	Completed	-
	Mandalay -Meiktila bypass	123.13 km	Completed	2010
	Meiktila bypass-Taungoo-Oktwin-Payagyi (Pyay)	238 km	Completed	2010
	Payagyi-Theinzayat (Thein Za Yat)-Thaton	140 km	Completed	2017
	Thaton-Mawlamyine-Kawkareik	134.4 km	Completed	2021
	Kawkareik-Myawaddy	25.6 km	Completed	2015
<b>Myanmar -Thailand</b>	Myawaddy (Myanmar)-Mae Sot (Thailand)	20 km	Completed	2021

<sup>14</sup> "India-Myanmar-Thailand Trilateral Highway," n.d.  
<https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1558475>.

<sup>15</sup> "India–Myanmar–Thailand Trilateral Highway", April 27, 2025.  
[https://en.wikipedia.org/wiki/India%E2%80%93Myanmar%E2%80%93Thailand\\_Trilateral\\_Highway#cite\\_note-58](https://en.wikipedia.org/wiki/India%E2%80%93Myanmar%E2%80%93Thailand_Trilateral_Highway#cite_note-58).

One of the major reasons for the persistent delays is primarily due to Myanmar's internal political turmoil and the lack of active support from its regime. Especially Kalewa-Yagyi, located in the Sagaing region of Myanmar—a focal point of resistance against the military junta—has been particularly affected, causing significant setbacks. Although envisioned in 2002 and with construction starting in 2012, only about 70% of the project was completed as of July 2023.<sup>16</sup> The highway, originally targeted for completion in 2015 and later extended to 2019, now has a revised deadline of 2027.<sup>17</sup>

Recent progress has been further hampered by a 7.7-magnitude earthquake in the Mandalay-Sagaing area, which caused extensive damage and destruction, compounding the existing challenges. Additionally, recent communal conflicts between the Kuki and Meitei communities in Manipur have disrupted work on the Indian side. The strategic importance of the IMT-TH project goes well beyond physical connectivity—it is a cornerstone of India's 'Act East policy' and a key element in strengthening India's presence in Southeast Asia. However, persistent bottlenecks, including the termination of the services of contractors and competition from Chinese infrastructure initiatives, have paralysed the project and deepened the pre-existing instability in the region.<sup>18</sup>

## Indo-Bangladesh Protocol Route

India and Bangladesh ties have been driven by culture, history, and geography for decades. Northeast India's extensive border with Bangladesh has made trade, connectivity, water-sharing, and security key pillars of bilateral cooperation. Recognizing the economic potential of river routes, both countries signed a Protocol on Inland Water Transit and Trade in 1972 to facilitate seamless movement of goods. An addendum to the protocol was signed in 2020<sup>19</sup>, increasing the number of ports of call to eleven and

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<sup>16</sup> The Hindu. "Nearly 70% Work of India-Myanmar-Thailand Trilateral Highway Complete, Says Gadkari.", July 2, 2023. <https://www.thehindu.com/news/national/nearly-70-work-of-india-myanmar-thailand-trilateral-highway-complete-says-gadkari/article67033662.ece>.

<sup>17</sup> Sreeparna Banerjee. "Bringing India and Thailand Closer via the Trilateral Highway Through Myanmar.", May 15, 2024. <https://www.orfonline.org/research/bringing-india-and-thailand-closer-via-the-trilateral-highway-through-myanmar>.

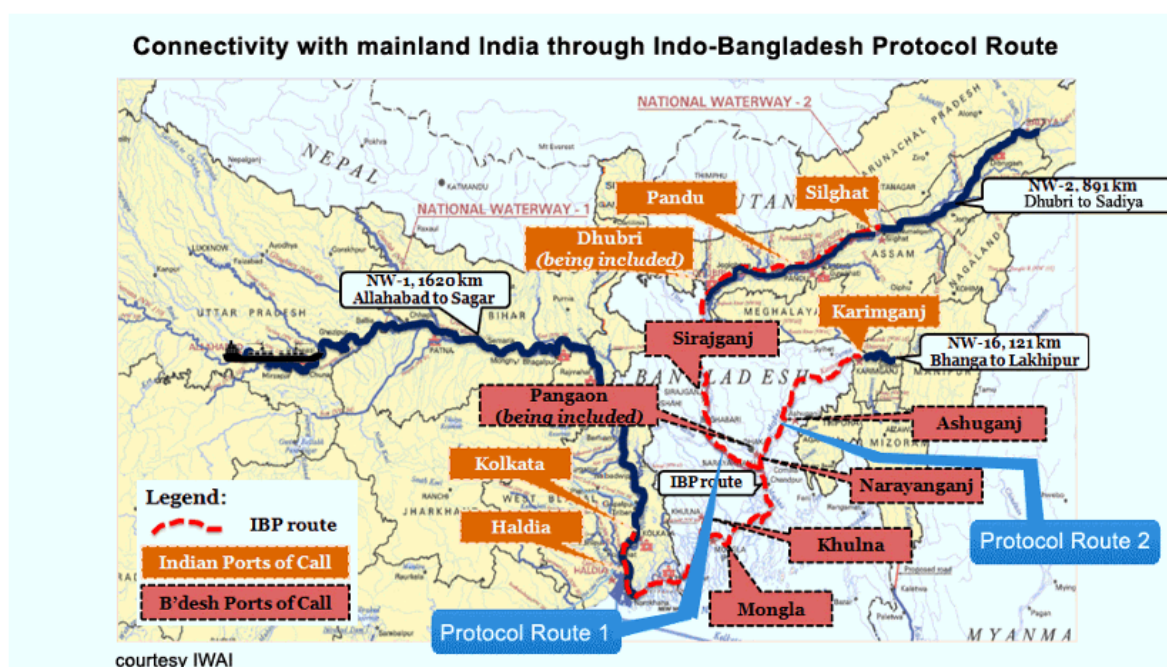
<sup>18</sup> PIB. "Construction of 69 Bridges Including Approach Roads on the Tamu-Kyigone-Kalewa Road Section of the Trilateral Highway in Myanmar," December 30, 2015. <https://www.pib.gov.in/newsite/PrintRelease.aspx?relid=134013>.

<sup>19</sup> IWAI (Inland Waterways Authority of India), Ministry of Port and Shipping and Waterways, Government of India.



extending two ports of call in each country.<sup>20</sup> The inland water transit and trade agreement enables both nations to use these waterways for transportation via designated routes on the Brahmaputra and Barak rivers. Over the years, this protocol has enhanced the reliability and cost-effectiveness of bilateral trade, while also fostering a more integrated and inclusive development framework that advances social and economic benefits for both countries.<sup>21</sup>

Figure.4: India-Bangladesh Protocol Route<sup>22</sup>



India and Bangladesh are currently experiencing their most strained bilateral relations in decades. The situation deteriorated following nationwide protests in Bangladesh that led to the ouster of former Prime Minister Sheikh Hasina and the establishment of an interim government. This new administration has shifted the dynamics of Indo-Bangladesh ties, actively undermined the previously strong partnership and is seeking closer relations

[https://iwai.nic.in/sites/default/files/filefield\\_paths/67621434302nd%20Addendum%20to%20PIWTT-%2020%20May%202020%281%29.pdf](https://iwai.nic.in/sites/default/files/filefield_paths/67621434302nd%20Addendum%20to%20PIWTT-%2020%20May%202020%281%29.pdf)

<sup>20</sup> Bangladesh Inland Water Transport Authority BIWTA. "India-Bangladesh Protocol Routes".

[https://biwta.portal.gov.bd/sites/default/files/files/biwta.portal.gov.bd/page/b9fbb84f\\_6e13\\_49ab\\_bf41\\_4aa386ee4d50/Protocol%20Summary\(New\)%20\(1\).pdf](https://biwta.portal.gov.bd/sites/default/files/files/biwta.portal.gov.bd/page/b9fbb84f_6e13_49ab_bf41_4aa386ee4d50/Protocol%20Summary(New)%20(1).pdf)

<sup>21</sup> PIB (Press Information Bureau), "India and Bangladesh Sign Agreements for Enhancing Inland and Coastal Waterways Connectivity", Press Information Bureau, 13 June 2018. [India and Bangladesh Sign Agreements for Enhancing Inland and Coastal Waterways Connectivity \(pib.gov.in\)](https://pib.gov.in/India-and-Bangladesh-Sign-Agreements-for-Enhancing-Inland-and-Coastal-Waterways-Connectivity)

<sup>22</sup> Iwai (Inland Waterways Authority of India), Ministry of Port and Shipping and Waterways, Government of India. <https://iwai.nic.in/indo-bangladesh-protocol>

with Pakistan and China. Tensions escalated further when Chief Adviser of Bangladesh, Muhammad Yunus, made a controversial statement during his four-day visit to China. He remarked, "The seven states of eastern India, known as the Seven Sisters, are a landlocked region. They have no direct access to the ocean. We are the only guardians of the ocean for this entire region. This opens up a huge opportunity. It could become an extension of the Chinese economy—build things, produce things, market things, bring goods to China and export them to the rest of the world".<sup>23</sup> Such comments have fuelled Indian concerns about Bangladesh's shifting allegiances and the growing influence of China in the region, further complicating an already delicate relationship.

Bangladesh's recent import restrictions on Indian staples like yarn and rice, along with heightened inspection scrutiny at the border, have triggered a strong response from India. In retaliation, India terminated the transshipment facility that allowed Bangladesh to export goods to third countries via Indian land customs stations, ports, and airports, disrupting a 2020 agreement.<sup>24</sup> Interestingly, trade between India and Bangladesh via the Inland Waterways (IBP) route has grown substantially, rising from 1.89 million metric tonnes in FY14 to 5.20 million metric tonnes in FY23, with a cumulative volume of about 35.59 million metric tonnes from FY14 to October 2023.<sup>25</sup> However, this trade via inland waterways has been adversely affected by the uncertainties and vagaries of current India-Bangladesh relations.

Bangladesh itself relies on India's Northeast for its transit trade to Nepal and Bhutan and on India's trans-shipment facilities for a substantial part of its overseas trade. India's recent decision to restrict land route transshipment through the Northeast—allowing Bangladeshi goods to move only via Kolkata and Nhava Sheva ports—is expected to increase costs for Bangladesh's already pressured export sector. This change will likely affect

<sup>23</sup> Firstpost. "Why Bangladesh Leader Yunus' Remarks on the Northeast Have Angered India.", April 1, 2025. <https://www.firstpost.com/explainers/bangladesh-leader-muhammad-yunus-northeast-china-remarks-india-row-13876366.html>.

<sup>24</sup> The Indian Express. "India Hits Back After Yunus Northeast Remark, Halts Transshipment Facility for Dhaka.", April 10, 2025. <https://indianexpress.com/article/business/india-ends-transshipment-facility-bangladesh-yunus-chinese-northeast-9933931/>.

<sup>25</sup> Business Line. "India Collaborating With Bangladesh to Develop Certain Segments of India-Bangladesh Protocol Route: TK Ramachandran, Secretary, MoPSW," December 24, 2023. <https://www.thehindubusinessline.com/news/national/india-collaborating-with-bangladesh-to-develop-certain-segments-of-india-bangladesh-protocol-route-tk-ramachandran-secretary-mopsw/article67669875.ece#:~:text=The%20total%20trade%20volume%20between,reach%202.83%20million%20metric%20tons>.

42% of all goods shipped, impacting over \$770 million worth of Bangladeshi imports routed through Indian transshipment facilities.<sup>26</sup>

Dhaka's assertion of being the "Guardian of the Ocean" exaggerates Bangladesh's maritime role and overlooks the broader regional geography. India's revocation of Bangladesh's transshipment facility marks a major shift in bilateral relations and is likely to have far-reaching consequences for regional trade and dynamics.

## Conclusion

In today's geopolitical landscape, "connectivity" has become a defining concept for understanding the intricate interdependence that globalisation brings. The Bay of Bengal, as the epicentre of the Indo-Pacific region, has historically served more as a barrier than a bridge for economic interactions between the Indian subcontinent and Southeast Asia. The relaunched "Act East Policy" in 2014 was clearly showing the need to revamp this cooperation and improve connectivity in the region. Since taking office, Prime Minister Modi has placed renewed emphasis on BIMSTEC as a cornerstone of this strategy, particularly prioritising engagement with Bangladesh, Myanmar and Thailand states. This commitment was underscored when he invited all BIMSTEC countries to his second swearing-in ceremony in 2019, signalling India's intent to deepen regional cooperation. Despite the efforts and renewed commitments, progress on key connectivity projects has been limited in recent years. The projects between India, Bangladesh, Thailand and Myanmar have faced multiple challenges due to a combination of economic disintegration, lack of sustained political will, bureaucratic hurdles, stalled initiatives, and rising regional instability.

These factors have collectively clouded the region's outlook. As a result, the future of regional connectivity projects remains uncertain. Any progress on connectivity projects will rely on improved diplomatic engagement and political stabilisation. Until then, connectivity initiatives are likely to face continued delays, funding suspensions, and strategic realignment, with India exploring alternative routes to safeguard its interests in the Northeast.

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<sup>26</sup> The New Indian Express. "Explainer: Why Did India Withdraw Transshipment Facility for Bangladesh and What Are the Implications?", April 9, 2025.  
<https://www.newindianexpress.com/nation/2025/Apr/09/explainer-why-did-india-withdraw-transshipment-facility-for-bangladesh-and-what-are-the-implications#:~:text=On%20April%208%2C%202025%2C%20India,onward%20shipment%20to%20international%20destinations>.



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