

Abstract

The present state of world politics is highly dynamic and volatile. However, this dynamism is driven by strategic and economic considerations. Economic interest specifically relates to business dealings. Therefore, it is needless to say that trade is always the main driver of the advancement of modern state actors. In fact, almost all nations employ trading to develop their international connections. Commercial transactions are widely seen as a smart power strategy among states. Thus, commerce not only defends economic interests in international relations, but it additionally allows states to improve their external appearance. On the other hand, increasing trade between the two countries has shifted the focus of bilateral relations toward the security sector. As a result, the closeness of this bilateral relationship has evolved into a strategic partnership.

The impact of commercial transactions and the significance of connectivity in the growth of bilateral ties between Indonesia and India are examined in this research thesis. The study employed the qualitative methodology—entailing exploratory research by considering several questions using inductive analysis. The thesis consists of six chapters, including an introduction and a conclusion, that are practically related to the research theme.

The first chapter of this research thesis illustrates the historical setting of India and Indonesia's bilateral relations. Although the relationship between India and Indonesia has become an impassioned topic in the current world order, its roots may be traced back to history. However, with the independence of both states based on cultural and historical ties, the opposition of imperialist powers, the establishment of NAM, and the promotion of the idea of decolonization, the long isolation of India and Indonesia relations came to an end, and the modern version of these two ancient civilizations was revitalized. Geopolitical issues, political tensions, and ideological divisions eventually resulted in a short break in relations between the two countries. However, India's economic liberalization in 1991, as well as its new foreign policy aimed at integrating Southeast Asia, brought the two countries closer together again. The advent of India and Indonesia as growing economic giants as a result of changes in the global order, more market access, massive expansion in India's IT industry,

economic growth, and expanding military dominance have all contributed to the resuscitation of India-Indonesia relations. In effect, Indonesia's strategic location enables India to further strengthen its position in the Indo-Pacific—a step forward in India's potential to become a net security provider and maritime power in the region. After all, the signing of the Comprehensive Strategic Partnership between the two nations in 2018 and the G20 leadership of Indonesia and India in 2022 and 2023, respectively, have boosted the two states' cordial relations.

The second chapter mainly analyses the geostrategic and geo-economic confluences between India and Indonesia and energy security—as one of the core aspects of bilateral relations between India and Indonesia. Both India and Indonesia have a large maritime area in terms of geographical location. In fact, India and Indonesia have access to the EEZ as per UNCLOS, which greatly affects the economic growth of both states as well as the military sector. According to the famous geo-strategist A. T. Mahan's 'Theory of Sea Power,' access to and efficient use of large maritime areas helps the state to become a great power. For instance, there is tremendous potential for India and Indonesia. However, both India and Indonesia are facing particular challenges in becoming maritime powers. Therefore, both India and Indonesia have implemented particular policies focusing on their respective states' maritime advancement. What are the ramifications of 'Sagarmala' and 'Tol Laut' becoming the two states' maritime powers? It has been discussed based on government data and statistics.

Conversely, Indonesia is described as a partially energy-import-dependent nation, whilst India is considered to be totally dependent on energy imports. However, both countries require a consistent supply of energy to maintain economic growth, particularly in the manufacturing sector. Indonesia may become a dependable energy supplier for India by exploring oil reserves on Natuna Island, acquiring gas blocks, and signing an agreement on a ceaseless supply of coal and gas. At the same time, the formation of a new forum for both states' energy security, as well as the integration of other Southeast Asian states, has the potential to provide a new dimension to energy security in Southeast and South Asia, rendering geoeconomic strategy more relevant in contemporary global politics.

The third chapter of this research thesis examines the evolution of commercial exchanges between India and Indonesia from 1991 to 2023 in terms of international political economy beyond core economic theory, as well as the connectivity engagement between the two countries. The expanding trading transaction between India and Indonesia is divided into four phases in order to achieve a number of new milestones. W.W. Rostow's 'Stages of Economic Growth' model provides an overview of these stages—what it has revealed is the existing trading situation of both countries, which will be expanded in the following days. Simultaneously, the mutual investment figure of the two countries and its implications have been explored. However, the role of connectivity as a catalyst to effectively implement this commercial exchange's evolution has been examined. In what ways has connectivity been shown to be highly beneficial in business transactions? What implications have they had on Indonesia and India? —has offered verifiable proof to fulfil the primary objective of the study. In addition, the preparations that India has made in this regard have also been mentioned.

The fourth chapter focuses on the challenges of the positions of both states and the policies adopted in the context of the great power conflict in the theatre of world politics. According to Organski's 'Power Transition Theory', when a financially and militarily capable rising power expresses dissatisfaction with a system controlled by a single superpower, the transfer of power to this world system becomes inevitable—leading to a clash between the superpowers and the rising powers. In recent times, this rivalry has been taking place in the Indo-Pacific theatre—the two main rivals are the United States and China. However, the conflict between the two superpowers has presented the major and middle powers in the region with multiple challenges in carrying out their political, economic, cultural, and security activities. The strengthening of India-Indonesia relations is one such example. In this conflict within, India has lagged behind China and the US both economically and militarily, respectively. Indonesia displays a similar trend. Indonesia is militarily dependent on the United States and economically dependent on China. As a result, both states have been applying a hedging strategy to maintain their positions, which has created a balance.

The fifth chapter addresses the implementation of the smart power strategy through the delicate use of hard and soft power to deepen economic engagement with India and Indonesia, taking into account the impact of AIFTA on bilateral trade in the

twenty-first century. In this aspect, AIFTA has not only improved the supply chain between India and Indonesia, but it has also opened up new economic opportunities. In addition to the regular commercial exchanges, defense exercises, regional connectivity projects, digital payments, space research, maritime strategy, and so on have taken place, resulting in the successful execution of India's smart power engagement.

The sixth chapter analyses the dynamics, evolution, challenges, and findings of the bilateral relationship between Indonesia and India as reflected by the analysis of the core four chapters, which show both nations' compact theoretical narratives in the context of world politics.