

CHAPTER 1

Indonesia: Security Outlook, Defense Policy, and Regional Cooperation

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Introduction

As Indonesia enters the year 2011, it is evident that the country's security concerns will continue to be dominated by the same problems it has faced during the previous years. Internally, despite a relative improvement in the economic and political situation, Indonesia faces tremendous challenges in overcoming four main security problems: the continuing threats of terrorism, the secessionist problem in Papua, the growing problems of religiously-motivated violence, and local election-related political conflicts. Indonesia also continues to place a high importance on an array of non-traditional security problems, especially natural disasters and maritime security. Externally, while still preoccupied with the problems of unresolved territorial disputes with neighboring countries and border security, Indonesia is concerned with the strategic implications of the changing relationship among major powers for regional security in East Asia, which has become more volatile. Overall, however, Indonesia's national security concerns remain primarily internal in nature.

As the security outlook remains unaltered, developments in Indonesia's defense sector are still characterized by modest efforts by Indonesia's Defense Force (TNI) to improve its capability within the context of serious budgetary constraints. The focus of Indonesia's defense development programs in the years to come is still aimed at achieving the minimum defense requirements. This plan is based on the defense capability plan for 2005-2019 aimed at achieving "a minimum essential force," namely "a force level that can guarantee the attainment of immediate strategic defense interests, where the procurement priority is given to the improvement of minimum defense strength and/or the replacement of outdated main weapon systems/equipments."¹ Within that limited national defense capability, international

¹ *Peraturan Presiden Republik Indonesia No. 7 Tahun 2008 Tentang Kebijakan Umum Pertahanan Negara* (Presidential Regulations No. 7/2008 on General Policy Guidelines on State Defense Policy), 2008.

cooperation — both in terms of bilateral and regional cooperation — serves as an important complementary strategy for Indonesia in fulfilling its national security interests. For Indonesia, national security should be achieved first and foremost by making diplomacy the first line of defense, without ignoring the need to gradually improve its national defense capability.

Indonesia's Security Challenges

Internal Challenges

The Problem of Terrorism. During 2010, Indonesia fortunately did not experience any terrorist attack. In fact, Indonesia scored a degree of success in counter-terrorism. For example, Indonesia's security forces managed to make important progress in their efforts to hunt down the perpetrators of the attacks on the J.W. Marriot Hotel and Ritz Carlton Hotel in July 2009. In March, Indonesia's elite counter-terrorism force, the Detachment 88, managed to kill one of the most notorious terrorists, Dulmatin, who was one of the main perpetrators of the 2002 Bali bombings. However, despite the success scored by Indonesia's security forces in disrupting the Jamaah Islamiyah terrorist networks, terrorism continues to pose serious security challenges to Indonesia. In late February 2010, for example, the Police uncovered a terrorist network on training in the Province of Aceh. In the subsequent operation against the network, the Police shot dead at least 8 terrorists and arrested 40 others. In September 2010, the Police also killed and arrested a number of terrorist suspects involved in a high-profile bank robbery that took place in Medan, North Sumatera, in August 2010. Both cases clearly demonstrate the determination by which the terrorists were trying to re-group, consolidate, and make a comeback.

The Indonesian Police has so far performed well in undermining and disrupting terrorist networks across the country, and managed to reduce the capacity of terrorist groups to launch major attacks. However, Indonesia's counter-terrorism strategy and practice is far from perfect. There are still elements of CT that need improvement. For example, de-radicalization programs, which aim at preventing convicted terrorists from re-joining the networks and stay away from terrorism, have not been effective. Many convicted terrorists, after serving their sentence, rejoin their old networks and get involved again in supporting terrorism. More importantly, developments in 2010 also suggest that Indonesia's counter-terrorism strategy is still less effective in

undermining the ability of terrorist groups to attract new recruits. In other words, despite the relative success of Indonesia's security forces in addressing the problem, terrorism remains a major security concern for Indonesia.

The Papua Question. Indonesia's security concerns during 2010 were also characterized by the unresolved problem in Papua. One element of the problem has been the low-level armed secessionist movement of Organisasi Papua Merdeka (Free Papua Organization-OPM) that demands Papua's independence from Indonesia. However, counter-insurgency operations conducted by Indonesian security forces—which at times resort to harsh measures and torture—have also contributed to the growing anger among the Papuan population. The general security situation in Papua, for example, was still marred by acts of violent attacks on the people working for foreign mining and logging operations. Jakarta is increasingly faced with a serious discontent in the area. In July 2010, for example, hundreds of protesters in West Papua staged a demonstration rejecting the special autonomy status for the province. Indonesia's National Commission for Human Rights (KOMNAS HAM) also reported a 70 percent increase in the number of violent acts in Papua in 2010, most of which were allegedly committed by security forces.² Unless a comprehensive negotiated political settlement is reached, the Papua question will continue to pose an internal security problem for Indonesia.

Religious and Political Violence. In addition to the threat of terrorism and the protracted problem in Papua, Indonesia's internal security situation in 2010 was further aggravated by the growing incidents of violence motivated either by religious or political factors. A report by the Wahid Institute, for example, found that there were 196 cases of religiously-motivated violence in Indonesia in 2010, an increase from 134 cases in 2009.³ One worrying development, which could undermine the very fabric of Indonesia's pluralistic society, is the growing intolerance among groups of different faiths. On the one hand, some Christian groups—especially the

² "Rights Commission Reports Increasing Violence in Papua," *The Jakarta Post*, 8 December 2010, at <http://www.thejakartapost.com/news/2010/12/07/rights-commission-reports-increasing-violence-papua.html>.

³ Oktofani Elisabeth, "For Religious Violence, the Finger Points to State Bodies," *The Jakarta Globe*, 22 December 2010, at <http://www.thejakartaglobe.com/indonesia/for-religious-violence-the-finger-pointed-to-state-bodies/413056>. The Wahid Institute was established by a former president of Indonesia, the late Abdurrahman Wahid.

Evangelists — have been carrying out aggressive proselytising activities, which provoked mass mobilization and vigilante attacks from Muslims.⁴ Local election-related conflicts — which often take the form of brawls and violence among supporters of the competing candidates — were also on the rise in 2010; a trend which might continue in 2011.⁵ Therefore, despite the fact that Indonesia's democratization process has been taking place for more than a decade, maintaining internal order and stability remains a major security challenge for the country.

Non-Traditional Security Concerns

Natural Disasters. Throughout the year 2010, there were around 644 disasters in Indonesia, causing 1,711 people to lose their lives, and more than 1,3 million people were injured or reported missing. Most cases (81.4%) were hydro-meteorological in nature, while geological disasters such as earthquakes, tsunami and volcanic eruption accounted for around 3 percent.⁶ However, it is these three types of geological disasters that often bring about serious impacts on Indonesia. In October 2010, Indonesia was hit by three major natural disasters: flooding in Wasior, Papua, on 3 October; earthquake and tsunami in Mentawai Island, West Sumatera, on 25 October; and the volcano eruption of Mount Merapi in Yogyakarta on 26 October. The flooding in Wasior left 145 people dead, 100 missing, and more than 700 people injured.⁷ The earthquake and tsunami that hit Mentawai Island killed more than 400 people and caused more than 300 others to go missing.⁸ Meanwhile, the volcano eruption in Yogyakarta left at least 259 people dead and almost 400,000 people were displaced.⁹ The fact that Indonesia is one of the most disaster-prone countries in the world makes the problem a serious human security or non-traditional security concern for the country.

⁴ For a detailed analysis on this issue, see ICG, Indonesia: "Christianitation" and Intolerance," *Asia Briefing 114* (Brussel/Jakarta), 24 November 2010.

⁵ For a comprehensive analysis on this problem, see ICG, "Indonesia: Preventing Violence in Local Elections" *Asia Briefing No. 197* (Brussel/Jakarta), 8 December 2010.

⁶ Fardah, "RI Enters 2011 Cautious Over Natural Disasters," *Antara News Agency*, 5 January 2011, at <http://antaranews.com>.

⁷ "Death Toll from Wasior's Flooding Climbs to 145," *The Jakarta Post*, 12 October 2010, at <http://www.thejakartapost.com/news/2010/10/11/death-toll-wasior039s-flooding-climbs-145.html>.

⁸ Fardah, "RI Enters 2011 Cautious Over Natural Disasters."

⁹ "Jakarta Red Cross Again Sends Aid to Merapi Victims," *Antara News Agency*, 29 November 2010, at <http://www.antaranews.com>.

Maritime Security. Despite some improvements in managing maritime security, Indonesia continues to regard this issue as a major security problem for the country. The threat of piracy, for example, continues to pose a serious challenge to Indonesia's maritime security. During 2010, for example, attacks on ships increased in Indonesian waters. In January-September 2010, there were 15 attacks off the Mangkai, Anambas and Natuna islands.¹⁰ Another issue that preoccupies Indonesia's concern in this area has been the problem of people smuggling and illegal migration. Thousands of asylum seekers and illegal migrants — mostly victims of people smuggling from Sri Lanka, Afghanistan, and Iraq — were passing through Indonesian waters *en route* to Australia. The problem of illegal fishing also constitutes a security problem as it becomes a major source of tension not only among communities but also between states, such as between Indonesia and its neighboring countries such as Australia, Thailand, Vietnam, Malaysia, and China. Indonesia also continues to regard the problem of illegal fishing — which costs the country some US\$ 3 billion a year¹¹ — as a serious non-traditional security threat that has yet to be resolved.

External Environment: Stability in East Asia

Territorial and Border Disputes. Indonesia continues to express its concerns over specific external security problems posed by neighboring countries over the security of Indonesia's territorial waters and resources. The dispute over the jurisdiction of Ambalat in the Sulawesi Sea with Malaysia has not been resolved. Malaysia's claim over Ambalat, and the patrols conducted by Malaysia's vessels in the area, is often seen in Indonesia as “a threat to use force” by the country.¹² This problem, and various naval incidents in the area between the two countries, has led Indonesia's Deputy Navy Chief Rear Admiral Marsetio to declare that “the biggest potential conflict comes from Malaysia.”¹³ On the maritime border demarcation issue, out of 10 countries with whom Indonesia has a problem, Indonesia has resolved only the problem with Singapore. The experience with the loss of two islands — Sipadan and

¹⁰ Sam Bateman, “Tackling Piracy in Asia: The Current Situation and Outlook,” *Global Asia*, December 2010, at <http://www.globalasia.org>.

¹¹ Edi Suharto, “ASEAN 2009: Time to Deal With Illegal Fishing,” *The Jakarta Post*, 24 March 2007.

¹² Hikmahanto Juwana, “Isu Pokok Ambalat” [The Main Issue in the Ambalat Case], *Kompas*, 5 June 2009.

¹³ “Wakasal: Potensi Konflik Laut Terbesar di Ambalat” [Deputy Navy Chief: The Biggest Potential for Maritime Conflict is in Ambalat], *Antara News Agency*, 22 December 2010, at <http://www.portal.antaranews.com/news/238908/wakasal-potensi-konflik-laut-terbesar-di-ambalat>.

Ligitan — to Malaysia still leaves a bitter feeling among the majority of Indonesians.

Indonesia has also complained about the growing incidents of maritime border violation by its neighbors, especially by Malaysia. During 2010, for example, Indonesian authorities recorded at least 37 cases of territorial and border violations, most of which were by foreign vessels engaged in illegal fishing activities.¹⁴ Up to August 2010, Indonesia's Foreign Ministry had filed at least nine diplomatic protests over border violations by Malaysia. Sources from the Indonesian Navy even claimed that out of 41 cases of border violations, 13 maritime border violations were made by Malaysian Naval vessels, police, and helicopters.¹⁵ In August, an incident led to diplomatic tension between the two countries after Malaysia arrested three Indonesian maritime officials who had caught Malaysian fishermen poaching in Indonesian waters.¹⁶ This new concern over the security of border areas, especially in Indonesia's outermost islands, reflects the country's growing perceptions of external threat against its sovereignty and territorial integrity.

Relationship Among Major Powers. Indonesia is also concerned with the implications of the changing regional power structures in East Asia for major power relations and stability in the region. The rise of China and India constitutes two most salient aspects of the undergoing strategic change that is transforming the geo-political character of East Asia. The region is entering a critical juncture of a period where the emergence of China and India would redefine the relationship among major powers. Indonesia is aware that the power shift taking place in East Asia points to the redistribution of power among key players. The ability of the US to exercise unchallenged supremacy is bound to be affected by the rise of China. Within this context, Indonesia is concerned that the future relationship among the major powers would be characterized more by competition and rivalry than cooperation. In that context, Indonesia is

¹⁴ "TNI: Pelanggaran Wilayah Perbatasan Laut Masih Tinggi, [Indonesia's Defense Forces: Violation of Maritime Borders is Still Rampant], *Tempo Interaktif*, 31 December 2010, at <http://www.tempointeraktif.com>.

¹⁵ "Selama 2010, Perbatasan Laut RI 13 Kali Dilanggar Malaysia" (In 2010, Malaysia Violated Indonesia's Maritime Borders 13 Times), *Primaironline*, 12 October 2010, at <http://www.primaironline.com>.

¹⁶ "Nine RI Protests Against M'sian Border Violations in 2010," *Antara News Agency*, 18 August 2010, at <http://www.antaraneews.com>.

concerned about the implications of Sino-US and Sino-Japanese rivalry for regional stability.

China and the South China Sea. Regarding the rise of China, Indonesia — like many other countries in Southeast Asia — tends to see the country both as an opportunity and a challenge. While Indonesia has been part of those Southeast Asian countries trying to tap the benefits of China’s spectacular economic progress, Indonesia, like many others in Southeast Asia, is not comfortable with the notion of China as a new leader that would challenge the position of the US in an open confrontation. Nor would Indonesia want to live under a regional order dictated and dominated by any major power, including China. Indonesia’s view of China still registers a degree of strategic ambiguity. While it welcomes China’s efforts to improve relationships with ASEAN, Indonesia is still uncertain regarding the future directions of China’s intention and policy in the region. It is precisely due to this uncertainty that Indonesia keeps an open mind and, in fact, embraces the notion of China’s peaceful rise as an important factor that would ensure not only a close relationship between China and ASEAN countries, but also regional stability in Southeast Asia.

Recent developments in China’s policy towards a number of issues in the region, however, might have raised some concerns throughout Southeast Asia. China’s growing assertiveness in the South China Sea, for example, was not lost on Indonesia. President Susilo Bambang Yudhoyono clearly maintained that no country should dominate the disputed area in the South China Sea. He also stressed that “over the past 10 to 20 years, the situation there has been relatively stable, but the region is a potential source of conflicts.”¹⁷ In a move that clearly reflects Indonesia’s concern over China’s claim over almost the entire South China Sea, in July 2010 Indonesia’s mission at the United Nations (UN) also sent a letter to a UN commission on the limits of the continental shelf arguing that China’s claim in the South China Sea “clearly lacks international legal basis” and “encroaches on the legitimate interest of the global community.”¹⁸ In other words, despite the fact that Indonesia is not a party to

¹⁷ “RI Wary of Security Situation in South China Sea,” *Antara News Agency*, 22 July 2010, at <http://www.antaranews.com>.

¹⁸ See, Banyan, “Indonesia Wades into the South China Sea,” *The Economist*, 2 August 2010, at <http://www.economist.com>. The official letter of the Indonesian Mission to the UN can be found at http://www.un.org/Depts/los/clcs_new/submissions_files/mysvnm33_09/idn_2010re_mys_vnm_e.pdf.

the sovereignty dispute over the area, Jakarta regards the peaceful resolution of the problem and stability in the South China Sea as vital to Indonesia's own interest because — as President Yudhoyono stated — “the area is close to our Exclusive Economic Zone.”¹⁹

Indeed, the South China Sea problem also has the potential to affect Indonesia-China relations. For example, Indonesia's former ambassador to China, Mayor General (rtd) Sudrajat, confirmed that bilateral tension between the two countries could be triggered by the illegal Chinese vessels frequently entering Indonesian-owned Natuna waters in the South China Sea.²⁰ In 2008 and 2009, for example, Indonesian authorities arrested 16 Chinese fishing vessels around Natuna island. China's reactions towards the arrests could potentially create tension between the two countries. During 2010, for example, there were two incidents in May and June during which armed Chinese vessels threatened to shoot if Chinese fishing vessels arrested by Indonesian patrol boats were not released.²¹ Such incidents led Indonesia's Navy Chief to urge the government to start discussing and resolving the dispute over the Exclusive Economic Zone (EEZ) around the Natuna waters, because the incident often created tension between the navies of the two countries.²²

Developments in Defense Sector: Extensive Needs, Modest Improvement

Indonesia recognizes that its defense capability needs a significant boost. However, Indonesia's national security concerns, despite the growing attention to the potential sources of external threats and the changing strategic environment in East Asia, remain primarily internal in nature. This, in a way, reflects Indonesia's conviction that there is no foreseeable threat of invasion for the next ten to fifteen years.²³

¹⁹ “RI Wary of Security Situation.”

²⁰ Lilian Budianto, “South China Sea Dispute a Potential Rift in RI-China Ties: Envoy,” *The Jakarta Post*, 25 May 2010, at <http://www.thejakartapost.com>.

²¹ “Nelayan China Bebas Jarah Ikan Natuna” (Chinese Fishermen Are Free to Loot Natuna's Fish), *Batam Cyber Zone*, 9 October 2010, at <http://batamcyberzone.com>.

²² “KASAL Dorong Penyelesaian ZEE Indonesia-China” (Indonesian Navy Chief Urges the Resolution of Indonesia-China EEZ Dispute), 20 July 2010, at <http://antasari.net/kasal-dorong-penyelesaian-zee-indonesia-china>.

²³ *Buku Putih Pertahanan Indonesia 2008*, [Indonesia's Defense White Paper 2008] (Jakarta: Indonesia's Ministry of Defense, 2008), p. 7.

Consequently, despite Indonesia's recognition of wide-ranging challenges to national security, both internal and external, Indonesia's defense policies and posture continue to reflect priorities to manage internal security concerns. Within that context, the main priority of Indonesia's defense development programs is still to achieve the goal of fulfilling "a minimum essential force," namely "a force level that can guarantee the attainment of immediate strategic defense interests, where the procurement priority is given to the improvement of minimum defense strength and/or the replacement of outdated main weapon systems/equipments."²⁴ In operational terms, there is no immediate plan to introduce a significant increase in the number of personnel of the military,²⁵ but the priority will be given to improving the quality of combat readiness, mobility, and the maintenance and improvement of general naval capability, marine corps, and the air force.²⁶ In other words, Indonesia's current capability development plan reflects the need to address the problem of ageing main weaponry systems and other supporting equipment in the three services.²⁷ Developments in Indonesia's defense sector in 2010 still reflected those priorities; a trend that will continue in the years to come.

According to Defense Strategic Plan 2010-2014, Indonesia needs around Rp 279.8 trillion (USD 31 Billion) to fulfill its defense needs, most of which – according to Minister of Defense Purnomo Yusgiantoro — would be allocated to pursue the development of minimum essential force (MEF), revitalization of the national defense industry, prevention of maritime crimes and defense modernization.²⁸ The central aspect of these plans is the need to address the problem of ageing main weaponry systems and other supporting equipment in the three services. The priority for the Army is "to narrow the defense gap in the islands outside the Island of Java, both in terms of organization and main weaponry system (*Alutsista*)."²⁹ The priority

²⁴ *Peraturan Presiden Republik Indonesia No. 7 Tahun 2008 Tentang Kebijakan Umum Pertahanan Negara*.

²⁵ *Buku Putih Pertahanan 2008*, p. 121.

²⁶ Alexandra R. Wulan, *Satu Dekade Reformasi Militer Indonesia* [A Decade of Military Reform in Indonesia] (Jakarta: Pacivis and FES, 2009), p. 97.

²⁷ For a more detailed discussion on Indonesia's defense policy and strategy, see Rizal Sukma, "Indonesia: Security Outlook, Defense Policy and Regional Cooperation," paper presented to the Workshop on "Security Outlook of the Asia-Pacific Countries and Its Implications for the Defense Sector," NIDS, Tokyo, 21-22 January 2010.

²⁸ "Anggaran Pertahanan 2011 Naik 10.72 Persen," *Media Indonesia*, at <http://www.mediaindonesia.com/read/2010/12/30/191881/171/Anggaran-Pertahanan-2011-Naik-1072-Persen>.

²⁹ *Buku Putih Pertahanan 2008*, p. 121.

for the Navy is “to modernize *Alutsista* by adding new submarines to the service and replacing outdated, ageing and unusable equipment.”³⁰ The Air Force plans “to replace outdated aircraft and its weapon systems, with a priority on tactical fighters, transportation units, radar units, and training squadrons.”³¹ The Strategic Plan started in 2010 with the allocation of Rp. 42.9 trillion for the 2010 defense budget and Rp. 47.5 trillion for 2011, which constitutes an increase of 10.72 or 3.86 percent of the 2011 national budget.³² The 2010 budget also constituted a significant increase from 2009 budget, which was only Rp 33.6 trillion. Minister of Defense Purnomo Yusgiantoro even aims at reaching the target of a national defense budget at 1.5 percent of the country’s GDP by 2015.³³

Even though the Army is still considered as the “backbone” of Indonesia’s defense, Indonesia has begun to give greater priority in procurement policy to fulfil the needs of the Navy and the Air Force.³⁴ This trend still continues. While the reasons for this could partly be attributed to the ageing and poor condition of the two services’ inventories, the growing procurement emphasis for the Navy and the Air Force also reflects Indonesia’s determination to improve the capability of the two services in handling other pressing security challenges beyond the overriding concerns over internal security. Indonesia’s defense development plan is also based on the need to acquire certain task-oriented capabilities so that the military could respond effectively to immediate security challenges facing the country, especially in the areas of non-traditional security such as natural disasters. However, many believe that Indonesia’s plan to move towards expanded naval and air capabilities to defend the country’s maritime interests remains an incremental and long-term process.³⁵

Looking from the defense needs of the Navy and the Air Force, it is not difficult to explain why Indonesia’s modernization drive might not be easy to fulfill. Deputy Navy Chief Rear Admiral Marsetio, for example, estimated that in order to meet

³⁰ Ibid., p. 126.

³¹ Ibid., p. 130.

³² “TNI Kembalikan Sisa Anggaran Rp. 600 Juta”, *Antara News Agency*, 31 December 2010, at <http://www.antaraneews.com/berita/1293777667/tni-kembalikan-sisa-anggaran-rp600-juta>.

³³ Dicky Christianto, “Military to Boost Spending on Weapons,” *The Jakarta Post*, 6 May 2010, at <http://www.thejakartapost.com>.

³⁴ Alexandra R Wulan, *Satu Dekade Reformasi Militer Indonesia*, p. 116.

³⁵ IISS, *The Military Balance 2009* (London: Routledge, 2010), p. 384.

Indonesia's defense needs properly, the Navy would need at least 39 submarines.³⁶ It was also estimated that the Navy would need additional 300 new ships. Minister of Defense Yusgiantoro announced in September 2010 that Indonesia's Air Force would need 180 planes in total by 2024.³⁷ Despite the budget limitation, however, Indonesia has already firmed up its plans to embark on major procurements. By 2010, Indonesia received all 6 Sukhoi it had ordered from Russia in 2008 (with total spending of US\$ 335 million), bringing the total number of the aircraft in Indonesia's Air Force to 10 units. Minister of Defense Yusgiantoro, after receiving the last 3 Sukhoi SU-27SKM fighters from Russia in September 2010, maintained that Indonesia plans "to buy more Sukhoi fighters so that we could have a squadron of them."³⁸

Programs to implement the plan to boost Naval capability is also underway. In November 2010, Indonesia's marine received 17 amphibious tanks BMP-3F from Russia.³⁹ For the next 15 years, the Indonesian Navy plans to acquire 22 Fast Attack Craft (*Kapal Rudal Cepat-KRC*), which will be produced domestically through cooperation between the Navy and PT Palindo Marine Shipyard in Batam. Until 2014, the Indonesian Navy plans to produce at least 4 KCRs to be equipped with a weapon system either from China or South Korea.⁴⁰ It will also continue to add more corvettes to the service through cooperation with the Netherlands. The Navy also emphasizes the need for two new submarines, a plan that has been in the pipeline since 2009. Even though the plan to purchase the submarines has been postponed several times, the Navy expects that the government will soon make the final decision and the 2 submarines can enter service by 2014.⁴¹ In early January 2010, Minister of Defense, Purnomo Yusgiantoro, revealed that the government plans to procure 96

³⁶ "TNI AL Butuh 39 Kapal Selam Tambahan," (TNI Needs 39 Submarines), *Antara News Agency*, 22 Desember 2010, at <http://portal.antaranews.com/news/238915/tni-al-butuh-39-kapal-selam-tambahan>.

³⁷ Trefor Moss, "Jakarta Set On Military Shopping Spree," *Asia Times Online*, 26 October 2010, at <http://www.asiatimes.com>.

³⁸ Dicky Christianto, "Govt Plans to Buy More Sukhoi Jet Fighters," *The Jakarta Post*, 28 September 2010, at <http://www.thejakartapost.com>.

³⁹ "Tank BMP-3F Rusia Tiba Jumat Malam" (Russian BMP-3F Arrives on Friday Evening), *Antara News Agency*, 25 November 2010, at <http://www.antaranews.com>.

⁴⁰ Amril Amarullah, "TNI AL Siapkan Pembuatan Kapal Cepat Rudal" (The Navy Prepares the Production of Fast Attack Craft), *Vivanews*, 18 Januari 2010, at http://www.national.vivanews.com/news/read/121982-tni_al_siapkan_pembuatan_kapal_cepat_rudal.

⁴¹ "Pengadaan Kapal Selam TNI Tertunda Sampai 2014" (The Purchase of Submarines Is Postponed Until 2014), *Okezone*, 29 December 2009, at <http://www.okezone.com/read/2009/12/29/337/289106/pengadaan-kapal-selam-tni-tertunda-hingga-2014>.

patrol vessels to strengthen border security and to prevent illegal fishing in Indonesian waters.⁴² The military also plans to purchase 4 unmanned aerial vehicles in 2011 to strengthen its surveillance capability.⁴³

Indonesia also continues to fulfill its defense needs through domestic procurements from the state-owned domestic aviation and defense industry. In December 2009, for example, the Ministry of Defense signed an agreement with Dirgantara Indonesia (DI) for the purchase of three new CN235-220 maritime patrol aircraft worth \$80 million to be delivered within three years.⁴⁴ In December 2010, PT DI delivered 1 Helicopter NAS-332 Super Puma as part of 9 units ordered by the Army. In January 2010, state-owned defense manufacturer, PT Pindad, delivered 33 Anoa Armed Personnel Carriers (APC) ordered by the Ministry of Defense for use by various Army units throughout Indonesia.⁴⁵ By the end of 2010, PT PAL delivered 1 more Landing Platform Docks (LPD) ordered by the Navy. These procurements reflect Indonesia's commitment to revitalize and enhance the capacity of its domestic defense industry, which has become a new priority of President Susilo Bambang Yudhoyono's second administration.

Financial constraints, however, remain an important factor that limits Indonesia's ability to fulfill its military modernization drive. In the 2010 budget, despite the allocation of IDR 11 trillion for arms procurement purposes, the amount is still far from adequate. The postponement of the purchase of 2 submarines was also due to this factor. However, it is important to note that there is a national consensus on the need for boosting Indonesia's defense capability, especially after a string of accidents involving several military aircrafts during 2010. Indeed, domestic support for arms modernization is strong. The Indonesian Parliament, for example, has agreed to allocate IDR 150 trillion (USD 16 billion) over the period of the 2011-2014 to fund

⁴² "Ministry Proposes an Additional 96 Patrol Boats," *The Jakarta Post*, 12 January 2010, at <http://www.thejakartapost.com>.

⁴³ "KASAU: TNI Beli Empat Pesawat Tanpa Awak" (Air Force Chief: TNI To Buy Four Unmanned Aerial vehicles), at <http://www.dephan.go.id/modules.php?name=News&file=article&sid=9172>.

⁴⁴ "Indonesia Seeks to Bolster Defense Industry," *The Jakarta Globe*, 11 December 2009, at <http://thejakartaglobe.com/home/indonesia-seeks-to-bolster-defense-industry/346969>.

⁴⁵ Yuli Tri Suwarni, "Back on Target: Weapons Budget To Reach Rp 63t over 5 Year," *The Jakarta Post*, 14 January 2010.

arms modernization programs.⁴⁶ There is also a plan to gradually increase the defense budget for the period of 2012-2014, from IDR 55.5 trillion in 2012 (USD 6.1 billion), to IDR 64.3 trillion in 2013 (USD 7.1 billion) and IDR 72.9 trillion in 2014 (USD 8.1 billion). This planned increase, however, is still not adequate to build a modern defense force capable of meeting its enormous defense needs. In other words, despite the extensive defense needs, Indonesia's plan to modernize its armed forces has been modest indeed.

External Cooperation

Indonesia has strongly subscribed to the view that challenges to both national and regional security can only be adequately addressed through a multi-faceted approach. It believes that bilateral, regional and international cooperation would contribute significantly to its national security interests and to its efforts in addressing various security challenges, especially the NTS and trans-national security problems. Bilateral and regional cooperation even becomes more relevant and important to address security challenges stemming from strategic uncertainties brought about by geo-political changes in the region. In other words, Indonesia continues to maximize its national security and regional stability through bilateral, regional and global cooperation.

Bilateral Cooperation. Indonesia continues to expand its bilateral defense cooperation with ASEAN countries, notably with Malaysia, Singapore and Vietnam. With Malaysia and Singapore, Indonesia frequently takes part in joint military exercises, coordinated patrol in the Malacca Straits, provision of combat training facilities, and also cooperation in the defense industry sector. Joint military exercise between Indonesia and Malaysia, for example, is seen as important in forging close cooperation and building confidence between the two countries despite the problem of territorial disputes. In April, Indonesia and Malaysia hold the the Malindo Darsasa Exercise 7AB/2010, involving 1,241 personnel from the Malaysian armed forces and 452

⁴⁶ "Kemhan Minta Jatah Anggaran Rp. 230 Triliun: Rp. 150 Triliun Bakal Digunakan Untuk Modernisasi Alutsista" (Ministry of Defense Asks for IDR 230 Trillion: IDR 150 Trillion Will be Used to Modernize the Main Weaponry System), *Rakyat Merdeka*, 4 October 2010, at <http://www.rakyatmerdeka.co.id>.

personnel from the TNI.⁴⁷ Indonesia and Malaysia are also studying the possibility of cooperating in the defense industry, including joint production.⁴⁸ In October, Indonesia also signed a memorandum of understanding (MoU) on defense cooperation with Vietnam, which includes exchanges of visits between defense establishments, joint exercises, and marine patrols.⁴⁹ Outside ASEAN countries, Indonesia has also deepened its defense cooperation with Australia and South Korea.

Indonesia has also expanded its security and defense cooperation with the major powers. The most important initiative in this regard is the strengthening of Indonesia-US defense ties within the newly agreed Indonesia-US Comprehensive Partnership Agreement (CPA). In June, both countries signed a framework arrangement on defense cooperation, covering areas of security dialogue, education and training, defense industry, procurement of military equipment, and maritime security.⁵⁰ In July, the resumption of cooperation between the US and Indonesia's Special Army Forces (Kopassus) marked a full resumption of Indonesia-US defense ties, which was previously hampered by the problem of human rights abuses by Indonesia's military.⁵¹ In July, Indonesia agreed to expand security cooperation with Japan, especially in the areas of non-traditional security such as piracy, terrorism, transnational crimes, climate change and natural disasters.⁵² In January 2011, Indonesia and Japan discussed how defense cooperation between the two countries could be enhanced beyond exchanging military officials, including joint military exercises or operations.⁵³ Defense and security cooperation with India has also increased. In March, for example, Indonesia held a joint patrol with India in the

⁴⁷ Antara News Agency, "M'sia-Indonesia Joint Military Exercise Important," 9 April 2010, at <http://www.antara.co.id>.

⁴⁸ Antara News Agency, "RI, M'sia Studying Defense Industry Cooperation," 16 February 2010, at <http://www.antara.co.id>.

⁴⁹ Antara News Agency, "RI, Vietnam Agree to Strengthen Defense Ties," 27 October 2010, at <http://www.antara.co.id>.

⁵⁰ Antara News Agency, "RI, US Sign Defense Framework Arrangement," 10 June 2010, at <http://www.antara.co.id>.

⁵¹ Antara News Agency, "US Agrees to Resume Cooperation with RI's Special Forces," 22 July 2010, at <http://www.antara.co.id>.

⁵² Antara News Agency, "RI, Japan Join Forces to Face Security Threats, Piracy," 14 July 2010, at <http://www.antara.co.id>.

⁵³ Antara News Agency, "RI, Japan to Expand Defense Cooperation," 15 January 2011, at <http://www.antara.co.id>.

Malacca Straits.⁵⁴ Indonesia-China defense cooperation has also improved over the last few years.

Regional Initiatives. At the regional level, the decision by ASEAN's leaders to transform ASEAN into an ASC by 2015 has opened greater opportunity for ASEAN to work closely to manage security challenges in the region. More specifically, Indonesia has supported greater and deeper cooperation among ASEAN's defense establishments such as through the mechanism of the ASEAN Defense Minister Meeting (ADMM). Indonesia also continues to support and participate in the ongoing process of regional community-building in East Asia, through various building blocks such as the ASEAN Plus Three (APT) process, the ASEAN Regional Forum (ARF), the ASEAN Defense Ministers Plus (ADMM Plus), and the East Asia Summit (EAS). With regard to the EAS, Indonesia even played an active role in expanding it to include the US and Russia. Indonesia believes that the uncertainty and unpredictability due to geopolitical changes in East Asia could be mitigated through the establishment of a dynamic equilibrium within the EAS framework.

Conclusion

Security challenges facing Indonesia have indeed become more complex, and Indonesia's defense capability is still far from adequate to address those challenges. It continues to face internal security problems, growing incidents of non-traditional security threats, and the uncertainty due to strategic power shift in East Asia. However, Indonesia still regards internal security as the most important challenge that it needs to focus on. Developments in Indonesia's defense sector are still characterized by modest efforts by Indonesia's Defense Force (TNI) to improve its capability within the context of serious budgetary constraints. The focus of Indonesia's defense development programs in the years to come, therefore, is still aimed at achieving the minimum defense requirements. Within that context, bilateral and regional cooperation continue to occupy an important place in Indonesia's policy in responding and managing challenges to regional security and stability.

⁵⁴ "Cegah Teroris di Perairan, TNI-AL-India Patroli Bersama," *Tempo Interaktif*, 10 March 2010, at <http://www.tempointeraktif.com>.

