

CHAPTER 2

Indonesia's Security Review and Defense Development in 2012

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Introduction

Throughout 2012, Indonesia continued to experience multifaceted security challenges. The Indonesian government had to deal with tremendous domestic problems such as home-grown terrorism, sporadic communal violence, and separatist sentiment in Papua. Meanwhile, with the changing great power relations in East Asia, Indonesia has become more exposed to external developments, including the growing maritime insecurities and strategic implications of multilateral disputes over the South China Sea.

Given a complex strategic environment, Indonesia's Ministry of Defense has recently completed a set of policy guidelines on defense planning. These policy documents systematically outline Indonesia's defense requirements until 2024 based on a projection of actual and potential threats. With the current force planning, the Indonesian National Defense Forces (TNI) is expected to acquire better defense capabilities and adequate power projection, the military development remains the subject of national economic growth and top leadership commitment to allocate sufficient resources for relevant defense expenditures.

Indonesia's Security Review in 2012

The Rise of Religious Intolerance and the Threat of Home-grown Terrorism

In recent years, violence against minority groups has taken place in various parts of Indonesia. While attacks against Ahmadiyya and Shia believers have claimed lives and displaced hundreds, Christian communities in some areas continue to experience intimidation by Islamist mobs. Despite on-going investigations for each incident, the Indonesian government appears to lack a coherent strategy to address these multidimensional conflicts. Given the diversity within the Indonesian society, communal tensions and clashes will recur along with growing economic inequity

and social injustice.

Meanwhile, Indonesian authorities remained alert to local terrorist networks due to its ability to adapt, regroup, and regenerate new cells. Although the terrorist groups operating in Indonesia nowadays no longer affiliate themselves with global causes or ideologies, they mostly emerged from splinters of Jemaah Islamiyah and Darul Islam.¹ The current generation of Indonesian jihadists mostly come from ordinary public schools rather than Islamist boarding schools (*pesantren*). They often take form from small but radical religious study groups (*pengajian*) in different parts of the country.²

In the past few years, the police's anti-terror squads have been successful in conducting raids, capturing terrorist suspects, and cancelling their plots (see Figure 1 below). Following its raid against a militant training camp in Aceh and subsequent terrorist suspects in 2010, the police discovered that many local jihadists have links to Jamaah Ansharut Tauhid (JAT)—a militant Islamist organization founded by the radical cleric Abu Bakar Baasyir.³ Although its senior leaders continue to deny any involvement in violence, several JAT members have been convicted for terrorist plots, including the killing of two police officers in Palu, Central Sulawesi in 2011.⁴

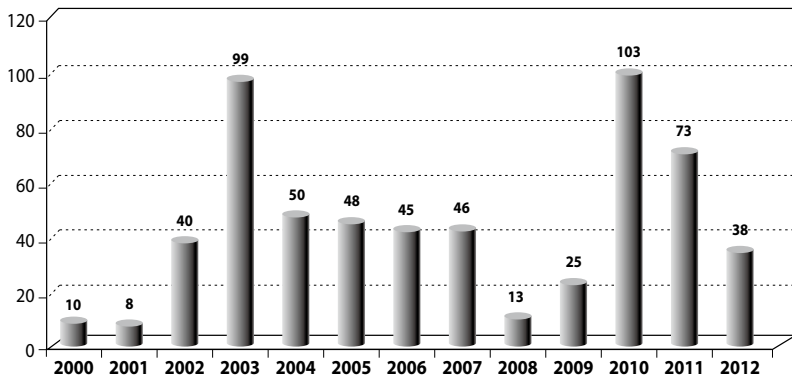
¹ See "A Nationwide Terrorist Network," *Tempo* (March 30, 2010); "Web of Terror," *Tempo* (May 10, 2011).

² See "The Student Terrorist from Buntalan," *Tempo* (March 29, 2011); "Injeksi Virus Teror Generasi," *Gatra* (May 25, 2011).

³ See "Turning Aceh into Mindanao," *Tempo* (March 23, 2010); "JAT Diduga Berperan Mendanai," *Kompas* (June 4, 2010).

⁴ See "JAT Lepaskan Diri dari Anggota yang Terlibat Terorisme," *Kompas* (May 16, 2010); "Poso Terror Suspect Linked to JAT: Police," *The Jakarta Globe* (November 12, 2012).

Figure 1
Convicted Terrorists in Indonesia, 2000-2012



Source: Adapted from a presentation by Muhammad Tito Karnavian, the Deputy of National Agency for Counter-Terrorism (BNPT) at Focus Group Discussion on "Indonesia's Security Index" organized by the National Development Planning Agency (Bappenas), 14 August 2012.

By late 2012, Poso has become the major theater of the counter-terrorism campaign in Indonesia. Since mid-October, an alliance of militant groups calling itself Mujahidin Indonesia Timur carried out a string of violence in the area, including sporadic shooting, an attempted assassination of a local official, the attempted burning of a church, the assassination of two policemen following up reports of a terrorist camp, and the first reported use of land mines by local jihadists.⁵ After the destruction of their training camp in Aceh, Poso apparently became attractive for jihadist groups due to its hilly jungle terrain and logistical supports from radicalized Muslim youths during the past religious conflict.⁶ Court documents from the trials of perpetrators arrested in connection with a 2011 attack in Palu reveal that senior JAT leaders have begun making regular trips to Poso in late 2009.⁷

⁵ See "Melacak Jejak Jagal Polisi di Tamanjeka," *Koran Tempo* (October 29, 2012); "Pengebom Gubernur Sudah Lama Diincar Densus 88," *Koran Tempo* (November 13, 2012); "Polisi Buru 10 Penembak Polisi di Poso," *Koran Tempo* (December 27, 2012).

⁶ See "Upik Lawangga Dituduh Terlibat Bom Poso," *Koran Tempo* (October 24, 2012).

⁷ See "Blast from the Past – Indonesia's Veteran Jihadist Network," *Jane's Intelligence Review* (March 1, 2013).

Recent events indicate two emerging trends of terrorist groups operating in Indonesia. First, the police have increasingly become the main target of terrorist plots and attacks. In December 2012, for instance, a police patrol was ambushed by gunmen in Tambarana, Poso causing the deaths of four officers.

Second, despite their ideological distinctions, there has been a growing mutual relationship between jihadist fighters and religious vigilante groups. Here, JAT has served as the liaison among the like-minded radicals through the lectures by radical preachers who instill in their audience a commitment to jihad.⁸ With the on-going threats of radicalism and terrorism, Indonesian authorities must not only intensify their counter-terrorism efforts, but also launch de-radicalization programs to address venomous radical ideology.

The Dynamic of Regional Dissident in Papua

Papua remains a flash point in Indonesia's security landscape. Although the Indonesian government has granted special autonomy rights to the region, the aspiration for independence continues to present a challenge to the country's territorial integrity. Due to poor communications and the size and difficult terrains, the secessionist movement has been loosely organized and split along kinship and tribal lines. However, there is a growing trend nowadays that the insurgent groups seek to incite unrest and spread terror on the ground in order to gain political leverage over the government.⁹

In that sense, there have been sporadic disorder and growing violence in Papua and West Papua provinces. The West Papua National Committee (KNPB), which favors civil resistance rather than armed rebellion, has recently emerged as a key organizer of pro-independence rallies against Indonesian authorities in the restive region. With its growing ability to mobilize large crowds, the group has been resolutely demanding a referendum on independence, and detached itself from the more moderate groups calling for dialogue with the government.

⁸ See "Deadly Recruitment Drive," *Tempo* (March 30, 2010).

⁹ See "Political Violence Affects Stability in Indonesian Papua," *Jane's Intelligence Weekly* (August 24, 2011).

Meanwhile, the level of violence in Papua has grown from 38 incidents in 2011 to 67 incidents in 2012.¹⁰ Increased violence was mostly notable in mountainous areas, such as Puncak Jaya, Lanny Jaya, Jayawijaya, and Paniai. Some incidents are not related to the secessionist movement, but rather linked to the weaknesses of local governance and law enforcement. The recent fighting between the supporters of two candidates following the district-level election in July 2011 led to the deaths of dozens people in the Puncak district.¹¹

Even worse, a string of shootings against unarmed civilians, soldiers, and policemen has taken place in recent years.¹² The latest incident occurred on February 21 2013, in which eight soldiers were killed in two coordinated attacks by unidentified gunmen.¹³ The military investigation revealed that the victims were unarmed and caught by surprise as they had been conducting community works at a local village during the attacks. Other incidents showed that the insurgent groups sought to seize the firearms of soldiers and policemen in Papua.

Amid the growing tension, the peaceful resolution of the on-going conflict in Papua remains elusive. In July 2011, some government officials and representatives of pro-independence movement gathered in Abepura to hold a political dialogue. The dialogue reportedly produced a set of political, social, economic, legal, and security indicators that could serve as guidelines for future government policies.¹⁴ However, it failed to produce a blueprint or road map for peace settlement in Papua due to a deep mistrust and huge perception gap between the government and the pro-independence movement. Unless a comprehensive negotiated political settlement is reached, the Papua problem will continue to present a domestic security challenge for the Indonesian government.

¹⁰ See Research Team on Papua, "Analisis dan Refleksi atas Politik, Keamanan dan Pembangunan Papua 2012," *Press Release* (December 17, 2012).

¹¹ See "Suhu Politik Lokal Meningkat," *Kompas* (January 30, 2012).

¹² See "Squaring the Vicious Circle of Violence in Papua," *The Jakarta Post* (February 27, 2013).

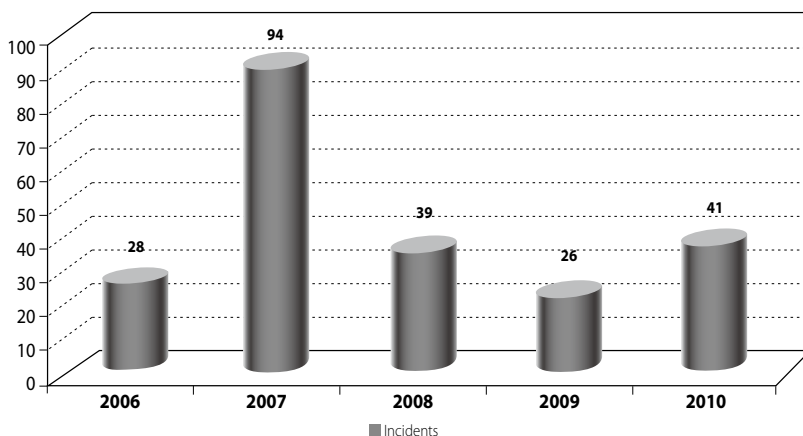
¹³ See "8 Soldiers Shot Dead in Papua," *The Jakarta Post* (February 22, 2013).

¹⁴ See International Crisis Group, "Indonesia: Hope and Hard Reality in Papua," *Asia Briefing*, No. 126 (August 22, 2011).

Border Disputes and Maritime Insecurities

Despite the realization of ASEAN Political and Security Community by 2015, the Indonesian government remains deeply concerned over maritime border demarcation with neighboring countries. Indonesia's claim and occupation of the Ambalat sea-block often becomes the source of diplomatic tensions with Malaysia. In recent years, there have been frequent incidents of maritime incursions by Malaysian fishermen and marine authorities (see Figure 2 below). In mid-2012, the Indonesian Navy claimed that Malaysia's marine vessels and aircrafts made 14 border violations into Indonesian territory. While negotiations on Ambalat are still underway, Indonesia and Malaysia also engage in territorial dispute over Gosong Niger sandbar, located 5.5 nautical miles off the coast of West Kalimantan.¹⁵

Figure 2
Border Incursions into Indonesia's Territory, 2006-2010



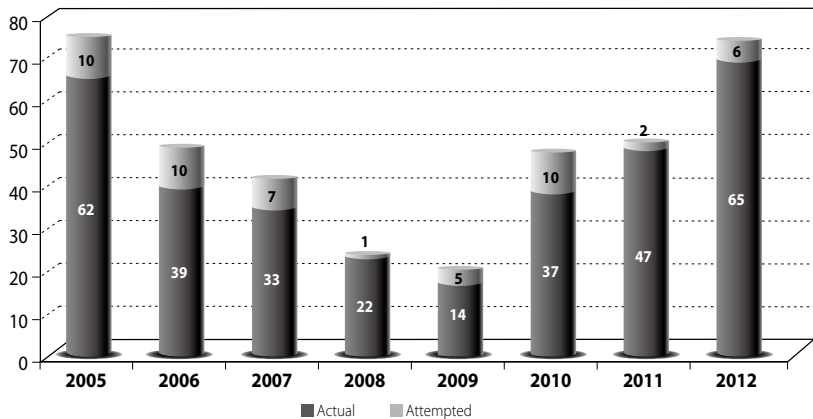
Source: author's personal dataset from various local news reports.

Over 2012, piratical attacks also continued to plague Indonesia's archipelagic waters. After its declining period from 2005 to 2009, Figure 3 below indicates that maritime piracy has begun to intensify in recent years. In the third quarter of 2012, 47 cases of actual and attempted attacks against commercial vessels took place in

¹⁵ See I Made Andi Arsana and Clive Schofield, "Gosong Niger: Another Ambalat?," *The Jakarta Post* (March 16, 2006).

Indonesian waters. The number was apparently higher compared to 2009, where the lowest number of incidents occurred in the last eight years. These incidents take a variety of forms from unarmed robbers stealing portable and priceless items to dreadful pirates hijacking ships with complex modus operandi.

Figure 3
Reported Piracy Attacks over Indonesia's Archipelagic Waters, 2005-2012

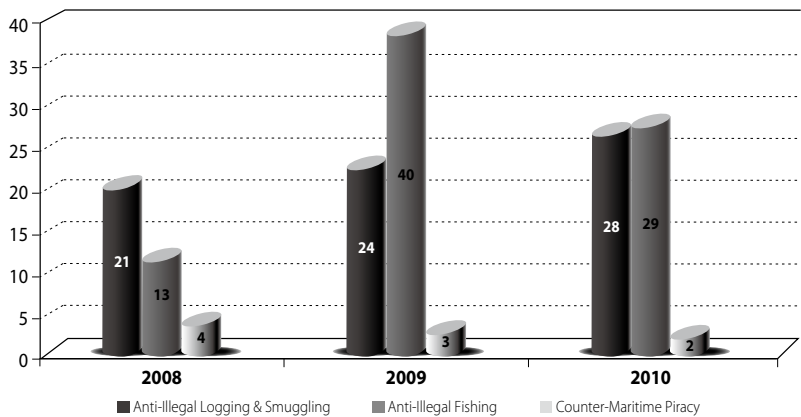


Source: adapted from ReCAAP's Annual Reports, 2007-2012.

Indonesia's maritime interests and security concerns are far broader than exclusively combating the pirate attacks. Although the Navy and other marine authorities have intensified its maritime presence to uphold a good order over the country's sprawling archipelagic waters, they tend to invest their limited resources to thwart natural resources thieveries. According to many estimates, Indonesia potentially losses between US\$2 billion to 3 billion annually from illegal logging, while illegal fishing causes an estimated US\$8 billion per annum in state losses.¹⁶ In that respect, the Navy is likely more concerned with rampant illegal logging and fishing activities (see Figure 4). Such priority is also evident in the annual budget for anti-illegal logging operations and marine law enforcement (see Figure 5).

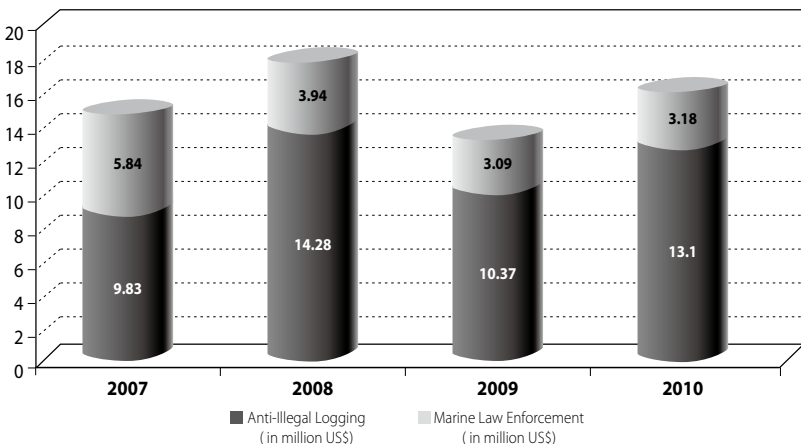
¹⁶ See Alda Chan, "Illegal Logging in Indonesia: The Environmental, Economic and Social Costs," (Washington, DC: Blue Green Alliance, April 2010), p. 9; "Forest Groups Call on Oz to Ban Illegal Timber Import," *The Jakarta Post* (August 16, 2010); "RI Seeks Ties to Fight Illegal Fishing," *The Jakarta Post* (March 5, 2008); "RI Forms New Courts to Fight Illegal Fishing," *The Jakarta Post* (October 18, 2007).

Figure 4
The Indonesian Navy’s Maritime Security Operations, 2008-2010



Source: author’s personal dataset from the official website of the Indonesian Armed Forces (TNI).

Figure 5
Annual Budget for Anti-Illegal Logging and Marine Law Enforcement



Source: author’s personal dataset from several unclassified official documents.

Regional Power Politics and the Question of the South China Sea

Indonesia praises the concept of “dynamic equilibrium” in its engagements with major powers in the region. Through mutually beneficial and peaceful cooperation, it seeks to minimize strategic competition among China and the United States in order to enhance regional security and stability. Hence, the Indonesian government welcomes China’s efforts to forge closer ties with ASEAN countries. While taking the regional momentum to improve its military relations with the U.S., Indonesia encourages the latter to calibrate its “pivot” or “re-balancing” strategy in non-threatening manner so as not to provoke aggressive behavior on China part.

During 2012, however, Indonesia sees China’s growing assertiveness in the South China Sea. The most recent escalation relates to a confrontation between China and the Philippines over the Scarborough Shoal, and international bids by China and Vietnam for gas exploration in the areas of the South China Sea contested by the two. During the recent East Asia Summit, China showed a strong resistance to internationalise the dispute and enter multilateral negotiations over the South China Sea.¹⁷ This assertiveness is in line with the growing capabilities of the Chinese Navy, which is expected to become a regional naval power in the 2020s and global naval power in the 2050s.

Ultimately, the increasing tension over the South China Sea put a test to the unity of ASEAN members. The rift within the regional grouping became evident in its failure in issuing a joint communiqué at the 45th ASEAN Ministerial Meeting in Phnom Penh;¹⁸ the first awkward incident ever in the history of ASEAN. Indonesia’s shuttle diplomacy has brought small progress through a consensus on a six-point principle on the implementation of the 2002 Declaration of the Code of Conduct in the South China Sea as a starting point to draft a Regional Code of Conduct.¹⁹ Yet, the diplomatic spat re-emerged in November 2012—the Cambodian government declared that all ASEAN members had agreed not to internationalize their disputed claims. This remark, which met with strong denial and resistance from the Philippines and Vietnam, deliberately fit well with China’s interest in negotiating with ASEAN

¹⁷ See Wisnu Dewabrata, “‘Quo Vadis’ ASEAN?,” *Kompas* (June 12, 2011).

¹⁸ See Rizal Sukma, “ASEAN dan Sengketa Laut China Selatan,” *Kompas* (April 11, 2012).

¹⁹ See “RI Finds Common ASEAN Ground in Sea Dispute,” *The Jakarta Post* (July 23, 2012).

claimants on a bilateral basis.²⁰

Meanwhile, in March 2012, the Australian government hinted “a longer-term option” to host U.S. aerial surveillance assets in the Cocos Islands. This plan was likely prompted by increased tensions in the South China Sea that could harm sea-borne regional and global trade. In that sense, the ability to operate aerial surveillance aircrafts or drones is critical for the United States to maintain free and safe navigation passing through the disputed waters.²¹ The Indonesian government fears that the plan will inevitably deepen China’s anxiety and further intensify strategic rivalry between the great powers.

Capturing Key Elements of Indonesia’s Defense Planning

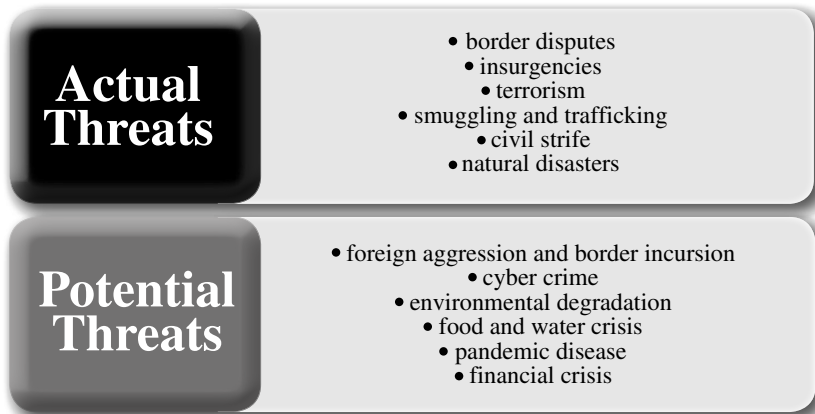
Given a complex strategic environment, Indonesia’s Ministry of Defense adopts two key approaches to develop the military’s force structure. The first approach is threat-based planning. Recent defense guidelines have identified a wide spectrum of security threats ranging from military aggression to environmental degradation (see Table 1). This leads defense planners to develop a full-spectrum force structure to anticipate high-intensity combat maneuvers and low-intensity missions, such as peace-keeping and humanitarian relief.

The second approach of Indonesia’s force structure development is capability-based planning. In this model, defense planners define the military’s organizational responsibilities and assess the future requirements of the armed forces to carry out specific missions. This ultimately leads them to determine the shape and size of force structure, while specifying relevant capabilities of military units to deal with the most-probable or most-dangerous threats to national defense (see Table 2 below).

²⁰ See Rizal Sukma, “ASEAN, China and the Chance of Collision at Sea,” *The Jakarta Post* (December 13, 2012).

²¹ See Iis Gindarsah, “The Cocos Islands Plan and Indonesia’s Dynamic Equilibrium,” *Strategic Weekly Analysis* (April 26, 2012).

Picture 1
Indonesia's Threat Clusters



Source: adapted from Indonesia's Ministry of Defense, *Defense White Paper* (Jakarta: 2008), pp. 27-38.

Picture 2
Organizational Missions and Military Capabilities



Source: adapted from Indonesia's Ministry of Defense, *Strategi Pertahanan Negara* (Jakarta: 2007), pp. 124-128.

Given a broad array of operational requirements and the scarcity of defense resources, Indonesian military planners have incorporated scenario modeling and risk analysis in the country's force planning (see Picture 3 below). The former is of importance because some threats may cause physical damages, but not necessarily require the use of military force. In so far as military professionalism and resources efficiency are concerned, transnational organized crime and climate change should be part of non-defense planning i.e. law enforcement and environmental conservation. The use of military units in operations other than war is essentially an ad-hoc mission involving "idle capacity" of the armed forces.

Picture 3
Indonesia's Flash Points and Conflict Scenarios

Conflict Scenarios

- 1 : cross-border assistance to domestic separatist
- 2 : border clash and skirmish
- 3 : foreign intervention to maintain access to
Indonesia's energy resources
- 4 : foreign intervention to sustain free and safe
navigation through Indonesia's sea lanes of commerce
- 5 : foreign intervention in counter-terrorism

Flash Points & Possible Scenarios

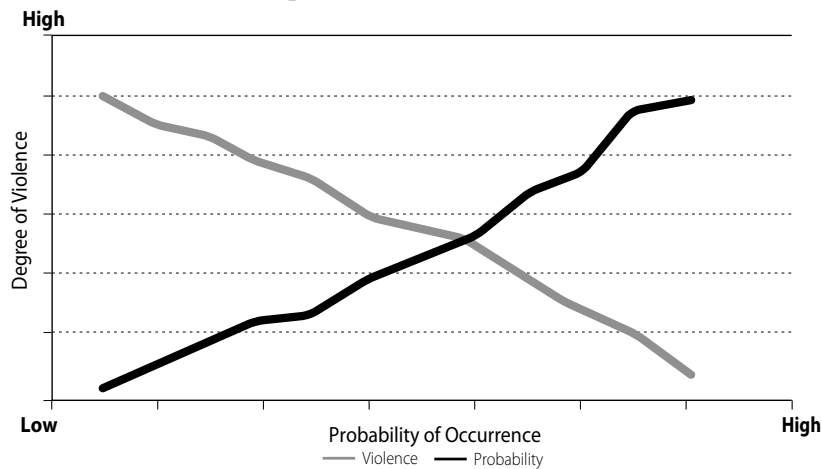
- | | |
|-------------------------|-----------------------|
| • Aceh | : scenario 1, 2 and 3 |
| • Greater Riau | : scenario 2, 3 and 4 |
| • Eastern Kalimantan | : scenario 2 |
| • Western Kalimantan | : scenario 2 and 3 |
| • Northern Sulawesi | : scenario 2 and 4 |
| • Southeastern Sulawesi | : scenario 5 |
| • Lombok | : scenario 4 |
| • East Nusa Tenggara | : scenario 2 and 3 |
| • Moluccas | : scenario 1, 3 and 4 |
| • Papua and West Papua | : scenario 1, 2 and 3 |
| • Malacca Straits | : scenario 1-5 |
| • Sea Lanes of Commerce | : scenario 4 and 5 |

The capacity of state finances has perennially placed restraints upon Indonesia's force planning. Hence, risk analysis becomes critical for military planners to set up the scale of priorities in defense programming. Owing to their magnitude and intensity and scale, each threat has diverse capacity and penetrability for causing physical damage to the referent objects of national defense. Smuggling activities, for instance, may undermine the government's authorities, but not immediately threaten the survival of the state and its territorial integrity like external military threats or domestic insurgencies do. An appropriate risk analysis allows military planners to accurately define essential military capabilities and procurement priorities according to perceived threats.

In that sense, the spectrum-of-conflict model is useful to see the correlation between the probability of conflict incidence, level of violence, and force employment.²² This model derives from the assumption that the violence level of a conflict is inversely proportional to the probability of its occurrence. Hypothetically, conflict involving lethal force is less likely to occur compared to conflict with low degrees of violence. In contrast, the likelihood of conflict with low levels of violence is higher than the former type of conflict (see Graphic 1 below).

²² See Sam J. Tangredi, "Assessing New Missions," in Hans Binnendijk (ed), *Transforming America's Military* (Washington D.C.: National Defense University Press, 2002), pp. 5, 9-12.

Graphic 1
Spectrum of Conflict Model

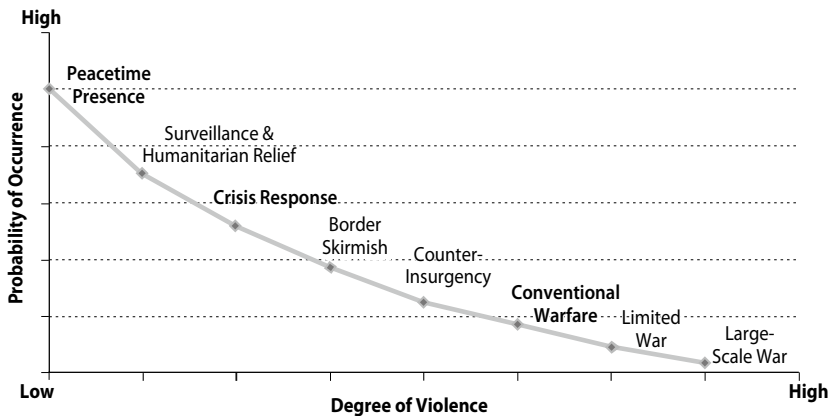


Source: adapted Andi Widjajanto, "Rekonstruksi Gelar Pertahanan," in Rusdi Marpaung, et al., (eds), *Dinamika Reformasi Sektor Pertahanan* (Jakarta: Imparsial, 2005), p. 194.

The escalation of conflict encompasses three categories with regard to the specific nature of force employment and degree of violence. These categories are peacetime presence, crisis response, and conventional warfare.²³ The former comprises of humanitarian operation, surveillance and reconnaissance, and border patrol. Crisis response encompasses military activities including show of force, skirmish, and counter-insurgency operations. The last category is conventional warfare, such as limited war in border areas and large-scale war. Referring to these categories, peacetime force employment tends to involve a low-intensity of violence, but the probability of its occurrence is higher than conventional warfare. Conversely, the latter may involve maximum levels of violence, but its likelihood is lower than peacetime military operations (see Graphic 2 below).

²³ See Ibid, p. 10.

Graphic 2
Conflict Escalation and Force Employment



Source: adapted from Sam J. Tangredi, "Assessing New Missions," in Hans Binnendijk (ed), *Transforming America's Military* (Washington D.C.: National Defense University Press, 2002), p. 10.

The spectrum of conflict models provides Indonesia's defense planners with two strategic options of force planning, namely "strategic readiness" and "strategic positioning."²⁴ A concentration on a high-level of violence ultimately requires the adoption of the latter in the force planning, thereby requiring the armed forces to master conventional military capabilities to deal with deadly military threats. In contrast, an emphasis on the likelihood of conflict occurrence would lead military planners to opt for strategic positioning in order to anticipate low-intensity conflicts through the deployment of military units to geographical areas, whereby the incident of conflict most-frequently occur.

Given the nature of Indonesia's strategic environment, the Ministry of Defense seeks to develop a full-spectrum force structure with essential capabilities and readiness to deal with a wide array spectrum of contingencies. It then conceptualized the so-called "minimum essential force" that underlines key military capabilities to maintain national sovereignty and territorial integrity in key flash points, and anticipate the worst case scenario of conventional warfare.

²⁴ See Andi Widjajanto, "Rekonstruksi Gelar Pertahanan," in Rusdi Marpaung, et al., (eds), *Dinamika Reformasi Sektor Pertahanan* (Jakarta: Imparsial, 2005), p. 195.

Indonesia's Future Force Structure, 2010-2024

Based on Law No. 17/2007 on Long-Term Development Plan–2005-2025, Indonesia's defense planning aspires to develop armed forces “capable of upholding national sovereignty, protecting the people's safety and maintaining territorial integrity” with “a respectable deterrence effect in order to support the country's diplomatic position.” At the service level, military planners seek to develop the Army's force structure “to enable it to operate in various terrains and rapidly deploy its forces across Indonesian archipelago.” The Navy seeks to “acquire naval capabilities to uphold the good order at Indonesia's archipelagic seas.” Meanwhile, the Air Force aims at developing a force structure with adequate power projection that enables it to maintain the sovereignty of national airspace.²⁵

For the period of 2010 to 2024, the Ministry of Defense aims at building up a minimum essential force—a force level with key capabilities to achieve national interests and military objectives. With regard to defense procurement, it seeks to modernize the military's existing weapon systems in order to improve its operational readiness and mobility. The defense policymakers have also planned to gradually transform the current force structure into integrated armed services with three Regional Defense Commands (Kodahan/Kowilhan)—west, central, and east joint operational commands.

To serve these objectives, the military headquarters have been conducting organizational reforms through “zero-growth” manpower policy, “right-sizing” of military units, and selective arms modernizations. These policies are fairly rational due to the scarcity of defense resources. While expansion of military personnel is unlikely, technological innovations have become more prominent in Indonesia's military development.

There are some interesting features within Indonesia's force planning. First, the Army will develop more compact regular units with strategic and tactical mobility, mechanized capabilities, and combat proficiencies to operate in forest, rural, and coastal areas. The Strategic Reserve Force (Kostrad), for instance, will acquire additional force structure, including an elite airborne division. Indeed, there is a plan

²⁵ See Law No. 17/2007 on Long-term National Development Plan, 2005-2025, p. IV.1.4, point 4.

to establish three territorial commands in Kalimantan, Sulawesi, and Western Papua. These territorial commands most likely assume missions related to border security and military operations other than war.

Second, the future naval force structure will consist of three fleets with respective Integrated Fleet Weapon Systems (SSAT) to protect Indonesia's sea-lanes of communication and choke points. For naval striking force, the future acquisition plan includes missile guided frigates, submarines, fast attack missile boats, and minesweepers. The Navy's marines force will be developed and likely stationed in the western, central, and eastern parts of Indonesia. Overall, if all plans go well in the future, the Indonesian Navy will acquire adequate elements for naval projection within national border.

Third, the Indonesian Air Force will acquire another Operational Command (Koopsau) to add the current force structure. Although its force development remains defensive, defense planners aim at building at least ten full squadrons of fighters to replace ageing combat aircrafts such as the F-5E/F and Hawk Mk-53. In addition, Indonesia has made plans to boost its transport squadrons, including two heavy squadrons of C-130 and four tactical squadrons of CN-235, while establishing twelve new detachments of theater radar surveillance to add to the existing radars. The future force structure suggests that Indonesia is to acquire slightly better defense capabilities with adequate power projection within its national territory. Despite the optimism, the country's military development remains the subject of national economic growth and the top leadership's commitment to allocate sufficient resources for relevant defense expenditures.

Recent Updates on Indonesia's Defense Development

In recent years, Indonesia's national economy has improved and was left reasonably unaffected by the latest global financial crisis. In 2012, for instance, it achieved approximately 6.5 percent economic growth with relatively low inflation rates. Some financial experts believe that Indonesia is entering a period of significant economic growth, with forecasts predicting that it will be among the world's fastest-growing economies over the foreseeable future.

With a positive economic outlook, the Indonesian government will have more resources to cover relevant defense expenses. President Susilo Bambang Yudhoyono has pledged to boost the country's defense spending up to 1.5 percent of GDP.²⁶ A recent forecast by *Jane's Defence Weekly* suggests that Indonesia's defence budget could reach US\$12.3 billion in 2017.²⁷ This projection corresponds well to the defense ministry's objective to complete the minimum essential force planning by 2024.

With regard to military procurement and maintenance programs, Indonesia's Ministry of Defense is expected to spend a total of IDR 150 trillion (about US\$17 billion) from 2010 to 2014. For the Fiscal Year 2012, the ministry acquired approximately a US\$2.5 billion budget for arms acquisitions. The military's shopping-list includes main battle tanks, infantry fighting vehicles, howitzers, missile systems, missile-guided frigates, diesel-electric submarines, helicopters, and multi-role combat aircraft.

Given its past experience with arms embargoes, the Indonesian government nowadays seeks to diversify the sources of its defense procurement. Traditionally, the United States and European countries were the prime sources of defense materials to Indonesia. With the signing of a Comprehensive Partnership in 2010, the former granted 24 ex-US Air Force F-16 jet-fighters, which deliveries start from 2014 after necessary retrofit and upgrades.²⁸ Indonesia also plans to purchase eight Boeing AH-64D Apache attack helicopters, and has requested the possible sales of other military equipments such as AGM-65K2 Maverick and FGM-148 Javelin anti-tank missiles.²⁹

Likewise, having signed a defense cooperation in February 2012, the Indonesian defense ministry is currently planning to buy surplus German Army Leopard 2A6 main battle tanks. Although the contract for the sale has not been signed, it had

²⁶ See "Presiden: Saatnya Anggaran Pertahanan Naik Signifikan," *Kompas* (May 5, 2010).

²⁷ See "Russia, Indonesia Agree to Expand Cooperation," *Jane's Defence Weekly* (January 30, 2013).

²⁸ See "Indonesia Approves Bid to Buy at least Two F-16 Squadrons," *Jane's Defence Weekly* (October 26, 2011); "Indonesia's First Purchase of US Materiel Since Embargo End Draws Closer with F-16 Notification," *Jane's Defence Weekly* (November 16, 2011).

²⁹ See "US to Sell Apache Longbows to Indonesia," *Jane's Defence Weekly* (September 19, 2012); "Indonesia Asks US for Javelin Missiles," *Jane's Defence Weekly* (November 21, 2012).

recently made an agreement with Rheinmetall to supply some relevant technologies for the domestic defense industry to maintain, repair, and overhaul the armored vehicles.³⁰ In 2012, a senior defense official also announced the ministry's plan to purchase three light frigates from BAE Systems.³¹ Moreover, the Indonesian military is expected to have install 32 aerial surveillance radars by 2024, supplied by France and the United Kingdom.³²

Russia and China have recently become emerging arms suppliers to Indonesia. In January 2012, the Ministry of Defense ordered six additional Su-30MK2 jet-fighters, thereby completing a full squadron of Sukhois.³³ In May 2012, Indonesia also sealed a contract worth US\$114 million with Russia's Rosoboronexport to purchase 37 BMP-3F amphibious infantry fighting vehicles.³⁴

Meanwhile, Indonesia has forged a defense relationship with China to an unprecedented level. In the past few years, it has purchased Chinese-made C-705 and larger C-802 anti-ship missiles to enhance the Navy's striking force. Under a technological transfer agreement signed in March 2011, Indonesia could indigenously manufacture both missile systems to equip its 24 KCR-40 fast attack crafts.³⁵ Moreover, China has recently offered to supply coastal radar systems to augment Indonesia's maritime surveillance capability in the Straits of Malacca, Sunda, and Lombok.³⁶

South Korea is also another beneficiary of Indonesia's expanded procurement strategy. It has made at least two major arms deals. In May 2011, the defense ministry purchased 16 units of T-50 Golden Eagle advanced jet-trainer worth US\$400 million.³⁷ In December, it signed a procurement contract for three units of Type 209/1300-class tactical submarines, thereby increasing the number of Indonesia's

³⁰ See "Indonesia Turns to Germany in Bid to Acquire Leopard 2A6 Tanks," *Jane's Defence Weekly* (July 4, 2012); "Indonesia Signs MoU with Rheinmetall for Armored Vehicle Acquisition," *Jane's Defence Weekly* (November 7, 2012).

³¹ See "Tiga Fregat dari Inggris Tiba Tahun 2013," *Kompas* (September 6, 2012).

³² See "Kelvin Hughes Completes SharpEye Radar Installation in Indonesia," *Jane's Defence Weekly* (June 20, 2012).

³³ See "Russia Grants Credit to Indonesia for Aircraft Purchase," *Jane's Defence Weekly* (December 19, 2012).

³⁴ See "Indonesia's Buys More BMP-3F Amphibious IFVs from Russia," *Jane's Defence Weekly* (May 16, 2012).

³⁵ See "Indonesia and China Confirm C-705 Missile Production Collaboration," *Jane's Defence Weekly* (September 28, 2011).

³⁶ See "China Offers to Build Coastal Surveillance System for Indonesia," *Jane's Defence Weekly* (May 9, 2012).

³⁷ See "Pesawat T-50 Dibeli dengan CN-235," *Kompas* (May 20, 2011).

submarine fleet into five. The three submarines, which cost nearly US\$1.1 billion, are expected to be commissioned after 2015.³⁸

While diversifying the foreign sources of defense procurement, the Indonesian government has reiterated its commitment to gradually reduce the country's over-reliance on overseas arms suppliers. President Yudhoyono himself has called for the revitalization of Indonesia's strategic industries. The government's plan is very ambitious—that domestic defense enterprises must become the key arms suppliers for the armed forces and other security agencies.

In past few years, there were at least three key laws or policy initiatives adopted to lay the groundwork for rebuilding the country's defense industrial base. First, through its state-asset management company (PT PPA), the Indonesian government has introduced restructuring programs and provided financial assistance to indigenous strategic industries. These programs were critical to solve mismanagement issues lingering the country's defense firms for more than a decade.

Second, in 2011, the Indonesian parliament passed a law providing state capital investment and new governmental aid mechanisms for three state-owned defense enterprises. Under the law, PT DI, PT PAL, and PT Pindad, respectively the country's aerospace manufacturer, naval shipbuilder and land-system manufacturer, have received a financial injection totaling IDR7.8 trillion or nearly US\$1 billion (see Table 1 below).

Table 1
Capital Injection to Indonesia's Strategic Industries, 2011-2012

Company	2011	2012
PT Dirgantara Indonesia	IDR1.45 trillion in loan conversions	IDR2.06 trillion in cash
	IDR2.38 trillion in loan conversions	
PT PAL	IDR648 billion in cash	IDR1.59 trillion in cash
	IDR620 billion in loan conversions	
PT Pindad	IDR277 billion in loan conversion	IDR696 billion in cash

Source: adapted from "Resuscitating the long-neglected state defense industries," *The Jakarta Post* (5 October 2011).

³⁸ See "South Korea Ratchets up Bid to Sell Type 209 Submarines to Indonesia," *Jane's Defence Weekly* (September 7, 2011); "Ministry, Daewoo Sign \$1B Contract for 3 Submarines," *The Jakarta Post* (December 21, 2012).

Third, after a year of legislation process, the parliament approved the defense industrial bill in October 2012. The bill outlines a range of requirements, including a commitment from the government to prioritize acquisitions from local sources, the potential for part privatization of state-owned defense firms, and the provision of “offset-like” industrial collaboration in all defense imports. Moreover, it states that the government is committed to procure from domestic defense firms unless the required defense article is not resident in Indonesia. In such cases, procurement programs will have to require approval from parliament and demand for the foreign prime contractor to form a partnership with local defense companies.³⁹

Recent defense procurements have indicated the emerging offset practice. The acquisitions of 7,300-ton Landing Platform Docks from South Korea-based Daesun Shipbuilding and Dutch-made Sigma corvettes have enabled PT PAL to acquire the knowhow to produce missile-guided frigates and amphibious assault ships for the Indonesian Navy. Having signed the procurement contract for a diesel-electric attack submarine, South Korea's Daewoo Shipbuilding and Marine Engineering will build the first two submarines while transferring technologies and know-how to PT PAL for manufacturing the third submarine at its shipyard in Surabaya. Likewise, PT DI will benefit from offset programs linked to the procurement of C-295 air carriers.⁴⁰

Another significant development is Indonesia's engagement in international arms collaboration. The most notable example is PT DI and Korean Aerospace Industries' joint development of 4.5th generation fighter jet (KFX/IFX program). Under the memorandum of understanding, Indonesia has agreed to contribute 20 percent of the overall project development cost in return for technologies and licenses to procure the aircraft.⁴¹

Similarly, with the growing defense industrial relationship, Indonesia and China are planning to establish a collaborative military electronics facility. The plan foresees the establishment of a jointly run Defence Electronics Complex of Indonesia

³⁹ See Law No. 16/2012 on Defense Industry.

⁴⁰ See “Indonesia and Airbus Military Reach C-295 Production Agreement,” *Jane's Defence Weekly* (October 26, 2011).

⁴¹ See “South Korea and Indonesia Launch Joint Fighter Aircraft Programme,” *Jane's Defence Weekly* (August 3, 2011).

(DECI), which will design and develop a range of systems related to surveillance and electronic warfare.⁴² Such cooperative mechanisms not only allow Indonesia's strategic industries to access to foreign know-how, but also engage in research and development of emerging military technologies.

Concluding Remarks

In brief, Indonesia's strategic environment has become more complex and highly dynamic in 2012. Although the government remains preoccupied with domestic security problems, recent regional developments including in the South China Sea have placed greater pressures on the country. An intensified power politics among China and the United States ultimately brings strategic implications to Indonesia's national security and economic development.

Within that context, Indonesia's military planners have taken measures in the government's defense planning to anticipate a broad range of national contingencies. While the Indonesian Armed Forces are expected to acquire slightly better military capabilities, the country's force structure will remain defensive in nature with an adequate power projection within national borders. However, with less than one percent of its GDP, Indonesia's defense budget will hardly cover overall modernization expenditures. Without sustained economic development and strong political commitment, gaps and seams are likely to arise in Indonesia's military development.

⁴² See "Indonesia, China Plan Joint C4ISR Military Electronics Facility," *Jane's Defence Weekly* (May 9, 2012).