



## **Indonesia's New Maritime Ambitions: Implications for U.S.–Indonesian Engagement**

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### **Summary and Introduction<sup>1</sup>**

Indonesia lies at the heart of the Indo-Pacific region. Its new president, Joko Widodo, wants to transform Indonesia into a “global maritime fulcrum” between the Indian and Pacific Oceans. He will struggle to overcome entrenched elites, a sluggish bureaucracy, endemic corruption, limited resources, and the army’s traditional dominance within the armed forces.

Nonetheless, President Widodo has articulated a new maritime vision that steers Indonesia towards regional maritime power. A maritime-oriented, democratic strategic partner at the intersection of the Pacific and Indian Oceans would be a critical counterweight to China. The U.S. Navy has played its part in the incremental restoration of U.S.-Indonesian defense ties. Indonesia’s new maritime ambitions provide an opening to forge a closer naval partnership.

After CNA hosted a workshop for subject-matter experts, we concluded that:

- An in-depth review of U.S. options should be undertaken, if possible before Joko Widodo travels to Washington this fall.
- Washington should explore the feasibility of a more forward leaning posture in supporting naval and maritime cooperation.

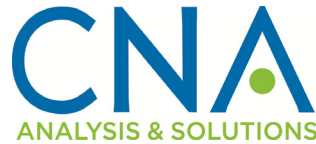
### **The Maritime Vision**

President Widodo, popularly known as Jokowi, seeks to expand Indonesia’s maritime infrastructure, impose national authority over the country’s insular waters, and reorient its threat perceptions and national security strategy. The pillars of his doctrine are:

- Recognize Indonesia’s maritime culture.
- Develop maritime industry, focusing on fisheries.
- Improve maritime connectivity—ports, shipping, and infrastructure.
- Conduct maritime diplomacy to resolve territorial disputes.
- Build maritime defense forces; modernize the navy and coast guard.

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<sup>1</sup> This document contains the best opinion of the author(s) at the time of issue. It does not necessarily represent the opinion of CNA or the Department of the Navy. Specific authority: N00014-11-D-0323. Distribution unlimited.



To achieve these goals, the new government has eliminated most fuel subsidies (thus freeing up about \$17 billion to reallocate for infrastructure), cracked down on illegal foreign fishing, announced plans to create a coast guard, and pledged to double the defense budget over the next five years. Jakarta has also launched a campaign to attract the foreign investment required to transform the country's dilapidated maritime infrastructure.

### **Maritime Security**

Jokowi has proposed a fundamental revision of Indonesia's traditional security perspectives. Since independence, this archipelagic nation's focus has always been internal and ashore. In 2005, the Indonesian government adopted the Minimum Essential Force (MEF) concept—a 20-year plan (2005–2024) that sets forth a modernization agenda. Much has been achieved over the past decade, but much more remains to be accomplished.

The Indonesian defense budget tripled from 2005 to 2013, and then declined slightly in 2014, to US\$7 billion.<sup>2</sup> This figure (about 0.8% of GDP) is still well below the Southeast Asian average of 2.2% of national GDP. The Jokowi administration is determined to increase the defense budget to 1.5% of GDP within 5 years, or to the equivalent of about \$15 billion in current dollars.<sup>3</sup> This increase enjoys widespread political support, including in the Indonesian legislature.

The Indonesian Navy is still recovering from decades of neglect. The 2005 MEF goal was to develop by 2020 a five-fleet force of 274 ships with strike, patrol, and support capabilities. This overly ambitious goal never made sense and, given the current state of the Indonesian Navy, remains an impossible dream. The government of Jokowi's predecessor, President Susilo Bambang Yudhoyono, encountered several challenges, such as limited resources, ill-equipped infrastructure, and dated defense research facilities. The navy's strategic thinking remains rooted in a limited vision, a tight budget, and rudimentary upgrades. The navy's only modern ships are a few small frigates; two diesel-electric submarines are on order from South Korea.

Another problem is the country's indigenous defense industry and defense research facilities. Indonesia's maritime industries, such as Surabaya-based PT PAL, remain underfunded and underequipped. As a result, the idea of indigenous production of high-end technology-driven naval equipment remains a concept, not a practice. One option is

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<sup>2</sup> Zachary Abuza, "Analyzing Southeast Asia's Military Expenditures," *CogitASIA*, CSIS, May 7, 2015.

<sup>3</sup> This commitment, however, depends on an increase in Indonesia's economic growth rate.



to attract foreign investment. Jokowi has pressed for commitments that would ensure technology transfer and R&D collaboration with key supplier countries.<sup>4</sup> Nonetheless, former Indonesian defense minister Purnomo Yusgiantoro's statement that Indonesia will not need to import high-technology fighter jets and ships by 2022 remains overly ambitious.

### **CNA Workshop**

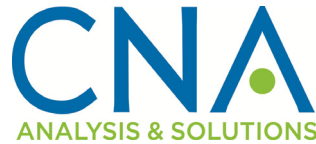
In April 2015, CNA hosted a small workshop for U.S. government stakeholders, to initiate discussion on Indonesia's maritime vision. Participants reached five main conclusions:

- First, Jokowi's maritime vision enjoys broad political and popular support, but impediments to implementation are likely to slow, divert, and often block the full achievement of his goals.
- Second, the Indonesian government can only fund an estimated 30 percent of the infrastructure required to significantly improve maritime connectivity and commerce. For the other 70 percent, the government looks to private investment or international financial institutions. Indonesia needs to implement economic reforms to attract foreign investment, which may not be feasible politically.
- Third, to assert its authority in its own waters, Indonesia must strengthen its maritime enforcement capability and coordinate stakeholders with conflicting bureaucratic interests. The United States has the technical means to assist, but faces financial and legal constraints.
- Fourth, the United States has restored its military-to-military relationship with Indonesia, and should provide assistance as Indonesia develops "green water" capabilities. Modern Indonesian naval and air forces would provide Indonesia with a supplement to diplomacy in managing China's assertiveness in the South China Sea.<sup>5</sup>
- Fifth, the Obama administration's attitude to Jokowi's maritime vision is positive but calibrated. The prevailing assumption is that we "should only go forward at their pace."

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<sup>4</sup> Current plans are to assemble a third South Korean designed submarine and a Dutch-designed Sigma corvette in the future at PT PAL.

<sup>5</sup> However, though naval modernization would enable Indonesia to adopt a more forceful position on South China Sea issues, CNA research suggests that improved naval capabilities are unlikely to inevitably pull Jakarta into a more confrontational stance with China.



## **An Indonesian-U.S. Maritime Partnership**

Over the past decade, the United States and Indonesia have incrementally rebuilt their security relationships. The United States has also provided ad hoc assistance to counter maritime piracy and potential maritime terrorism. U.S. assistance has included technical assistance and equipment to improve maritime domain awareness. A basic problem has been that limited funds and authorities restrict the ability of non-DOD parts of the U.S. government to assist foreign governments in policing their own waters.

The United States and Indonesia have also re-established their military-to-military relationship. The U.S. Navy has been responsive and established excellent personal relations at senior levels. The modernization and expansion of the Indonesian Navy will gradually provide more opportunities for advanced training and exercises. Over the next few years, Indonesia's navy will seek to improve command and control, integrate submarines, and expand maritime domain awareness.

The U.S.–Indonesian relationship has gradually been strengthened through an incremental approach, culminating in the Indonesian–U.S. Comprehensive Partnership. We understand that Memoranda of Understanding on maritime security are now under consideration. However, for most parts of both governments' bureaucracies, initial buy-in to the Comprehensive Partnership has often run out of steam without higher-level intervention to energize the relationship.

President Joko Widodo's ambitions to transform Indonesia's security perceptions and eventually create a new maritime power provide an opening for a U.S. policy decision to give priority to maritime issues above old ties to other parts of the Indonesian military. This, in turn, could provide a means to elevate the Indonesia-U.S. security partnership to another level and to eventually encourage a more robust Indonesian response to China's aggressiveness in the South China Sea.

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