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Indonesia: New Focus on External Security Threats

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An Intelligence Assessment

DIA review
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*EA 82-10092
September 1982*

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Indonesia: New Focus on External Security Threats

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An Intelligence Assessment

This paper has been prepared by [redacted]
Office of East Asian Analysis. Comments and queries
are welcome and may be addressed to the Chief,
Southeast Asia Division, OEA, [redacted]

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This paper has been coordinated with the
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Intelligence Council [redacted]

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Indonesia: New Focus on External Security Threats [Redacted]

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Key Judgments

Information available as of 15 August 1982 was used in this report.

Indonesia's military leaders, while continuing to be concerned about internal threats to stability, have begun to focus on external forces that could threaten the northern flank of the archipelago. They remain convinced that the long-term threat comes from China but have become nervous that a Soviet-backed Vietnam could destabilize the region in the near term. Kampuchea provides a case in point. Jakarta also fears that bilateral tensions could erupt in the South China Sea where Indonesia and Vietnam have a longstanding sea boundary dispute. [Redacted]

This realization of possible external threats has led Indonesia to reexamine defense capabilities along its northern boundaries, where it has vital economic interests, including large natural gas reserves around the Natuna Island group. Jakarta is:

- Modernizing its military forces, with increased emphasis on air and sea defense equipment.
- Developing a domestic defense industries manufacturing capability.
- Repositioning military forces to ensure a forward defense capable of early surveillance and interdiction along the northern flank. 25X1
- Stepping up bilateral defense exercises and other forms of security cooperation with ASEAN countries, especially Malaysia. [Redacted]

Indonesia wants the United States to provide increased military support for Indonesia and its ASEAN allies as a signal of US confidence in their political stability and determination to defend themselves. From Indonesia's perspective, a key test of Washington's commitment to Southeast Asia will be US willingness to sell it F-16/100 fighter-bombers. [Redacted]

[Redacted]

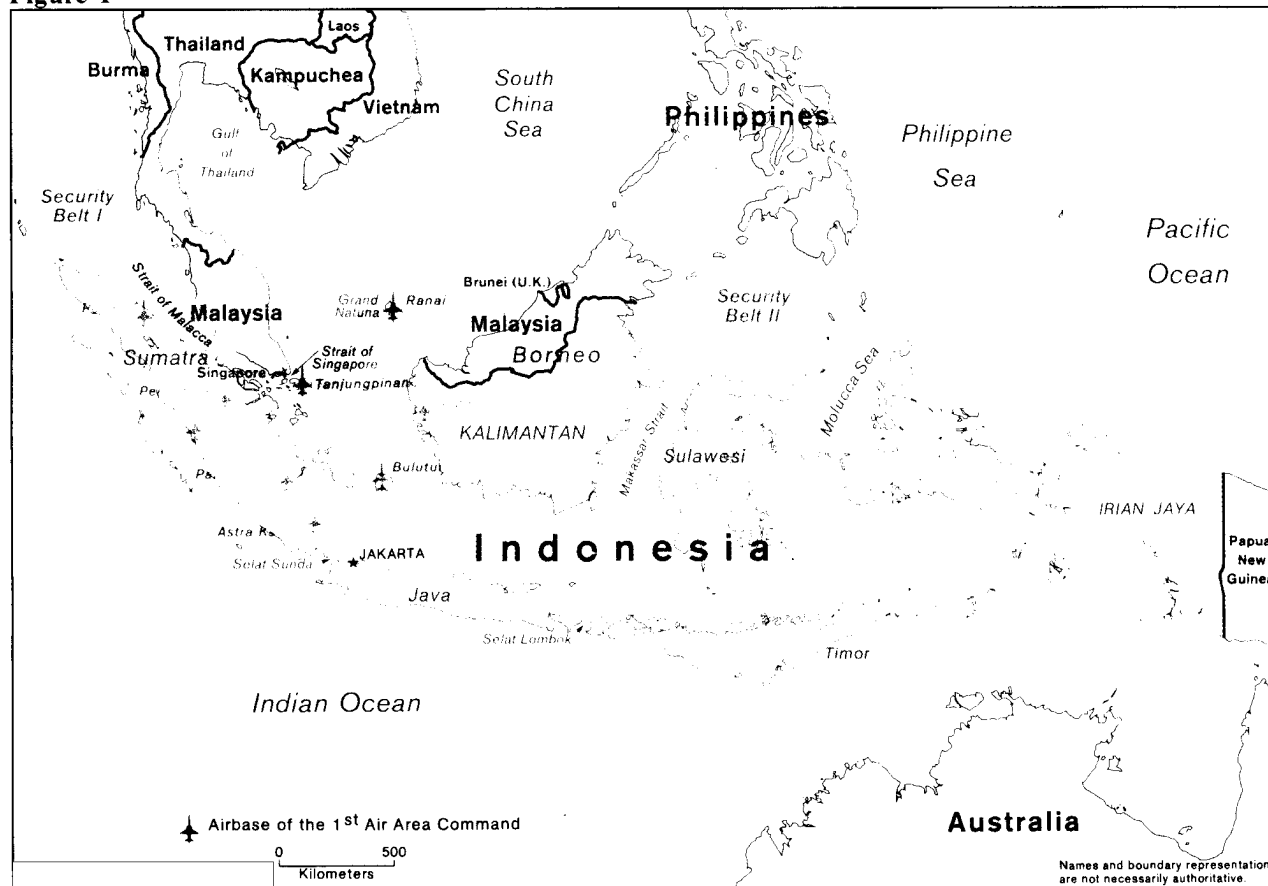
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Figure 1



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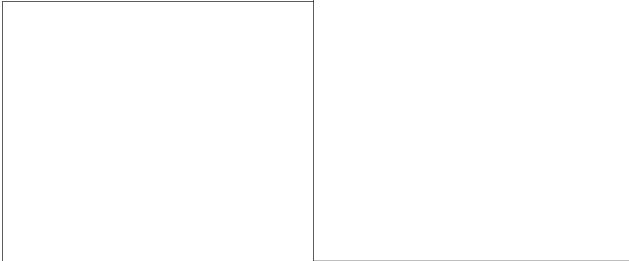
Indonesia: New Focus on External Security Threats [redacted]

Threat Perceptions—the Jakarta View

Jakarta's dominant security concern since independence in 1949 has focused on internal subversion or political unrest springing from religious and racial tension. As a consequence, military equipment and training have been keyed to support counterinsurgency and riot control. Regional instability since the fall of Saigon in 1975, however, has led Jakarta's military leadership to focus on potential external threats, particularly along the northern sea lane approaches, where Indonesia is ill equipped to detect violations of its land or sea territory. Specifically, Jakarta has pointed out to US officials its concern over the flood of Vietnamese refugees landing undetected on its South China Sea islands, an area where Indonesia hopes to develop rich oil and natural gas deposits. [redacted]



Although convinced that the long-term threat comes from China, [redacted] Jakarta increasingly sees a potential short-term threat from Soviet-backed Vietnam, with which it has been embroiled in a boundary dispute in the South China Sea since the 1960s (see map). [redacted]



We believe recent exposures of Soviet espionage activity in Southeast Asia have added to Indonesia's concerns. Following the disclosure of Russian spying in Malaysia in 1981, Indonesia was jolted by the exposure of a Soviet spy ring in Jakarta in February 1982 and disclosures of Soviet espionage in Singapore. [redacted]



The Military Response

Even before Indonesia began to acknowledge a potential threat from the north, Jakarta had embarked on an accelerated five-year armed forces development plan—the most ambitious in two decades. Until 1978 Indonesia's military development budget was less than 4 percent of the overall development budget.¹ The appointment in 1978 of a more dynamic Defense Minister, General Jusuf, provided the impetus for a new look at Indonesia's military preparedness. Jusuf shared with President Soeharto the desire to rapidly organize a highly trained, well-equipped force ready to respond to any anticipated threat, internal or external, in the 1980s. [redacted]

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Of immediate concern was the threat of domestic instability during the 1982-83 election period, and the need to rapidly improve security forces for effective riot control. Secondly, Jusuf and his deputies have repeatedly stressed Indonesia's vulnerability to unlawful fishing by foreign trawlers and smuggling and

¹ The military development budget is outside the routine budget for military expenditures and operations, and represents spending for purchases of equipment and military infrastructure additions.



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Figure 2



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Table 1
Indonesia: Defense Development Spending Since 1978 ^a

Fiscal Year (April/March)	Billions Rupiah ^b	Million US \$	Percentage Change in Rupiah From Previous Year	Percentage of Development Budget
1978/79	109	263		4.3
1979/80	176	282	61	4.4
1980/81	342	547	94	5.8
1981/82	481	770	41	7.5
1982/83	568	909	18	6.4
Total (billion US \$)		2.8		

^a Government figures for the HANKAM development budget, does not include routine budget for HANKAM.

^b Source for rupiah figures, *Indonesia Financial Statistics*, Bank Indonesia.

Note: Government figures do not include extrabudgetary sources of income for HANKAM and therefore may be significantly lower than actual expenditures.

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piracy in the vast seas of its territory versus the country's small patrol fleet and inadequate radar capacity to monitor such violations. Lastly, Indonesian officials have reported to US officials their suspicions that overflights and submarine penetration by foreign powers are taking place along vital sea lanes, but they lack proof because of relatively primitive surveillance and detection equipment. [redacted]

Equipment Purchases

Half of equipment purchases have been small arms, ammunition, M-16 rifles, and major equipment items such as armored personnel carriers needed for unit upgrading and improving ground security. At the same time, the long-neglected materiel needs of the Navy and Air Force are receiving serious attention. Some \$1.3 billion has already been committed since 1977 to upgrade the capabilities of these two services for their role in forward defense of the archipelago. [redacted]

In 1979 when oil export price hikes rapidly increased Indonesia's foreign exchange earnings, Jusuf and Soeharto saw the chance both to reequip the military and to extend its defense potential significantly. An equipment purchasing spree began that was unmatched since the early 1960s under former President Sukarno. Jakarta has boosted military development spending, both absolutely and as a percentage of the development budget (see table 1). According to published Indonesian budget figures, cumulative military development outlays since FY 1977 will reach \$2.8 billion by the end of FY 1983,² a significant amount for the poorest ASEAN nation with an annual per capita income of roughly \$500. [redacted]

Indonesia's "wish list" with the United States alone reflects a new air defense policy, which is to expand significantly what is now a very limited capability to detect and intercept intruders along the archipelago's perimeter. Over the past two years the Indonesians have both formally and informally expressed interest in acquiring the Vulcan anti-aircraft system, Chaparral surface-to-air missiles, A-10 attack aircraft, more C-130 cargo planes, long-range maritime surveillance aircraft, additional F-5E fighter/interceptors, and Sidewinder air-to-air missiles. Jakarta has

² The Indonesian fiscal year runs from 1 April to 31 March. [redacted]

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also expressed keen interest in acquiring US-manufactured F-16 fighter-bombers which would measurably enhance Indonesia's capability to project air-power.³ Armed with US-made Maverick air-to-air missiles that Jakarta has requested, Indonesia's Air Force would be the strongest in the region. [redacted]

The buying spree has extended worldwide, reflecting Indonesia's determination not to be overly dependent on any single supplier as it was on the Soviets in the early 1960s. US Defense Department records show that in the last few years Jakarta has contracted for corvettes and minehunters from the Netherlands, missile attack boats from South Korea, submarines from West Germany, Nomad patrol aircraft from Australia, Thomson early warning radar from France, A-4 Skyhawks from Israel, and Hawk training aircraft from Great Britain (see table 2). Defense attache reporting indicates that the modernization program, although sometimes erratically implemented, has been moderately successful in upgrading equipment and improving troop performance. At the same time, Indonesia will have to improve its logistic support capabilities to utilize effectively new advanced military hardware, according to defense attache reports. [redacted]

Indonesia is also building up a domestic defense industry capable of manufacturing an array of equipment ranging from small arms to aircraft and naval vessels. Minister for Research and Development Habibie heads the small but growing interagency Team for Study and Development of Technology. He has focused his attention and considerable influence with President Soeharto on developing facilities such as an aircraft assembly factory for helicopters and light aircraft, a torpedo factory, a modernized shipyard, and a rocket factory. As part of this program, Indonesia has signed defense industry agreements with France and West Germany. These agreements will transfer technological expertise to Indonesia and provide for coproduction of military-related products. [redacted]

³ The Indonesians want to buy the F-16/100, a model with 30 percent more combat range than the older F-16/J79. In recent discussions with US officials, a senior Indonesian defense official stressed that Indonesia was prepared to be flexible about delivery schedules. He said Indonesia wanted to acquire one squadron (eight aircraft), with initial delivery of the first aircraft in five or six years and the entire squadron delivered by 1991. [redacted]

Table 2
Indonesian Major Military Equipment Acquisitions
From 1979-81—Non-US Suppliers

	Number Purchased	Supplier
Ground equipment		
AMX-10PAIFV light amphibious tanks	37	France
STRIMM rocket launchers	227	
AMX-13 APCs armored vehicle	70	Singapore
AMX-13 APCs armored vehicle	330	Netherlands
Thomson TRS 2215 radar	2	France
Electronic surveillance equipment	Unknown	France
Communications equipment	Unknown	South Korea
Plessey ASW-2EF EW radars	Unknown	United Kingdom
Fire control radar	30	China
Electronic countermeasure equipment	Unknown	United Kingdom
Navy		
Type-209 submarines	2	West Germany
Fatahillah-class frigates	3	Netherlands
Frigate electronic control systems	3	Netherlands
Missile attack boats	4	South Korea
Shipboard fire and control systems	4	Netherlands
Missile attack boats	8	South Korea
Tank landing ships	8	South Korea
200-ton utility landing craft	5	Singapore
Frigate training ships armed with exocets	1	Yugoslavia
P-92-class customs patrol boats	14	France
Customs patrol boats	24	Belgium
Search and rescue craft (32 meter)	5	France
244s torpedoes	20	Italy
51-100 patrol boats	6	Australia
Aircraft		
A-4 attack aircraft	33	Israel
Hawk ground attack/trainer	12	United Kingdom
AS-202 trainers	20	Switzerland
C-212 transports	106	Spain
C-160 transports	3	France
PUMA helicopters	21	France
BO-105 helicopters	100	West Germany
WASP helicopters	10	Netherlands
Nomad transports	6	Australia
OH-13 helicopters	12	Australia

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In mid-July 1982 Habibie visited Washington and concluded an "exchange of letters" with US officials, establishing the framework for technological-industrial cooperation in defense-related areas. By and large, however, the Indonesian effort to develop domestic manufacturing capabilities is in its early stages, and we believe Jakarta will have to overcome major constraints, including shortages of highly trained technical personnel, if the program is to succeed. Nevertheless, Soeharto and his leading technocrats have said that Indonesia is determined to move up from solely being a Third World recipient of technology to the status of a technologically competent country. [redacted]

Repositioning Military Forces

The military is relocating elements of its strike forces from Java to the outer islands of Sumatra and Sulawesi, in line with Jakarta's emphasis on expanding its ability to project air and naval power. At the same time, both the Air Force and Navy are upgrading and building new air and naval installations along the strategic northern approaches to Sumatra, Kalimantan, and Sulawesi, installing more radars, and increasing air and naval patrol activity from these islands [redacted]

On Defense Minister Jusuf's orders, Natuna Island is being upgraded as a forward military base. French-made Thomson radar is being installed near a new extended runway, which Indonesia's military claim to be the "best in the region." Facilities on the island have also been enlarged to accommodate more troops for training exercises, and a new fuel depot is being built. From its new naval purchases, one submarine and one patrol boat have been deployed at Natuna, and US defense attache reports indicate one new minehunter will patrol from the island. The Indonesians have already staged one major joint-service exercise (in 1981) to test unit reaction time from Sumatra to Natuna, and this year, according to defense attache reports, the military wants to try another airborne exercise in which one battalion of some 700 men would be airlifted to the island. [redacted]

The repositioning and upgrading of military forces along the northern flank are only tentative first steps. According to defense attache reports, Jakarta's actions are meant to signal neighboring ASEAN states and Vietnam that Indonesia is determined to provide logistic support and aid should the Vietnamese move militarily against Thailand or any other ASEAN state. [redacted]

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Defense Cooperation

Indonesia's specific concern over the vulnerability of the South China Sea corridor has encouraged movement toward closer defense cooperation with Malaysia and Singapore. [redacted]

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[redacted] we do not believe Indonesia has entered into any formal agreement with either Singapore or Malaysia on joint use of Natuna. Late in 1981 Defense Minister Jusuf told former US Ambassador Masters that "Indonesia was permitting both countries use of Natuna's facilities and airspace for training." Undoubtedly these tenuous agreements would be more firmly defined and strengthened should evidence of Soviet-Vietnamese surveillance and reconnaissance be detected by any of these three ASEAN states. [redacted]

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It is clear, however, that Indonesia's cooperation with other ASEAN countries is growing in delineating borders and patrolling sea boundaries. An Indonesia-Malaysia boundary agreement on South China Sea waters concluded early in 1982, for example, was given extensive coverage in both nations' media. At the same time, the tempo of Indonesia's bilateral military training exercises has increased substantially over the past few years (see chart). Most of Indonesia's bilateral security cooperation is with its nearest neighbor, Malaysia. For example, of the 14 ASEAN exercises in 1981, 10 involved Malaysia and Indonesia; among the services, eight of the 14 were naval exercises.⁴ Indonesia, however, has responded very

[redacted]

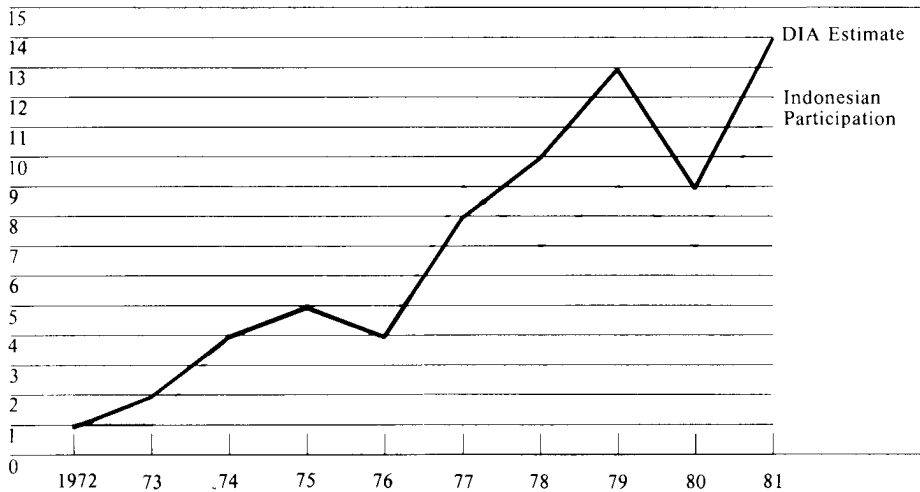
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Figure 3

Estimated Intra-ASEAN Bilateral Combined Exercises



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[Redacted]

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cautiously to Thai overtures for expanded multilateral air exercises, probably, we believe, fearing closer cooperation would be too provocative to Vietnam.

[Redacted]

Other links between Indonesia and ASEAN countries include border control operations between Indonesia and Malaysia on the West Kalimantan-Sarawak border, joint naval patrols by Indonesia and the Philippines in the Sulawesi Sea and Makassar Strait, and semiannual border meetings between Malaysia and Indonesia focusing on the Malacca Strait region. Trilaterally, Indonesia, Singapore, and Malaysia have reached agreement on separating maritime traffic in the Malacca Strait. [Redacted]

Despite these moves to establish a de facto ASEAN military alliance, the Indonesian military are on record publicly against institutionalizing ASEAN defense cooperation in any manner which would suggest an overt military pact. Instead, Indonesia has joined

enthusiastically in annual ASEAN-wide intelligence meetings, which since 1973 have been held informally before the Foreign Ministers meet. Indonesia has also taken the lead in promoting ASEAN-wide communications by leasing channels on its communications satellite (Palapa) to the other ASEAN countries, including individual military channels. [Redacted]

Diplomatic Initiatives

While moving ahead with its military modernization program, Indonesia also is moving on the diplomatic front to restrain Vietnamese expansionism. Since 1979 Jakarta has supported ASEAN diplomatic efforts to get Vietnamese military forces out of Kampuchea. To the same end Jakarta has continued its

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bilateral contacts with Hanoi, [redacted]

[redacted] apparently believing that it can serve as a bridge between Vietnam and ASEAN because of its own historic "special relationship" with Vietnam and its self-perceived image of leadership within ASEAN (see appendix). [redacted]

Indonesia's bilateral contacts, sometimes carried out without prior consultation within ASEAN, have at times dismayed and confused the other ASEAN countries. [redacted]

We believe Indonesia places priority on the settlement of the sea boundary with Vietnam, and Jakarta's strategy has been to keep negotiating but not concede anything. Top Indonesian Government officials believe, according to foreign office officials, that the adoption of the Law of the Sea Convention in New York last April, which legitimized the archipelagic concept, has strengthened Indonesia's hand in this sensitive bilateral dispute.⁵ [redacted]

Prospects

Indonesia is prepared to accept some political solution in Kampuchea that will acknowledge de facto Vietnamese preeminence. [redacted]

Although President Soeharto makes periodic public appeals for a Vietnamese military withdrawal from Kampuchea, he and his military advisers sense the inevitability of an Indochina united in some loose arrangement acknowledging Vietnamese dominance. Indonesian policy planners privately

⁵ The archipelagic concept holds that states made up of a group or groups of closely related islands and interconnecting waters would have sovereignty over a sea area enclosed by straight lines drawn between the outermost point of the outermost islands. Ships and aircraft of other states would enjoy the right of passage through and over sea lanes designated by the archipelagic state. In Indonesia's case, Jakarta would have 3 million square kilometers of territorial waters to manage and defend under the archipelagic concept. [redacted]

state their fear to US officials that in the meantime continued conflict in Kampuchea could lead to an outcome threatening Indonesian security such as:

- An escalation of Vietnamese-Thai hostilities that would force an ASEAN reaction. 25X1
- A regional Sino-Soviet conflagration brought about by increased Soviet help to Vietnam and Kampuchea. [redacted] 25X1

Foreign office officials privately state that lukewarm support for ASEAN's third-force coalition is about all Indonesia can give, and they are scornful of Singapore and Malaysian initiatives to unite the three anti-Vietnamese factions. Consequently, we believe Jakarta will continue to maneuver quietly within ASEAN to reach a political settlement of the Indochina dilemma, which does not make Vietnam a pariah or more dependent on the Soviets. It will also continue to respond positively to any signals that Hanoi might want to settle the issue peacefully. Thus, Foreign Minister Mochtar has agreed to a request by Vietnamese Foreign Minister Co Thach to visit Jakarta later this year. [redacted] 25X1

At the same time, we believe Jakarta will continue its military upgrading of its northern flank. Even if financial constraints caused by a downturn in oil earnings slow this process over the next few years, Soeharto has firmly committed himself to protecting Indonesia's strategic waterways and the enormous present and prospective investments along the northern flank. [redacted] 25X1

Implications for the United States

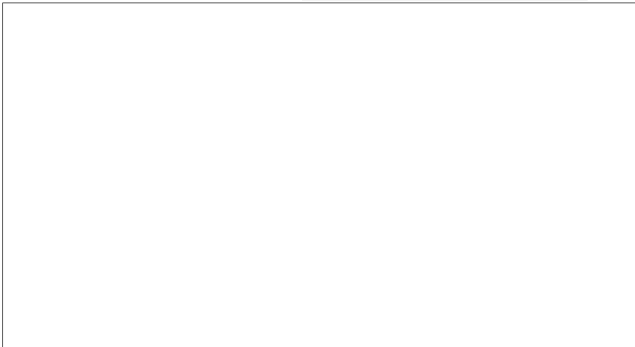
Indonesia's current threat perceptions help explain the ambivalent and sometimes contradictory signals Jakarta has been sending to Washington. Leading Indonesian Government officials privately indicate that Jakarta wants a close bilateral relationship, but is consistently chary of anything resembling overly close military cooperation with a superpower because of its nonaligned credentials. [redacted] 25X1

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In effect, Indonesia wants the United States to be supportive, sympathizing with Indonesian and ASEAN attempts to reach a political solution to the most immediate regional problem, the Kampuchean dilemma. Indonesian Government officials in the past have informally told the United States they hope that Washington might establish ties with Hanoi and provide some economic aid to Vietnam, thereby shaking loose the Soviet grip and its increased presence in Indochina. At the same time, however, Jakarta officially supports ASEAN's policy of blocking international financial assistance that would aid Vietnam's war effort and cites Indonesia's success in preventing an OPEC loan to Vietnam earlier this year. Privately, Indonesian officials concede that Jakarta does not approve of the ASEAN policy or of the notion of "bleeding Vietnam dry." [redacted]



We believe the forthcoming visit by President Soeharto in mid-October 1982 will emphasize Jakarta's need for reassurance that the United States considers its relationship with ASEAN, and in particular Indonesia, strong enough to let the region play the leading role in constructing an Indochina solution. We believe Soeharto will also stress the importance of a systematic and synchronized approach to US security assistance to the non-Communist nations of Southeast Asia. In our judgment Soeharto might make the F-16/100 issue a test of Washington's sincerity to upgrade the air defense capability of a friendly nation such as Indonesia. Indeed, in conversations with US officials, top Indonesian military officers note that the United States has sold F-16s to Venezuela, a country they perceive under less of an external threat than Indonesia. In narrower terms, Indonesia may request closer bilateral cooperation in monitoring maritime traffic along Indonesia's strategic northern security belt. [redacted]

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In pragmatic terms, senior Indonesian military officials have told the United States they wish discreet US support for their military buildup and ASEAN's. They view regional security requiring not only economic development but a defense capability able to detect and deter any regional incursion. According to Indonesians working with the US military assistance program, US security assistance in the past has been viewed as ad hoc, painfully bureaucratic and delayed, and often so expensive as to encourage the policy of diversification of suppliers in order to guarantee timely delivery and to obtain the necessary equipment. [redacted]

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Appendix**Indonesia-Vietnam: The Framework
for Diplomatic Approaches**

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Indonesia's special relationship with Vietnam grows out of the complex relationship between the two countries, which has been developing since the mid-1950s. President Sukarno admired Ho Chi Minh and was sympathetic to his "dream" of a federation of Indochinese states, especially in light of Indonesia's struggle to remove a colonial presence in West Irian (the Dutch) and in Timor (the Portuguese). [redacted]

Indonesia allowed consular offices in Jakarta from both North and South Vietnam as early as 1956. As Sukarno became more inflamed with the idea of the "Newly Emerging Forces" battling with "the Old Established Forces," he permitted Hanoi to raise its representation to an Embassy in 1964 and allowed the National Liberation Front (Viet Cong) special representation in Jakarta in 1965. The South Vietnamese Consulate was closed. [redacted]

Under Soeharto South Vietnam was reinstated with a "Chamber of Commerce" status in 1967, which continued until the fall of Saigon in 1975. President Soeharto's strategy in allowing this unusual potpourri of representation was presented to his anti-Communist generals as "keeping an eye on the Communists." [redacted]

With the fall of Saigon and Khmer Rouge takeover of Kampuchea, Soeharto was disillusioned about Indonesia's attempts to get involved in Indochinese affairs [redacted]

Nonetheless, Jakarta pushed ahead with efforts for friendly but wary relations, including some promises to Hanoi of future postal and communications agreements, fishing rights, and some hint of giving token economic aid to Vietnam. Jakarta even held preliminary discussions with Hanoi about bringing Vietnam into ASEAN. [redacted]

Indonesia tried renewed bilateral gestures with Vietnam in 1978, hosting both Foreign Minister Trinh and Premier Pham Van Dong in Jakarta for separate visits to continue a "dialogue." In both cases not even the simplest terms of agreement were reached. Following Vietnam's Treaty of Friendship with the USSR in 1978, Indonesian Foreign Minister Mochtar went to Hanoi that November and signed a trade agreement that was never implemented. Mochtar was unable, however, to get Hanoi to agree to a meaningful boundary agreement in the South China Sea. [redacted]

Another bilateral sore spot that emerged by 1978 was the flow of Vietnamese boat people to Indonesian waters. The refugee influx into Indonesia began as a trickle in 1975, reached 4,500 in 1978, and by 1979 the number swelled to 48,000. Indonesia initially was sympathetic to Vietnam's desire to rid itself of ethnic Chinese and their resented hold over the economy. As the influx increasingly became ethnic Vietnamese, Jakarta's attitude changed sharply because of concern about the burden on ASEAN receiving nations of caring for the refugees, and the fear of subversion by the Vietnamese arrivals. [redacted]

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