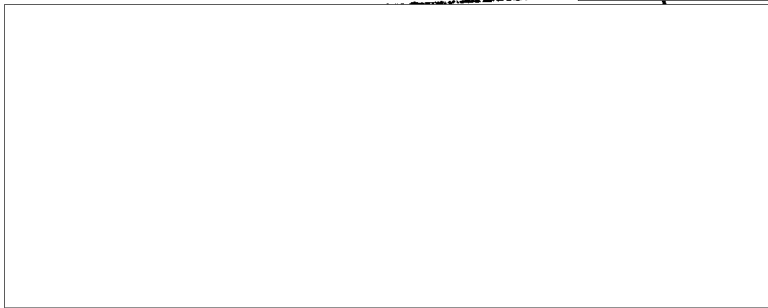
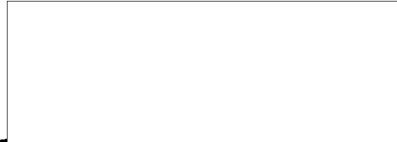




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The Straits of Malacca and Singapore: Status of the Defense Buildup



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An Intelligence Assessment

DIA review
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The Straits of Malacca and Singapore: Status of the Defense Buildup



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An Intelligence Assessment

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This paper has been prepared by
Office of East Asian Analysis,

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OEA, also contributed. Comments and
queries are welcome and may be addressed to the Chief,
Southeast Asia Division, OEA,

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This paper has been coordinated with the Directorate
of Operations and the National Intelligence Council

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**The Straits of Malacca
and Singapore: Status of
the Defense Buildup** [redacted]

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Key Judgments

*Information available
as of 1 September 1982
was used in this report.*

Indonesia, Malaysia, and Singapore are in the early stages of a major defense buildup that will improve their capability to defend the Straits of Malacca and Singapore. The buildup—spurred by the Soviet presence in Vietnam and, for Indonesia and Malaysia, the perception of a longer term threat by China—is intended to improve surveillance and defense capabilities over these straits and their eastern approach, the South China Sea. Total defense spending this year by the three is budgeted at more than 70 percent above the 1979 level:

- World War II vintage ships are being replaced by modern, missile-equipped craft.
- Major improvements are being made in fighter and surveillance aircraft fleets.
- A greater number of joint bilateral military exercises are being undertaken. [redacted]

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At present, surveillance of the approaches to the straits is poor, and the military forces of the three ASEAN states have a limited ability to defend against an aggressor. Assuming their current five-year plans are carried out and followed up by a continuing modernization effort, however, their forces will pose a respectable challenge by the 1990s—at a minimum, attaining the Singaporean goal of being a “poisoned shrimp” for a major power aggressor. [redacted]

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Financial problems could stretch out implementation of plans for the buildup. In Malaysia, where low raw materials prices have reduced foreign exchange receipts, [redacted] some planned hardware procurements are being delayed and operations reduced. Although we have not yet seen any reductions from planned levels in Indonesian military programs, we expect economic constraints to force delays in force improvements and encourage Indonesia to look abroad for additional assistance and concessionary financing for future military purchases. Even Singapore, with its varied, fast-paced economy, recorded a sharp decline in export growth during the first half of 1982, perhaps presaging some military budget cuts. [redacted]

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The Straits of Malacca and Singapore: Status of the Defense Buildup [Redacted]

Importance and Vulnerabilities of the Straits

The Straits of Malacca and Singapore are one of the world's busiest maritime passages forming the shortest sea route between the Indian Ocean, the South China Sea, and the Pacific Ocean. The waterway is a lifeline for East Asian exports to European markets and oil imports from the Middle East. The straits also have strategic importance for the United States and the Soviet Union because of the growth of their Indian Ocean naval forces. [Redacted]

Use of other routes through the Indonesian archipelago would cause costly delays. The most viable deep-water alternative is the Lombok Strait between Bali and Lombok, although use of this strait adds four days to a typical Japan-Middle East tanker run. Its deep, 11-mile-wide channel already is used for super-tankers too large for the Malaccan Strait. The Sunda Strait to the Java Sea is the shortest alternative route to the Malaccan/Singapore Straits, but the shallowness of the Java Sea, local traffic congestion, and the many offshore oilwells restrict its use. The Ombai/Wetar is the third major strait through the archipelago. Should a dispute affect all of these options (all involve Indonesian waters), traffic would be forced around Australia—a route that would add more than two weeks' travel time between the Indian Ocean and East Asia. [Redacted]

The Straits of Malacca and Singapore are vulnerable to interdiction either by mines or small craft armed with missiles. Mines are particularly suitable because navigable channels are narrow in places and tidal currents are not a significant problem. The straits were successfully mined by air in World War II by the Allies. Neither the littoral states nor Australia has the ability to clear the waters of mines quickly, because they lack sufficient mine countermeasure assets. The straits of the Indonesian archipelago are equally susceptible to mining, with the exception of the deep Ombai/Wetar Strait, which has strong tidal currents. [Redacted]

Concerns Over the Straits and South China Sea

The Southeast Asian nations have long been concerned that China will project its influence southward into the South China Sea and the Singapore and Malaccan Straits. Although still a long-run worry—particularly for the Indonesians—the ASEAN nations now publicly call the Soviet Union and Vietnam the greater threat in the near term. [Redacted]

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Concern over Soviet intentions in the area increased in 1980 when the USSR signed a defense and oil exploration agreement with Vietnam. The agreement commits the Soviet Union to assist Vietnam in exploring for oil and gas on Vietnam's continental shelf and in the South China Sea—the eastern approach to the straits. The worries of the ASEAN states are fueled not only by concerns over Soviet strategic interests in the area but by Vietnam's sweeping claims over the South China Sea that conflict with the claims of China and each ASEAN nation except Singapore. [Redacted]

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Since 1979 the Soviets have maintained a naval presence in the area. [Redacted]

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With modification, the Vietnamese facilities could provide a base for air cover for Soviet naval operations in the South China Sea down to the straits. [Redacted]

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In addition to the external threat, the littoral states have to cope with piracy and smuggling, perhaps the most acute security problems in the area. The combination of high Indonesian tariffs and the proximity of Singapore as a commercial entrepot makes smuggling profitable. The Indonesians lack both the surveillance and patrol craft to interdict this traffic. As to piracy, attacks have been on the increase; more than 40 major incidents have occurred over the past two years. Four oil tankers were attacked within the space of five weeks last year. [Redacted]

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Figure 1
Sea Routes Through the Malacca and Singapore Straits



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Straits of Malacca/Singapore

The funnel-like Strait of Malacca runs for 500 miles separating the Malay Peninsula from the Indonesian island of Sumatra. Over 200 miles wide at its western entrance, the strait constricts to 8 miles at its eastern end adjoining the Strait of Singapore and has a navigable channel less than 2.5 miles wide at some points. The navigable channel has a minimum depth of 23 meters, allowing it to handle full vessels up to 225,000 deadweight tons.

Around 180 ships enter the Malacca/Singapore Straits daily. More than 1.3 billion barrels of oil transit the straits each year; in 1981 about half of Japan's oil came through this waterway. South Korea and Taiwan depend on the straits for nearly all their oil. The straits are also the primary sea link for manufactured goods and raw materials sold by the East Asian economies to Europe. In addition, the straits play a vital role in commerce between the littoral states—Malaysia, Indonesia, and Singapore.

The 70-mile-long Singapore Strait completes the interoceanic link. Bound by the Malay Peninsula and Singapore on the north and the Islands of the Riau Archipelago on the south, the strait has a minimum breadth of 3.2 miles, with a navigable channel 1.8 miles wide at this point.

As to military traffic, 65 Soviet naval vessels entered the straits last year. The United States also uses the straits to service its Indian Ocean Squadron out of the Philippines and Hawaii.

[redacted]

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Current Defense Capabilities

Indonesia, Singapore, and Malaysia have only a limited capability to conduct surveillance over the straits and their approaches much less defend them. Modest naval forces are their strongest military asset. Indonesian resources include three corvettes armed with guns and Exocet missiles, seven older frigates, two submarines, and numerous patrol craft suited to operating in constricted waterways. [redacted]

Both forces suffer from a shortage of experienced pilots, lack of technicians, and inefficient aircraft maintenance. The Singaporean Air Force is more impressive, possessing a strong ground attack capability comprising two attack squadrons equipped with 34 A-4S Skyhawks. [redacted]

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inadequate maintenance, a poor logistics system, and lack of trained personnel limit the performance of the Indonesian Navy. [redacted]

Maritime surveillance of the approaches to the straits is another serious shortcoming. Singapore currently has no aircraft dedicated to surveillance, although Embassy reports indicate it plans to buy three E2C Hawkeye reconnaissance planes from the United States; Malaysia's surveillance effort is poor because of crew and maintenance problems. Indonesia has a large airborne search force, but it too suffers from a lack of trained personnel. Coverage by land-based radar in each of these states is inadequate. [redacted]

Malaysian and Singaporean naval forces are more modest; neither has a deepwater capability. Their fleets consist mainly of patrol craft effective in coastal areas and in the straits themselves. [redacted]

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The Indonesian and Malaysian Air Forces have minimal strike capability. Malaysia has only five or six obsolete Canadair Tebuan fighters for ground attack.

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Rival Claims

- Vietnam's dispute with Indonesia centers on 12,000 square miles in the South China Sea north of Grand Natuna Island—a region where oil and gas strikes by US firms have raised hopes for exploitation.
- Thailand, with Vietnamese troops in neighboring Kampuchea, is also concerned by the oil agreement. Bangkok proclaimed a 200-mile exclusive economic zone to protect its interests.
- Hanoi is at odds with the Philippines over the Spratly Islands, where both countries have built up military forces.
- Malaysia disputes Vietnam's claim to sovereignty over Amboyna, a small, barren sand island in the southern part of the Spratlys that was occupied by Vietnam in 1977.

The dispute also brings the Soviet Union into rival jurisdictional claims between China and Vietnam. China claims the Spratly and Paracel Islands, although it currently occupies only the Paracels.

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Table 1
Maritime Transit Times

Days transit at 15 knots

Route	Via Straits of Malacca	Additional Transit Time Via			
		Sunda Strait	Lombok Strait	Ombai/Wetar Strait	Australia
Japan-Straits of Hormuz	(15.5)	1.7	4.3	4.3	15.5
Vladivostok-Aden	(17.9)	1.6	3.8	3.8	15.1
Cam Ranh Bay-Aden	(11.5)	1.9	5.0	7.1	19.8
Subic Bay-Diego Garcia	(9.6)	3.0	1.7	3.1	14.2
Pearl Harbor-Diego Garcia	(22.2)	3.0	7.0	5.0	2.3

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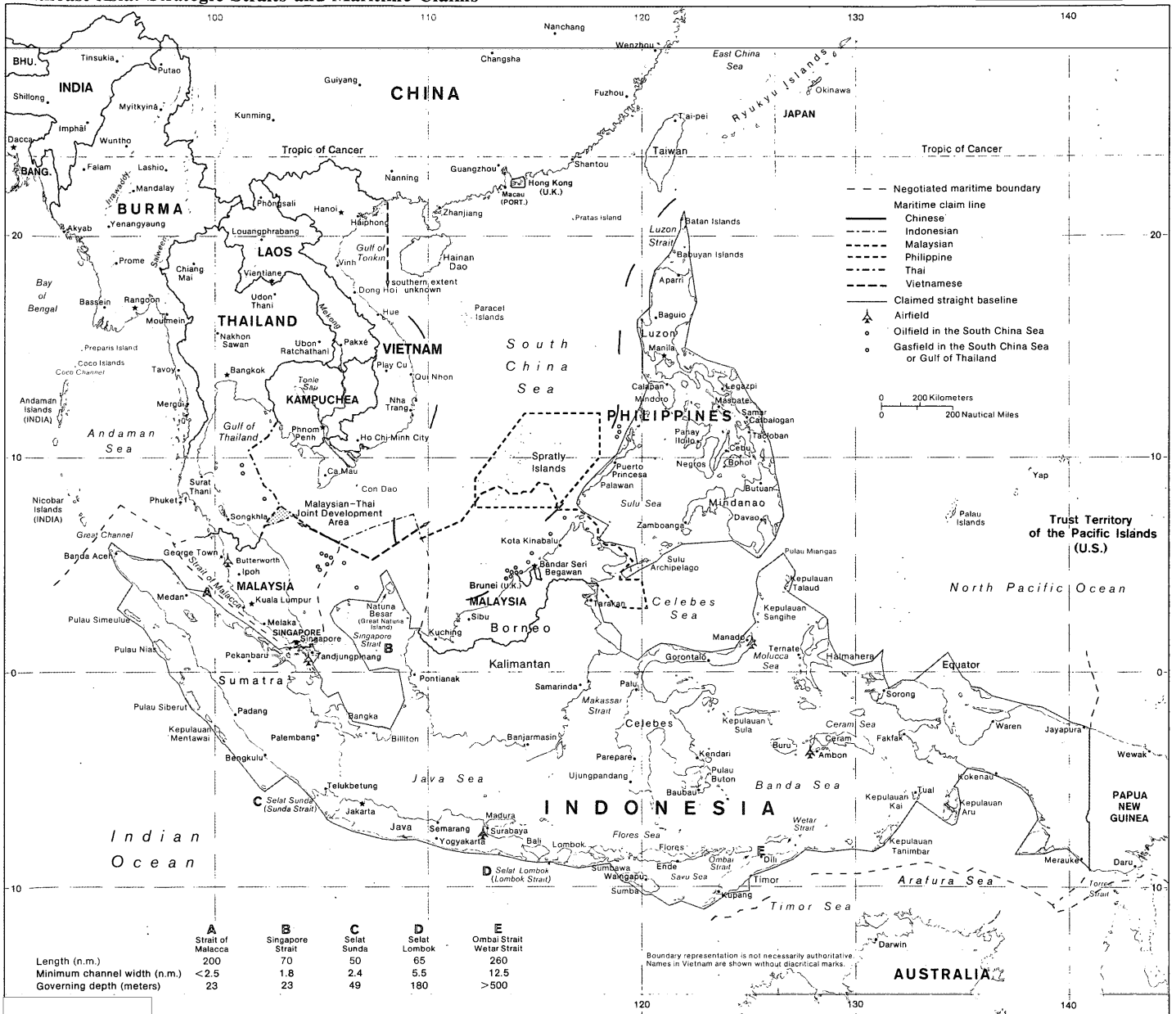
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Figure 2
 Southeast Asia: Strategic Straits and Maritime Claims

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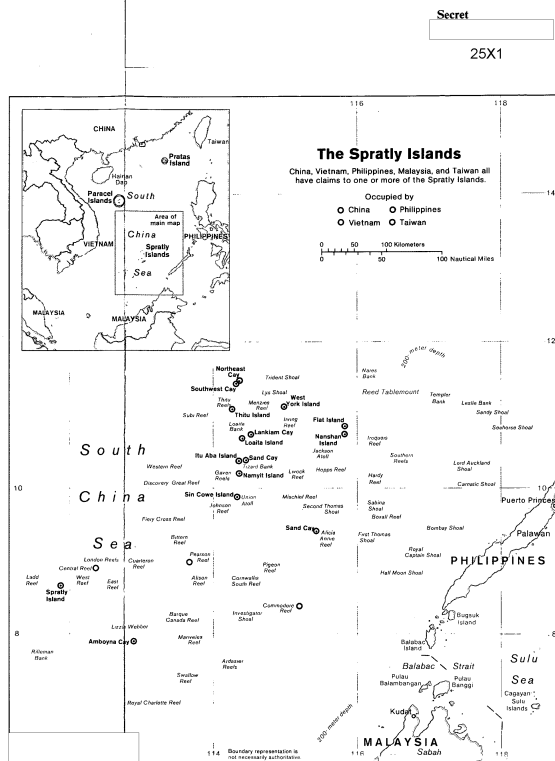
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Figure 3
Occupied Islands in the South China Sea

Name	Chinese Name (Pinyin)	Chinese Characters	Vietnamese Name ^a	Philippine Name	Claimed by	Presently Occupied by
Sprattly Islands	Nansha Qundao	南沙羣島	Quan Dao Truong Sa	Kalayaan	China, Vietnam, Philippines, Malaysia (some), Taiwan	Philippines, Vietnam, Taiwan
Amboyna Cay ^b	Anbo Shazhou	安波沙洲	Dao An Bang	Kalantiyaw	China, Vietnam, Philippines, Malaysia, Taiwan	Vietnam
Central Reef	Huayang Jiao	华阳礁			China, Vietnam, Philippines, Taiwan	Vietnam
Commodore Reef ^c	Siling Jiao	司令礁	Cong Do	Rizal Reef	China, Vietnam, Philippines, Malaysia, Taiwan	Philippines
Flat Island	Antang Dao	安塘島	-	Patag	China, Vietnam, Philippines, Taiwan	Philippines
Itu Aba Island	Taiping Dao	太平島	Dao Thai Binh	Ligaw	China, Vietnam, Philippines, Taiwan	Taiwan
Lankiam Cay	Yangxin Zhou	楊信洲	-	Panata	China, Vietnam, Philippines, Taiwan	Philippines
Loaita Island	Nanyue Dao	南鑰島	Dao Loi Ta	Kuta	China, Vietnam, Philippines, Taiwan	Philippines
Namyit Island	Hongxiu Dao	鴻猷島	Dao Nam Ai (Nam Yet)	Binago	China, Vietnam, Philippines, Taiwan	Vietnam
Nanshan Island	Mahuan Dao	馬歡島	Vinh Vien	Lawak	China, Vietnam, Philippines, Taiwan	Philippines
Northeast Cay	Beizi Jiao	北子礁	Dao Song Tu Dong	Parola	China, Vietnam, Philippines, Taiwan	Philippines
Pearson Reef	Bisheng Dao	畢生島	-	Hizon	China, Vietnam, Philippines, Taiwan	Vietnam
Sand Cay	Bailan Jiao	白蘭礁	Dao Son Ca	-	China, Vietnam, Philippines, Taiwan	Vietnam
Sin Cowe Island	Jinghong Dao	景宏島	Dao Sin Tonh	Rurok	China, Vietnam, Philippines, Taiwan	Vietnam
Southwest Cay	Nanzi Jiao	南子礁	Dao Song Tu Tay	Pugad	China, Vietnam, Philippines, Taiwan	Vietnam
Sprattly Island	Nanwei Dao	南威島	Dao Truong Sa	Lagos	China, Vietnam, Taiwan	Vietnam
Thitu Island	Zhongye Dao	中業島	Dao Thi Tu	Pagasa	China, Vietnam, Philippines, Taiwan	Philippines
West York Island	Xiyue Dao	西月島	Dao Ben Lac	Likas	China, Vietnam, Philippines, Taiwan	Philippines
Parcel Islands	Xisha Qundao	西沙羣島	Quan Dao Hoang Sa	-	China, Vietnam, Taiwan	China
Pratas Island	Dongsha Qundao	東沙羣島	-	-	China, Taiwan	Taiwan

^aVietnamese names are shown without diacritical marks.
^bMalaysian name is Pulau Kecil Amboyna.
^cMalaysian name is Terumbu Laksamana.

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Table 2
Military Air Assets of the Littoral States ^a

Country	Fighter/Interceptor	Number	Attack	Number	Surveillance	Number
Indonesia	F-5E Tiger II	11	A-4E	21	N-22 Nomad	13
	F-86F Avon Sabre	12	OV-10	9	PC-130H	1
			T-33A	6		
Malaysia	F-5E Tiger II	14	Tebuan	5-6	PC-130H	3
Singapore	F-5E Tiger II	24	A-4S	31		
	F-74/74S Hunter	18	BAC-167	19		
			Strikemaster			
Australia ^b	Mirage III-0	36			P-3 Orion	2

^a Excluding trainers.

^b Australian aircraft assigned to the Integrated Air Defense System and stationed at Butterworth Field, Malaysia.

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Force Modernization Efforts

Efforts to increase force capabilities began in the late 1970s, receiving a financial boost from rapid economic growth and, for Indonesia, rising oil prices. The buildup has concentrated on the purchase of modern ships and aircraft and the introduction of new missile systems. These countries are also targeting improved personnel training. [Redacted]

When completed, the modernization programs will improve maritime and air surveillance capabilities and enable the three countries' armed forces to present a credible deterrent. The countries are improving early warning and air defense capabilities by using ground-based and airborne surveillance systems, and by adding advanced fighter aircraft and anti-aircraft missiles. Maritime defenses are being bolstered with the addition of missile-equipped attack craft. [Redacted]

Indonesia's five-year defense development plan (1979-83) is the most ambitious modernization effort in 20 years. The plan is also more outward looking than previous efforts that concentrated on internal stability. Jakarta has upgraded and redeployed military forces to positions bordering the South China Sea

and has expanded its airbase and support facilities at Grand Natuna Island. Since 1979 Indonesia has procured about \$1.3 billion worth of new air and naval equipment. Fourteen new naval combatants have been added—including Exocet-equipped frigates—while the Air Force has received new A-4s and F-5s, as well as helicopter and transport craft. Jakarta has also purchased a new ground-based radar system from France and is in the process of acquiring Boeing 737 aircraft for surveillance. In addition, senior Indonesian defense officials have approached the United States Government to buy some F-16 fighters and Harpoon antiship missiles. [Redacted]

The Fourth Malaysian Plan announced in March 1981 called for \$4.3 billion to be spent on defense during 1981-85, continuing the force expansion began in 1979 that was intended to double the armed forces by 1983. The plan envisions procurement of tanks, armored personnel carriers, artillery, naval combatants, and attack and fighter aircraft, as well as the

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Table 3
Indonesia, Malaysia, and Singapore: Real Defense Spending ^a

Million 1982 US \$ ^b

	1975	1976	1977	1978	1979	1980	1981	1982 ^c
Indonesia	1,386	1,878	1,906	2,068	1,764	1,788	2,503	2,622
Malaysia	1,025	975	1,095	1,166	1,406	1,466	2,026	2,917
Singapore	386	421	512	488	506	622	712	791
Total	2,798	3,274	3,514	3,723	3,677	3,877	5,242	6,331

^a Deflated using national GDP deflators.
^b Converted at June 1982 exchange rates.
^c Budgeted.

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construction of new bases to improve capabilities across the board. The government intends to acquire A-4 attack planes and more F-5s. Guided missile corvettes and mine hunters also are in the plan. A follow-on phase would provide further equipment and the support organizations needed for the new forces.

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Singapore has been committed to developing a credible deterrent force since its independence in 1965. Realizing that its small size, strategic location, and economic prosperity make it vulnerable to aggression, Singapore has developed a strategy that calls for making such an attack on it unacceptably costly. The US Embassy in Singapore estimates that by next year a sophisticated air defense system incorporating surface-to-air missiles, F-5E and A-4S aircraft, and a ground radar command center will be operational. The Embassy further reports that since the Falklands confrontation, Singapore officials have indicated greater urgency in improving early warning and command and control capabilities and intend to buy three E2C reconnaissance aircraft.

Growing Economic Constraints

Although military spending plans still remain largely on track, the global recession is beginning to cause these countries to review their planned spending levels. The weak oil market is cutting deeply into Indonesia's foreign exchange earnings. Oil export earnings are presently running some \$10 million per day below 1981 rates. As a result, Indonesian Government receipts have also been reduced—taxes and royalties on the petroleum industry account for some 60 percent of Jakarta's revenues. In a similar fashion, the Malaysian balance of payments and terms of trade have deteriorated as tin, rubber, and timber prices dropped sharply in 1981, resulting in the first decline in export revenue since 1975. Manufactured exports, which grew rapidly in 1980, fell 17 percent last year; demand was particularly weak for electronics components and textiles. Even the well-balanced Singaporean economy is beginning to feel the impact of the recession. Growth in real GDP fell to 7.3 percent

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in the first quarter of 1982—the worst performance in four years. Output in the electrical goods and electronics sector declined by nearly 7 percent; in the first half of 1982 export growth slowed. [redacted]

The tightening economic situation has already affected the Malaysian defense budget. Prime Minister Mahathir has indicated to Malaysian Defense officials that military spending goals for 1981-85 will not be met on schedule. DIA reports that there are indications that this year's defense budget may be reduced as much as 20 percent and that cuts next year may be even greater. In July the Malaysian Air Force postponed the planned purchase of 16 F-5 E/F fighters because of a moratorium on such purchases by the Finance Ministry. According to the Air Force Chief of Staff, only essential equipment and training will be funded through 1983. In addition, the activation of additional Malaysian combat units has been canceled for budgetary reasons. As a result, Malaysian defense expenditures in the first three months of 1982 were almost 30 percent below year-earlier levels. [redacted]

Although we believe Indonesian military programs have not yet been affected by the recession, they are likely to undergo cutbacks should oil prices not rise from current levels as most analysts now expect. In such a case, we believe Indonesia will look abroad for additional aid and concessionary financing of military purchases. Both general force improvements—training, barracks modernization, and ground force expansion—and improvement of military capabilities along the strategic northern flank of Indonesia-Sumatra, Kalimantan, and Sulawesi would be slowed. We do not believe plans for the acquisition of advanced defense systems will be shelved but rather stretched over a longer period of time. [redacted]

Singapore's defense budget is the least likely to be affected by the global recession in our view. The city-state boasts a well-balanced economy that can ride out even extended recession. Furthermore, the current modernization effort will be essentially complete within the next year or two. [redacted]

Implications

Recession-induced cuts in defense budgets will, we believe, probably lead Malaysia and Indonesia to put less pressure on the United States and other suppliers for early delivery of advanced military aircraft and perhaps ask to stretch out purchases. Certainly there will be increased pressure for US credits. [redacted]

[redacted] While area forces are seeking a mix of Harpoons, Exocets, and Gabriels, we believe the share of Harpoon acquisitions in future planned acquisitions may drop. In any case, we expect the United States to remain the supplier of choice for most advanced weapons systems even if economic pressures increase comparative shopping in Europe. [redacted]

Even with delays in planned hardware purchases, we believe the military forces of the three littoral states will evolve into a more credible deterrent as the decade progresses. Purchases of defense systems have already made these states a more potent force than they were only two or three years ago. Added surveillance capability will greatly improve the usefulness of these systems. Proper training and maintenance remain the most significant constraint on the efficacy of advanced weaponry in Indonesia and Malaysia. Moreover, we believe defense cuts could come in these areas, exacerbating existing deficiencies and thereby negating the usefulness of newly acquired defense systems. [redacted]

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