

Indonesia's Diplomacy and Defense Strategies under Yudhoyono

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DURING THE TWO CONSECUTIVE terms of President Susilo Bambang Yudhoyono, Indonesia continued to face a complex and dynamic external environment. The growing role of China and the U.S. rebalancing strategy have been the dominant themes of power politics in East Asia. In addition, Indonesia was concerned with the implications of long-standing territorial disputes, their attendant military threats to regional stability and cohesion within the Association of Southeast Asian Nations (ASEAN).

In that backdrop, the Yudhoyono administration appeared to rely on two distinct strategies to preserve national and international security. While Indonesia's foreign policy promotes "liberal-institutional" norms to enhance international peace and stability, its defense policy rests on "classical realist" assumptions to rebuild national defense capabilities. This article seeks to review the means by which Yudhoyono pursued national interests in the country's external relationships. In the following sections, it will discuss Indonesia's strategic environment and implications of the two competing approaches in its foreign and defense policymaking.

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Indonesia's Strategic Landscape and Policy Frameworks

Indonesia is the largest archipelagic country in the world. It comprises 1,826,440 square kilometer of land and roughly 6 million square kilometers of maritime domain — including territorial waters, contiguous maritime zone and exclusive economic zone. More importantly, Indonesia is geo-strategically located at the crossroad of between the Indian and Pacific oceans. The country also occupies vital sea-lanes for global commerce and communication.

Despite its strategic importance and huge potential of economic resources, Indonesia's vast land and maritime domain is vulnerable to multiple threats ranging from natural disaster to military incursion. In the past ten years, the Indonesian government had to deal with tremendous domestic security problems, such as homegrown terrorism, sporadic communal violence, and separatism in Papua. While combating rampant natural resource thieveries and transnational organized crimes, it has a number of unresolved border issues with neighboring countries. The country also struggles to ensure free and safe navigation through its sea-lanes of commerce, thereby avoiding increased extra-regional military presence in nearby areas.

In recent years, Indonesia has been increasingly susceptible to geopolitical changes. The rise of China has transformed the power structure in East Asia. Amid global financial recession, it maintained a rapid pace of economic growth. This has enabled Beijing to develop the country's military power and expand its diplomatic influence. Structural shifts in the regional power balance to Chinese favor inevitably undermine the position of the United States as the predominant power in the region.

In an effort to maintain its regional primacy, the U.S. government announced its pivot back to Asia, which some analysts believe is an attempt to balance against the growing power and role of China in East Asia.¹ Along with this pivot, the U.S. has restructured its regional military presence and recalibrated its alliances with Japan, South Korea and Australia. In addition, the U.S. is currently undertaking initiatives to enhance its economic presence in the region, including negotiations for the Trans-Pacific Partnership.²

In spite of the growing regional economic ties, the future trajectory

1 See Martin Indyk, Kenneth Lieberthal and Michael O'Hanlon, "Scoring Obama's Foreign Policy: A Progressive Pragmatist Tries to Bend History," *Foreign Affairs* Vol. 91(3) (2012), pp. 29-43.

2 See Bernard Gordon, "Trading Up in Asia: Why the United States Needs the Trans-Pacific Partnership," *Foreign Affairs* Vol. 91(4) (2012), pp. 17-22.

of major powers relationship remains uncertain. While China and Japan are to a large degree economically interdependent, territorial dispute and residual historical memories continue to haunt their diplomatic relations. Agreements for free trade and economic cooperation, such as the Regional Comprehensive Economic Partnership and the Trans-Pacific Partnership, have become the prevailing instruments for regional integration. However, without a shared vision, these economic frameworks will likely deepen the division of perceptions and interests in the region.

Maritime disputes have further undermined regional peace and stability. Despite ongoing talks over the implementation of the Declaration of Conduct in the South China Sea, recent tensions between China and the Southeast Asian claimants have complicated the ASEAN–China relationship and affect the cohesion within the regional association. Meanwhile, Japan and China maintain mutual hostility regarding their dispute over the Senkaku/Diaoyu islands. Each claimant considers these disputed maritime areas are not only rich in natural resources, but also vital for commercial purposes.

As Indonesia becomes increasingly exposed to geopolitical changes, its national interests are equally susceptible to the external pressures. Law No. 17/2007 highlights that the country has a great interest in “the maintenance of international peace and stability”.³ A stable external environment is deemed critical for the maintenance of Indonesia’s internal cohesion and sustainability of national development. In other words, the Indonesian government prefers a cooperative approach in international relations, rather than strategic rivalry among the major powers.

However, the Indonesian government also recognizes the competitive nature of international relations. The propensity of accidental conflict in the East and South China Seas is not unlikely as the claimant states have not entirely committed to shelve the use of force in asserting their sovereignty claims over the disputed regions. Despite its growing diplomatic and economic relations, Indonesia remains uncertain about China’s strategic intent in the region. The Indonesian defense establishment is also aware that Beijing’s nine-dashed line claim over the South China Sea potentially overlaps with a segment of the country’s exclusive economic zone adjacent to the Natuna Islands.⁴

Moreover, the emergence of new defense technologies and rapid pace

3 Law No. 17/2007 on Long-term Development Planning, p. 76.

4 See Moeldoko, “China’s Dismaying New Claims in the South China Sea,” *The Wall Street Journal*, 24 April 2014.

of regional military build-up have shaped Indonesia's strategic calculus. At one level, the proliferation of information technologies has resulted in the growing asymmetric threats and cyber battlefields. At another level, the development of China's "blue-water" navy and "anti-access/area denial" (A2/AD) capabilities has respectively enabled Beijing to step up its naval presence and posed a serious challenge to the ability of the United States to project its military power in East Asia. Naturally, if these destabilizing factors go unchecked, they could raise the risks of miscalculation and deterrence failure leading to regional conflict.

In response to recent regional trends, Yudhoyono adopted two sets of strategic approaches aimed at preserving national and international security. First, it sought to institutionalize liberal values, including confidence building, peaceful conflict resolution and comprehensive security, to promote cooperation among countries and develop a cohesive international order. In East Asia, Indonesia seeks to establish a norms-based regional security architecture using ASEAN-centered political instruments, such as the Treaty of Amity and Cooperation, ASEAN Charter and three pillars of ASEAN Community. Other multilateral frameworks, such as the United Nations and Non-Alignment Movement (NAM), also serve as the means of Indonesia's foreign policy.

Second, the Yudhoyono administration undertook a process of rebuilding Indonesia's military capabilities to anticipate external military threats and modern warfare. Based on Law No. 17/2007, the strategic objective of Indonesia's defense planning is to "build an (ideal) defense posture that overtops the minimum requirement of an essential force for the maintenance of national sovereignty, territorial integrity, and the protection of the people".⁵ It also aspires the development of military capabilities with "a respectable deterrence effect to serve the country's diplomatic agenda".⁶ Moreover, given its past experience with arms embargoes, the Indonesian government sought to rebuild the country's defense industrial base in an effort to attain a level of self-reliance in national defense.

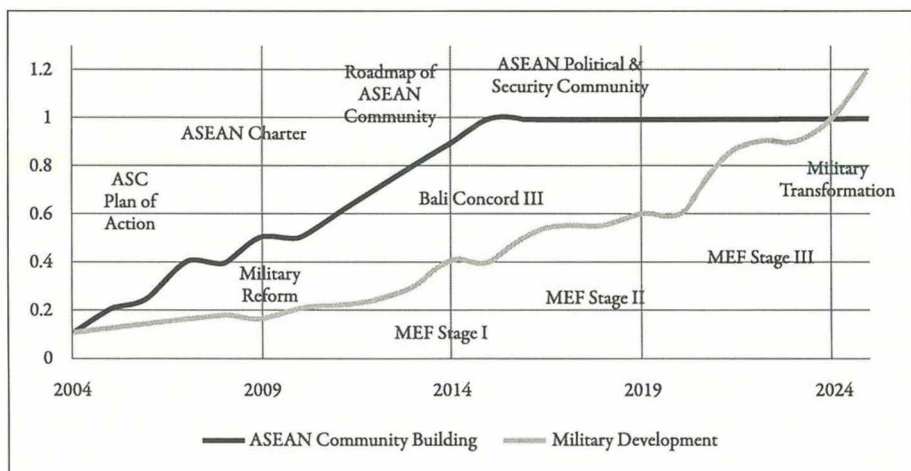
Chart 1 below illustrates the trajectory of Indonesia's regional diplomacy and defense planning. At one level, the Yudhoyono administration showed a level of optimism that Southeast Asian countries would complete the implementation of ASEAN Community building blueprints, including the political and security community by the end of 2015. That said,

⁵ Law No. 17/2007, p. 62.

⁶ Ibid.

from 2004-2014, Indonesia relies on liberal-institutional norms and mechanisms to deal with the evolving challenges to regional security and stability. At another level, given the competitive and uncertain nature of power politics, the Yudhoyono administration maintained a realistic, if not pessimistic, view of geopolitical environment and placed national survival as the heart of the country's defense policy. Having consolidated the military's internal reform, it initiated a long-term development of national defense capabilities through three stages of "minimum essential force" (MEF) planning.

Chart 1
Indonesia's Regional Diplomacy and Defense Planning



Indonesia's Liberal Institutional Diplomatic

During Yudhoyono's presidency, Indonesia's foreign policy evolved around two prevalent diplomacy terms: "a million friends and zero enemies" and "all directions foreign policy". The former doctrine reiterates the country's commitment to building amity and cooperation in the international order. Meanwhile, the all or multi directions foreign policy means that the Indonesian government seeks to develop good and mutually beneficial relationships with both developed and developing countries.⁷

For that purpose, ASEAN has been among the cornerstone of

7 "Rencana Pembangunan Jangka Menengah Nasional, Buku II: Memperkuat Sinergi Antar Bidang Pembangunan," Bappenas (2010), p. II.6-26-27.

Indonesia's foreign policy in the region. Under the Declaration on the Zone of Peace, Freedom and Neutrality (ZOPFAN), the Treaty of Amity and Cooperation, and the Treaty on the Southeast Asian Nuclear Weapon-Free Zone, it promotes the renunciation of the threat or use of force and a reliance on the pacific settlement of regional disputes while maintaining mutual respect and non-interference in each country's domestic affairs. Moreover, through a process of consensus building, the Yudhoyono administration sought to develop mutual trust and cultivate solidarity among the members of regional grouping.

In an effort to enhance regional integration, Indonesia has consistently implemented the blueprints of ASEAN Community building.⁸ Based on the Political-Security Community blueprint, for instance, it seeks to promote the principles of democracy, good governance, and human rights protection, while enhancing regional peace and stability through a comprehensive security approach. Under the leadership of President Yudhoyono, Indonesia has played a central role in mediating ongoing conflicts in Southeast Asia, including the border tensions between Cambodia and Thailand, the territorial disputes in the South China Sea, and Rohingya repression in Myanmar.⁹ Through ASEAN-centered multilateral forums, it also explores potential areas of cooperation with regional and extra-regional partners, such as disaster relief, navigation safety, fishery management, combating transnational crimes, and counterterrorism.

For Indonesia, international peace and security is sustainable if only the major powers relationship remains stable over time. At one level, the Indonesian government recognizes the importance of the U.S. bilateral alliances and its regional military presence to keep the rise of China in check. At another level, it is also aware of the deficiencies of the U.S.-led security architecture regarding the preservation of regional stability and how they, in turn, reinforce a security dilemma for China. The instability of the U.S.–China relationship is not only detrimental to regional peace and security, but also diminishes the level of cohesion in relations between the Southeast Asian countries. Hence, the Yudhoyono administration seeks for a “dynamic equilibrium”, also known as “Natalegawa doctrine”, to restrain strategic competition for dominance among the major nations in an attempt in order to avoid a preponderance of political, economic or military power.

8 *Roadmap for An ASEAN Community, 2009-2014* (Jakarta: ASEAN Secretariat, 2009), p. 1.

9 See Brendan Brady, “Deadly Clashes as Thai-Cambodian Temple Tensions Reignite,” *Time*, 25 April 2011; Donald K. Emmerson, “Beyond the Six Points: How Far Will Indonesia Go?” *East Asia Forum*, 29 July 2012; “Jakarta Pressing Burma on Rohingya Legal Rights,” *Voice of America*, 10 July 2013.

For that reason, Indonesia seeks to build a norms-based regional order that allows inclusive security cooperation. In the past ten years, the Yudhoyono administration maintained a view that ASEAN must be the manager of the regional security architecture building.¹⁰ Hence, it supported and used ASEAN-driven multilateral mechanisms—including the ASEAN Regional Forum and ASEAN plus Three—as the regional platforms to build a cooperative relationship among the major powers. In that sense, the Indonesian government welcomes the participation of extra-regional powers—including China, India, Russia and the United States in the East Asia Summit—thereby restraining the likelihood that one power will dominate the regional order. Under the so-called Bali Principles, Indonesia and other participating countries reiterate their commitment for peaceful and mutually beneficial interactions.¹¹

Nonetheless, as great power competition continues to intensify in East Asia, Indonesia ultimately faces greater challenges to preserve ASEAN centrality in the region's security architecture. In recent years, the rifts within the regional association have been increasingly evident, particularly regarding the negotiations to draft a regional Code of Conduct in the South China Sea.¹² Moreover, the growing role of China and the U.S. rebalancing strategy potentially sharpens the existing division of perceptions and interests among Southeast Asian countries. While Cambodia and Laos traditionally lean on China for certain economic gains, Malaysia, Vietnam, and the Philippines seek to forge closer bilateral ties with the United States for diplomatic leverage with regard to their claims over the disputed region. Without the unity of Southeast Asian countries, ASEAN is unlikely to be effective in the promotion of regional peace and stability.

The transformation of geopolitics and geo-economy has further led the Indonesian government to redefine the way the country views its role in a rapidly evolving region. As the Indian and Pacific oceans are increasingly interconnected—in both economic and security terms—the Yudhoyono administration introduced the “Indo-Pacific” term to reassert the country's position as the hub of the two vast maritime regions. It also called for an Indo-Pacific treaty of friendship and cooperation. The idea behind the proposal is to address the significant challenges—namely trust deficit, unresolved territorial disputes, and the

10 “Annual Press Statement of the Foreign Minister of the Republic of Indonesia,” 4 January 2012, <http://www.kemlu.go.id/Documents/PPTM%202012/PPTM%202012%20-%20English.PDF>

11 “Declaration of the East Asia Summit on the Principles for Mutually Beneficial Relations,” 19 November 2011, http://www.mofa.go.jp/region/asia-paci/eas/pdfs/declaration_1111_2.pdf

12 Rizal Sukma, “ASEAN dan Sengketa Laut China Selatan,” *Kompas*, 11 April 2012.

impact of strategic change—to the development of a "peace dividend" in the Indo-Pacific region.¹³

As the country's diplomatic influence grows, Indonesia sought to cultivate its role as a "middle power" in the international stages. It has played a constructive role of "bridge-builder" among countries with diverse views and interests on global issues. By bringing both democracies and non-democracies into the Bali Democracy Forum, Indonesia demonstrates a unique and non-confrontational way to promote political development and enhance good governance capacity in order to strengthen democratic institutions.¹⁴ Moreover under the country's chairmanship in 2013, the World Trade Organization (WTO) succeeded in sealing a global trade deal after dramatic and tense negotiations.¹⁵ Under the agreement, the developed nations are benefiting from simplified customs procedures for commercial goods and services; while developing nations enjoy the positive impact of the package, including concessions on farm subsidies for domestic food security and capacity building programs from donor members.¹⁶

Indonesia has been a strong proponent to international nuclear non-proliferation regime. Besides from its membership in the International Atomic Energy Agency (IAEA), the country has recently ratified the Comprehensive Nuclear Test Ban Treaty. The Yudhoyono administration has also urged states with a nuclear arsenal to adopt the obligations of the Southeast Asian Nuclear Weapon Free Zone (SEANWFZ) treaty and renounce the use or threat to use nuclear weapons against any nation party to the treaty or within the zone. As the coordinator of the Non-Alignment Movement's (NAM) working group on disarmament, Indonesia consistently voices the group's concerns regarding the slow progress of nuclear disarmament, while calling on the nuclear weapons states to dismantle their nuclear arsenal based on the principles of transparency, irreversibility, and verifiability.¹⁷

Under the leadership of Yudhoyono, Indonesia expanded the country's role in international peace operations. While increasing its current troop contribution to 4,000 personnel, the country has dispatched warships and

13 See Marty Natalegawa, "An Indonesian Perspective on the Indo-Pacific," Keynote Address at the Center for Strategic and International Studies, Washington DC, 16 May 2013, http://csis.org/files/attachments/130516_MartyNatalegawa_Speech.pdf

14 "RI to Launch Bali Democracy Forum," *The Jakarta Post*, 8 November 2008.

15 "WTO Inks Historic Deal," *The Jakarta Post*, 8 December 2013.

16 "WTO Deal Forces Customs Reform, Keeps Farm Subsidies Intact," *The Jakarta Post*, 9 December 2013.

17 "Statement by H.E. Dr R.M. Marty M. Natalegawa, Minister for Foreign Affairs of the Republic of Indonesia at the 2010 Review Conference of the Parties to the Non-Proliferation of Nuclear Weapons Treaty," 3 May 2010, http://www.un.org/en/conf/npt/2010/statements/pdf/nam_en.pdf

transport helicopters to assist the United Nations missions in Lebanon and Darfur. It also encourages increased roles for civilian personnel in supporting development and rehabilitation programs in the post-conflict areas. With its growing role in peace operations, the Indonesian government has aspired to make Indonesia the hub of a network of peacekeeping centers in Southeast Asia.¹⁸

Overall, liberal norms and institutions occupied a central place in President Yudhoyono's foreign policy and diplomacy. He stressed on the importance of confidence-building, peaceful conflict resolution, and cooperative security mechanisms as a means to enhance international peace and stability. As the country's national capabilities evolved over the past ten years, the Indonesian government sought a greater role in multilateral frameworks beyond ASEAN.

Indonesia's Realist Defense Strategy

Under the terms of Yudhoyono, Indonesia continued to experience multifaceted security challenges. Recent defense guidelines have identified a wide range of threats from natural disasters to border disputes and from civil emergencies to foreign military incursion.¹⁹ Moreover, Indonesian defense planners have made a projection of conflict scenarios that likely involve the use of force in several flashpoints (see Picture 1 below). That said, the Indonesian armed forces (TNI) has to prepare for a broad array of military operations ranging from high-intensity combat maneuvers to low-intensity missions, such as counter-insurgency, peace-keeping and humanitarian relief.

Picture 1. Indonesia's Flash Points and Conflict Scenarios

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

18 "Annual Press Statement of the Foreign Minister of the Republic of Indonesia Dr R.M. Marty M. Natalegawa," 4 January 2011, <http://kemlu.go.id/Documents/Annual%20Press%20Statements%202011%20Final.pdf>

19 See Indonesia's Ministry of Defense, *Defense White Paper* (Jakarta: Kemhan, 2008), pp. 27-38.

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

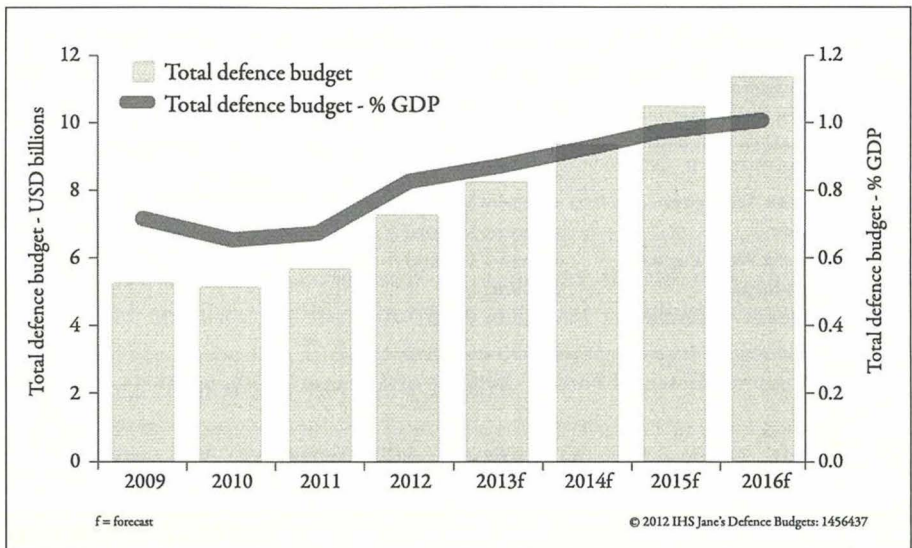
Source: "Minimum Essential Forces," Ministry of Defense (2010), pp. 38-44.

In that sense, the Yudhoyono administration has prepared a comprehensive defense planning to build a "minimum essential force"—a force structure with indispensable military capabilities and an adequate level of operational readiness.²⁰ In the period of 2010 and 2024, Indonesia's defense establishment has been conducting organizational reforms and arms modernization programs. The former includes the formation of new commands and units within the military establishment and the adoption of a 'right-sizing' policy aimed at defining the adequate size of military units for specific missions. As most of the TNI's weapon systems are now outdated, the defense ministry selectively purchases new weapon systems, including guided-missile frigates, diesel-electric submarines, battle tanks, self-propelled artillery, anti-air defense systems, and multi-role jet-fighters.

With a positive economic outlook, the Yudhoyono administration has committed more financial resources for national defense. This commitment has been reflected in the steady increase of Indonesia's defense budget from US\$2.5 billion in 2003 to US\$8.1 billion in 2014. This has enabled the defense ministry to improve the salary of the military personnel and cover the cost of arms procurement programs. From 2010 to 2014, for instance, the defense ministry is expected to spend approximately US\$16 billion for arms acquisition and maintenance programs.

20 "Minimum Essential Forces," Ministry of Defense (2010), p. 7.

Chart 2
Indonesia's Defense Budget Projection, 2009-2017



Given the past experience of arms embargoes, the Yudhoyono administration sought to diversify the country's offshore source of military hardware. It has recently turned to Russia for necessary weapon systems, including Su-27/30 jet-fighters, Mi-35P attack helicopters, Mi-17V5 transport helicopters, and BMP-3F amphibious infantry fighting vehicles.²¹ Similarly, it now sees China as an alternative supplier for missile technologies, particularly C-705 and C-802 anti-ship missiles.²² South Korea and Brazil are also the beneficiaries of Indonesia's expanded procurement strategy. It purchased Korean-made T-50 multirole supersonic trainers to replace the existing Hawk Mk-53 fleet.²³ Brazil has recently signed arms contracts to supply a squadron of Emb-314 light attack aircraft and two battalions of Astros-II multiple launcher rocket systems.²⁴

While expanding the country's external sources of defense procurements, the Yudhoyono administration renewed its defense ties with traditional arms suppliers. With the United States, the Yudhoyono administration made a number of arms deals after signing a Comprehensive Partnership

21 See "Indonesia's Buys More BMP-3F Amphibious IFV from Russia," *Jane's Defense Weekly* 16 May 2012; "Russia Grants Credit to Indonesia for Aircraft Purchase," *Jane's Defense Weekly*, 19 December 2012.

22 See "Indonesia and China Confirm C-705 Missile Production Collaborations," *Jane's Defense Weekly*, 28 September 2011.

23 "RI Gets 16 New Korean Trainer Jets," *The Jakarta Post*, 14 February 2014.

24 "Super Tucanos Arrive in Indonesia," *Jane's Defense Weekly*, 5 September 2012; "Astros II, Alutsista Baru TNI," *Media Indonesia*, 24 May 2014.

Agreement in 2010. These contracts include the ongoing acquisition of twenty-four upgraded F-16 jet-fighters and FGM-148 Javelin anti-tank missiles.²⁵ In addition to four Sigma-class corvettes, Indonesia has contracted the Netherlands' naval ship-builder for the construction of a 2,400-ton frigate.²⁶ Moreover, it has signed arms deals to procure the German Army's surplus Leopard-2 main battle tanks, French-made Caesar 155-mm self-propelled artillery systems, and British-built F2000-class corvettes.²⁷

In an attempt to reduce its reliance on arms imports, the Indonesian government seeks to rebuild the country's defense industrial base. Yudhoyono has made an ambitious plan that indigenous defense enterprises must become the key arms suppliers for the armed forces and other security agencies. During his terms, he has undertaken a number of policy initiatives, including restructuring programs and financial assistance packages.²⁸ These initiatives were critical in resolving mismanagement issues lingering for more than a decade in the state-owned defense firms.

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

Company	2011	2012
PT Dirgantara Indonesia	IDR 1.45 trillion in loan conversions	IDR 2.06 trillion in cash
	IDR 2.38 trillion in loan conversions	
PT PAL	IDR 648 billion in cash	IDR 1.59 trillion in cash
	IDR 620 billion in loan conversions	
PT Pindad	IDR 277 billion in loan conversion	IDR 696 billion in cash

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

25 "Indonesia Approves Bid to Buy at Least Two F-16 Squadrons," *Jane's Defense Weekly* 26 October 2011; "Indonesia Asks US for Javelin Missiles," *Jane's Defense Weekly*, 21 November 2012.

26 "Indonesia and Damen Finalise Delayed Frigate Construction Programme," *Jane's Defense Weekly*, 6 June 2012.

27 "Indonesia Turns to Germany in Bid to Acquire Leopard 2A6 Tanks," *Jane's Defense Weekly*, 4 July 2012; "UK Ministerial Visit to Indonesia Furthers Defense Ties, Opens OPV Opportunities," *Jane's Defense Weekly*, 16 January 2013.

28 In 2011, the Indonesian parliament approved legislation to commit US\$ 1 billion for the country's aerospace manufacturer (PT DI), naval shipbuilder (PT PAL), and land system manufacturer (PT PINDAD). See "Resuscitating the Long-neglected State Defense Industries," *The Jakarta Post*, 5 October 2011.

Another significant step was the approval of new legislation covering the defense industry in 2012. It outlines a range of requirements, including a commitment to prioritize local sources in any state acquisitions, the potential for partial privatization of state-owned defense firms, and the provision of offset-structured industrial collaboration in all defense imports. The law also underlines that the government is committed to procure from domestic defense firms unless the required defense article is not resident in Indonesia.²⁹

Having developed its knowledge and experience of weapons procurement and manufacture, in April 2014 the defense ministry launched a formal defense offset policy to spur the development of Indonesia's defense industrial base. It obliges a minimum 35 per cent offset of the value of major defense contracts, with an emphasis on technological transfer to enable localized production of military equipment.³⁰ This offset program is purposively designed to facilitate the gradual development of indigenous defense industries over the next two decades in line with Indonesia's expanding economic and strategic ambitions.

In order to gain a higher level of self-reliance in defense manufacturing, the Indonesian government has made a list of technologies that it regards as vital to national defense, including naval vessels, jet-fighters, armored vehicles, missiles, radars, propellants and communication devices.³¹ In addition to licensed co-production projects, the defense ministry actively promotes defense industrial collaboration on research and development of new military platforms. Among the examples is the joint development program of a 4.5th-generation jet-fighter between Indonesia and South Korea.³²

The policy measures above demonstrate the strong commitment of the Indonesian defense establishment to upgrade its military capabilities. While steadily increasing the country's military expenditures, the Yudhoyono administration sought to rebuild indigenous strategic industries through financial subsidies and defense offset programs.

29 Law No. 16/2012 on Defense Industry.

30 "Indonesia Announces Offset Programme," *Jane's Defense Weekly* 9 April 2014.

31 "Consistency, Planning Needed in Defense Policy, Say Analysts," *The Jakarta Post*, 21 February 2014.

32 "South Korea and Indonesia Launch Joint Fighter Aircraft Programme," *Jane's Defense Weekly*, 3 August 2011.

Conclusion

The uncertain trajectory of great power relationship, unresolved territorial conflicts and trust deficits remain the biggest challenges to Indonesia's aspiration for a peaceful management of ongoing geopolitical change in the Indo-Pacific region. As signs of rivalry among the major powers are increasingly evident, the Indonesian government begins to ponder the impacts of regional politics to the country's strategic interests.

The presence of both liberal-institutionalist values and classical realist assumptions represents the competing strategic thinking within the Yudhoyono administration. At one level, it relies on multilateral-oriented diplomacy to institutionalize liberal norms and mechanisms—including confidence building, cooperative security and peaceful conflict settlement in order to build a cohesive international order. At another level, the Indonesian government sought to modernize the country's military capabilities and enhance its autonomy for arms. Hence, it expanded the external sources of weapon procurements and rebuild indigenous defense industrial base through offset programs linked to its major arms imports.

Throughout his terms, Yudhoyono sought to combine the two strategic approaches to pursue national interests and ensure international security. Under the framework of ASEAN Defense Ministerial Meeting (ADMM) and ADMM+, it engaged in multilateral security dialogues and develops practical cooperation among regional defense establishments on areas of mutual concern—including the establishment of defense industrial collaboration and joint logistics frameworks for non-traditional security missions. Indonesia has also conducted a number of multilateral military exercises on humanitarian assistance, disaster relief, military medicine, counter-terrorism and maritime security.

In addition to bilateral defense industrial cooperation, the Yudhoyono administration also promoted military-to-military interactions with multiple strategic partners. With Southeast Asian counterparts, the Indonesian military has developed regular personnel exchanges, joint training programs and coordinated sea patrols in shared border areas. While reviving its military ties with the United States under the umbrella of the International Military Education and Training (IMET), Indonesia engaged China in bilateral military exercises. In short, defense cooperation and military-to-military engagement has been instrumental in conduct of the country's foreign affairs and diplomacy during the terms of Yudhoyono.