The Indonesian Maritime Doctrine: Realising the Potential of the Ocean

Mervyn Piesse
FDI Research Analyst
Indian Ocean Research Programme

Key Points

- President Joko “Jokowi” Widodo has outlined an ambitious maritime doctrine that may become the centrepiece of his five-year term.
- The doctrine seeks to boost economic growth by improving connectivity between the islands of the Indonesian archipelago. Increasing domestic connectivity will enhance an underperforming logistics network and reduce the cost of shipping goods around the country.
- Certain sectors of the Indonesian economy are set to benefit from the president’s maritime vision. Jokowi aims to protect and modernise the fishing industry, further develop the ship-building industry and continue the naval modernisation initiated by his predecessor.
- To achieve those ambitious goals, he will need to attract private and foreign investment. That could become easier now that the uncertainty of an election year is over and Jokowi is beginning to establish himself as a capable reformer.

Summary

This paper examines the main elements of Jokowi’s maritime doctrine, the instrument by which the president aims to boost the economy into the upper middle-income bracket. It seems, however, that a lack of interest among investors in infrastructure projects is the largest obstacle to realising this maritime doctrine. Without private and foreign investment,
it will be exceedingly difficult to remedy the county’s infrastructure deficit and achieve the rate of economic growth that Indonesia is capable of.

Analysis

Maritime Doctrine

Jokowi’s maritime doctrine is set to become the defining feature of his five-year presidency. In the document outlining his policy platform, he promised to focus upon maritime security, diplomacy and naval development. Later, in an interview with Western media, he stated that his maritime vision is about more than just basic statecraft; it also encompasses trade, tourism, fishing and transportation. In the same interview he also alluded to the need for foreign investment to fully realise his aspirations.¹ The overarching goal of the doctrine is to give the country the means to further its economic development and push it towards achieving upper-middle income status.

In a speech at the East Asia Summit, in November 2014, Jokowi introduced four pillars guiding his administration. Together, they display a desire to rebuild the maritime culture that existed prior to European colonisation and the disruptiveness of the independence process. The doctrine shows a re-conceptualisation of Indonesia’s place in the world and the role that geography plays in shaping foreign and domestic policy. Rather than viewing the waters that surround the Indonesian archipelago as a weakness, the president wishes to recast them as a source of great strength and economic potential. This vision, if fully realised, promises to transform Indonesia into a maritime power with considerable regional heft.

External Component of the Doctrine: The World’s Maritime Axis

The outward-looking element of the maritime doctrine has been taken as a means to reorient Indonesia’s place in the world. Indonesia has long focussed upon the Association of South-East Asian Nations (ASEAN) and the Pacific Ocean while generally attaching less significance to the Indian Ocean to its west. In declaring Indonesia the “world’s maritime axis”, Jokowi has positioned Indonesia as an Indo-Pacific power, with a geopolitical situation that is influenced by events in both regions. The president could seek to foster closer relations with countries within the Indian Ocean Region, particularly India. At the same time, however, he will be wary of isolating other powers that have influence over Indonesian interests, such as the United States and China.

Developing closer relations with India, to balance against the increased assertiveness of China and the established power of the US, will likely be an unofficial part of Jokowi’s maritime doctrine. A closer relationship with India is likely as recent Chinese actions in the South China Sea, particularly in regard to the waters around the Natuna Islands, threaten Indonesian interests. Jakarta wishes to maintain an outward appearance of having no direct interest in the dispute, thereby allowing it greater credibility as a mediator and go-between. Jokowi will, therefore, still attempt to cling to the well-established foreign policy position of bebas dan aktif (“free and active”), in which Jakarta does not officially lean towards any foreign power.

For its part, Beijing is also keen to contribute to Indonesian maritime development. Wang Yi, the Chinese Foreign Minister, has indicated that his government is willing to assist in infrastructure projects. Jokowi has also been quoted as saying that ‘Indonesia is on the way of developing [sic] into a maritime power, while China proposes to build the twenty-first century Maritime Silk Road; the two initiatives highly fit with each other.’ Chinese President Xi Jinping launched his Maritime Silk Road (MSR) concept in Indonesia in 2013. This initiative envisages a maritime trade network stretching from Beijing, through Indonesian waters into the Indian Ocean and onto the Middle East and, perhaps, as far as Europe. China will benefit from any maritime development that is undertaken in Indonesia as it is a major transit point for Chinese trade.

Jakarta is open to receiving Chinese aid to further the president’s vision. Rizal Sukma, the presidential advisor for foreign policy, views Chinese and Indonesian maritime plans as complementary. He has identified three areas where the aims of the two states overlap, specifically in terms of connectivity, safety and diplomacy. In his view, the doctrines are not designed to further either side’s hard power and instead offer mutual gains.

In terms of balancing between the Indo-Pacific powers, Jokowi’s maritime doctrine seeks to continue existing foreign policy goals. Building a closer relationship with India has been on Jakarta’s diplomatic agenda for most of the last decade and could now gather greater momentum. At the same time, Indonesia does not seek to isolate China or the US. Warmer relations between Washington and New Delhi could also reduce any unease that Jakarta

---

could experience in furthering its ties with India, as doing so will likely be supported by the US. Indonesia will continue to maintain, and benefit from, its relationship with all three powers.

**Maritime Diplomacy: Finalising Maritime Boundaries with India Unlikely to Significantly Further Relations**

Maritime diplomacy is a significant part of the president’s doctrine and is designed to manage the sources of conflict at sea. According to Jokowi, these conflicts are caused by the theft of fish, the violation of sovereign borders, territorial disputes, piracy and pollution. Diplomatic efforts, at least over the next two to three years, are likely to focus on the Indian Ocean Rim Association (IORA), with Indonesia assuming the role of IORA Chair in November 2015, and the finalisation of maritime boundaries with neighbouring countries.

Jokowi has taken office at a propitious time in Indonesia’s efforts at reconnecting with the Indian Ocean Region. IORA is currently focussed upon maritime safety and security, trade and investment facilitation, fisheries management, disaster risk management, science and technology and academic co-operation and tourism and cultural exchanges. At the last meeting of IORA, in October 2014, there was a greater focus on business and increasing trade and investment flows in the region. Indonesia is likely to utilise its position as Chair of IORA to bring increased regional attention to its maritime doctrine and the opportunities that it presents.

By 2019, Indonesia plans to have settled its unresolved maritime boundaries with Timor-Leste, India and Thailand. Completing boundary discussions with India is, in itself, unlikely to significantly further the bilateral relationship.

Under the joint Malacca Strait Sea Patrol (MSSP), Indonesia, Singapore, Malaysia and Thailand patrol the Strait of Malacca that lies to the south-east of India’s Andaman and Nicobar Islands. These four states have been reluctant to allow China, India or the US to increase their naval presence in the area as they are ostensibly wary of the Strait becoming the scene of great power confrontation. Singapore, Malaysia and Thailand have shown a willingness to allow India to patrol the Strait, but Indonesia has remained resolutely opposed. Indonesia has renewed defence co-operation with India, undertaking co-ordinated patrols, and bilateral or multilateral exercises, as well as humanitarian assistance and disaster relief.

India has displayed a willingness to become more engaged in South-East Asia. After Malaysia Airlines flight MH 370 went missing in March 2014, India responded to the Malaysian Government’s request to contribute to search and rescue (SAR) operations. Despite the limitations of its own naval forces, Indonesia has not been receptive to Indian offers to assist with SAR operations during the search for Air Asia flight QZ 8501. It seems that Indonesia is still wary of Indian involvement within its maritime approaches and how a closer relationship with that country could be perceived internationally. This wariness will slow efforts to improve the relationship.
Domestic Components of the Maritime Doctrine

Domestically, Jokowi hopes to boost trade between the various islands of the Indonesian archipelago, re-assert sovereignty over marine-based resources, develop a shipbuilding industry and strengthen naval capabilities.

Boosting Inter-Island Connectivity

Poor port infrastructure has made shipping goods between the thousands of islands that make up the Indonesian archipelago prohibitively expensive. According to data published by the Indonesian Chamber of Commerce and Industry (Kadin), the cost of transportation in Indonesia makes up over 15 per cent of the cost of doing business, compared to less than seven per cent in other regional economies. In Indonesia, less than five per cent of total freight is delivered via the sea. To encourage business to utilise sea-based routes rather than roads, the government is planning to offer incentives to shipping operators, including fuel subsidies. Offering fuel subsidies to shipping operators may seem contradictory, given the urgent desire to reduce subsidies for motor vehicles, but incentives such as this are likely to help encourage the wider use of sea-based transportation. Such measures will further the development of Jokowi’s so-called “sea highway”.

Over the course of his first term in office, Jokowi is aiming to significantly reduce the cost of domestic logistics. Upgrading or constructing 24 existing or new ports within the next five years will allow for greater domestic connectivity. Modernising ports to bring them into line with international standards could also increase access to Indonesian harbours with benefits for international shipping. The government has also proposed the importation of up to 2,500 boats, with plans to import 500 from China, to connect the major islands, reduce transportation costs and increase the flow of goods throughout the country.

The efficiency of Indonesian ports lags behind that of other shipping destinations in South-East Asia. Dwell time measures the time from the moment a shipping container is unloaded, until it leaves the container terminal. The main port of Tanjung Priok, in Jakarta, has an average dwell time of 6.4 days. In comparison, Singapore has an average dwell time of 1.5 days and Malaysia, three days. A focus upon port infrastructure can only help to improve efficiency and promote a greater level of connectivity between Indonesian islands, which has long been seen as a major impediment to the economic development of the country.

Protecting and Modernising the Fisheries Industry

Illegal, unreported and unregulated (IUU) fishing is a major regional problem that has significant domestic repercussions for Indonesia. As fish stocks become depleted in South-East Asia, foreign fishing vessels venture further afield into the territory of neighbouring states. It is not uncommon for Thai, Vietnamese and Chinese fishing vessels, among others, to stray into Indonesian waters in search of more abundant fishing grounds.

In response to this problem, the Jokowi Administration has adopted the hard-line measure of destroying foreign fishing vessels that have entered Indonesian territory. Vessels from Vietnam and Papua New Guinea have been sunk as part of the initiative. Chinese boats,
however, have been confiscated but not destroyed, suggesting that Indonesia may be hesitant to draw the ire of the regional power.

As an archipelagic country, with vast seas to exploit, one could expect Indonesia to have a flourishing seafood industry. That, however, is not the case. The industry lacks sufficient cold storage facilities and transport vessels. In a bid to expand and modernise the sector, there are plans to construct 100 fishery centres, with auctioning, storage and processing facilities. Developing the small aquaculture industry that currently operates will further strengthen maritime food security in the country while also taking pressure off marine resources.

The fishing industry accounts for almost one quarter of the total agricultural economy and yet it is underdeveloped. Modernising fishing practices and expanding aquaculture facilities will help Indonesia to better utilise its fisheries resources.

Developing a Shipbuilding Industry

Despite growing demand, domestic shipbuilders have struggled to meet production targets. In a bid to assist the development of a domestic shipbuilding industry, the Jokowi Administration is considering the abolition of import duties and the value-added tax (PPN) on foreign ship components that are still required by local shipbuilders. Such barriers increase the costs associated with domestic ship production by up to 25 per cent. Consequently, many shipping companies prefer to import ships rather than purchase them from local manufacturers, as fully-built imports do not attract import duties or PPN.

The majority of the country’s shipbuilding industry is concentrated on the island of Batam, a designated free trade zone located just south of Singapore. Scrapping trade barriers that restrict the development of the industry on a national level will help the more than 200 other shipyards located outside of Batam to become more competitive with international imports.

In the short term, the domestic shipbuilding industry will lack the ability to satisfy the demand for increased tonnage that the maritime doctrine could unleash. In the longer term, if the plans to reduce trade barriers that inhibit the competitiveness of domestic shipyards are successful in attracting more shipbuilders into the industry, then the country could reduce its reliance upon foreign manufacturers.

Naval Development Indicates an Emerging Naval Strategy

The maritime doctrine continues the military modernisation agenda begun by President Susilo Bambang Yudhoyono (SBY) in 2005. SBY’s plan, the Minimum Essential Force (MEF), aimed to develop a green-water navy capable of patrolling the extent of the Indonesian archipelago by 2024. The Indonesian military (TNI) is currently hampered by outdated weapons systems that make it difficult to effectively protect the country’s territorial waters.

One of the MEF’s major aims is to achieve total independence in the defence industry by 2024. Gaining knowledge and experience from international operators has been a key part of this aim. In 2011, Indonesia entered a technical assistance and export deal with the South Korean company Daewoo. As part of the joint venture the state ship-building company, PT
PAL, will take part in the construction of two naval submarines in South Korea with a third to be built domestically. It is not improbable that, in the long term, Indonesia could become a significant maritime player in the Indo-Pacific but several obstacles could yet impede that lofty goal.

The defence budget is slated to increase to 1.5 per cent of GDP over the next five years. Although it has risen in recent years, from 0.5 per cent of GDP in 2001 to 0.9 per cent in 2013, Indonesian defence spending as a proportion of GDP still lags behind most other South-East Asian states. In dollar terms, however, it is second only to Singapore. While Indonesia could be on its way to becoming a formidable regional naval power, that will be a long-term goal, beyond Jokowi’s five-year term.

There have been suggestions that the maritime doctrine indicates a move away from the land-based strategy that Indonesia has followed since independence. A focus on land-based force was fostered in the early years of independence as a means to maintain control over far-flung regions of the archipelago and to better ensure the unity of the country. While the state no longer faces the challenges from separatist groups in Aceh or East Timor, others remain active. The Free Papua Movement (Organisasi Papua Merdeka: OPM) in Papua and West Papua, as well as an extremist network, with its hub in Central Sulawesi, while weakened, still pose a significant domestic threat. The simmering tension between the military and the police, which occasionally turns deadly, presents another threat to internal stability. In the long term, these threats are unlikely to prevent the formation or implementation of an Indonesian naval strategy, but they could disrupt its timely and efficient execution.

It is more likely that, as a result of the president’s maritime doctrine, Indonesia will be in a better position to patrol its maritime territory and defend key transport lines. Engaging in naval operations beyond its territorial boundaries will, however, remain out of reach for the foreseeable future.

**Attracting Investors**

Securing the required level of funding for the development agenda set out in the maritime doctrine will be the main difficulty in seeing the vision become reality. Estimates by McKinsey & Company, a global management consulting firm, suggest that Indonesia needs to invest at least US$600 billion over the next ten years to improve the country’s infrastructure. Scrapping generous fuel subsidies, which were slated to consume over ten per cent of the 2015 budget, is a step in the right direction. Such reforms will go some way to boosting investor confidence.

Savings from the scrapped fuel subsidy can now go some way towards funding the development of much-needed infrastructure. A large portion of the funds, however, will be

---

spent upon social programmes, such as health care and education, calling into question how much additional public spending can be directed to funding infrastructure investment.

Borrowing money is also a difficult proposition, since the government’s budget deficit is legally capped at three per cent of GDP. Public finances will therefore not be able to fund all of Jokowi’s infrastructure promises. Private investors, however, are hesitant to invest in a country plagued by corruption and bureaucratic red tape. Domestic reforms will be necessary to attract the level of investment required to fulfil the ambitious development programme.

The poor state of basic infrastructure deters many investors, making them hesitant to risk capital in a market that could struggle to provide basic services, such as roads, water and electricity. Complicated land acquisition laws compound the situation, as these often make the process of setting up businesses an overly long one. As a result, private and foreign investment remains below the target set by the Indonesian Investment Co-ordinating Board (BKPM). On 1 January 2015, however, a new land acquisition law came into force that should expedite infrastructure development. Already there are indications that the investment climate could be improving, although infrastructure and maritime projects continue to lag behind other sectors.

Infrastructure development will depend on foreign direct investment in the country. This process is already underway with Indonesia joining the Chinese-led Asian Infrastructure Investment Bank (AIIB) and seeking to benefit from Beijing’s US$40 billion Silk Road Infrastructure Fund. ASEAN is another potential source for infrastructure investment. ASEAN is currently focussed upon increasing regional connectivity and Jokowi’s bid to increase maritime connectivity within Indonesia has obvious regional benefits. The ASEAN Infrastructure Fund (AIF), in partnership with the Asian Development Bank (ADB), began lending operations in 2013. Four Indonesian infrastructure projects, jointly funded by the AIF and ADB, are already underway. Efforts made by multilateral infrastructure funds to address the infrastructure deficit should help to improve the investment climate and contribute to stronger economic growth. Japan is increasing its investment in the ASEAN region, and Indonesia in particular, due to rising labour costs in China. Escalating tensions between Tokyo and Beijing, due to territorial issues in the East China Sea, have only intensified the shift in investment. Jokowi has called upon Japan to increase funding for his country’s infrastructure development programme.

There are strong indications that the investment climate is likely to change for the better in the near future. Rather than continuing the overly cautious approach to change demonstrated by his predecessor, Jokowi has shown a desire to be a force for reform. In the three months since his inauguration, he has shown a genuine resolve to combat corruption, has reduced the politically-sensitive fuel subsidies before scrapping the subsidy for gasoline altogether and introduced policies to tackle economically harmful practices in the forestry, fishing and oil and gas sectors. As long as his initiatives are not opposed by groups keen to preserve their privileged positions, future reforms appear likely and that can only assist in attracting investment.
Conclusion

Jokowi’s maritime doctrine contains a wide array of ambitious ideas that are likely to boost the Indonesian economy. It predominantly focusses upon growing the domestic economy by tapping into the country’s vast maritime potential. In the sphere of foreign policy, it seeks to widen Jakarta’s diplomatic focus into the Indian Ocean. The time frame for achieving these goals is very tight, in many cases, only five years. It is unlikely that all these ambitions will be met in the time frames given, but steps certainly could be taken towards doing so. In any case, as the world’s largest archipelagic country, it makes sense for Indonesia to turn to the seas in search of economic growth. The maritime doctrine is certainly a step in the right direction for the future development of a country that is shaping up to play an important role in the emerging Indo-Pacific regional order.

*****

Any opinions or views expressed in this paper are those of the individual author, unless stated to be those of Future Directions International.