

# INDONESIA AND RUSSIA RELATIONS IN RESPONSE WITH CHANGING STRATEGIC ENVIRONMENT

## *Hubungan Indonesia dan Rusia dalam Merespons Perubahan Lingkungan Strategis*

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### **Abstrak**

*Hubungan Indonesia dan Rusia semakin dekat setelah penandatanganan draf perjanjian kemitraan strategis di Moskow. Rencana Konsultasi 2017-2019 bertujuan untuk mengintensifkan dialog kedua negara telah ditandatangani Menlu kedua negara. Indonesia penting bagi Rusia bukan hanya sebagai mitra di level dunia, tetapi juga sebagai negara yang memiliki peran kunci dalam Perhimpunan Bangsa-bangsa dan di Asia Tenggara. Lebih dari dua dekade, kerjasama ekonomi antara Rusia dan Asia Tenggara tertinggal di belakang kerja sama politik. Saat ini merupakan waktu tepat menutup kesenjangan tersebut dengan menguatkan hubungan ekonomi dan perdagangan. Namun, diperlukan keseriusan untuk mengatasi berbagai hambatan, termasuk keterbatasan birokrasi dan kurangnya informasi. Tulisan ini menjelaskan hubungan ekonomi Indonesia dan Rusia dalam periode beberapa tahun terakhir. Penulis berpendapat Rusia penting bagi Indonesia, demikian pula sebaliknya dalam mewujudkan stabilitas kawasan Asia Tenggara.*

*Kata kunci: kerja sama ekonomi, hubungan perdagangan, kerja sama pertahanan, Rusia, Indonesia, lingkungan strategis*

### **Abstract**

Relations between Indonesia and Russia seem to be getting closer after agreeing to speed up the drafting of a new strategic partnership agreement in Moscow. A Plan of Consultation for 2017-2019 was signed by Ministers Retno L.P Marsudi and Sergey Lavrov aimed at intensifying dialogue between the two countries. Indonesia is important to Russia not only as a partner on international level, but as a country that plays a major role in the Southeast Asia. Under the Russia-ASEAN dialogue partnership, a road map for economic cooperation has been agreed upon and implemented. Over the past two decades, economic cooperation between Russia and Southeast Asia has lagged behind political cooperation. The writer argues efforts to strengthen closer trade and economic cooperation are needed to overcome existing barriers. This paper attempts to elaborate Indonesia-Russia trade relations in searching for a new strategic partnership. It is further argued that Russia is important to Indonesia and vice versa considering both countries are promising and reliable partner in economy and defense cooperation.

*Keywords: economic cooperation, trade relation, defense cooperation, Russia, Indonesia, strategic environment*

## Introduction

In 2015, when Indonesia-Russia celebrated 65 years of diplomatic ties (1950-2015), Russia's President Vladimir Putin touched on his country's readiness to increase cooperation, as part of an effort to guarantee stability and security in the Asia-Pacific region. Further, in May 2016 in Sochi, Russia, President Jokowi expressed Indonesia's interest in expanding cooperation in trade, politics and culture. The historical relations date back from the time of Indonesia's first president, Soekarno ruled the archipelagic nation as strengthen it further. Jokowi modifies Soekarno ideas to have closer economic, political, military, and cultural relations with Kremlin to continue developing.

Russia recognized that Indonesia continues to play a more prominent role with its Global Maritime Fulcrum (GMF) in Southeast Asia and the broader Asia-Pacific region, its deepening ties and intensive engagement with Russia may prove to be noteworthy in the bilateral, regional and global context. Obviously, for Russia, Indonesia has long been an underinvested asset in its eastward policy. Since 2012, Russia has been visibly keen on developing deeper relations with Asian countries. This accelerated as Moscow's relations with the West deteriorated.

President Vladimir Putin's one-day visit to Indonesia on 6 September 2007 signaled the return of an active Russia to Insular Southeast Asia's largest state<sup>1</sup>. The signing of 8 (eight) bilateral agreements between the two governments in key fields of strategic cooperation throws some light on the strategic interests of both Russia and Indonesia. Although the consequences will

be long-term and hardly earth-shaking, the agreements will contribute to an ongoing process of post-Cold War developments in a multi-polar world.

Insular South East Asia has become an arena of international competition in various sectors, and Indonesia is keen to take advantage of the situation in its quest for a more self-determined position in world politics. Indonesia needs to maximize and empower its efforts, resources competitiveness, strategic location and geopolitics in directing how to challenge Global Maritime Fulcrum in world politics<sup>2</sup>. In relation with the change of current strategic environment above, this paper poses a question how far it influences Russia-Indonesia relations in economic, in particular trade, as well as defense-sectors?

## Russia Pivot to Asia

In early 2014, Russia faced economic sanctions in response to its annexation of Crimea. Many in the country viewed the sanctions as proof that the West has contempt for Russia's 'sphere of influence' in Ukraine and was trying to subvert Russian foreign policy. Responding to this pressure from the West, Moscow turned its attention to the East, specifically, to China. While President Vladimir Putin had spoken of shifting focus to the East Asian market before the Ukrainian crisis, Western sanctions accelerated this proposed 'pivot to Asia'. Sanctions led to the May 2014 signing of a record number of bilateral agreements with China. These included a natural gas deal involving the construction of a pipeline dubbed 'the Power of Siberia', with a view

<sup>1</sup> Wandelt Ingo, 2007, Between Economic and Security Interests: Russia's Return to the Indonesian Archipelago, (Online), 3 November 2007, (<http://www.watchindonesia.org/17629/russias-return-to-the-indonesian-archipelago?lang=en>, accessed on 15 February 2018).

<sup>2</sup> Manurung Hendra, 2018, Menuju Poros Maritim Dunia: Masa Depan Indonesia, (Online), ([http://www.researchgate.net/publication/323369195\\_MENUJU\\_POROS\\_MARITIM\\_DUNIA\\_MASA\\_DEPAN\\_INDONESIA](http://www.researchgate.net/publication/323369195_MENUJU_POROS_MARITIM_DUNIA_MASA_DEPAN_INDONESIA). DOI: 10.13140/RG.2.2.35254.60489, accessed on 15 February 2018).

to export over 38 billion cubic meters of natural gas to China annually. With Sino-Russian ties at their best since the end of the Cold War, the deal became a symbol of Moscow's defiance of the West. Yet two years on, Russia has little tangible progress to show for its turn to the East.

On the surface, Sino-Russian cooperation has been intensifying since sanctions hit Russia. 2015 saw Putin and Chinese President Xi Jinping strike a deal to pursue joint development projects between the Eurasian Economic Union and the 'New Silk Road Economic Belt'. There was a major defense deal, with China becoming the first buyer of Russia's S-400 AA defense systems and SU-35 jets. That year also saw Xi and Putin visit each other's capitals for nationalist-inflected military parades celebrating the 70<sup>th</sup> anniversary of the end of World War II. But these events can hardly be held up as evidence that Moscow's 'pivot to Asia' has been successful. Both the 2014 gas deal and the 2015 defense deal had been in talks for years before Russia ostensibly started pivoting eastward. The 'Power of Siberia' launch has been tentatively postponed from 2018 to 2019, possibly even to 2021, with the gas supply only reaching the agreed-upon amount by 2024.

Moreover, the economic benefits, as opposed to the political symbolism of the gas deal for Russia have been questioned from the outset. But they are even more in doubt now in 2016 than when it was first inked, given the structural decline in global oil prices. Despite the sheer number of bilateral agreements signed in the last two years, neither side was able to take full advantage of them due to economic malaise. In Russia, the Rouble plummeted, and, despite a 30 per cent increase in China-bound oil exports, the overall exports volume of Chinese goods to Russia dropped by a parallel 30 per cent, while Russian imports to China fell by almost 20 per

cent. Liquefied natural gas exports have also shrunk by over 50 per cent.

In China, the Renminbi has taken a hit as well. Economic growth contracted to 6.9 per cent in 2015, its slowest in a quarter century. Trade turnover between Russia and China plunged in 2015 by almost 30 per cent. And Moscow's efforts in creating an attractive domestic investment climate have seen mixed results. Chinese inbound foreign direct investment (FDI) to Russia fell by 20 per cent in 2015 to a mere 0.7 per cent of all Chinese FDI.

Finally, while the 'Power of Siberia' pipeline was envisioned as a substitute for the European market, the gas supply to China has now come to exceed demand as the economy slows down. Russia remains simply one of many gas suppliers for China, alongside its traditional partners like Australia, Qatar and more recent suppliers like Turkmenistan. These suppliers all regularly undercut Moscow. China's view of the 2014 gas deal is perhaps best embodied in Beijing's demand that Russia undertake all expenditures for the construction and maintenance of the new pipeline, effectively charging Moscow for the privilege of selling it gas.

Russia may yet be able to come out ahead on its 'pivot to Asia', though perhaps not with China, its original target partner. It is no secret that Japan has become increasingly wary, even to the point of outright hostility to China's growing influence in the region. And while Japan has been primarily relying on and working with the United States in balancing against China, it has recently shown an opening for a closer partnership with Russia. Since Russia unofficially launched its 'pivot to Asia' two years ago, its results have largely fallen short of the Russian leadership's expectations.

While it has brought the power of its hydrocarbon sector to bear on bilateral ties,

economic malaise in both countries has prevented them from reaping the fruits of this greater engagement. Beijing has shown that it is unwilling to sacrifice traditional economic and strategic relations with the West for tighter cooperation with Russia. Promising opportunities remain for Moscow in stepping up energy and security ties with Tokyo, which has shown a consistent desire to maintain a healthy relationship with Russia. The question now is whether Russia will decide to reciprocate.

Tokyo's anti-nuclear policy shift since the Fukushima incident of 2011 has created an enormous domestic demand for natural gas. Russia is well-placed to meet this demand, especially given the imbalances and uncertainties remaining in the gas deal with China. This energy could be delivered from the Russian Far East, and thus would not need to transit the South or East China seas. As a result, Japan is likely to see Russian supplies as significantly more secure than those from its current major suppliers. A closer Russo-Japanese relationship in the energy and security spheres could prove a useful secondary balancer in northeast Asia for both Tokyo and Moscow. Prime Minister Shinzo Abe's recent efforts at encouraging rapprochement ahead of the next G7 summit suggest he may agree.

### **Russia in Southeast Asia**

For more than a decade Russia's foreign policy has become more assertive as views of Russia in the West are becoming increasingly negative. But in Southeast Asia, a region whose history of relations with the USSR and Russia is fundamentally different from that of the West, perceptions of Russia today are markedly different. But can Russia make use of this positive image in its pursuit of soft power and influence? Although these countries probably have a rather limited knowledge of Russia, its overall image with respect to its government,

economy and culture is quite positive. Thus, refer to association with and memory of the Soviet Union remains quite strong, although Russia's positive image is based mostly on non-political links.

There is also a certain degree of correspondence between the self-image held by the Russian elite, that of Russia as a Eurasian great power, and the image of Russia held by prominent elites in Southeast Asia. Despite the rather limited nature of Russia's current relations with the region, it is seen by many as a great power that belongs to both Europe and Asia, and one that plays an important and positive role in the world and in the Asia-Pacific region. Russia is still perceived to hold significant and positive influence in Indonesia, Vietnam and Laos despite the drastic decline in bilateral relations since the Cold War years.

This generally positive image of Russia may seem like welcome news to Russian policymakers. Today, Southeast Asia plays a secondary role in Russia's foreign policy. But certain recent developments in Russia's policy towards the region, such as the establishment of a branch of the government funded Russkiy Mir Foundation in Bangkok in 2012, the re-opening of the Russian Cultural Center in Vientiane in 2013 and the ASEAN-Russia Summit in Sochi in May 2016. Obviously, Russian policymakers are paying increasing attention to Southeast Asia.

Southeast Asia's importance in the global economy and regionalism in the Asia Pacific, coupled with its relative lack of political cohesion and a deepening internal rift over the South China Sea dispute, make it an attractive arena for Russia's increasingly assertive foreign policy. As such, Russian foreign policymakers may want to utilize its positive public image to expand its influence in the region. But the usefulness of these positive perceptions as soft power resources is quite limited. While the generally positive view of Russia as a Eurasian

great power could be used by Russia as a source of legitimacy for greater involvement in the region, there are important dissonances between Russia's idea of itself and the view that emerges from Southeast Asia.

The perception of Russia as a great power relies heavily on its association with the Soviet Union. By contrast, in the Russian elite's narrative, there is a limited sense of continuity between today's Russia and its Soviet past. Furthermore, while Southeast Asia may have a positive view of Russia's government and economy, culture is seen as Russia's main asset and economic cooperation is the most preferred area for collaboration. Russia's attractiveness to Southeast Asia is mostly value-free and is not based on any particular ideology. Russia's deeper economic involvement in the region and further attempts to promote its culture would probably be welcomed by the next generation of elites in Southeast Asia. But further political involvement or a quest for political leadership by Russia in the region would have little resonance.

### **Understanding Each Others**

Separately, relations between the two countries are generally positive and stable, with seemingly improving contemporary and economic ties. Many Indonesians commonly perceive Russia as a country they should cooperate more and develop closer ties. Great deals of similarities Indonesia and Russia enjoy are both proud of becoming new democracies. Both nations have diverse ethnic and religious groups, and embrace pluralism. Both have endured great trials and tribulations in our history, face the challenge of internal conflicts and have been victimized by acts of terrorism. Both experienced a serious economic crisis. In facts, experienced it at around the same time, around 1998, and have bounced back

strongly from that crisis. Indonesia and Russia are both oil producing countries, although Russia produces 10 times more oil than does Indonesia. Both have very independent foreign policy, which is why there is a high degree of diplomatic synergy between Indonesia and Russia in a world marked by turbulence and uncertainty (ASEAN 2011).

Like Russia, Indonesia has undergone a process of reinvention in the past 8 years. Both have carried out wide-ranging reforms that have changed the face of Indonesia. Both have advanced far in our democratic transition that we now rank as the world's third largest democracy. And it is a democracy that is home to the world's largest Muslim population. Both consider our-self a good example that democracy, Islam and modernity can live together in a united and pluralistic statehood (Kementerian Luar Negeri RI 2006).

Republic of Indonesia and Russia Federation were old friends in new era and has become strategic partner for Indonesia. Bilateral relationship between Indonesia-Russia was already involved since around 60 years ago. Cooperation between the two countries has been build, especially in economic, social, and cultural sector. The relations between the two countries have experienced a golden period (1950 - 1965) which among others characterized by 4 (four) times state official visit by President Sukarno of Indonesia to Russian leaders in Moscow: KY. Kirilov and N. Khrushchev. Thus, the result of the visit was for the disbursement of funds, the construction of various projects and the supply of military equipment from the Soviet Union at that time.

In the New Order era, relations between the two countries began to fade and flourish again after the collapse of the Soviet Union in 1991, that Soviet Union has its legal

successor, the Russian Federation and the New Order regime in 1998 (Kementerian Luar Negeri RI 2009). As the new era of 21<sup>st</sup> century evolving, the bilateral relations between of two countries are experiencing a new phase with the signing of the “Declaration of the Republic of Indonesia and the Russian Federation on the Framework of Friendly and Partnership Relations in the 21<sup>st</sup> Century,” by President Megawati Sukarnoputri and President Vladimir V. Putin on 21 April 2003 in Moscow (Kementerian Luar Negeri RI 2013).

Following the signing of the Declaration, trade relations between Indonesia and Russia showed a significant increase. It is because of the establishment of Indonesia-Russia Commission on Military Technical Cooperation and increasing the frequency of the joint Commission Meeting Cooperation of Trade, Economics and Technical, which were first meeting was held in September 2002, in Moscow (BKPM 2013). In the field of military and national defense, Indonesia is currently updating the main instrument of defense systems. This activity is a real form of Indonesian foreign policy implementation. In order to strengthen the Indonesian defense, Indonesia is buying the main instrument of defense systems from Russia. It is affect the trade volume among both countries (Kementerian Luar Negeri RI 2010).

### **Indonesia – Russia Economic Cooperation**

Russian Federation (Rossiyskaya Federatsiya), is a world biggest country with GDP per capita of USD 15,900 and an average economic growth of 5.9 percent in last 15 years. Since the economic reforms in the 1990s, Russia was transformed into economy market and as the ninth largest economy in the world by GDP reached USD 1.477 trillion in 2010, thanks to a wealth of natural resources such

as natural gas, oil, coal, and precious metals as well as various sector privatization program industry (with the exception of energy and defense) were performed (Kementerian Luar Negeri RI 2010).

Russia export products comprise oil and oil products, natural gas, metals, wood and wood products, chemicals and military equipment. Value of Russian exports in 2011 reached USD 521.96 billion. Russia imported commodities such as machinery, vehicles, health products, plastics, semi-finished metal products, meat, nuts, fruits, optical and medical equipment, iron and steel. Value of Russian imports in 2011 reached USD 323.2 billion (Kementerian Luar Negeri RI 2011).

Russia embraces foreign policy which is now more open to the policy called “*Look East Policy*”, pushing the infestation flow to Indonesia that is steadily increasing. In this context, Indonesia is also encouraged to take advantage of the prevailing positive situation. Russia is a potential market for Indonesian commodities, as the exporting development of economic and trade systems are increasingly open to Russian (Oratmangun 2013).

The official visit by Minister of Foreign affair of Republic of Indonesia, Hassan Wirajuda, to Russia and held talks with Russian Foreign Minister, Igor Ivanov, on 27 September 2002 was the momentum that gave birth to a new commitment of both countries to enter the stage of the relationship and cooperation in higher. The two countries for the first time established The Joint Commission Meeting held in the new format in order to encourage increased economic relations, trade, and technical. The bilateral meeting was signed of the Memorandum of Bilateral Consultations among both countries and agreed that one day it would rise to bilateral Intergovernmental Consultation. This event is of significant importance given the first Foreign Minister

Balance of Trade  
Indonesia – Russia (2013 – 2018, in thousands US\$)

Description	2013	2014	2015	2016	2017	Trend(%) 2013- 2017	Jan-Apr		Change (%) 2018/2017
							2017	2018	
<b>Total Trade</b>	3.523.888,8	2.642.667,4	1.986.384,0	2.112.218,1	2.528.222,3	-8,50	788.907,5	912.082,4	15,61
Oil & Gas	523.502,9	406.575,9	88.735,1	0,0	15,2		0,0	0,0	
Non-Oil & Gas	3.000.385,9	2.236.091,5	1.897.648,9	2.112.218,1	2.528.207,1	-3,92	788.907,5	912.082,4	15,61
Export	930.251,6	1.052.861,3	993.743,5	1.261.604,6	1.225.507,9	7,60	409.254,5	357.523,2	-12,64
Oil & Gas	0,0	0,0	0,0	0,0	0,0		0,0	0,0	
Non-Oil & Gas	930.251,6	1.052.861,3	993.743,5	1.261.604,6	1.225.507,9	7,60	409.254,5	357.523,2	-12,64
Import	2.593.637,3	1.589.806,2	992.640,4	850.613,5	1.302.714,4	-18,15	379.653,0	554.559,2	46,07
Oil & Gas	523.502,9	406.575,9	88.735,1	0,0	15,2		0,0	0,0	
Non-Oil & Gas	2.070.134,3	1.183.230,2	903.905,3	850.613,5	1.302.699,2	-11,81	379.653,0	554.559,2	46,07
Balance of Trade	-1.663.385,7	-536.944,9	1.103,1	410.991,2	-77.206,6		29.601,4	-197.036,0	-765,63
Oil & Gas	-523.502,9	-406.575,9	-88.735,1	0,0	-15,2		0,0	0,0	
Non-Oil & Gas	-1.139.882,8	-130.369,0	89.838,2	410.991,2	-77.191,4		29.601,4	-197.036,0	-765,63

Source: BPS, calculated by Data Center & Information System, Indonesia Ministry of Trade

of the Republic of Indonesia visits conducted after 13 years after the collapse of the Soviet Union (Yustiningrum 2011).

The improvement of Indonesia and Russia relations has been growing very rapidly since the signing of the “Declaration on the Framework of Friendly Relations and Cooperation of Indonesia and Russia in the 21<sup>st</sup> Century” by President Megawati Sukarnoputri and President Vladimir Putin in 2003. Cooperation in other fields particularly defense and tourism, as well as cooperation in regional and multilateral levels such as the G-20 and APEC is also on the increase.

### Indonesia – Russia Trade Relation

Indonesia and Russia have been developing their friendly and mutually beneficial contacts since the establishment of their diplomatic relations on February 3, 1950. An Indonesia-Russia bilateral relation is not only as old friends in new era but also as a strategic partnership. The

two countries have entering in the new phase in bilateral relations, by the signing of Declaration on the Framework of Friendly Partnership Relations in the 21<sup>st</sup> Century. This agreement is the cornerstone of a new strategic cooperation relationship in their bilateral cooperation, global and regional levels as well, especially in Indonesia-Russia bilateral relations (KBRI Moscow 2013).

Russia is seen by Indonesia to be its prospective partner in doing the bilateral trade due to the very profile of Indonesia. It is the largest trading partner of Indonesia for Central and Eastern European (ETT) region. But in the last three years, the trade deficit on the Indonesian side becomes larger. Recorded in 2010, Indonesia experienced a deficit of USD 466.7 million, USD 817.3 million in 2011 and by 2012 amounted to USD 1.6 billion. In addition, the Russian investment rate in Indonesia is also relatively small. Until 2012, the carrying value of investments in Indonesian Russia only USD 2 million (Kementerian Luar Negeri RI 2013).

Since 2012, Indonesian economy with Russian Federation for last 5 years shows significant dynamic fluctuation. Based on Ministry of Trade Republic of Indonesia in 2017, Indonesia and Russia recorded a 19.7 percent increase in bilateral trade to \$2.5 billion, with around 40 percent of Indonesian exports to Russia comprising of palm oil products (Kementerian Perdagangan RI 2018).

Below is a table of data Indonesian-Russia trade from 2013-2018. The enhancement of high-level engagement among top officials has improved both countries trade ties closer. Indonesia seeks to tap into the Russian market, which has a total population of over 144 million people. With the support of Russia, Indonesia is also working on a free trade agreement with the Eurasian Economic Union (EAEU). Members of the union comprise of Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia.

Indonesia has been a particularly tough nut to crack for Russia, with bilateral trade in 2017 at a mere US\$3.2 billion, with US\$2.4 billion being Indonesian exports. Russian companies have been aiming to build an oil refinery, a power plant and a railway, but each high-level dialogue seems to produce more memoranda and not much actual building (Kementerian Perdagangan 2017).

Russian entrepreneurs Small and Medium Enterprises (SMEs) look enthusiastic to conduct trade contacts with partners in Indonesia. They were invited to invest in Indonesia, particularly in the field of agro-industry, fisheries, manufacturing, handicraft and infrastructure. While in the field of trade Indonesia government was offering of Indonesian superior products, among others: crude palm oil, coffee, tea, cocoa, vanilla, furniture, and garments. It is one of the Indonesian government's efforts to reduce the deficit that occurs to Indonesia on bilateral trade. Indonesian government request Russia

to buy more Indonesian products in the future (KBRI Moscow 2016).

### **Indonesia – Russia Defense Cooperation**

The biggest challenge for Indonesia-Russia relations today is how to make the relationship that has been built so far provide real results for Indonesia's national interests as well as contribute positively to changes in regional and global strategic order. Thus, in the context of Indonesia-Russia relations, the most effective way to achieve these goals is through defense cooperation. Russia is a major arms supplier to Indonesia. Russian arms exports to Indonesia include the Sukhoi Su-30, Sukhoi Su-27, Mil Mi-35, BMP-3, Mil Mi-17.

In March 2018, Indonesia unexpectedly found itself in the crossfire of a U.S. –Russia diplomatic spat due to its decision to purchase 11 Russian Su-35 jet fighters. The deal has stirred up discussions of what Russia's game in Indonesia is and how it fits into Indonesia's defense posture. Although the deal is not huge in scale but the cost is reported to be US\$1.14 billion (*DefenseWorld.Net* 2018), offset by barter mostly in palm oil and coffee. However, the move to buy the fourth-generation fighter jets breathes new life into the Russia-Indonesia arms-trade relationship.

Contradict, the U.S. exerted pressure on Indonesia to abandon its negotiations with Russia for the supply of Su-35 fighter jets (*DefenseWorld.Net* 2018). Soon, It was responded by Russian Presidential Aide for Military and Technical Cooperation Vladimir Kozhin who said that despite the pressure from foreign countries, Russia has begun implementing a contract for the delivery of Sukhoi Su-35 fighter jets to Indonesia (Rossiya-24 TV Channel 2018). Russia is grateful to the military and political leadership of Indonesia for their firm position, which they have not been afraid to state openly, including to American partners, adding that pressure on Indonesia was huge.

Nevertheless, the contract has been signed and both countries are starting to implement it. In February 2018, Indonesia and Russia inked a contract to purchase 11 Sukhoi Su-35 fighter jets worth \$1.14 billion. The first two units of Sukhoi jets will be delivered in August 2018 and another six jets would be delivered 18 months (February/March 2020) after the contract comes into effect, and the final three a further five months later (August 2020). The deal was announced after Indonesia said in August 2017 that it would seek to trade palm oil, coffee and tea for Russian fighter jets, saying it wanted to capitalize on international sanctions on Moscow.

Su-35 is a Russian-made multipurpose generation 4++ super-maneuverable fighter jet equipped with a phased array radar and steerable thrusters. It can develop a speed of up to 2,500 kilometers per hour and has a flying range of 3,400 kilometers and a combat radius close to 1,600 kilometers. The fighter jet is armed with a 30mm gun and has 12 hard-points for carrying bombs and missiles.

The new President is building maritime links through *Nawacita* with a number of East Asian as well as non-regional powers to strengthen the country's defenses. Russia is one of them. Growing Russia-Indonesia defense ties can more accurately be described as a return to the good old days. Russian-Indonesian relations were at their peak in the late 1950s and early 1960s when Moskwa provided the bulk of Indonesia's military hardware, making the country's defenses forces one of the best equipped in East Asia. Between 1959 and 1965, Russia gave Indonesia one cruiser, 14 destroyers, 14 submarines, eight antisubmarine patrol vessels, 20 missile boats and several motor torpedo boats and gunboats. The Indonesian marine corps was also reinforced by armored and amphibious vehicles, and naval aviation with ASW helicopters and Il-28 bombers.

The Indonesian Navy was thrilled with their new Whiskey-class submarines. The vessels were immediately put into action against the Dutch West Guinea in 1961-1962, and against Malaysia and British Commonwealth forces during *Konfrontasi* (Confrontation) in 1963-1966. However, the honeymoon ended when Russia-Indonesia relations went into a freeze as the fiercely anti-communist Suharto allied himself with the United States.

The most important part of the bilateral agreements is a defense equipment deal for Indonesia to buy USD 1 billion worth of yet unspecified Russian weapons within the next 15 years. More immediate are Indonesia's plans to purchase heavy armaments at a total value of US \$ 850 million. This package is to include ten Mi-17 U-5 carrier helicopters and one Mi-35P combat helicopter for the Army, and twenty BMF-3F amphibian tanks and two submarines for the Navy forces. No actual contracts for arms deliveries were signed. The most valuable package for Indonesia's defense capabilities, however, is for the Air Force and Navy. Six units of Sukhoi combat planes, three Su-27 type and three Su-30 has added to the two Su-27s and two Su-30s already purchased by the previous Megawati Sukarnoputri administration.

On August 21, 2014, and following the establishment of initial working contacts with Indonesia's Department of Defense, Russia agreed to provide loan funding of USD 335 million for the purchase of another six Sukhoi fighter planes. Indonesia's original plans to buy 12 more Su-27s were shelved in favor of an order of five years' worth of spare parts and other supplies instead. Indonesia originally planned the purchase of twelve units, but settled for ten. The Army recently announced plans to purchase 13 helicopters (*The Jakarta Post* 2007). The

USD 335 million deals, financed by a Russian bank loan, include state of the art avionics and weapons systems, items that were inexplicably missing from the original Megawati order. The new purchases are being paid for under a five-year USD 3.7 billion export credit budget as approved foreign exchange set aside for high-grade military equipment in 2004 (*The Jakarta Post*, 2007).

Also, Indonesia plans to buy four Kilo-class 636 submarines and two slightly smaller Lada-class submarines, and its navy reportedly wants to buy up to 12 boats by 2024, finances allowing. The diesel-powered Kilo boats are among the quietest conventionally powered submarines in service anywhere and are capable of being equipped with advanced weaponry, including anti-ship and land-attack cruise missiles with a range of up to 275 km. These submarines would be among the most advanced conventional submarines in Southeast Asia.

Indonesia's desire to acquire new submarines is not entirely a surprise. Its military had wanted to replace its two German-built submarines Type 209 as far back as the 1990s, but the 1997 Asian financial crisis put that on hold. Defense circles in Asia regard submarines as the most urgent naval weapon system and have made great strides in obtaining them on the international markets for military technology. Indonesia's navy with just two obsolete German submarines purchased in the 1980s has been left behind in submarine capacities that its neighbors have acquired over the past years. The purchase of more Kilo Class diesel submarines will not upset the military balance in the region, but may accelerate the regional arms race.

The Indonesian Navy benefits the most from the rapidly expanding Russia-Indonesia ties. With approximately

75,000 active personnel and more than 150 vessels in active service, Indonesia has the largest navy in South East Asia. What's more, the Indonesian Navy is one of a few navies in the region backed by a substantial domestic defense industry, marine corps and armed with supersonic missiles and attack submarines. But the inside story is that the Indonesian Navy is more rusted than ready. Until now, currently is 59 per cent of the Indonesian Navy's assets have been used for more than three decades old.

Currently, Indonesia's Ahmad Yani class frigates are fitted with the supersonic Yakhont missile that can destroy ships up to 300 km away. The Yakhont, which is the export version of the P800 Oniks missile, skims the waves at Mach 2.5 (twice the speed of sound), making its detection extremely difficult. In 2011, the Indonesian Navy Frigate Kapal Republik Indonesia (KRI) Oswald Siahaan test-fired a Yakhont missile during a naval exercise in the Indian Ocean. The missile took just six minutes to travel 250 km to score a direct hit on the target. At a time when most Southeast Asian navies had, and with the exception of Vietnam, still have, only subsonic cruise missiles, the Yakhont launch marked a significant capability breakthrough in the region.

The overall deal benefits all three branches of Indonesia's Armed Forces (TNI) equally. The figures on the number of units purchased which were released immediately after President Putin's visit were later reduced. Indonesia is buying ten, not twenty helicopters; six Mi-35 gunships, to go with the four it already has and four Mi-17 troop-carriers, which will double the existing fleet. Instead of twenty BMP-3 infantry fighting vehicles for the Navy's Marine Corps, as was widely reported, the Navy is actually acquiring just twelve.

Indonesia needs Russia with good quality offers, favorable repayment conditions and a clear statement of non-interference in internal affairs, and it is easy to understand the psychological impact Putin's offer had on the Indonesian state and army leadership. Russia is ready to provide soft loans at cheap rates to buy defense equipment. Thus, Indonesia engaged to the bilateral discussions over a USD 3 billion loan to support acquisition of Russian military equipment. The details about the military equipment to be purchased through the deal were not revealed yet. Moreover, the loan will be provided at preferential rates.

In Jakarta's wish list are four Russian Kilo-class 636 submarines and two slightly smaller Lada-class submarines. The diesel-electric Kilos are among the quietest conventionally powered undersea boats in service anywhere and are capable of being equipped with advanced weaponry, including anti-ship and land-attack cruise missiles. These submarines would be among the most advanced conventional submarines in Southeast Asia.

Despite a US\$490 million cut in next year's defense budget, the Indonesian Navy announced in September 2015 that it would procure Kilo-class submarines from Russia as part of the 2015-2019 strategic planning. Russia has many kinds of Kilo-class submarines, but has not yet to decide which type Indonesia will purchase. Still, Indonesia needs at least seven more Kilo Class submarines. The Russian Kilos are only the latest of recent buys. In November 2010, Indonesia's marine corps received 17 amphibious tanks BMP-3F from Russia.

## Conclusion

To be concluded, since 2010, the clear message given by the Russian and Indonesian presidents is clear: Russia has arrived in the

world biggest archipelago and its largest state and is there to stay. Russia is Indonesia most welcome partner for seeking alternatives to and more independence from past ties. Established may disintegrate, but the archipelago will diversify and rise to become an arena for international competition in many fields.

Also, Russia has the potential to challenge the established position of the West in Indonesia. It has successfully established footholds in key markets in Indonesia and outlined a long-term strategy to become a player in the Indonesian economy. Russia will not change Indonesia's complexion over night, but will make its mark felt in the very long run. Its approach to win "the hearts and minds" of the Indonesian leaders and their society is worth close observation. It is far too early to outline the extent of changes Russia will bring to the region.

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