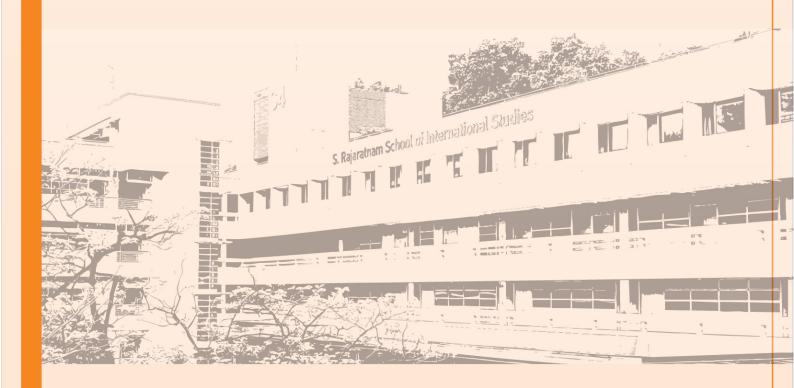
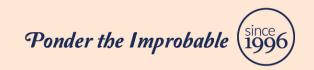


Does Indonesia's Carrier Bid Signal a Shift in Defence Modernisation Strategy?

James Guild







The authors' views are their own and do not represent the official position of the Institute of Defence and Strategic Studies of the S. Rajaratnam School of International Studies, NTU. These commentaries may be reproduced with prior permission from RSIS and due recognition to the authors and RSIS. Please email to Editor IDSS Paper at RSISPublications@ntu.edu.sg.

Does Indonesia's Carrier Bid Signal a Shift in Defence Modernisation Strategy?

James Guild

KEY TAKEAWAYS

- Indonesia is considering acquiring a retired Italian aircraft carrier for US\$450 million, primarily for humanitarian and disaster-response purposes rather than power projection.
- This move contrasts with Indonesia's recent defence modernisation strategy, which emphasises technology transfer and domestic industry development through large procurement deals.
- The purchase highlights a persistent trade-off in Indonesian defence policy between meeting immediate operational needs and fostering local industrial growth.

COMMENTARY

Recent reports indicate that Indonesia plans to use <u>up to US\$450 million</u> in financing to acquire a retired aircraft carrier from the Italian Navy. Several hurdles need to be cleared, but if the deal goes through, it would represent Indonesia's second major naval acquisition from Italy, following the <u>US\$1.25 billion procurement</u> of two Thaon di Revel-class offshore patrol vessels earlier this year.

Indonesia has increased its military spending in recent years and is accustomed to spreading acquisitions across a patchwork of suppliers. It is not surprising that it wants to widen the supplier network to include more foreign arms manufacturers like Italy's Fincantieri.

There are two aspects of this plan that warrant further analysis. The first is whether Indonesia actually needs an aircraft carrier, especially one that has seen decades of service. The second is whether this acquisition signals a break from Joko Widodo ("Jokowi")-era defence modernisation policy, which frequently used large arms purchases to pursue upgraded capabilities, technology and skills for the domestic defence industry.

The Italian Connection

Earlier this year, Jakarta purchased two Thaon di Revel-class ships for US\$1.25 billion, with the first ship delivered in September. The acquisition of a retired aircraft carrier would represent further consolidation between Indonesia and Italy. But does Indonesia need an aircraft carrier? Thailand famously commissioned Southeast Asia's first, and currently only, aircraft carrier in the 1990s. Yet the carrier <u>rarely sees service</u> and remains mostly docked in its home port.

Aircraft carriers are the backbone of mature blue-water navies that can operate anywhere in the world and serve as tools of outward force projection. Power projection does not describe Indonesia's current naval capabilities, nor its geopolitical ambitions. And it does not appear that force projection is the intended purpose here. The *Giuseppe Garibaldi* entered service in 1985 and was decommissioned by the Italian Navy last year. It is designed for short take-off and vertical landing aircraft, like helicopters and Harrier jets. It is not equipped with catapults to launch heavily armed fighter planes.

According to Indonesian officials, the ship will primarily function as a helicopter carrier for humanitarian and disaster-response operations, rather than for combat operations. Indonesia is an archipelagic nation spanning a vast maritime territory, one that is highly vulnerable to natural disasters such as tsunamis. A helicopter carrier that can be quickly deployed to coastal areas for disaster relief has clear practical uses.

If Indonesia intends to use the carrier as a stepping stone for developing the skills and logistical support necessary to operate a more advanced fleet of helicopter or drone carriers in the future, the long-term strategic logic of the acquisition becomes clearer. At US\$450 million, the upfront cost is not prohibitively high, but given the age of the carrier and the operating and logistical costs, it does raise questions about whether Indonesia is getting enough out of the deal to justify the expenditure.

A Departure from Jokowi-era Modernisation?

Indonesia frequently uses arms purchases as a conduit for developing the domestic defence industry. In 2004, Indonesia purchased <u>four landing platform dock (LPD) ships</u> from South Korea for US\$150 million, two of which were built by Indonesian state-owned shipbuilder PT PAL. In 2011, Indonesia signed a <u>US\$1 billion deal</u> for three Jang Bogo-class submarines from South Korea, the third of which was assembled by PT PAL.

Indonesia is currently co-developing a pair of Scorpène-class submarines with France's Naval Group, with some production taking place in PT PAL's shipyard in Surabaya. The deal is valued at <u>around US\$2 billion</u>. PT PAL is also in the midst of

building two frigates based on the Arrowhead 140 design. The ships are being built under licence from the UK's Babcock. The project is valued at over US\$700 million.

In each case, Indonesia used the promise of a large purchase to seek favourable terms such as local production or upskilling. The explicit goal is to use market access as a bargaining chip to develop the domestic defence industry. The same strategy has applied to other large acquisitions, such as the purchase of 42 Rafale fighter jets from France's Dassault for <u>US\$8 billion</u>. Engineers from state-owned aerospace firm PT Dirgantara Indonesia (PTDI) have already begun training in France.

Using <u>arms purchases as leverage</u> to acquire new production capabilities, technology and skills featured prominently in then-President Jokowi's defence modernisation strategy. A number of such deals were overseen by current President Prabowo Subianto when he served as minister of defence from 2019 to 2024. But recent acquisitions potentially mark a departure from this strategy.

The purchase of two Thaon di Revel-class offshore patrol vessels that were already undergoing sea trials, as well as buying a decommissioned aircraft carrier, limits opportunities for direct spillovers to the domestic defence industry. Indonesia also recently signed an agreement to buy two İstif-class frigates from Turkey. Details remain sparse, but it seems that these ships will be built in Turkey and delivered to the Indonesian Navy, which may limit the scope for local production and technology transfer.

Indonesia is trying to balance immediate operational needs with long-term developmental and industrial goals. This effort has led to procurement <u>following a pattern</u> of "build when we can, buy when we must". Given Indonesia's need to upgrade its naval capabilities, coupled with the fact that PT PAL's order book is already full, the current administration may feel that prioritising purchases which can be delivered quickly at the expense of local industrial development is a trade-off worth making.

Out with the New, In with the Old

Debates about the merits and trade-offs of buying second-hand military equipment are not new. In 1993, Indonesia purchased <u>about one-third</u> of the former East German naval fleet, totalling 39 ships. The deal was pushed by then Minister of Research and Technology B.J. Habibie. Habibie, who would briefly become president after Suharto's resignation in 1998, was a champion of state-led industrialisation.

The idea was that Indonesia would spend big to acquire the ships, while at the same time investing in state-owned shipyards that would be involved in repairing and refurbishing the fleet. In the process, Indonesia would expand its naval strength while also growing the capabilities and skills of the local defence industrial base. The plan was opposed by the finance minister, who felt the benefits did not justify the costs.

This trade-off between operational needs, industrial development and fiscal capacity is echoed in contemporary procurement debates. Purchasing a used Italian aircraft carrier underscores the tension between meeting short-term operational demands and nurturing long-term industrial development.



Buying a used Italian aircraft carrier highlights a potential trade-off in procurement for Indonesia between immediate operational needs and long-term industrial and fiscal priorities.

Image source: Wikimedia Commons.

Plausible arguments can be made that the carrier meets a need in the area of disaster relief and could set the stage for greater operational capabilities down the road. But the direct spillover effect on the local defence industrial base is likely to be limited. How the current administration manages this balance over the long term, and whether a lasting strategic shift is under way, remains an open question.

James Guild is an Assistant Professor in the Faculty of Social Science at Universitas Islam Internasional Indonesia (UIII) and an Adjunct Fellow with the Indonesia Programme, S. Rajaratnam School of International Studies (RSIS).

Please share this publication with your friends. They can subscribe to RSIS publications by scanning the QR Code below.

