



ASEAN Defense Industry Collaboration (ADIC): An Assessment of Potential Strategic Benefits for Indonesia Defense Industry

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Abstract

The need to maintain sovereignty as well as increase military strength among ASEAN countries became the main aspects in the formation of the concept of collaboration between defense industries. It is anticipated that through this partnership, ADIC will be able to promote the growth of industrial and technological strength among ASEAN member states. The emergence of forming defense industry collaboration was driven by the fact that most of ASEAN member countries are still major importer of defense industry products. However, ASEAN states have many challenges in implementing defense industry collaboration. Not only disparities in the economic field, but also social culture and diplomatic relations between ASEAN countries themselves determine the success of ADIC implementation. This paper reviews the potential strategic benefits of the formation of ADIC for the Indonesian defense industry and outlines the obstacles faced in its implementation.

Keywords: *Defense Industry; ADIC; Collaboration*

Introduction

Since the end of World War II and subsequently during also post-cold war, a growing number of third world country had become more fashionable to the arms industry. Emerging states have tendencies to be prioritizing defense as independence was hardly earned. Self-sustaining developed in sought of stability and maintenance of long-term liberty. Self-reliance, security, and sustainability are the main key of sovereignty, which standing side to side with independence. It applies in all elements, including the defense-industrial section (Bitzinger, 2009). Kahaner notes that the primary objective of emerging governments continues to be defense-industrial autonomy, not only because they are situated in highly tense areas but also because they face the prospect of war and potential weapon embargoes (qtd. in Bitzinger, 2009). A case was taken as an example; U.S imposed an arms trade embargo on Indonesia from 1999 to 2005, leading Indonesia to seek for weapons from several other suppliers.

Therefore, the defense industry is, indeed, important for Indonesia. Though there are still obstacles for it to be optimized and independent such as; “the quality and quantity of the defense industry

are still limited, production capacity is still limited, old production machines technology, investment and capital are still limited, and the R&D institution is still sectorial” (Situmeang et al, 2020). All the while, a revolution in industrial has entering the fourth phase where the usage of information and communication technology is expected to be utilized at its full potential. This applied in all sector of industry, including the armaments. In line with the weakness of Indonesia defense industry, there are a lot of rooms for improvement.

Driven by the need to strengthen each of their own defense industrial base, understanding the problem and stakeholder of arms industry is important as it is a form of integration between important aspects related to the sustainability of the national defense system. Aside of being one of the main areas of defence diplomacy (Drab, 2018), arms industry has an impact in nation’s social and economic growth sector as well.

Aside from the risk of arm trade embargo that happened in Indonesia, most ASEAN country are still depending on imported defense goods; these are the main factors for ASEAN to form a cooperation in the political and security fields. One of the main purposes of ASEAN Defense Industry Collaboration (ADIC) is to encourage the development of technological and industrial arms among ASEAN country as this is Indonesia's goal which is also related to the reasons for the formation of ADIC. In its implementation, ADIC has great potential, especially in the Indonesian defense industry sector. But apart from the benefits, there are several obstacles that are faced—moreover, ADIC does not only involve Indonesia but also countries that are members of ASEAN.

Research Method

This research was conducted using a qualitative approach. Creswell (2014) stated that the qualitative project contains a description of the research problem which can be comprehended through exploring a concept or phenomenon. The qualitative approach has a goal which is to deepen the research objectives as well as giving a detailed account of the findings of both oral and written observations made from a specific subject and research object in circumstances that were investigated from a scientific point of view. This study uses secondary data such as literature studies from books, related journal articles, and news from various other online media. The main issue of this study is to explore the potential strategic benefits Indonesia can gain from the implementation of ADIC, also insights on this matter related to the existing previous study.

Result and Discussion

The Association of Southeast Asian Nations (ASEAN) was founded in Bangkok, Thailand, on August 8th, 1967. It was commemorated by the five founding nations of ASEAN—Indonesia, Malaysia, the Philippines, Singapore, and Thailand—signing the ASEAN Declaration, also known as the Bangkok Declaration (ASEAN Secretariat, 2014). As other nations have joined, the ASEAN membership has expanded to include countries like Brunei Darussalam, Vietnam, Laos, Myanmar, Cambodia, and most recently, Papua New Guinea. The objectives of ASEAN focused on collaboration in a variety of areas, including the promotion of regional peace and stability by steadfast commitment to the rule of law, the principles of the United Nations Charter, and the economic, social, cultural, technological, and educational domains (ASEAN Secretariat, 2014). The ASEAN Declaration also contains the aims of ASEAN as mentioned below:

- 1.) To lay the groundwork for a prosperous and peaceful community of Southeast Asian nations by hastening regional economic growth, social advancement, and cultural development through collaborative projects that uphold equality and partnership.

- 2.) To promote peace and stability in the area by ensuring that all member states maintain the UN Charter's principles, treat one another fairly, and uphold the rule of law.
- 3.) To promote active collaboration and mutual assistance on matters of common interest in the fields of economy, society, culture, technology, science, and administration.
- 4.) To support one another by providing training and research facilities in the areas of profession, education, technology, and management. To cooperate more efficiently to enhance the use of respective agriculture and industries, the commerce including research into the issue of world commodity trade, the communication and transportation infrastructure, and the quality of life for their people.
- 5.) To advance research on Southeast Asia
- 6.) To continue working closely and adequately within current international and regional organizations which share common goals, and to look into all possibilities for even improved collaboration among themselves.

The three pillars that underpin the ASEAN Community's establishment are the ASEAN Political-Security, ASEAN Economic Community, and ASEAN Socio-Cultural Community. Each pillar serves a different purpose. The goal of the ASEAN Political-Security Community (APSC) is to ensure that nations in the region can coexist peacefully in a fair, democratic, and peaceful world. The APSC plan sees ASEAN as a rule-based community of shared values and norms, as well as an united, peaceful, secure, and resilient area with joint responsibility for enhanced security. It also sees ASEAN as a dynamic and straight-ahead continent in a world that is increasingly assimilated and interconnected. (APSC Blueprint, 2009).

ASEAN Defence Ministers Meeting (ADMM) was established in May 2006 to facilitate discussions and point-of-view exchanges amongst ASEAN Defense Ministers regarding contemporary security and defense problems (ASEAN Security Look, 2015). It was an effort for ASEAN to be able to advance its regional security. Through the 4th ADMM in Hanoi, Malaysia initiated a concept of defense industry cooperation based on the facts that each members of ASEAN is considered to be arms net purchaser. All the while, the defense industry in several ASEAN countries are vastly growing and expanding significantly. The Concept Paper on Establishing ASEAN Defence Industry Collaboration (ADIC) stated the objectives of forming ADIC which are the followings:

- a) Work together on shared initiatives through alliances, joint ventures, and co-production, and look into potential scale economies.
- b) Encourage commerce between ASEAN nations in goods and services related to defense provided by ASEAN's defense industry sector.
- c) Support defense trade events and exhibitions held by ASEAN Member States
- d) Strengthen ASEAN industrial and technological competitiveness in the defense and dual-use industries
- e) Develop incentives to support the expansion of the ASEAN defense industry

These objectives are achieved through several activities approved in the ADIC concept paper such as education and training related to the defense industry; partnership, joint-venture to co-production in several agreed projects; collaboration in research and development; and joint promotion related to development projects. In context, the vision and mission established by ADIC have the potential for ASEAN countries to advance the defense industry sector. With each country having its own advantages in defense products, the existence of this platform can strengthen military strength and defense and security in Southeast Asia.

All the while, Indonesia is the world's largest archipelago with more than 17,504 islands and a national jurisdiction of approximately 7.8 million square kilometers, two-thirds of which is marine territory with an area of approximately 5.9 million square kilometers. The total area includes Indonesia's

Exclusive Economic Zone with an area of approximately 2.7 million square kilometers, Regional Seas, Archipelagic Waters, and Inland Waters with an area of approximately 3.2 million square kilometers. In addition, Indonesia also has four chokepoints, namely the Selat Malaka, Selat Sunda, Selat Lombok and Selat Makassar, as well as three Indonesian Archipelago Sea Lines or ALKI (Forum Rektor Indonesia, 2015). As an archipelago with a dominating proportion of sea compared to land, threats to sovereignty in Indonesian territory are prioritized in the marine sector. The threat is further magnified by Indonesia's geographical position as the world's trade traffic. Juridically, referring to Law No. 3 of 2022 Article 3 Paragraph (2), namely National defense is prepared by taking into account the geographical conditions of Indonesia as an archipelagic country which has becomes one of the main aspects of the importance for Indonesia to have a strong militarized defense to maintain regional security.

To be able to meet these needs, the Indonesian defense industry needs to have the ability to produce and master qualified technology. Law Number 16 of 2012 concerning the defense industry explains the defense industry which is a national industry consisting of BUMN (State-Owned Enterprises) and BUMS (Privately Owned Enterprises) which focus on the production of defense equipment. However, until now the fulfillment of defense equipment still relies on imports from overseas. According to SIPRI, Indonesia's military expenditure in 2021 reached 8259 million US\$ and despite this value, the MEF (Minimum Essential Force) achievement has only touched 65%, which has not yet reached the goal in the MEF program (Ashar & Malutfi, 2022). In fact, Indonesia is one of the countries in Southeast Asia that has a fairly developed defense industry with the ability to produce sophisticated military equipment (Shiddiqy et al, 2019). The Indonesian defense industry not only supplies the TNI, but is also able to send its best products abroad, some of which are ammunition, explosive materials, CN235-220 MPA (Maritime Patrol Aircraft), and Harimau Medium Tank. However, the mastery of technology that continues to develop and innovate in weapons requires Indonesia's domestic defense industry to keep up so that it relies heavily on the procurement of foreign arms.

Looking at the capabilities and technological prowess of Indonesia's defense industry, when compared to the budget spent to invest in research and development, this is still very unbalanced. Meanwhile, the development of defense technology is a way to build a deterrent effect owned by the state along with the ability to maintain state sovereignty. In addition, the defense industry also contributes to the country's economy. In an endeavor to propel the nation's economy, the military industry serves as more than just a source of defense technology (Yulivan, 2022). Habsari et al (2022) stated that to accomplish the objective of at least 50% of the defense equipment used by the Indonesian National Army (TNI) coming from the domestic defense equipment industry, the budget of the Ministry of Defense during Mr. Prabowo's administration, which was exceptionally large compared to other ministries, should be utilized for the improvement of the defense industries. The following factors drive the urgency to continue innovating technological capabilities in the defense industry.

The offset scheme intensively carried out by Indonesia in supporting the local defense industry in order to accelerate technology acquisition and independence of the defense industry is linear with the scope of activities listed in ADIC, namely; education and training in the field of the defense industry, collaborations, joint-ventures, and co-production in projects that have been agreed upon, collaborative research & innovation of such projects, as well as joint advertising of the projects' growth. The scope involved also covers a broad spectrum of economic activities, which could concentrate on topics concerning goods, services, systems, and processes, as well as technology. The effective execution of ADIC also aims to meet the ideals of Indonesia and other ASEAN countries in order to be free from dependence on major power countries for the purchase of defense equipment.

However, such collaboration requires strong encouragement and support as there are many differences among ASEAN countries. Disparities in technological capabilities between countries are quite varied regardless of technological developments that continue to move forward, along with economic, social culture, and factors that affect the need for defense and security equipment in order to support the

defense of each country. Furthermore, ADIC has not specified the types of weapons that the countries involved have agreed to develop.

In addition, diplomatic relations between ASEAN countries themselves also determine whether the implementation of ADIC can be effective as it is known, conflicts within the Southeast Asian region cannot be denied. Border disputes such as those between Cambodia and Thailand, the ongoing Sabah conflict between Malaysia and the Philippines, and the potential possession and use of nuclear weapons are determining factors in the diplomatic relations between ASEAN countries. Apart from intra-ASEAN conflicts that need to be resolved, there are threats from outside Southeast Asia such as the dispute in the South China Sea that also pose a common threat. These aspects become a driving factor for the need for a common view of each ASEAN country in regional defense and security forces - especially in the defense industry sector, where the fulfillment of military power is sourced. In addition to being a media for diplomacy, ADIC is also able to become a channel for ASEAN members to integrate with each other through the standardization of defense equipment (Dilawangsa, 2019).

Other domestic constraints include regulations in relation to the acquisition or sharing of technology in order to develop defense and security equipment. Until now, regulations that explicitly outline how long the duration of the transfer technology agreement is valid and to what extent technology can be acquired or shared are still unclear. Indirectly, the realization of ADIC may also encourage stakeholders to improve the existing regulations in the Indonesian defense industry.

Conclusion

ASEAN Defense Industrial Collaboration comes as a way to develop the defense industry in Southeast Asia region. One of the purposes of ADIC was to make ASEAN more independent in the defense industry, as it is in line with Indonesia's defense industry main goal. If ASEAN members formed a cooperation within the scope and activities of ADIC final framework, it offers a huge opportunity in the area of defense industry. ADIC shall be a major milestone of creating a coordinated defense industrial and technological base in the area. Within the establishment of ADIC, there are also hopes that development not only for military purpose but also for civilian purpose. Dual-use technology can also be benefited by the idea of ADIC.

ASEAN countries have many reasons to produce weaponry, and if they are capable to do so, achieving some degree of self-reliance in weaponry procurement can be a strategic goal.

However, there are also challenges in building this collaboration, such as the economic gap between each ASEAN country is quite huge and the lack of a clear mechanism on ADIC framework resulting in the nature of this project becoming voluntary and non-binding. There is no set of rules nor code of conduct for the country that does not wish to participate. More so, defense industry collaboration not only requires continued industrial and economic development, but also a concerted long-term effort to build the technological bases, expand high-technology education, grow human-capital skills, modernize defense manufacturing capabilities, and above all, maintain the military expenditure to be able to fund all these activities. The future for Indonesia's defense industry independence and the plan of collaboration between ASEAN countries are not impossible, but it will somehow be arduous and will likely involve some hard choices.

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