



Encouraging the Renegotiation Process between Indonesia and South Korea for the Continuation of the KFX/IFX Jet Fighter Cooperation Project

By

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Introduction

The Government of the Republic of Indonesia and the Government of the Republic of Korea signed an Agreement on Cooperation in the Field of Defense on 12 October 2013,¹ which, among others, consists of defense equipment's procurement. One of salient examples is the joint development and production of KFX/IFX jet fighters. The Korean Fighter Xperiment/Indonesian Fighter Xperiment (KFX/IFX) cooperation is a government-to-government cooperation program between Indonesia and South Korea in the field of joint jet fighter development and production in order to achieve the independence of the defense industries of the two countries.² The KFX/IFX jet fighter is a 4.5 generation jet fighter that has almost similar capabilities to a 5 generation stealth fighter. The KFX/IFX jet fighter is equipped with a number of advanced weapon systems such as the ability to destroy enemy electronic systems (electronic jammer) and radar systems that can detect enemy movements from all directions.³

Indonesia and South Korea target a total production of 168 units of KFX/IFX jet fighters with 120 units for South Korea and 48 units for Indonesia. The production of KFX/IFX jet fighters consists of three phases, such as the technology, concept, and prototype development, and mass production process phases, with an estimate of USD7,8 billion for its total production cost. is estimated at. As they agreed for a cost-sharing, the South Korean government bears 60%, the Korea Aerospace Industries (KAI) bears 20%, and the Indonesian government bears 20% of the total production cost.⁴

The cooperation project was started in 2009 and mass production is targeted to be completed in 2026. However, the developments were forced to be put in a halt as several issues prevailed within

respective parties and internal efforts to initiate the renegotiation process are still ongoing. However, amidst the persisting uncertainty over future involvement of Indonesia in the project, in April 2021 the Government of South Korea successfully launched the first prototype of the KFX/IFX jet fighter. The roll-out ceremony was attended by South Korean President Moon Jae-in and Indonesian Defense Minister Prabowo Subianto.⁵ The following table depicts the development process of the KFX/IFX jet fighter cooperation project.

Table: Timeline of the KFX/IFX Jet Fighter Cooperation Project

Year	Process
2009	Letter of Intent (Lol) was signed Indonesia and South Korea
2010	Memorandum of Understanding (MoU) was signed by the Indonesian Defense Minister and the South Korean Defense Minister
2016	After the project was halted, the Cost Share Agreement was created which contained South Korea 60%, Korea Aerospace Industries Co. (KAI) 20%, and Indonesia 20% of the total production cost
April 2021	The KFX/IFX jet fighter prototype was launched
2022	The KFX/IFX jet fighter's first flight is scheduled
2026	Mass production of the KFX/IFX jet fighter is targeted for completion

Source: Compiled from various sources by the author

Analysis

There are several factors that are causing the halt of the renegotiation process between Indonesia and South Korea, among others, the issues enveloping Indonesia's financing and transfer of technology scheme with regards to the project. In terms of financing, Indonesia has only paid 13% of its total commitment – which is 20% according to the Cost Share Agreement. To reduce the burden on the state budget and to save foreign exchange reserves, since 2018 Indonesia has been looking for a way to renegotiate with South Korea to reduce its cost-sharing to 15%.⁶ However, South Korea only allowed cost reductions for Indonesia to 18.8%.⁷

Furthermore, in the context of transfer of technology, Indonesia does not have full ownership of the KFX/IFX jet fighter prototype. Former Deputy Minister of Defense, Mr. Sakti Wahyu Trenggono expressed that Indonesia only has a minority ownership portion, which is 15%, while the majority ownership portion belongs to South Korea. As a result, the benefits obtained by Indonesia in the KFX/IFX





cooperation project would not be too significant.⁸ In this regard, the Ministry of Defense spokesman, Mr. Dahnil Anzar Simanjuntak stated that the Government of Indonesia is looking for the best option for Indonesia's national interests with regard to the project.⁹

In connection to issues mentioned above, the following are the recommended steps that could be taken to resume the cooperation of joint production of KFX/IFX jet fighter between Indonesia and South Korea:

Reviewing the KFX/IFX Jet Fighter Cooperation Project

The Indonesian government should review the KFX/IFX jet fighter cooperation project by conducting a coordination meeting between the relevant agencies to produce a comprehensive assessment. Various institutions that could be invited to provide analysis and inputs are the Ministry of Defense, the Ministry of Foreign Affairs, the Coordinating Ministry for Political, Legal and Security Affairs, the Ministry of Finance, the Indonesian National Armed Forces, the Indonesian Aerospace Inc., the House of Representatives, and the Indonesian Investment Coordinating Board. Several issues should be discussed and reviewed, including Indonesia's defense budget, the percentage of cost sharing for Indonesia, cost production, transfer of technology scheme, benefit of Intellectual Property Rights (IPR), and the marketing process. In addition, the mapping of the costs and benefits of the KFX/IFX project also needs to be analyzed, whether Indonesia should continue this project with 20% of the costs to be borne or withdraw with the risk of the 13% costs that have been spent will be forfeited. After reviewing all aspects, the results of the discussion could be submitted to the president as an input for bargaining during the renegotiation process with South Korea.

Continuing the Renegotiation Process of the KFX/IFX Jet Fighter Cooperation Project through a High-Level Meeting between the Defense Ministers

The presence of the Indonesian Minister of Defense Prabowo Subianto at the roll-out ceremony of the KFX/IFX jet fighter prototype in South Korea indicates a 'positive signal' that Indonesia still has a strong commitment to continue the project.¹⁰ Moving on to the South Korean side, the KFX/IFX jet fighter project is the largest military project in the country of Ginseng where Indonesia is the only counterpart in developing this defense equipment project.¹¹ Given the importance of the project for both countries, there is still a high opportunity for the renegotiation to take place.





The renegotiation process for the KFX/IFX jet fighter project could be continued and accelerated through a bilateral meeting mechanism between the Indonesian Defense Minister of Defense and the South Korean Defense Minister. Moreover, Indonesia and South Korea could also create a special committee - led by the defense ministers of the two countries - to be involved and observe the renegotiation process and take note of any progress or results during the meeting. Through the high-level meeting between the defense ministers, both countries could discuss challenges they face and seek a win-win solution to accommodate the interests of the two parties, or even revise the previous agreement if necessary based on the results of the renegotiation process. On top of that, the two countries have to set a target when the renegotiation process will be completed and can reach a mutual agreement so that the continuation of the KFX/IFX cooperation project could be resumed soon. Thus, the mass production of the jet fighter could also be completed on time in 2026.

Conclusion

Taking into account that Indonesia and South Korea still have strong commitment, the KFX/IFX jet fighter cooperation project between Indonesia and South Korea could be continued by encouraging the two governments to renegotiate. A renegotiation process should be carried out to find and implement a model scheme that is beneficial to Indonesia and South Korea, without harming either party. The expectation is that the renegotiation will find the best solution for the national interests of the two parties. The joint production of jet fighters would be a momentum for defense industry cooperation where South Korea is an alternative country for Indonesia to diversify its defense equipment. As such, as one of the defense diplomacy activities, the development and procurement of KFX/IFX jet fighters could increase defense capabilities of Indonesia and South Korea, especially in terms of defense equipment and as an effort for both countries to achieve independence in the defense industry.





Endnotes

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