

**DEFENSE INDUSTRY POLICY ANALYSIS REGARDING EFFORTS TO INCREASE PRODUCTION OF DEFENSE EQUIPMENT FOR NATIONAL SECURITY (CASE STUDY AT THE DEFENSE INDUSTRY POLICY COMMITTEE)**

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**ABSTRACT**

Defense Industry Policy Committee (KKIP) is a Committee representing the Government to coordinate national policies in the planning, formulation, implementation, control, synchronization, and evaluation in the defense industry. The Government has made some policies related to human resources, pengembangan technology, collaboration, coaching, financing and marketing. In this study, researchers will focus on kebijakan which has been made of the Government in the field of human resources, cooperation, Pembiayaan and marketing. The purpose of this research is to know which policy is more dominant in the growing production tool national defence equipment. The researchers used a method of Analytical Hierarchy Process (AHP) to find a policy which is more dominant, conducting interviews with relevant parties. The results of this research show that the boost in production of defense equipment is the policy in terms of human resources which encompasses training/education, expertise and kompetensi for penguasaan defense industry technology.

**Key words:** Defense Industry Policy, *Analytical Hierarchy Process*, Defense Industry Policy Committee (KKIP)

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**INTRODUCTION**

Indonesia needs a strategic defense industry with broad capabilities to produce various weapons systems needed by the TNI. This strategic industry has a great opportunity to be developed into a center of technological excellence according to its type of industry, including supporting the military industry. Despite facing a

number of challenges, Indonesia still has good prospects and opportunities in developing a defense industry which currently demands the development of innovative and relevant management practices. The defense industry has a strategic role in the implementation of national defense, which must be encouraged and developed in order to be able to meet the needs

for equipment for the interests of national defense. To support a capable (advanced, independent and competitive) defense industry, a policy of empowering all existing national industries is needed through the revitalization of the defense industry. Empowering the defense industry requires determination and integrated efforts from all parties, and is supported by government policy in empowering all potential national resources, including regulatory tools.

In 2010, through Presidential Regulation Number 42 of 2010, the Defense Industrial Policy Committee (KKIP) was formed. The Defense Industrial Policy Committee (KKIP) is a committee that represents the Government to coordinate national policies in planning, formulating, implementing, controlling, synchronizing and evaluating the industry. Defense. And in 2012, the government and DPR enacted Law no. 16 concerning the Defense Industry as legalization and legitimization of reviving and developing the domestic defense industry.

Based on this background description, the author wants to try to carry out a more in-depth analysis of the efforts made by the government to increase defense industrial production, so the author took the title "Analysis of Defense Industrial Policy Regarding Efforts to Increase Production of National Security Defense Equipment".

#### Formulation of the problem

Based on the background of the problem above, the problem formulation in the research presented by the researcher includes:

1. What are the government's steps, in this case the Defense Industrial Policy Committee (KKIP), to increase the production of the National Defense Industry in relation to the current situation (Human Resources, Budget and Cooperation, etc.) and with existing policies.
2. What is the impact of current policies related to increasing the production of defense and security equipment

#### Research purposes

The objectives of this research are as follows:

1. Analyze the problems faced related to various policies
2. To find out about government steps related to increasing the production of defense and security equipment.
3. Conduct evaluations and provide suggestions and input from an academic perspective regarding various steps taken by the government (KKIP).

## **Literature Review**

### **State Defence Policy**

National defense policy is implemented to manage all national resources and infrastructure in order to achieve national defense objectives in order to support national development. The aim of state policy related to the national defense industry is to create a strong, independent and competitive defense industry through increasing the role of KKIP in formulating national defense industry policies.

#### **Policy Goals.**

Integrating the development of the Defense Industry by taking into account the mastery of science and technology as well as technology transfer through cooperation with related Ministries/Institutions within the scope of the Defense Industrial Policy Committee (KKIP) in order to create a strong, independent and competitive defense industry; increasing the empowerment of national industries supporting the domestic defense industry to produce main and/or supporting components, component and/or supporting industries (supplies), raw material industries and maintenance of Main Weapon System Equipment (Alutsista)/Alpalhan in order to increase cooperation, research and product development new ones that support the national economy. This integration was carried out through efforts to gradually move the defense

industrial area to the Lampung area, starting with site studies and surveys.

#### **Defense Industry**

Defense Industry is a national industry consisting of state-owned enterprises and private-owned enterprises, either individually or in groups, determined by the government to partly or wholly produce defense and security equipment, maintenance services to fulfill strategic interests in the field of defense and security located in the territory of the Unitary State of the Republic of Indonesia Strategy for developing the defense industry to support national defense for progress, strength, independence and competitiveness, the formulation of which is based on defense technology. While defense technology can logically be used to formulate the independence of defense facilities in efforts to overcome threats both from within and outside the country, the Defense Industrial Policy Committee (KKIP) continues to carry out its role by carrying out gradual and continuous development of the defense industry, to increase the capability of the defense industry. in producing the required defense and security equipment. The Defense Industry Law is the legal basis for encouraging and advancing industrial growth that is capable of achieving independence in meeting the needs for defense and security equipment. The Ministry of

Defense, as the builder of the defense industry, has an interest in providing opportunities for the domestic defense industry to supply its needs.

### The Government's Role in the National Defense Industry

The government's relationship with the defense industry is not only as a customer or buyer of goods and services produced, the government is also a sponsor and regulator of the defense industry.

1. The government as a customer of the defense industry. The first role of the government is as a customer of goods and services produced by the defense industry, in this case the government is the most important customer. Every country wants their own defense and security equipment (alpalhankam) to be made by themselves. The extent of the government's commitment as a customer can be seen from funding and also providing fiscal incentives, including exemption from import duties and taxes, domestic loans.

2. The government as a sponsor of the defense industry

The government's role as a strong sponsor of the defense industry is that the defense industry has a close and special relationship with the government compared to other industrial sectors, for example the funding available for research

and development activities. The very close relationship between the government and the defense industry means that the defense industry does not have the freedom to run business like other industries.

3. Government as regulator

Regulation means the control mechanism implemented by the government on industry. As a sector that supports national defense, the defense industry generally receives special treatment that is more relaxed than other industries, however there are also regulations that actually limit the defense industry more severely than other industrial sectors.

### Defense Industrial Policy Committee

The Defense Industrial Policy Committee (KKIP), which has been established by the government through Presidential Regulation Number 42 of 2010, is expected to be able to coordinate the implementation and control of national policies in the defense industry sector. KKIP is tasked with formulating strategic national policies in the defense industry sector. These policies include policies in research, development (R&D), and engineering, funding, marketing strategies, coaching, empowerment, increasing human resources and foreign cooperation. In formulating policies, the Defense Industrial Policy Committee (KKIP) is guided by

the main principles in determining the direction of the policy to be made, these principles are:

a. Priority principle. The Indhan development policy is implemented in stages and adjusted to the country's development and security priorities, taking into account the potential of existing resources.

b. Principle of integration. The Indhan development policy is an activity that involves various parties across a broad spectrum, its implementation is integrated, complete, mutually supporting and complementary between stakeholders.

c. Principle of flexibility. Indhan's development policy must be able to adapt to the conditions and situations prevailing at that time without ignoring the applicable provisions.

d. Sustainable principle. Indhan development policy is an ongoing and sustainable activity that must be implemented in a planned and continuous manner in order to produce goods and services that can be used for national defense purposes.

e. Effective and efficient principles. Indhan development policies must be managed professionally using modern management principles and methods, so that they are optimally effective and effective.

f. Principle of accountability. Indhan development policies must be accountable to all parties both in financial aspects and other aspects

such as morality, environmental impacts, political impacts, social impacts and economic impacts on overall defense development.

g. Benefit principle. Indhan development policy can provide benefits for increasing national defense and security.

## Method

### Research Location and Time

The research location is the place where the research will be carried out, along with the roads and cities. In this research, the researcher took the location at the Defense Industrial Policy Committee, D.I Panjaitan Building Jl. Tanah Abang Timur No. 50, Gambir, Central Jakarta. The time for conducting the research was from April to July 2019.

### Research Focus and Subjects

In this research, the research focus is focused on analyzing defense industrial policy. The research subject is something, whether a person, object or institution (organization), whose characteristics ("attributes") will be studied. So the research subjects here are authorized officials on the defense industrial policy committee.

### Data collection technique

The method used in this research is conducting interviews, documentation.

### Data source

1. Primary Data: Researchers use this data to obtain direct information about Defense industrial Policy

2. Secondary data: Researchers use this secondary data to strengthen findings and complement information that has been collected through direct interviews with Officials at the Defense Industrial Policy Committee

#### Data analysis

The Analytic Hierarchy Process (AHP) method is a general theory of measurement. The four types of measurement scales that are usually used sequentially are nominal, ordinal, interval and ratio scales. A higher scale can be categorized into a lower scale, but not vice versa. Monthly income on a ratio scale can be categorized into income levels on an ordinal scale or categories (high, middle, low) on a nominal scale. On the other hand, when measurements are made, the data obtained is categorical or ordinal, data on a higher scale cannot be obtained. AHP overcomes some of these problems. AHP is used to reduce the ratio scale from several pairwise comparisons that are discrete or continuous. These pairwise comparisons can be obtained through actual measurements or relative measurements of the degree of liking, or importance or feelings. Thus, this method is very useful to help obtain a ratio scale for things that are previously difficult to measure, such as opinions, feelings, behavior and beliefs. Using AHP begins by creating a

hierarchical structure or network of the problem you want to research. In the hierarchy there are main objectives, criteria, sub-criteria and alternatives that will be discussed. Pairwise comparisons are used to establish relationships within the structure.

#### Research Results and Discussion

This research uses the Analytical Hierarchy Process (AHP) which is a method for obtaining decisions so as to produce rational and accurate decisions. Rational decisions are the best decisions for the various goals the decision maker wants to achieve. Rational decisions include alternatives and criteria that lead to the desired goal and are based on existing resources.

In this study, researchers took 3 criteria for defense industrial policy, namely:

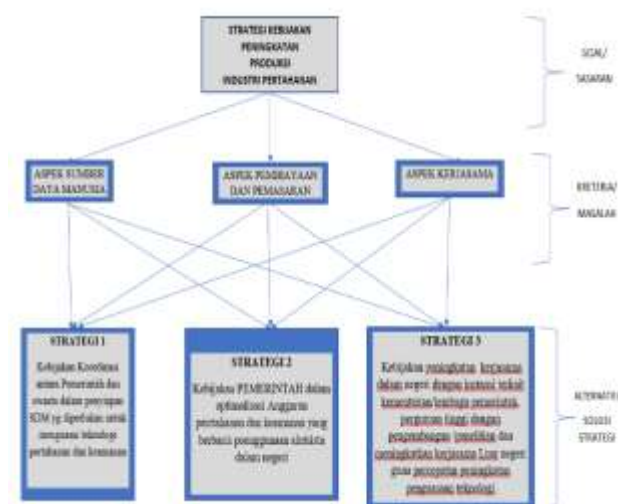
- a. Human Resources
- b. Financing and Marketing
- c. Cooperation

And for alternatives, researchers will compare 3 policy alternatives, namely:

- a. Coordination Policy between the Government and the private sector in preparing human resources needed to master defense and security technology
- b. Government policy in optimizing the defense and security budget based on the use of domestic defense equipment
- c. Policy to increase domestic cooperation with related government ministries/institutions,

universities with development/research and increase foreign cooperation to accelerate the increase in technological mastery.

Complete problems are defined and simplified into smaller problems. Problems are described in hierarchical form, grouped into 3 parts, namely objectives, criteria and alternatives. The three criteria used in this research are Human Resources Aspects, Financing and Marketing Aspects, Collaboration Aspects.

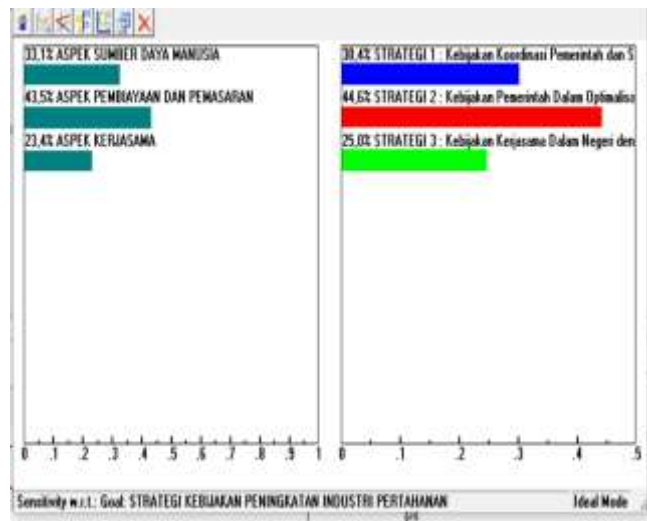


*Comparative Judgement*

The first step is to determine element priorities by making comparisons, namely comparing elements in pairs according to the given criteria. The pairwise comparison matrix is filled in using numbers to make an assessment of the relative importance of two elements and is written in the form of a pairwise comparison matrix. Second, compare/determine the priority of elements by making comparisons, namely

comparing elements in pairs according to the Alternative/Solution provided.

The calculation process above produces the following average values:



From the graph above it can be explained that the criteria/problems are as follows:

- a. Human Resources Aspect 33.1 %
- b. Financing and Marketing Aspects 43.5 %
- c. Collaboration Aspects 23.4 %

Meanwhile, the alternatives/solutions are as follows:

- a. Coordination Policy between the Government and the private sector in preparing human resources needed to master defense and security technology, Amounting to 30.4%

b. Government policy in optimizing the defense and security budget based on the use of domestic defense equipment, amounting to 44.6%

c. Policy to increase domestic cooperation with related government ministries/institutions, universities with development/research and increase foreign cooperation to accelerate the increase in mastery of technology, by 25%

From these data it can be seen that the policy solution/alternative that the government needs to pay attention to is the optimization of the defense and security budget based on the use of domestic defense equipment at the top level, and in matters of human resources and cooperation, budget requirements are not small because in the defense industry requires high technology.

## **CONCLUSION**

Based on the research above, there are problems related to increasing Defense Industrial Production, including in the Budget, Human Resources and Cooperation sectors. To achieve the goal of increasing Defense Industrial Production both in quality and quantity, what must be done is:

a. There must be coordination between the government and the private sector in preparing the human resources needed to master defense and security technology

b. The government must allocate and optimize a large portion of the state budget for research and development programs in the National Defense Industry.

c. The government should also support local industry players by providing them with guarantees through legal instruments and incentives. The government must require the Ministry of Defense, TNI and Polri to procure defense and security equipment only from local players.

d. By increasing domestic cooperation with related ministries/government agencies, universities with development/research and increasing foreign cooperation to accelerate the increase in technological mastery.

With these steps, Indonesia will be one step closer to having an independent and competitive defense industry with other countries.

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