

## **Analysis of The Three Main Categories of Defense Industrial Policy In Law No. 16 Of 2012**

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### **Abstract**

*The main problems in defense industrial policy relate to issues of strength, prestige and prosperity. The defense industry policy instrument in Law No. 16 of 2012 projects policy direction in three main aspects. This article aims to analyze the three main categories of the defense industry in the form of procurement, research and development as well as export regulations for defense industry products in Law No. 16 of 2012. The research method uses qualitative methods. The analysis orientation uses a conceptual approach and legal regulations. The results found explain that the policy direction in the three main categories of the defense industry is in line with import substitution and export promotion policies. Fulfillment of defense industry legal instruments is based on fifteen principles that bind the policy. Defense industrial policy options are commonly used in developing the defense industry of developed countries in the world. The main principle of policy objectives leads to technological innovation schemes for security and defense equipment. The implications of the chosen policy can move the value chain of defense industry products and open up new job opportunities.*

**Keywords: Procurement, Research And Development; Export Regulations; Defense Industry**

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## **INTRODUCTION**

The hope of the Indonesian State in its efforts to protect Indonesia's blood, state sovereignty and territorial integrity requires a reliable state defense and security system. The reliability indicator can be assessed from the level of availability of the main equipment that is the state's defense and security subsystem.

The need for reliability of main equipment requires a domestic ecosystem characterized by in-dustrial capability, ownership of technology (sophisticated and appropriate), sovereignty over eco-nomic resources, and accelerated achievement of national goals.

The sociological fact is that in 2012, the level of availability of the country's Defense and Se-curity Equipment (security defense tools and equipment) was still far from above expectations. The evidence that can be presented is that the capacity and capabilities of the defense industry are not yet optimal and independent. In addition, dependence on the supply of major spare parts and equipment still requires product supplies from foreign defense industries. In fact, the embargo on arms from abroad has become a sociological fact for the armed forces. This creates new awareness for future defense policy.

Indonesia adheres to a rule of law, thus every policy related to state defense and security is outlined in the rule of law. Law of the Republic of Indonesia Number 16 of 2012 concerning the Defense Industry, which has been partially amended by Law of the Republic of Indonesia Number 6 of 2023 concerning Job Creation, has become the basic direction for defense policy, especially the defense industry. The implementation of the defense industry law has been going on for around ten years since it was promulgated. New content material was added and amended parts of Law No. 16 of 2012 into the Job Creation Law. Researchers are interested in studying more deeply the legal substance of Defense Industry policy. Omni Bus Law has an impact on changes that occur in the Defense Industry Law. There are revisions to several articles, namely,

business licensing and private participation in competing in the production of main equipment and capital ownership, as well as reducing the authority of the KKIP (Defense Industry Policy Committee)(N. R. Afifi, I. B. Jandhana, 2021).

Rasyida (Rasyida, Apriyanto, and Deksino 2022) said changes in the regulations of several articles related to business licensing for private participation in competing in the production of main equipment and capital ownership and reducing the authority of the KKIP (Defense Industry Policy Committee). Thus, changes in national defense industry policy occurred when the Job Creation Law was passed in Indonesia.

A study on the Defense Industry Law conducted by [1] found that regulatory changes in terms of investment involvement policies and private industry capabilities had a positive impact. Other findings confirm research[2] which is basically the development of defense industry policy towards independence and private sector involvement. Both studies are limited to looking at the development of defense industry policy regulations which have certain implications. The legal substance of the policy was not studied in depth, so it was only a partial analysis of defense industry policy.

One of the policy substances is the defense industry revitalization policy. The Defense Industry revitalization policy began with the establishment of the Defense Industry Policy Committee (KKIP) through Presidential Regulation Number 42 of 2010 followed by the birth of Law Number 16 of 2012 concerning the Defense Industry. One of the mandates of the Law is the establishment of KKIP which was then confirmed by Presidential Decree Number 59 of 2013 (Susdarwono, Setiawan, and Husna, 2020).

It is urgent to study the formulation of defense industry policy in Law No. 16 of 2012. Policies formulated in legal norms are the upstream study which can have implications for the policy application stage. The focus of the study is emphasized on the substance of defense industry policy in the realm of procurement, research and development as well as regulations relating to the export of defense industry products. Indonesia's Defense Acquisition shows a positive trend after the revision of the Defense Industry Law, although it is still bound by several old regulations. However, the trend of arms exports has not shown an increase due to the Covid-19 pandemic situation that is currently hitting the world (Arhan, Navalino, and Ali 2022).

The need for a National defense strategy in facing multi-dimensional, complex, hybrid and un-conventional threats necessitates the existence of a defense industry regulated in the Defense Industry Law. The implementation of strategies for the defense industry has not been able to achieve the word ideal (Rusdiana et al. 2021). There needs to be a national consensus that supports the development of national defense industry capacity so that it can have competitive core competencies at regional and global levels (Montratama, 2018). The resulting strategy is S-O, namely making policies related to government support for BUMS to play a role as part of the defense industry supply chain, making policies and regulations regarding foreign investment and cooperation with the domestic defense industry, creating defense industrial areas to support production and development activities, and absorbing appropriate domestic and foreign workers in order to develop human resources for the advancement of the defense industry (Farhan et al. 2023).

The study was limited to partial in previous research and even only studied certain norms in the Defense Industry Law, so this research is intended as a comprehensive study of defense industry policy, especially aspects of procurement, research and development as well as export regulations in defense industry products. Thus, the objectives of this research are analyze procurement, research and development policies as well as export regulations for Defense Industry products regulated in Law No. 16 of 2012 concerning Defense Industry.

## RESEARCH METHODS

This article uses a descriptive research method. The characteristics of the research are through a qualitative document-based approach. Ulber (2012), explains that descriptive research aims to accurately describe the characteristics of a symptom or problem being studied. The data used in this article consists of secondary data sourced from a comprehensive review of existing literature, including books, journals, articles, news sources, and verifiable reports. Researchers play a role in examining the conclusions and results of previous studies in order to gain a comprehensive understanding of the subject being studied.

## RESULT AND DISCUSSION

The defense industry law formulates the principles of the defense industry in Article 2 as follows: "The operation of the Defense Industry is carried out based on the principles of: a. priority; b. cohesiveness; c. sustainable; d. effective and efficient, fair; e. accountability; f. visionary; g. prime; h. professional; i. quality; j. confidentiality; k. on time; l. right on target; m. appropriate; n. empowering national human resources; and o. independence."

The defense industry is defined as a national industry consisting of state-owned enterprises and private 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. This formulation is formulated in Article 1 number 1 of the Defense Industry Law. The legal boundaries of the defense industry are based on fifteen (15) principles and can be explained as follows:

First, the principle of priority. This principle is explained as "that the implementation of the Defense Industry is carried out in accordance with the development priorities and capabilities of the country's defense and security in stages." This information emphasizes that the defense industry is based on priorities: development, defense capability and national security and is implemented in stages. Thus, the Defense Industry Law lays down the basis for priorities in the defense industry which is contained in the meaning of priority.

Second, the principle of integration. The explanation of this principle according to the Defense Industry Law is "the implementation of the Defense Industry which involves various related parties and its implementation must be integrated and coordinated." It is stated in the explanation that the defense industry is carried out by involving parties related to the defense industry. The implementation of the defense industry must be integrated and coordinated. This principle can be understood as integration in an orderly and clear coordination command.

Third, the principle of sustainability. The explanation is "the organization of the Defense Industry is sustainable and must be implemented early so that it can produce goods and services that can be utilized for the interests of national defense and security." The main keywords in this principle explain that the defense industry implementation process must be continuous with the aim of carrying it out early so that products (goods and services) for defense and security purposes are realized. Thus, the principle of sustainability does not only underlie the defense industry with its connection to the implementation stages, but also emphasizes the urgency of early implementation in producing products.

Fourth, the principle of effectiveness and efficiency with justice. The explanation explains that "the administration of the Defense Industry needs to be managed professionally using modern management principles, economic democracy with the principles of togetherness, sustainability, environmental awareness, independence, and by maintaining balance, progress

and national economic unity in order to achieve effective results. and optimal usability.” This statement explains that this principle underlies the defense industry with professional principles and economic democratic principles. The purpose contained in professional principles is the use of modern management in the defense industry ecosystem. Meanwhile, the principle of economic democracy explains that the defense industry must be managed based on the principles: togetherness, sustainability, environmental insight and independence. These two principles are used to maintain: balance, progress and unity of the national economy. Ultimately, the achievement of optimal results and efficiency of the defense industry.

Fifth, the principle of accountability. The explanation of the Defense Industry Law in this principle explains that "the operation of the Defense Industry must be accountable in accordance with the provisions of statutory regulations." The main message in this explanation is the importance of organizing a responsibility-based defense industry in accordance with the provisions of the applicable laws.

Sixth, visionary principle. This principle is explained by the Defense Industry Law as "the administration of the Defense Industry must provide long-term and comprehensive strategic solutions." This information emphasizes that the defense industry's imperative is to be based on solutions that are strategic in nature and of course have a long-term dimension.

Seventh, prime principles. This principle referred to in the explanation of the Defense Industry Law is "the implementation of the Defense Industry provides benefits for all stakeholders as a whole from the initial stage to the final stage so that it can provide optimal results." It seems that this principle is the basis for the defense industry in providing benefits to its stakeholders as a whole. These benefits start from the initial to the final stages of organizing the defense industry in producing optimal products.

Eighth, professional principles. The Defense Industry Law explains this principle as follows: "The administration of the Defense Industry and all institutions related to the Defense Industry and the human resources within them must be able to carry out their respective functions in accordance with their capacities and capabilities which refer to the provisions in in this Law." It appears that the Defense Industry Law when explaining professional principles refers to human resources and institutions or organizations in the defense industry ecosystem based on their respective functions. It can be understood that human resources and defense industry organizations are based on capacity and capability which are regulated in accordance with statutory regulations.

Ninth, the principle of quality. The explanation of this principle according to the Defense Industry Law can be explained that "the operation of the Defense Industry and the resulting Defense and Security Equipment products must meet the criteria or standards that have been agreed in accordance with developments in technological progress." In essence, the Defense Industry Law underlines this principle as a defense industry ecosystem and the defense and security products produced are based on criteria or standards that are in line with technological advances.

Tenth, the principle of confidentiality. The explanation explains that the implementation of the Defense Industry relating to product design formulation in processes or research activities and technological development of Defense and Security Equipment must not be known to parties outside the Defense Industry and outside agencies related to the Defense Industry. The explanation of this principle explains that the product design formulation in the form of processes or research or defense industry defense and security technology research must not be known by parties outside the defense industry and outside agencies related to the defense industry.

Eleventh, the principle of being on time. This principle according to the Defense Industry Law is "that the administration of the Defense Industry relating to the delivery or distribution of Defense and Security Equipment produced by the Defense Industry to Users must be carried out

in accordance with the agreed time limit." This principle seems to be related to service to customers or users. This means that the principle of being on time is related to the distribution of defense and security equipment to users based on timely delivery.

Twelfth, the principle of being right on target. This principle is explained as "the delivery or distribution of Defense and Security Equipment manufactured by the Defense Industry must be accepted and used by the User who orders Defense and Security Equipment." It appears that this principle is also related to service to defense industry customers. In essence, the right-to-target basis is that the distribution or delivery of defense and security equipment from the defense industry to users must be on target with indicators of acceptance and use by customers.

Thirteenth, the principle of appropriateness. The Defense Industry Law explains this principle as follows: "Defense and Security Equipment produced by the Defense Industry and received by the User must be used in accordance with its intended purpose." It seems that this principle of appropriateness is the basis for the suitability of products with the designation of defense and security equipment produced by the defense industry. In other words, the appropriateness or function of defense industry products is intended for users of defense and security equipment produced by the defense industry.

Fourteenth, the principle of empowering national human resources. The Defense Industry Law explains this principle as follows: "that the existing defense and security budget must be used effectively to pay for the working hours carried out by the national workforce in the Defense Industry production process." It seems that the formulation of this principle is intended to use the defense and security budget to pay defense industry workers based on budget effectiveness. The choice of the national workforce diction refers to the Defense Industry Law which is pro-domestic workforce or human resources.

The final principle or fifteenth principle is the principle of independence. The Explanation to the Defense Industry Law explains that "the organization of the Defense Industry is capable of meeting the needs for Defense and Security Equipment based largely and/or entirely on existing domestic resources." The essence of the principle of defense industry independence is formulated in the phrase "fulfillment of defense and security equipment mostly and/or completely on domestic resources." Even though the word independence has been mentioned in terms of the principle of efficiency, effectiveness and justice, especially in the principle of economic democracy. However, the formulation of the basic principle of independence as a special principle shows that the phrase independence is an important foundation in the implementation of the defense industry.

These 15 principles are the basis or basis for organizing the defense industry. The principle is the stepping stone for the future implementation of the defense industry. The Defense Industry Law specifically formulates the objectives of the defense industry in Article 3 of the Defense Industry Law as follows:

“The implementation of the Defense Industry aims to:

- a. realizing a Defense Industry that is professional, effective, efficient, integrated and innovative;
- b. realizing independence in fulfilling Defense and Security Equipment; And
- c. increasing the ability to produce Defense and Security Equipment, maintenance services that will be used in order to build a reliable defense and security force."

As for the explanation of this article, it only explains the innovative phrase, namely what is meant by "innovative" is design and the production results produce designs which are new findings. With this explanation, defense industry designs and products are new findings. If the author analyzes this article, it can be described as follows:

- a. Norm Subject: defense Industry organizer
- b. Norm Object: aims

c. Norm Conditions: realize, improve, produce, use

Analysis of the norms of article 2 explains that the provisions in article 2 are aimed at defense industry operators. The rules for organizing the defense industry aim to create a defense industry with professional, effective, efficient, integrated and innovative characteristics. Apart from that, the second goal is to realize independence in fulfilling Defense and Security Equipment. Also, the third objective is to increase production capabilities and maintenance services for Defense and Security Equipment, in preparation for building the country's defense and security forces.

Thus, the objectives of organizing the defense industry according to the regime of Law No. 16 of 2012, consist of three things. First, create a defense industry that is characterized by professional-ism (HR functions that match capability and capacity). Industries that operate effectively and efficiently (target accuracy and usability) in producing defense and security products. Lastly, the de-fense industry has an innovative character, meaning it produces new discoveries in design, processes and products. The second goal is to realize independence in fulfilling Defense and Security Equipment. The aim of fulfilling this includes the utilization of resources originating from within the country. The third objective focuses on increasing the capabilities of the defense industry in preparation for building the country's defense and security forces.

The systematics of Law No. 16 of 2012 can be explained below. The number of chapters is 10 and the number of articles is 79 articles. Detailed details of the chapters and subchapters are set out below:

Table 1 Systematics of Law No. 16 of 2012 concerning the Defense Industry

Chapter	Chapter Title	Subchapter	Article
Chapter I	General Provisions		Article 1 (numbers 1 to 7) Article 2 concerning Principles
Chapter II	Objectives, Functions and Scope		Articles 3 - 5
Chapter III	Institutions		Articles 6 - 14
Chapter IV	Implementation of		Articles 15 - 17
Chapter V	Defense Industrial Policy Committee	Part One: General	Article 18
		Part Two: Position of	Article 19
		Part Three: Functions, Duties and Authorities	Articles 20 - 21

Chapter VI Management	Part Four: Organization	Articles 22 - 23
	Part One: Policy Formulation	Articles 24 - 26
	Part Two: Standardization of Defense and Security Equipment	Article 27
	Part Three: Research and Development and Engineering	Articles 28 - 31
	Part Four: Human Resources	Articles 32 - 36
	Part Five: Production	
	Paragraph 1: Production Planning	Article 37
	Paragraph 2: Production Activities	Article 38
	Paragraph 3: Production Quality	Article 39
	Part Six: Business Expansion and Increased Production Capacity	Articles 40 - 42
	Part Seven: Procurement, Maintenance and Repair of Defense and Security Equipment	Articles 43 - 45
	Part Eight: Domestic Cooperation	Articles 46 - 47
	Part Nine: Foreign Cooperation	Articles 48 - 49
Part Ten: Industrial Development	Article 50	
Part Eleven: Capital Participation	Articles 51 - 52	
Part Twelve: Marketing	Articles 53 - 58	
Part Thirteen: Financing		
Paragraph 1: Sources of Funding	Articles 59 – 60	
Paragraph 2: Multi-Year Contract	Article 61	
	Article 62	

	Paragraph 3: Government Guarantees	
	Part Fourteen: Accountability	Article 63
	Part Fifteen: Supervision	Articles 64 - 65
Chapter VII	Prohibitions	Articles 66 – 69
Chapter VIII	Criminal Provisions	Articles 70 - 75
Chapter XI	Transitional Provisions	Article 76
Chapter X	Closing Provisions	Articles 77 - 79

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Source: Law No. 16 of 2012 processed

The Defense Industry is systematic in 10 chapters, 25 sub-chapters and 79 articles. In general, the provisions of regulatory norms are dominated by the theme of Defense Industry Management which is normed in Articles 24 to Article 65 of the Defense Industry Law. If the author analyzes Defense Industry's policies in three main categories, namely first, policies on the demand side in the form of procurement policies. Second, research and development policy. Third, defense product export regulatory policies. So it can be explained as follows:

The defense and security procurement policy in Defense Industry is regulated in Article 43 – Article 45:

Article 43 of the Defense Industry Law has the following juridical formulation:

1. Users are required to use domestically produced Defense and Security Equipment.
2. Users are required to carry out maintenance and repair of domestic Defense and Security Equipment.
3. In the event that the domestic Defense and Security Equipment as intended in paragraph cannot be fulfilled by the Defense Industry, the User and Defense Industry can propose to Defense Industrial Policy Committee to use foreign products by procurement through a direct inter-governmental process or to the manufacturer.
4. In terms of national strategic interests, the House of Representatives gives consideration to the procurement of certain Defense and Security Equipment products in accordance with the foreign policy carried out by the Government.
5. Procurement of Defense and Security Equipment for foreign products as intended in paragraph (3) must meet the following requirements:
  - a. Defense and Security Equipment has not been or cannot be made domestically;
  - b. include the participation of the Defense Industry;
  - c. technology transfer obligations;
  - d. guarantee of the absence of potential embargoes, political conditionality and obstacles to the use of Defense and Security Equipment in an effort to defend state sovereignty, the territorial integrity of the Unitary State of the Republic of Indonesia, and the safety of the entire nation from threats and disturbances to the integrity of the nation and state;
  - e. the presence of trade returns, local content and/or an offset of at least 85% (eighty five percent);

- f. local content and/or offset as intended in letter e is a minimum of 35% (thirty five percent) with an increase of 10% (ten percent) every 5 (five) years; And
  - g. the application of the offset shall be no later than 18 (eighteen) months after this Law is promulgated.
6. Defense Industry participation as referred to in paragraph (5) letter b is a purchase with a counter-trade mechanism, including offset.
  7. Coordination of the procurement of Defense and Security Equipment is carried out based on the provisions of the Defense Industrial Policy Committee as intended in paragraph (3).
  8. Based on operational needs, Users and the Defense Industry can jointly formulate technical specifications for Defense and Security Equipment.
  9. Further provisions regarding details and trade counter mechanisms, including offsets as intended in paragraph (6) are regulated by Government Regulations.”

The analysis of the norms of Article 43 can be described as follows:

- a. Norm Subject: Users, Defense Industry, Defense Industrial Policy Committee, House of Representatives
- b. Norm Operator: command due to the phrase “must”
- c. Norm Objects: use, do, propose, give, implement, formulate
- d. Norm Conditions: created, included, technology transferred, maintained

Thus, the norms of Article 43 of the Defense Industry Law are aimed at Users, the Defense Industry, Defense Industrial Policy Committee and the House of Representatives . Paragraphs (1) and (2) regulate the provisions of orders for defense equipment users in terms of using domestic products and carrying out maintenance and repair of defense equipment domestically as well. When the fulfillment of defense and security equipment cannot be fulfilled by domestic products, users and Defense Industry can propose to Defense Industrial Policy Committee for this fulfillment. The House of Representatives is giving consideration to the procurement of certain defense and security products. The parties involved in the procurement of security defense tools and equipment coordinate according to Defense Industrial Policy Committee guidelines. Users and Defense Industry formulate technical specifications for defense and security equipment based on operational needs. Imperative procurement of foreign defense and security products must meet certain requirements (7 provisions).

The juridical formulation of Article 44 of the Defense Industry Law is:

1. Procurement of Defense Equipment and Security Equipment for Defense Industry products is carried out with long-term contracts.
2. Long-term contracts as referred to in paragraph (1) must be completed until the end of the contract period and the entire process must be evaluated periodically by the User.
3. The results of the evaluation as intended in paragraph (2) are reported to the Defense Industrial Policy Committee and copied to the House of Representatives at least 1 (one) time in 1 (one) year.
4. Further provisions regarding the conditions and procedures for procurement of Defense and Security Equipment as intended in paragraph (1) are regulated by Presidential Regulation.”

Analysis of the norms of Article 44 can be described as follows:

- a. Norm Subjects: Users, House of Representatives , Defense Industrial Policy Committee
- b. Norm Operator: command due to the phrase "mandatory"
- c. Norm Objects: carried out, completed, evaluated, reported, translated, regulated

This description explains that Article 44 is addressed to Users, House of Representatives and Defense Industrial Policy Committee. Procurement of Defense Industry product defense and security equipment must use a long-term contract scheme. The implementation of the contract must reach the final stage. Apart from that, all stages must be evaluated. The results are reported to Defense Industrial Policy Committee and copied to the House of Representatives within a

certain period. Guidelines for procurement procedures and requirements are regulated by Presidential Regulation.

Article 45 of the Defense Industry Law regulates the procurement of defense and security equipment if an urgent need arises, the formulation of paragraph (1) uses the phrase "can" be purchased directly. The provisions are determined by the government with the approval of the House of Representatives (regulated in paragraph (2)).

Research and development policy in the regime of Law No. 16 of 2012 concerning Defense Industry is regulated in Articles 28 – 31. A summary of the provisions regulated in relation to research and development and engineering can be described in the following table:

Table 2. Research and Development Policy of Law No. 16 of 2012 concerning Defense Industry

Article	Provisions regulated by	The parties involved
Article 28 paragraph (1)	Increasing capabilities and mastery of technology Defense Industry	Defense Industry
Article 28 paragraph (2)	Elements of implementing research and development as well engineering	Research and development institutions College Research and development institutions, both government and private national institutions in the field of defense and security User Major equipment industry
Article 28 paragraph (3)	Coordination and synergy with production and procurement activities Defense and Security Equipment Tools	Defense Industrial Policy Committee
Article 29 paragraph (1)	Order to develop science and technology to support the Defense Industry towards independence and be able to respond to developments in defense technology and security	Defense Industry
Article 29 paragraphs (2) and (3)	Providing a minimum of 5% (five percent) of net profit for research and development purposes (can be charged as a cost component) for the Defense Industry	Defense Industry

<p>Article 30 paragraphs (1) and (2)</p>	<p>Research and development and engineering relating to the formulation of confidential Defense and Security Equipment technology design. (determined by Defense Industrial Policy Committee)</p>	<p>Defense Industrial Policy Committee Defense Industry Related Research Institutes</p>
<p>Article 31</p>	<p>Role of the Government: building special industrial supporting facilities Defense, providing education and training program facilities specifically improving the quality of Defense Industry human resources and/or providing a budget for Government research and engineering</p>	<p>The Government</p>

Source: Law No. 16 of 2012 processed

The last main policy in the defense industry is the regulation of defense product exports. These provisions are regulated in Articles 53 – 58, the description of which can be tabulated as follows:

Table 3. Defense Product Exports Policy of Law No. 16 of 2012 concerning Defense Industry

Article	Policy	Terms
Article 53 paragraph (1)	Marketing of Defense and Security Equipment Tools	Marketing of Defense and Security Equipment Tools is carried out jointly by the Defense Industry and the Government
Article 53 paragraph (2)	Marketing priorities  Overseas marketing	Marketing priorities are prioritized to meet the need for Defense Equipment and Homeland security  Overseas marketing is carried out on a regular basis periodic, long-term and continuous
Article 54 paragraphs (2) and (3)	Overseas marketing	Can be done with government funding support.

		Implemented in coordination with the Government through related agencies or ministries
Article 55	Every person who exports and/or transfers equipment used for defense and security of other countries	Must obtain permission from the minister who handles government affairs in the defense sector and in accordance with the provisions of laws and regulations in the customs sector.
Article 56 paragraph (2)	Strategic interests National	House of Representatives can prohibit or grant exceptions to the sale of Defense Equipment products and certain security in accordance with the foreign policy carried out by the Government
Article 57	Marketing of Defense and Security Equipment	a. provide correct, clear and honest information regarding the condition and guarantee of goods and/or services as well as providing explanations of use, repair and maintenance; b. provide Users with the opportunity to test and/or try certain goods and/or services and provide guarantees and/or warranties for goods made and/or traded; c. provide compensation, compensation and/or replacement if the goods and/or services received or utilized are not in accordance with the agreement.

Sales of products and/or services  
Must fulfill the agreed and/or agreed guarantees and/or warranties

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Source: Law No. 16 of 2012 processed

Thus, the Defense Industry Law regulates export regulatory policies for Defense Industry products including marketing and sales of Defense Industry products through national strategic interest criteria, licensing and guarantee schemes agreed or agreed with users.

If the principles and objectives of the Defense Industry are as formulated in Article 2 and Article 3 of Law No. 16 of 2012, it can be emphasized that the legal substance that regulates the Defense Industry is based on fifteen principles with three main objectives, namely creating a defense industry that is characterized by professionalism, effective, efficient and innovative. Second, realizing independence in fulfilling Defense and Security Equipment. Third, focus on increasing the capabilities of the Defense Industry in preparation for building the country's defense and security forces.

If the facts of the text in the Defense Industry Law are in:

- a. The procurement policy for defense and security equipment in the Defense Industry is regulated in Article 43 – Article 45.
- b. Research and development policy in the regime of Law No. 16 of 2012 concerning the Defense Industry is regulated in Articles 28 – 31.
- c. Defense product export regulatory policy, which is regulated in Articles 53 – 58. So the legal substance in the main defense industry policy fulfills the completeness in the main points of the defense industrial policy formulation.

The two propositions above, namely first, the basis or basis or principles of defense industrial policy, are connected to the objectives of the defense industry. Second, the formulation of the main points of industrial policy (3 main things) in certain formulations in the Defense Industry Law. This proposition can be explained through the following scientific basis.

The basic propositions and objectives of the Defense Industry are supported by legislative knowledge. This scientific explanation explains that every legal regulation that is based on principles, objectives, guidelines and rules has fulfilled the rules of a legal regulation (Arief 2012). Meanwhile, the main substance of the defense industrial policy formulation is in the form of procurement, research and development dimensions as well as industrial product export regulations in accordance with the general theory of defense industrial policy (Berkok, Penney, and Skogstad 2012). This theoretical explanation states that a policy approach is a comprehensive set of policy instruments united by an underlying principle. In terms of defense industrial policy, the most common approaches are import substitution, export promotion or a combination of these two policies. The main objective of this policy is to develop domestic production capabilities while building industrial infrastructure and growing employment opportunities in the country. Thus, defense industrial policy does not depend on purchasing needs by the government alone.

## CONCLUSION

The main policies in the Defense Industry Law in the form of procurement, research and de-velopment policies and export regulations regulate the direction of procurement aspects of defense and security equipment oriented towards import substitution and export promotion. Apart from that, the research and development aspect of defense industry products is based on the scheme of adop-tion and adaptation of technological innovations in the main weapons system

tools. These three main aspects are united by fifteen basic principles in the Defense Industry Law.

From a legislative perspective, the defense industry policy in Law No. 16 of 2012 meets the criteria for completeness as a legal instrument. The defense industry policy perspective fulfills the theoretical framework of the prevalence of defense industry development in developed countries with products on a national and global basis.

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