

The Implementation of Trade Remedies Policy in Indonesia's Defense Industry

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Abstract

As the 16th largest importer of arms worldwide and the leading importer in Southeast Asia, Indonesia's reliance on importing defense equipment and other defense equipment indicates a potential for its defense industry to be vulnerable if appropriate government policies are not implemented. This research aims to analyze trade defense instruments through trade remedies policies for the defense industry by using George C. Edward III's policy implementation theory, which includes aspects of communication, resources, disposition, and bureaucratic structure. This research method employs a qualitative description through a literature review. The findings indicate that the trade remedies policy has been effective in mitigating the adverse effects of defense equipment imports, including firearms, ammunition, submarines, and fighter aircraft. However, the policy remains to be optimized, as various challenges persist, such as the scarcity of funds, skilled labor, effective communication, and information transparency. To enhance the efficacy of trade remedies policy, the government must allocate a greater portion of its budget to research and development in the defense sector, provide training to the workforce, improve information transparency through an integrated digital platform, and collaborate with relevant agencies to develop technological innovation and strengthen domestic production capacity

Keywords: Defense Industry, Policy Implementation, Trade Remedies.

INTRODUCTION

The economic strength of a country is directly proportional to its defense system, which means that if the defense system is advanced, the country's economy will also grow rapidly in a positive way (Djarwono, 2017a). In order to enhance the nation's defense capabilities, it is imperative to establish an industry that is capable of producing and supplying defense equipment for operational activities. The Indonesian defense industry, a crucial component of the nation's economic landscape, fulfills a pivotal role in safeguarding national sovereignty and ensuring the security of the state, thereby fostering a conducive environment for productive economic activities. Throughout Indonesia's historical trajectory, spanning from the revolutionary era to the present, the government has persistently endeavored to maintain a high degree of oversight over defense industry operations. This commitment is evidenced by the implementation of various policies, including Presidential Regulation No. 42 of 2010 on the Defense Industry Policy Committee (Kuswanto et al., 2022).

The Defense Industry Policy Committee was established with the objective of enhancing the independence, competitiveness, and contribution of the defense industry to the national economy (Kusumah et al., 2022). Nevertheless, Indonesia's defense industry is confronted with numerous challenges that are influenced by global geopolitical dynamics. The prevailing uncertainty in the global economy gives rise to an unfavorable international trade system, which, in turn, has a deleterious effect on the defense sector. International trade is a critical indicator of economic growth in Indonesia (Suhardi et al., 2023). International trade shows represent a significant aspect of global economic interactions, facilitating the exchange of goods and services across national borders. This process involves the importation of foreign products and the exportation of domestic goods and services, thereby fostering international trade relations (Amanda & Aslami, 2022).

Indonesia has established commercial partnerships with numerous nations, including those engaged in the defense industry. The government has cultivated cooperative relationships with countries possessing advanced defense technologies to facilitate the acquisition of defense equipment. According to data from LAB 45, the top three arms suppliers to Indonesia from 2010 to 2021 were South Korea (18%), the United States (17%), and the United Kingdom (12%). Additionally, a notable proportion of Indonesian arms supplies are sourced from Russia (12%) and China (6%). This finding underscores the notion that Indonesia is not reducing its reliance on arms imports, but rather, it is merely diversifying its sources of supply among multiple suppliers (Sabana et al., 2023). Presently, the Republic of Indonesia continues to rely on imports to satisfy its defense equipment requirements. The following data set provides an overview of Indonesia's defense equipment imports from 2018 to 2023 (Pusat Data dan Sistem Informasi Sekjen Kemendag RI, 2023).

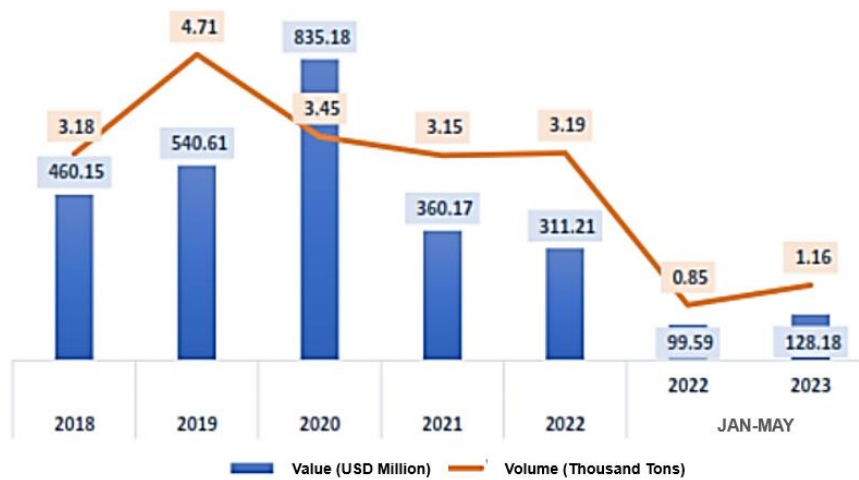


Figure 1. Realization of Indonesia's defense equipment imports for the period 2018-2023
 Source: Indonesian Ministry of Trade (2023)

The above graph illustrates that in 2020, Indonesia's imports of defense equipment reached their zenith, with a value of USD 835.18 million or 3,450 tons. Following this peak in 2020, a consistent decline in defense equipment imports was observed until 2023, when imports reached USD 128.18 million or 1.16 thousand tons. Despite this decline, Indonesia continues to experience a trade deficit in the defense industry, indicating that imports exceed exports. This discrepancy is further highlighted in the export chart for 2021, which shows a mere USD 18 million, in stark contrast to the USD 360.17 million recorded for imports in the same year.

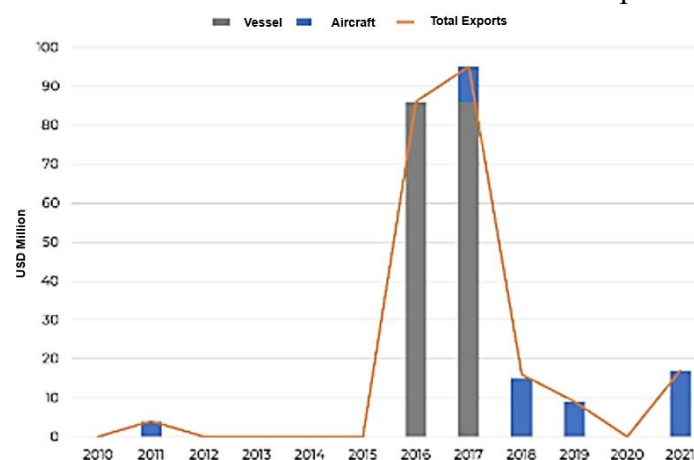


Figure 2. Defense Industry Export Data for the Period 2010-2021
 Source: (Sabana et al., 2023)

The correlation between a nation's ambition in defense development and the magnitude of its arms imports has been well-documented. However, Indonesia's position on the list of the largest arms importing countries suggests that it remains dependent on the importation of defense equipment. Absent the implementation of suitable government policies, this trend portends a debilitated defense industry within Indonesia. To mitigate the potential adverse consequences of such practices, the implementation of trade instruments is imperative (Destiarani et al., 2023).

The government must implement trade defense measures to achieve a balance between the protection of domestic industries and the maintenance of fair and open trade. However, their implementation necessitates meticulous examination of their prospective ramifications on comprehensive trade and economic relations (Viet & Thanh, 2023). The regulation and supervision of international trade is overseen by the World Trade Organization (WTO). Indonesia, in its capacity as a member of the WTO, assumes a significant role in the global economic development. Furthermore, the trade regulations established by the WTO are of significant importance in the resolution of trade disputes and the provision of greater legal certainty (Soprano, 2018).

In the context of international trade, a significant policy instrument employed by industrial nations is trade remedies. Trade remedies are policies implemented by governments to protect their domestic markets from unfair international trade practices. Governments have the capacity to provide protection through the implementation of import tariff policies. These policies may include duties on dumped goods, safeguard duties, anti-subsidy taxes, enforcement activities, and the protection of strategic industries (Koesnaidi & Lesmana, 2022). Members of the World Trade Organization (WTO) and countries that have developed their defense capabilities stand to benefit from the implementation of these policies, which can serve to facilitate the industrialization of their defense industries. While trade remedies are recognized as a legitimate instrument within the WTO framework, their implementation often creates a dilemma between the interests of protecting domestic industries and commitments to free trade. This phenomenon is exemplified by Indonesia's downstreaming policies and local content requirements (LCRs), particularly within the defense sector. The case of the nickel export ban exemplifies the intricacies inherent in the implementation of such policies, wherein contentions pertaining to domestic industrial development find discord with the foundational principles of international trade (Patunru, 2023).

Therefore, it is interesting to study more deeply how the application of trade remedy policies in the defense industry in Indonesia and the implementation of policies to minimize the negative impact of imports and promote more open and highly competitive market access for Indonesian defense products. The purpose of this study is to analyze trade defense instruments through trade remedy policies for domestic industries, especially in the defense sector by using the theory of policy implementation of George C. Edward III. Policy implementation theory includes aspects of communication, resources, disposition and bureaucratic structure.

RESEARCH METHODS

This research employs a qualitative method, utilizing a descriptive analysis approach. The data collection techniques employed in this study encompass literature studies, specifically literature reviews pertinent to the research subjects, in addition to data obtained from various sources, including but not limited to books, journals, articles, newspapers, online websites, and other relevant sources that substantiate the research (Nursalam & Yunanda, 2023). This research does not involve direct respondents because it is based on secondary data obtained from extant literature and reports through a literature-based approach. By applying the literature study method, this research is conducted to analyze the application of trade remedies policy to the

domestic defense industry and its policy implementation, which is dissected using the theory of George C. Edward III. Edward III's theory includes indicators of communication, resources, disposition, and bureaucratic structure.

The research was conducted through four stages. First, materials related to the defense industry, international trade, trade remedy policy, and George C. Edward III's policy implementation theory were searched for and collected through scientific journals, government regulations, Ministry of Trade and Ministry of Defense reports, and related secondary data. The implementation of Edward III's policy theory was further examined through academic journals, government regulations, Ministry of Trade and Ministry of Defense reports, and related secondary data. The second stage entailed simplification and coding, which entailed filtering and categorizing the material to align with the subject under discussion. The third stage is analysis and synthesis, where detailed information about the obtained material is examined and explored and then analyzed by examining the theory of policy implementation of George C. Edward III. The final stage is to present the new findings of the research and formulate conclusions as answers to the research questions (Safitri et al., 2024). To obtain comprehensive and quality data, an in-depth analysis was conducted to present comprehensive information in accordance with the objectives of this research.

RESULT AND DISCUSSION

The Application of the Trade Remedies Policy to Indonesia's Defense Industry

In Indonesia, the regulation of trade remedies is governed by Law No. 7/2014 on Trade. These measures can be classified as Anti-Dumping Import Duty, Countervailing or anti-subsidies, and Safeguard Import Duty or safeguards. The government has established a regulatory framework for these measures through Government Regulation No. 34/2011. The implementation of these measures is intended to mitigate the adverse ramifications of such practices on the domestic industry and to ensure fair competition in the global market (Destiarani et al., 2023).

As a member of the World Trade Organization (WTO) and an adherent of an open economic system, Indonesia has become quite active in conducting international trade, specifically in the domains of exports and imports. This activity is evidenced by various cooperative endeavors with other countries. In the realm of defense, Indonesia figures among the nations with the highest import expenditures for armaments and associated defense equipment. This phenomenon is attributable to the inability of the domestic defense industry to adequately produce and satisfy these requirements, thereby necessitating imports. While the importation of defense equipment plays a positive role in addressing Indonesia's defense needs, it is imperative that the country exercise caution in its import practices to prevent any potential harm to its domestic defense industry.

In order to prevent economic losses and to ensure fair trade practices, the government of Indonesia implements trade remedy instruments called trade remedies. These instruments are supported by relevant government institutions. These institutions include the Directorate of Trade Safeguards, the Directorate General of Foreign Trade of the Ministry of Trade of the Republic of Indonesia, which is tasked with formulating and implementing overall policies on trade protection and safeguards; the Indonesian Anti-Dumping Committee, which is responsible for handling issues related to efforts to counter imports of goods that practice dumping and goods that receive subsidies; and the Indonesian Trade Safeguards Committee, which is tasked with handling serious losses or preventing the threat of serious losses to domestic industries due to an increase in the number of imported goods.

In the context of regulating trade policy in the defense sector—particularly the import and export of defense equipment, such as weapons—in Indonesia, the designated institution is the Defense Industry Policy Committee. This committee operates under the authority of the President and the Minister of Defense. Its primary function is to promote the advancement and autonomy of the domestic defense industry through the implementation of macro-level policies (Peraturan Pemerintah RI, 2014). The implementation of anti-dumping, anti-subsidy, and safeguard policies is of paramount importance in safeguarding and promoting the autonomy of the domestic defense industry. The ensuing table offers a concise exposition elucidating the distinctions among the three trade remedy policy instruments (Viet & Thanh, 2023):

Table 1. Differences in Three Trade Remedies Instruments

Indicator	Anti-dumping	Anti-subsidy	Safeguards
Characteristics	Addressing price undercutting (dumping companies)	Address underpriced sales (government subsidies)	Related to a sudden large increase/surge in imports
Implementation Condition	A substantial decline in the domestic industry	A substantial decline in the domestic industry	The domestic industry has been severely impacted
Protective Measures	Additional tariffs and price commitments from foreign exporters	Additional tariffs and the commitment to discontinue subsidies from exporting governments	The enforcement of tariff quotas
Time Duration	The initial duration of the agreement is five years, with the possibility of an extension.	The initial duration of the agreement is five years, with the possibility of an extension.	The initial duration of the agreement is four years, with the possibility of an extension.
Those Affected	Countries surveyed	Countries surveyed	Worldwide

The following is the application of trade remedies to the Indonesian defense industry, among others:

1. Anti-Dumping Import Duty

In the context of Indonesia's defense industry, the implementation of anti-dumping policies is imperative to safeguard local producers from deleterious trade practices. The objective of anti-dumping policies is to prevent the sale of imported products at below market prices, as this can have a deleterious effect on the domestic industry. The Indonesian Anti-Dumping Committee is entrusted with the responsibility of conducting investigations to ascertain the occurrence of dumping practices. (Anggraeni, 2017). An illustration of the implementation of this policy is evident in the context of imported weapons and defense equipment products, such as the procurement of submarines from South Korea. Concerns have been raised that imported components are being sold at prices lower than local production costs. Furthermore, in 2018, the Indonesian government initiated an investigation into imported firearms from China and Vietnam that were purportedly sold at below-market prices, a practice that has the potential to jeopardize the business viability of domestic manufacturers (Putri, 2023).

In 2020, the government implemented anti-dumping duties ranging from 20 to 30% on imported ammunition from select countries. This action was taken in response to complaints lodged by domestic producers, who alleged that the influx of imported

ammunition was causing economic harm due to its significantly lower prices. An investigation conducted by the Indonesian Anti-Dumping Committee revealed that the imported ammunition was being sold at unfair prices, thereby causing injury to the domestic industry (Damanik et al., 2024). The government's implementation of these measures is intended to establish a more equitable environment for local manufacturers and to stimulate the growth of the domestic defense industry. The implementation of this anti-dumping policy is indicative of the government's commitment to protect local industries and enhance Indonesia's independence and competitiveness in the global market.

2. Countervailing or Anti-Subsidy Duties

The objective of anti-subsidy policies is to address the practice of subsidies provided by other countries to their industries, which has the potential to create an inequitable environment for competition. In this regard, it is imperative for Indonesia to implement stringent regulations on subsidies received by foreign products, thereby ensuring that the domestic defense industry is not subjected to undue pricing pressures. This initiative is congruent with the government's broader objective of enhancing the autonomy of the defense industry and attaining the Minimum Essential Force (MEF) target (Djarwono, 2017). Two cases are particularly noteworthy in demonstrating the government's efforts to safeguard the domestic defense industry from the deleterious effects of subsidies. The first case involved the initiation of an anti-subsidy case against imported fighter aircraft from the United States and Europe in 2015. In this case, the Indonesian government determined that the fighter aircraft received substantial subsidy support, thereby rendering its selling price in the Indonesian market to be unfair to local manufacturers.

The second case pertains to the imposition of an anti-subsidy import duty ranging from 15 to 25 percent on imported warships from specific countries in 2019. This policy was implemented in response to grievances lodged by domestic warship manufacturers, who alleged that the lower prices of imported warships, purportedly attributable to subsidies from their respective home countries, were a competitive threat. The Indonesian government's imposition of anti-subsidy import duties is a strategic measure intended to safeguard the domestic warship industry and foster the growth of the local defense sector (Putra Brahma et al., 2024). The implementation of this policy is indicative of the government's commitment to maintaining the independence and competitiveness of the defense industry. Furthermore, it is a strategy to create a fairer environment for local manufacturers, encourage investment in defense technology development, and reduce dependence on imported products.

3. Safeguards

The implementation of safeguards constitutes a pivotal measure in the endeavor to safeguard the domestic industry from the repercussions of a precipitous escalation in imports. These safeguards can be implemented through various stages, including investigations to ascertain losses incurred by the domestic industry (Erwin et al., 2018). This mechanism enables Indonesia's defense industry to circumvent the deleterious effects of trade globalization, thereby enabling it to prioritize technology development and innovation to bolster national defense capacity. Two salient safeguard policies that exemplify this commitment are the implementation of import quotas for military equipment in 2017 and the imposition of import restrictions on specialized weapons, including chemical and biological weapons, in 2013. The implementation of import quotas is intended to regulate the volume of goods that can be imported, encourage domestic producers to augment their production capacity, and mitigate reliance on foreign products.

The imposition of import restrictions on specialized armaments by the government of Indonesia is indicative of its commitment to safeguarding national security and the populace from potential hazards. This policy is designed to regulate the types of weapons that can

enter Indonesia, with a particular focus on those that have the potential to be misused or have a negative impact on the security and stability of the country. These policies exemplify the Indonesian government's endeavors to foster a secure and conducive environment for the advancement of the domestic defense industry, safeguard national sovereignty, and fortify Indonesia's capacity to address regional and global security imperatives.

The trade remedies policy exerts a substantial influence on the domestic defense industry, thereby impacting the competitiveness and innovation of these companies. Illustrative cases of the implementation of trade remedies policies in the defense industry in Indonesia include PT Pindad and PT Krakatau Steel.

1. PT Pindad

PT Pindad, a preeminent entity in Indonesia's defense industry, is currently grappling with the challenge of imported weapons and ammunition products from China being offered at suboptimal prices. One of the Chinese entities engaged in this practice is Norinco (China North Industries Corporation), a major Chinese arms and ammunition manufacturer (China North Industries Group Corporation, 2015). Norinco's anti-dumping policy has implications for various types of firearms and ammunition imported into Indonesia. The implementation of this policy is intended to safeguard domestic defense industries, such as PT Pindad, from competition with imported products sold at below-market prices (Adrianto, 2013). In an effort to safeguard the domestic industry, the Indonesian government, through the Indonesian Anti-Dumping Committee, has implemented an anti-dumping policy against imported products from China.

The Indonesian government's anti-dumping policy, which was implemented against imported products from Norinco, involves several significant steps, among others:

a. Anti-Dumping Investigation

The Indonesian Anti-Dumping Committee initiated an investigation to ascertain whether imported products from Norinco were being sold at dumping prices within the Indonesian market. This investigation entailed the collection of data and evidence from various sources, including domestic producers, importers, and exporters.

b. Determination of Dumping Margin

Following an investigation, the Indonesian Anti-Dumping Committee (IDC) determines the dumping margin, defined as the difference between the export price of the product in Indonesia and the standard price of the product from China. In instances where the dumping margin is deemed substantial, the IDC may recommend the implementation of anti-dumping duties. The amount of the Anti-Dumping Duty rate is contingent upon the findings of the IDC's investigation. This rate can be expressed as a percentage of the import value of the product or as a fixed rate per unit of imported product. To illustrate, if the dumping margin is determined to be 20%, then the Anti-Dumping Duty rate would be equivalent to 20% of the import value of the product.

c. The Implementation of Anti-Dumping Tariffs

The Indonesian government is contemplating the imposition of anti-dumping duties on imported products from Norinco. This potential action follows a comprehensive investigation conducted by the Indonesian Anti-Dumping Committee and is intended to address the losses incurred by domestic producers as a result of dumping practices. The implementation of anti-dumping duties on imported goods is contingent upon the determination of these goods being sold at dumping prices. Upon entry into Indonesia, these goods are subject to additional import duties, which serve to enhance their competitive standing against domestic products.

d. Monitoring and Evaluation

Following the implementation of the Anti-Dumping Duty tariff, the Indonesian Anti-Dumping Committee has maintained its oversight of the domestic industry, monitoring and evaluating its impact. If deemed necessary, the Committee may extend or adjust the tariff in accordance with market developments. This policy enables PT Pindad to maintain its domestic market share and increase domestic production.

2. PT Krakatau Steel

PT Krakatau Steel (Persero) Tbk is the largest steel producer in Indonesia, playing an instrumental role in supporting various sectors, including the defense industry. This sector, which includes entities such as PT Pindad and PT PAL, requires high-quality steel for the production of defense equipment. As a national steel supplier, Krakatau Steel has a pivotal role in ensuring the availability of raw materials and steel supply, which directly impacts the productivity of the defense industry in Indonesia.

A notable illustration of this commitment is evidenced by the implementation of trade remedies policies, exemplified by the anti-dumping policy targeting hot-rolled coil/plate (HRC/P) alloy imports from China. This policy was adopted to safeguard the interests of PT Krakatau Steel, shielding it from the competitive pressures of imported steel products that were being sold at below-market prices. According to data collected by the Central Statistics Agency, there was a substantial increase in imports of steel products subject to protectionist measures from 2009 to mid-2013. Specifically, imports surged from 155,986 tons in 2009 to 222,876 tons in 2010, 254,595 tons in 2011, and 444,701 tons in 2012, reaching 379,430 tons in the first half of 2013 (Herlinda, 2014).

In response to the substantial increase in imports, the government initiated an investigation by the Indonesian Trade Safeguards Committee, based on evidence of significant financial losses experienced by PT Krakatau Steel. PT Krakatau Steel has suffered losses for more than three consecutive years due to the surge in steel imports from China, which has had a negative impact on the company's steel products. According to data from the Central Statistics Agency, the value of iron and steel imports in July 2018 reached 56.55 percent of the same period the previous year, indicating that 55 percent of Indonesia's iron and steel needs are met by imports, particularly from China. A review of PT Krakatau Steel's 2018 financial statements reveals that its debt reached US \$ 2.49 billion, marking a 10.45 percent increase compared to the US \$ 2.26 billion recorded in 2017 (Hamzah et al., 2020). In response to this increase, the Indonesian Trade Safeguards Committee implemented a safeguard duty tariff of 20% on imports of hot-rolled coil/plate (HRC/P) alloy from China. The primary objective of this tariff is to mitigate the financial losses incurred by PT Krakatau Steel due to competition from imported products sold at below their cost of production. The implementation of this tariff is expected to encourage PT Krakatau Steel to increase its production of special steel, which is essential for the Indonesian defense industry.

The implementation of trade remedies policies in the Indonesian defense industry according to George C. Edward III

The implementation of trade remedies policies, such as anti-dumping, anti-subsidies, and safeguards on the defense industry in Indonesia, can be analyzed using George C. Edward III's policy implementation theory. This theory includes four main aspects: resources, communication, disposition, and bureaucratic structure. This analysis is of paramount importance in understanding the effective and efficient implementation of such policies within the context of the intricate defense industry in Indonesia.

a. Resources

The implementation of trade remedies policy is contingent upon the presence of several key resources, including but not limited to sufficient financial resources, adequate staffing levels, and the deployment of relevant technological infrastructure. These elements are instrumental in facilitating the effective enforcement of measures aimed at countering

detrimental trade practices. It is imperative for the government of Indonesia to allocate sufficient financial resources to both the Ministry of Trade and the Ministry of Defense, ensuring that both departments have adequate budgets for investigation, monitoring, and enforcement activities. Furthermore, the allocation of sufficient financial resources is imperative to foster the growth and advancement of the domestic defense industry, particularly through investments in research and development (R&D). Such investments are crucial for enhancing the competitiveness of the industry in the global market and ensuring the security of the nation. The investigation process and procurement of technology for data analysis are instrumental in enhancing the efficacy of this policy.

It is imperative that both Ministries possess a sufficient number of skilled and competent human resources to conduct the requisite analysis. Furthermore, it is imperative to establish collaborative relationships with education and training institutions to facilitate the development of a prepared workforce within the defense sector (Irwanto et al., 2022). Furthermore, the provision of support for the advancement of domestic technology through investment and collaboration with academic institutions is expected to enhance autonomy in technological development. The creation of an enabling environment for the development of the defense industry is expected to result from the synergy between various resources and coordination between ministries, government agencies, and the private sector. Such an environment would facilitate the implementation of trade remedies policies, thereby having a positive impact on the domestic industry.

b. Communication

The communication aspect in the implementation of trade remedies policies in the Indonesian defense industry encompasses the process of conveying information, both from the government to the public and industry, as well as between the government agencies involved. This communication plays a pivotal role in ensuring that all relevant stakeholders have a comprehensive understanding of the implemented policies and can collaborate in an effective manner. To this end, effective internal communication between government entities, such as the Ministry of Trade and the Ministry of Defense, is paramount to ensure a comprehensive understanding of the impact of imported products on domestic industries. The government should establish clear communication channels, such as websites, social media, and contact person hotlines, to disseminate information regarding policies, investigation results, and protective measures implemented. Furthermore, the government is obliged to disseminate information to the defense industry and the public in a transparent manner through seminars, workshops, and official publications, thereby facilitating comprehension of the policy and enabling constructive feedback to be provided.

Transparency in communication encompasses the publication of the results of investigations and decisions taken by the Ministry of Trade. This practice enables industry and the public to comprehend the rationale behind policies as well as their impact. Effective communication should entail the solicitation and consideration of feedback from relevant stakeholders, such as industry representatives and the general public. This process facilitates the identification of issues that may not be readily apparent. The government can facilitate discussion or consultation forums to gather new ideas that can help in the development of better policies in the future.

c. Disposition

The disposition aspect encompasses the attitudes, commitments, and motivations of the policymakers and implementers of trade remedies in Indonesia's defense industry. It is imperative that policymakers at the Ministry of Trade and Ministry of Defense, along with associated institutions, exhibit a profound dedication to safeguarding domestic industries

from deleterious trade practices. This commitment entails a willingness to take decisive measures against dumping and subsidy activities that are deemed detrimental to the national economy. This commitment must be reflected in adequate budgetary allocations to support policy implementation. Employees in both ministries must comprehend the purpose and significance of the policy, fostering a heightened sense of motivation. This heightened motivation should manifest in a more proactive approach to their duties, along with heightened responsiveness to inputs from industry and the public.

The organizational culture within government agencies exerts a significant influence on the disposition of policy implementation. A culture that fosters collaboration, transparency, and innovation has been shown to enhance the effectiveness of policy implementation, while a rigid culture may impede it. Consequently, it is imperative for the government to cultivate an organizational culture that fosters defense policy implementation through training and capacity building. The role of external entities, such as industry associations and communities, is also noteworthy. If these external parties perceive support and discern benefits from the policy, they will be more inclined to collaborate. Conversely, if they perceive disadvantage, they may resist the policy, underscoring the importance for the government to cultivate a positive relationship with industry and heed their input in decision-making.

d. Bureaucratic Structure

The bureaucratic structure aspect of trade remedies policy implementation encompasses organizational arrangements, division of tasks, and procedures to be followed. In Indonesia, the Ministry of Trade is responsible for investigating and enforcing dumping and subsidy practices, with support from the Indonesian Anti-Dumping Committee and the Business Competition Supervisory Commission. Concurrently, the Ministry of Defense is entrusted with the responsibility of safeguarding the domestic defense industry and augmenting production capacity. A well-defined organizational structure is imperative to ensure that each agency has clearly delineated duties and responsibilities, thereby preventing any overlap in policy implementation.

The implementation of Standard Operating Procedures (SOPs) is also essential to ensure consistency and accuracy in policy implementation. SOPs should include steps in investigation, subsidy assessment, and safeguard application, and be updated regularly to reflect regulatory changes and industry needs. Periodic evaluation of the bureaucratic structure is necessary to ensure effective communication, resource allocation, and responsiveness to external changes. Adjustments in the bureaucratic structure can be made to improve the performance and effectiveness of trade remedies policy implementation, thereby supporting the development of a stronger and more independent defense industry.

Based on George Edward III's theory, trade remedies policy can be used as a tool to protect the defense industry, which is in a very strategic position to ensure national security. However, the implementation of the trade remedies policy in the defense industry in Indonesia has not been maximized because it still has several challenges. External factors such as geopolitical conditions can affect a country's diplomatic and economic relations, especially in terms of trade policy, including military alliances and the dynamics of international relations. Military alliances serve as strategic instruments that not only regulate security relations but also influence trade policies between countries. It is often the case that countries with strong defense industries tend to form closer alliances, which in turn affect their trade decisions and create dependencies in terms of security and trade (Sarjito, 2024).

Furthermore, an analysis of a nation's defense diplomacy illuminates the interplay between trade policies and military alliances. Indonesia has adopted a strategic approach in its defense diplomacy, evidenced by its cooperation with major global powers such as the United States, China, Russia, and France. This strategic initiative is multifaceted, with the

primary objectives being the enhancement of Indonesia's defense capabilities and the consolidation of its position in the global trade arena. A case study of PT Pindad and PT Krakatau Steel reveals that Indonesia exercises caution when implementing trade remedies tariffs on Chinese companies, despite the potential adverse impact on the domestic defense industry. This prudence is driven by the need to preserve diplomatic relations with China.

A more thorough examination of the ramifications of the implementation of trade remedies policy on the Indonesian defense industry reveals a dichotomy between beneficial and detrimental outcomes. A notable benefit of the trade remedies policy is the enhancement of the domestic defense industry's competitiveness. The policy's protective measures against imported products deemed detrimental enable domestic industries to allocate more resources towards research and development (R&D) and to augment their production capacity. The presence of foreign investment in the defense industry has the potential to foster technological advancement and to facilitate the transfer of technology. This protection enables domestic companies to develop and adapt to market demands, which can subsequently result in the creation of more innovative and high-quality products (Sarjito, 2024). Furthermore, the implementation of trade remedies policies has the potential to generate employment opportunities within the defense industry. The augmentation of domestic production is expected to stimulate the demand for skilled labor in this sector, thereby contributing to the reduction of unemployment and the enhancement of individuals' well-being. This objective is congruent with the government's strategic aim of fostering self-sufficiency within the defense industry and diminishing reliance on foreign products.

Nevertheless, it is imperative to acknowledge the potential adverse implications of trade remedies policies. A salient concern pertains to the possibility of increased costs for consumers and the government. In instances where tariffs or subsidies are in effect, the cost of domestic defense products may exceed that of imported goods. This has the potential to impose a financial burden on the defense budget and diminish the efficiency of government expenditure. Furthermore, if domestic industries are unable to compete effectively, the protection provided by trade remedies may engender long-term reliance on the policy, impeding innovation and efficiency.

To mitigate the adverse impact of trade remedies and surmount the intricate challenges, strategic measures must be implemented, including:

1. The enhancement of domestic industrial capabilities is to be achieved through investment and technology development.
2. The promotion of fair competition is to be accomplished through effective regulation and supervision.
3. The enhancement of international cooperation is to be achieved in order to promote national interests and ensure national security.
4. The enhancement of transparency and accountability in the implementation of trade remedies policies is to be ensured.

By implementing these strategic measures, the execution of trade remedies policies in the Indonesian defense industry is projected to be executed in an effective and efficient manner, thereby fostering defense industry independence and enhancing global competitiveness, thus ensuring the stability of national security.

CONCLUSION

The application of trade remedies policy to Indonesia's defense industry, encompassing anti-dumping, anti-subsidy, and safeguard measures, signifies a strategic initiative on the part of the government to safeguard and foster the autonomy of domestic industries. This policy is codified in Government Regulation No. 34/2011, which aims to mitigate the deleterious effects of inequitable trade practices. Utilizing George C. Edward III's policy implementation theory as a framework, this analysis explores the pivotal roles of resources, communication, disposition, and bureaucratic structure in the effectiveness of this policy implementation. While the policy has been successful in mitigating the adverse effects of defense equipment imports, its full potential has yet to be realized. Key challenges persist, including the scarcity of financial resources, skilled labor, technological innovation, cumbersome bureaucratic processes, and inadequate information transparency. Addressing these issues is imperative to enhance the competitiveness of the Indonesian defense industry within the global market.

To enhance the efficacy of trade remedies policy, the government must implement strategic measures. These include allocating a greater portion of the budget to research and development (R&D) in the defense sector and providing training to personnel involved in policy implementation. Additionally, enhancing transparency in information dissemination to all stakeholders through an integrated digital platform is imperative. Conducting an evaluation of the Standard Operating Procedure system and organizational structure in relevant institutions will ensure more efficient policy implementation. Furthermore, the government should prioritize the cultivation of partnerships between domestic industries, educational institutions, and the government to enhance technological development and augment domestic production capacity. This should be complemented by measures to reduce reliance on imports by increasing investment in local technologies and expanding cooperation with research institutions.

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