

INDONESIAN DEFENSE INDUSTRIAL COOPERATION WITH THE UNITED ARAB EMIRATES IN A DEFENSE ECONOMIC PERSPECTIVE

Ria Anggun Ariani^{1*}, Sri Sundari², Lukman Yudho Prakoso³

Faculty of Defense Management, The Republic of Indonesia Defense University,
Bogor, Indonesia^{1,2,3}

riaanggun74@gmail.com¹, srisundari@gmail.com², lukman.prakoso@idu.ac.id³

ABSTRACT

The implementation of the defense offset mechanism for the procurement of defense equipment has been going on since the early 1960s, although it was effectively only carried out when IPTN, PT. PAL, and PT. PINDAD established cooperation with the state of arms producers and strategic industries in the mid-1970s. The government's policy for cooperation with the United Arab Emirates in the field of defense industry will be very profitable and also equally build a defense economy and also this cooperation is centered on Joint Marketing for CN235 and N219 aircraft, as well as Joint Development for upgrading versions of N219 aircraft and MALE Black Eagle UAVs, along with Engineering, Design & Flight-Testing Work Package cooperation in each product development. This cooperation demonstrates the readiness of the domestic industry for the development of defense industry products, through three Defense Industry SOEs, in the form of Joint Marketing cooperation for CN235 multipurpose transport aircraft and N219 light passenger aircraft. The method used in this study is a qualitative method based on the study of in-depth understanding. Qualitative research is a method used to understand the phenomena experienced by the research subject by describing in the form of language, words, and special natural contexts.

Keywords: Defense Industry; United Arab Emirates; Defense Economy

INTRODUCTION

Defense economics is a study of resource allocation, income distribution, economic growth, and stabilization applied to topics that communicate with defense (Wanda et al., 2018). This includes defense spending, domestic and international spending, as well as macroeconomic variables such as labor, output, and growth. Other scopes are microeconomic dimensions, such as analysis of basic defense industries, collaborative programs, shifts, and the formation of prices and benefits from military contracts. The national security system is built with the approach of citizen and community participation or security sector reform agreements, the most important of which is how it affects the Defense-Security Expenditure Structure on security stability in Indonesia (Saputro et al., 2020) in (Saputro, 2022) The definition of state defense in Law Number 3, Year 2002 concerning State Defense is any 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. Efforts to develop the country's defense system are closely related to defense strategic resources consisting of defense budgets, military infrastructure, defense posture, defense industry, and defense logistics capabilities (Kusuma et al., 2021). State defense aims to maintain and protect state sovereignty, the territorial integrity of the Unitary State of the Republic of Indonesia, and the safety of the entire nation from all threats. The essence of state defense is that any defense effort is universal in nature whose administration is based on an awareness of the rights and obligations of citizens and a belief in one's own strength; involving all citizens, territories, and other national resources; prepared early by the government and held in a total, integrated, directed, and continuous manner (Anakotta & Disemadi, 2020). Previously, Indonesia and the UAE had entered into a defense cooperation agreement signed on February 24, 2020 in Abu Dhabi.

The bilateral relations between Indonesia and the United Arab Emirates in recent years have become stronger and more dynamic (Syukron, 2013). The dynamism was marked by the mutual expectation of visits between high-ranking officials of the two countries which were very intense, one of which was the visit of the UAE Minister of Defense to Indonesia in December 2019 (Koerniawati et al., 2023). Responding to the visit, the Minister of Defense of the Republic

of Indonesia H. Prabowo Subianto on February 23-25, 2020, then carried out a state visit to Abu Dhabi. There, Prabowo Subianto met with UAE Defense Minister Mohammed Ahmed Al Bowardi at the United Arab Emirates Ministry of Defense. The arrival of the Minister of Defense of the Republic of Indonesia was greeted with an honorary *jajar* ceremony followed by a bilateral meeting. In a meeting taking place in Abu Dhabi the Minister of Defense of the Republic of Indonesia said that the UAE is a mecca of political policy in the Middle East. The agreement includes mutual visits between Armed Forces officials at various levels, information exchange, science and technology cooperation in the field of defense industry, capacity building, HR development, and other mutually agreed areas.

As an implementation of the agreement, a Joint Defense Cooperation Plan (JDCCP) meeting was held in December 2021, as the first step in discussing the potential for defense cooperation between Indonesia and the UAE. (Public Relations Bureau of the Secretary-General of the Ministry of Defense) Indonesia and the UAE through the Ministers of Defense signed the defense industry development cooperation protocol between Indonesia and the UAE on June 30, 2022 at the UAE Ministry of Defense. Cooperation in the field of defense, especially the defense industry is very important for the two countries, especially for the future development of the defense industry (Menteri Pertahanan, 2022). This defense industry development cooperation protocol aims to provide a way forward to advance and develop bilateral cooperation in the field of defense industry between the two sides, as well as the planning and development of mutually beneficial industrial capabilities. In the protocol, there are several scopes, including formulating strategies to improve alignment of the strategic planning of the defense industries of the two countries and formulating policies to enable joint research and development, joint production, international marketing, national offset programs, technology permits, international talent provision, and HR investment. The cooperation between the three Defense Industry SOEs is PT PAL with the UAE government, and PT Dirgantara Indonesia with PT Pindad with Calidus LLC, at the UAE Ministry of Defense, Abu Dhabi.

The cooperation agreement between PTDI and Calidus LLC was confirmed in a Memorandum of Understanding (MoU) signed by PTDI President Director Gita Amperiawan and Calidus CEO Faris Al Mazrouei. The cooperation includes Joint Marketing for CN235 and N219 aircraft, as well as Joint Development for upgrading versions of N219 aircraft and MALE Black Eagle UAVs, along with Engineering, Design & Flight Testing Work Package cooperation in each joint product development.

RESEARCH METHOD

The method used in this study is a qualitative method based on the study of in-depth understanding. Qualitative research is a method used to understand the phenomena experienced by the research subject by describing in the form of language, words, and special natural contexts (Sugiyono, 2016). The scope of this research focuses on cooperation. The purpose of this study focuses on Defense Economics in Cooperation between Indonesia and the UAE in the field of defense industry in 2022. The narrative approach is a method of research approach that is in the social sciences. Where at the core of this method is the ability only to understand a person's identity and worldview by referring to stories, stories (narratives) that are heard or utterances in their daily activities (Schreiber & Asner-Self, 2011).

RESULTS AND DISCUSSION

Law Number 37 of 1999 about Foreign Relations. Foreign Relations is any activity that concerns regional and international aspects carried out by the Government at the central and regional levels, or its institutions, state institutions, business entities, political organizations, community organizations, non-governmental organizations, or Indonesian citizens. According to Article 2 of the Act Number 37 of 1999 on Foreign Relations, Foreign Relations and Foreign Policy is based on Pancasila, the 1945 Constitution, and the Outline of the State Direction, which is organized in accordance with foreign policy, national laws and regulations and international

laws and customs. Indonesia's foreign policy adheres to the principle of active freedom for the sake of Communication has a very important role in the delivery of a policy, this is intended so that the policy to be delivered can be well understood by the implementer. Communication includes all behaviors, including countermeasures or responses to a stimulus or stimulus. This means that there is always a link between stimulus and response to human behavior (Lattal & Rutherford, 2013).

The implementation of the defense offset mechanism for the procurement of defense equipment has been going on since the early 1960s, although it was effectively only carried out when IPTN, PT. PAL, and PT. PINDAD established cooperation with armament-producing countries and strategic industries in the mid-1970s, with a variety of weapons and strategic industries, from the beginning light armament, rockets, helicopters, fast boats, corvettes, and aircraft. The practice of defence offset in Indonesia has not been able to meet the needs of defense weapons integrally, because it is caused by various obstacles that surround, namely: human resource readiness, budget capabilities, and other resources, such as basic materials for making weapons such as steel and others. The defense offset mechanism in the procurement of defense weapons has been carried out with three types of offsets: license purchase, coproduction, and development, but the offset mechanism has not been sufficiently able to support the needs of defense equipment in Indonesia, because the types of weapons and defense equipment that utilize the offset defense mechanism are not specific to urgent needs, such as fighter aircraft, frigates, tanks, and so on. The practice of new defence offsets is limited to supporting needs, not yet to the support of the need for procurement of defence equipment (Muradi, 2016). The Republic of Indonesia (RI) and the United Arab Emirates (UAE) have so far established good bilateral relations. Since the UAE was proclaimed on December 2, 1971, Indonesia inaugurated diplomatic relations between the two countries in 1976. After that, on October 28, 1978 the Indonesian Embassy was inaugurated in Abu Dhabi at the Chargé d'Affaires level. Then since February 2003, Indonesia has a Consulate General in Dubai. Relations between the two countries then became closer after June 10, 1991 the UAE officially opened the Embassy of the United Arab Emirates in Jakarta. Successively after that, the UAE opened the Consular Office in August 2014 and the Office of the Military Attaché in April 2019. (Mustofa, 2021) Minister of Defense of the Republic of Indonesia Prabowo Subianto while meeting with the Minister of Defense of the United Arab Emirates (UAE) H.E. Mohammed Ahmed Al Bowardi, during his working visit to the United Arab Emirates, Thursday (30/6), witnessed the signing of the cooperation of three Indonesian Defense Industry SOEs. The three Defense Industry SOEs are PT PAL with the UAE government, and PT Dirgantara Indonesia with PT Pindad with Calidus LLC, at the UAE Ministry of Defense, Abu Dhabi. The cooperation agreement between PTDI and Calidus LLC was confirmed in a Memorandum of Understanding (MoU) signed by PTDI President Director Gita Amperiawan and Calidus CEO Faris Al Mazrouei. The cooperation takes place in accordance with the rules in communication signed by the Memorandum of Understanding (MoU) of the Ministry of Defense of the Republic of Indonesia and the Ministry of Defense of the United Arab Emirates signed on June 30, 2022.

The content of the agreement is that the two companies agreed on cooperation in terms of Joint Marketing for the CN235 multipurpose transport aircraft and the N219 light passenger aircraft. Also, Joint Development for the version upgrade N219 aircraft and MALE drones Black Eagle, following the cooperation of Engineering, Design & Flight- Testing Work Package on each product development carried out together. This cooperation is also a form of strengthening bilateral relations between Indonesia and the UAE which has been going on for a long time based on close cultural ties and a shared commitment to enable greater economic development, as well as the prosperity of the people of the two countries. In particular, Indonesia and the UAE have also agreed to take steps to increase economic cooperation, trade and investment, including in the field of defense industry through bilateral mechanisms that have been established (Kementrian Perdagangan Republik Indonesia, 2022).

Indonesia's state defense system is organized in a universal defense system. The form of defense developed involves various components of the state such as citizens, territories, all resources and national infrastructure that have been prepared by the government from an early age. The system is also organized in a total, integrated, directed and sustainable manner (Spaulding et al., 2002). Indonesia's universal defense system integrates military defense and non-military defense. It aims to build the country's defense strength and capabilities. Indonesia always encourages the creation of peace, security, stability, and prosperity in the development of the global world through foreign policy is free to be active and impartial to any country (non-block). In addition, Indonesia's defense strategy has also been prepared comprehensively by taking into account three basic points, namely forming, responding, and preparing. Furthermore, a defense strategy is a strategy that is able to create national and international environmental security so that it can guarantee national interests and is able to respond to all forms of threats that can hinder national interests. Defense to face an unpredictable future to protect national interests. Specifically in the aspect of international relations, Indonesia certainly has a foreign policy that is a foothold in politics and diplomacy in the international world. The principle of foreign policy promoted by Indonesia is free-active. In its implementation, Indonesia implements a free-active foreign policy based on the basis of state ideology, namely Pancasila and the 1945 Constitution.

Basically, Indonesia's state defense system is a representation of the foundation of foreign policy, namely the idyl foundation, constitutional foundation and operational foundation. This defense system aims to maintain domestic as well as foreign security. When the domestic aspect has been fulfilled, Indonesia has the authority to carry out foreign policy, so that it becomes seen in the global world. When Indonesia is viewed by the international world, then Indonesia can carry out international security to maintain world peace but still pay attention to the aspect of neutrality as a country that does not take sides to the left or right.

CONCLUSION

In terms of Communication. In general, communication has no obstacles, the relationship between the two countries has been established for 44 years, then in 2022 it will be enhanced by the cooperation of strategic partners, one of which is in the field of defense. This cooperation was created, because the two countries put a mutual trust in each other. The IUAE-CEPA document that the two countries have agreed upon at Al Shatie Palace, Abu Dhabi, July 1, 2022 provides for agreements and provisions regarding another memorandum of understanding, for which there is also an agreement on the Protocol on Cooperation in the field of Defense Industry and Procurement of military equipment. Through the Three State-Owned Defense Industries, in the form of Joint Marketing cooperation for CN235 multipurpose transport aircraft and N219 light passenger aircraft. Also, Joint Development for the upgraded version of the N219 aircraft and the MALE Black Eagle drone, following the cooperation of Engineering, Design & Flight-Testing Work Package on each product development carried out together.

REFERENCES

- Anakotta, M. Y., & Disemadi, H. S. (2020). Melanjutkan Pembangunan Sistem Keamanan Nasional Indonesia Dalam Kerangka Legal System Penanggulangan Kejahatan Terorisme. *Jurnal Kemanan Nasional*, VI (1), 41–71. [Google Scholar](#)
- Kementerian Perdagangan Republik Indonesia. (2022, July 3). *IUAE–CEPA Ditandatangani: Sejarah Baru Bagi Indonesia dan Uni Emirat Arab*. Direktorat Jenderal Perundingan Perdagangan Indonesia. <https://ditjenppi.kemendag.go.id/berita/iuae-cepa-ditandatangani-sejarah-baru-bagi-indonesia-dan-uni-emirat-arab> [Google Scholar](#)
- Koerniawati, I., Prakoso, L. Y., Putri, R. H. S., & Khotimah, N. (2023). Geothermal Energy Potential In Supporting National Defense And Economic Sustainability In Developing

- Countries. *Return: Study of Management, Economic and Bussines*, 2(03), 260–268. [Google Scholar](#)
- Kusuma, A. W., Prakoso, L. Y., & Sianturi, D. (2021). Relevansi Strategi Pertahanan Laut Berdasarkan Doktrin Jalesveva Jayamahe Terhadap Globalisasi Dan Perkembangan Lingkungan Strategis. *Jurnal Strategi Pertahanan Laut*, 6(1). [Google Scholar](#)
- Lattal, K. A., & Rutherford, A. (2013). John B. Watson's behaviorist manifesto at 100. *Revista Mexicana de Análisis de La Conducta*, 39(2), 1–9. [Google Scholar](#)
- Menteri Pertahanan. (2022, July 4). *Tiga Industri Pertahanan RI Teken Kerja Sama di UEA Disaksikan Menhan Prabowo, Apa Saja?* Kementerian Pertahanan Republik Indonesia. <https://www.kemhan.go.id/2022/07/04/tiga-industri-pertahanan-ri-teken-kerja-sama-di-uae-disaksikan-menhan-prabowo-apa-saja.html> [Google Scholar](#)
- Muradi, M. (2016). Defense offset practices in Indonesia. *Unpad Library*, 4(7), 1–25. [Google Scholar](#)
- Mustofa, A. Z. (2021). Analisis Kerja Sama Indonesia dan Uni Arab Emirates (UEA) dalam Pertahanan (2019-2021). *Madani Jurnal Politik Dan Sosial Kemasyarakatan*, 13(2), 109–121. [Google Scholar](#)
- Saputro, G. E. (2022). Kerjasama Industri Pertahanan Indonesia Dan Korea Selatan Dalam Perspektif Ekonomi Pertahanan. *Jurnal Education and Development*, 10(2), 227–234. [Google Scholar](#)
- Saputro, G. E., Mahroza, J., & Tarigan, H. (2020). The Impact Of The Military Expenditure And Security Expenditure Structure On The Security Stability. *Jurnal Pertahanan: Media Informasi Ttg Kajian & Strategi Pertahanan Yang Mengedepankan Identity, Nasionalism & Integrity*, 6(3), 328–341. [Google Scholar](#)
- Schreiber, J., & Asner-Self, K. (2011). *Educational research: The interrelationship of questions, sampling, design, and analysis*. Wiley. [Google Scholar](#)
- Spaulding, M. L., Guyomarch, J., Le Floch, S., Merlin, F. X., Shagapov, V. S., Galiakbarova, E. V., Gimaltdinov, I. K., Mwangi, P., Thyne, G., & Rao, D. (2002). Principals as Leaders in a Culture of Change. *Spill Science and Technology Bulletin*, 8(1), 698–703. [Google Scholar](#)
- Sugiyono, P. (2016). Metode Penelitian Manajemen (Pendekatan Kuantitatif, Kualitatif, Kombinasi (Mixed Methods), Penelitian Tindakan (Action Research, dan Penelitian Evaluasi). *Bandung: Alfabeta Cv*. [Google Scholar](#)
- Syukron, A. (2013). Dinamika perkembangan perbankan syariah di Indonesia. *Economic: Journal of Economic and Islamic Law*, 3(2), 28–53. [Google Scholar](#)
- Wanda, A. R. U., Djati, S. P., Kertawidana, I. D. K., & Sundari, S. (2018). Evaluasi Program corporate social responsibility (CSR) PT. Pilar Wanapersada Dalam Mendukung Ketahanan Ekonomi Daerah di Kabupaten Lamandau, Kalimantan Tengah. *Ekonomi Pertahanan*, 4(2) [Google Scholar](#).