



OPTIMISATION OF INDONESIA'S NATIONAL  
**DEFENCE INDUSTRY**

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# INDONESIAN DEFENCE INDUSTRY: WHO'S WHO

## Defense Industry Policy Committee (KKIP), as of 2023:

215 companies  
in the sector:



9 state-owned



206 private actors

### Public defence companies :

- **Main state-owned** defence companies: PT Dirgantara Indonesia, PT Pindad, PT PAL Indonesia, PT Dahana, and PT Len Industri.
- **Other supporting** state-owned companies in the sector: PT INTI, PT GMF AeroAsia, PT Dok dan Perkapalan Kodja Bahari, PT Krakatau Steel.



GMF AeroAsia  
GARUDA INDONESIA GROUP



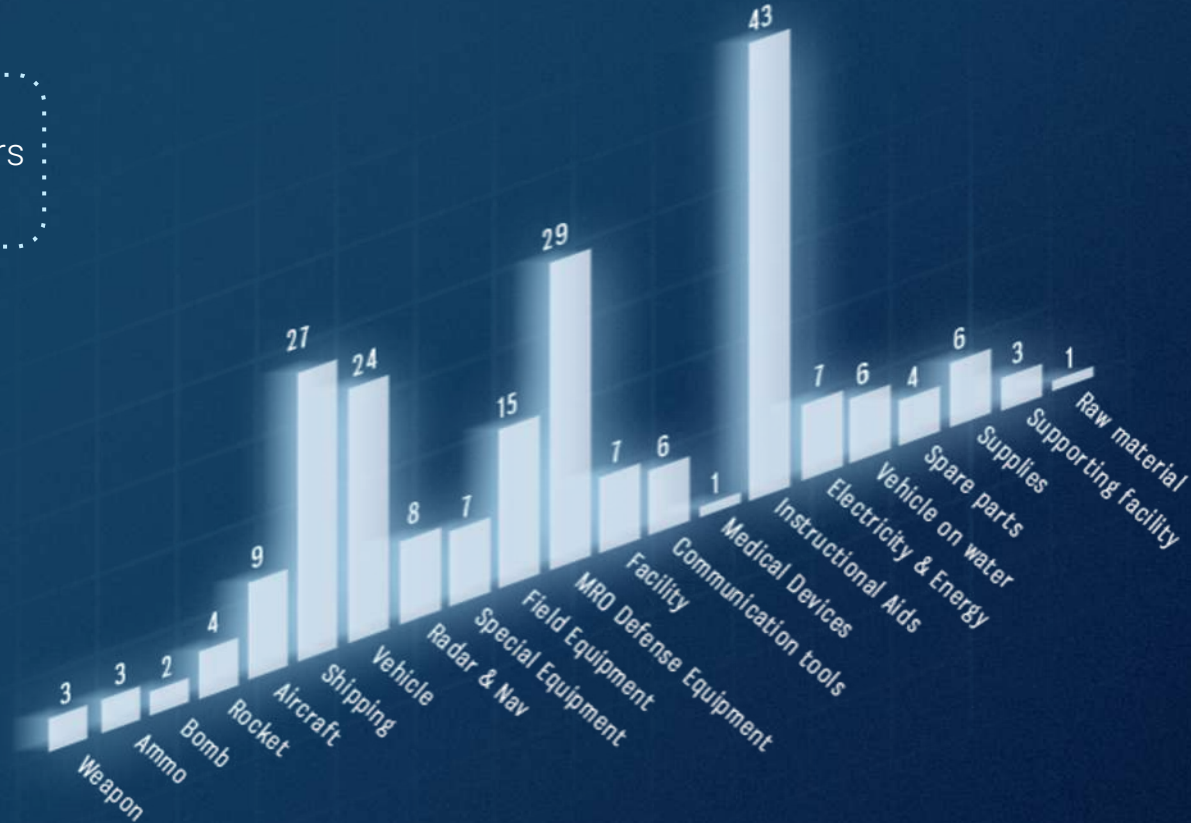
HIPYARD & ENGINEERIN

### Private defense companies :

- **The Association of National Defense and Security Industry (PINHANTANAS):** the number of private defense contractors continue to increase, reaching more than 200.



**PINHANTANAS**  
PERKUMPULAN INDUSTRI PERTAHANAN SWASTA NASIONAL INDONESIA



# CURRENT ORGANISATION OF DEFENSE INDUSTRY (1/2)

PUBLIC



**DEFEND ID** is now managing the business activities of national defense firms, ...

... led by **PT Len Indonesia** as the parent company.

The objectives of national defense industry revitalization

as instructed by President Joko Widodo are:

- To shift from defense spending to investment;
- To be part of the top 50 global defense companies;
- To achieve self-sufficiency in the sector.



10 priority programs to achieve these goals:



- Mastering key technologies → achieve independence/self-sufficiency in defense technological and industrial base (DTIB).

# CURRENT ORGANISATION OF DEFENSE INDUSTRY (2/2)

## PRIVATE

No private actors acts as the lead integrator in Indonesian defense industry sector so far, despite the changes brought by the **Job Creation Law**.



One of the revisions made by the Job Creation Law on Law No.16/2012 is related to equity participation; private actors - **both foreign and domestic ones** - are now welcomed to invest on defense projects, also aimed to decrease the burden on state budget.

Private defense companies (BUMS) are managed by the Ministry of State-Owned Enterprises (Deputy of Strategic Industry and Manufacture Division)

- Some are also **part of Association of National Defense and Security Industry** or PINHANTANAS

The private Indonesian defence industry sector **mostly acts as a distributor or agent** for foreign suppliers.

- While some have the experiences (e.g. PT Daya Radar Utama, PT Tesco Indomaritim, PT Infoglobal Teknologi Semesta), **industrial maturity is still limited**.



INFOGLOBAL  
AVIONICS

# ESTABLISHMENT OF DEFEND ID

Defense Holding Company which consisted of **five state-owned defence Companies**

As the parent company of the holding, officials from **PT LEN** have 'special' access to the **Ministry of Defense**



## Objectives:

- *Minimizing overlapping business portfolio/products of the five members*
- *Increase local content (TKDN) percentage to at least 50% for key technologies/platforms*
- *Become the Top 50 Global Defense Companies (in terms of revenue) by 2024*
- *Become regional hub for major foreign OEMs*

# CHALLENGES FOR PUBLIC DEFENSE COMPANIES



1

Industrial maturity, capacities, and capabilities to receive transfer of technology and meet production deadlines

2

Signed many MoU with foreign partners with **no clear continuation**

3

**Limited ability** to establish supply chain in the country

4

**Challenges in attracting skilled workers**, especially from the younger generation

5

**Some have poor financial reports** and credit scores, thus making it difficult for them to secure sufficient funds to set up new projects

# CHALLENGES FOR PRIVATE DEFENSE SECTOR

- 1 Mainly distributors or agents
- 2 Relies mainly on **political connections**
- 3 Criticized the government for **neglecting the private defense sector** and state-owned defense firms for being too domineering
- 4 Prefer to receive contracts **directly from the MoD or TNI** rather than become a sub-contractors of state-owned defense firms



# REAL OBJECTIVES, NOT POLITICAL NARRATIVE TARGETS

Optimisation of National Defence Industry relies on fixing clear strategy and goals which could be achieved

- It should not be based on short-term political goals but instead on **mid to long-term industrial objectives**
- It should **involve the whole DTIB** and could accommodate a coordinating authority
- It should not only look good, but also **do good (less MoU, more real projects and roadmaps)**

The roadmap should stay on course and focus on what could also **benefits to domestic industry**



# UPCOMING CHALLENGES FOR **DOMESTIC DEFENCE INDUSTRY**



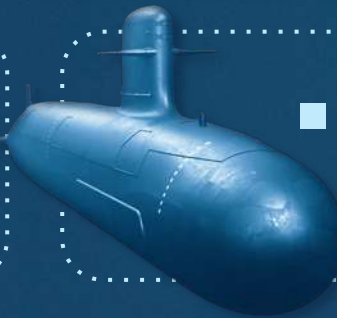
- **Contracts backlog**, especially for naval platforms, and limited number of orders for some indigenously developed products such as N-219



- **Accountability, corruption, and financial problems** to secure loans



- **Unclear post-2024 arms modernization program and funds**



- **Long decision making process**, on strategic project is impacting the domestic defence industry



- MoD and TNI's **tendency to purchase and operate too many variants or types of weapons** from different countries, even for the same capability/role.

This resulted in the fragmented and unfocused nature of technology transfer and mastery programs within the domestic industry.

# FORECAST: WHAT FUTURE FOR INDONESIA DEFENSE INDUSTRY?

MoD/DEFEND ID should formally **introduce** a National Defense Industry Roadmap and TNI's post-2024 modernization program (up to 20 years).

Indonesian stakeholders should persuade foreign investors to **directly invest** in domestic defense industry **and establish** consortiums/ joint ventures.

We hope to see Indonesian defence firms **more proactively looking for foreign partners** who can help them take part in the TNI's post-2024 modernization program.





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