

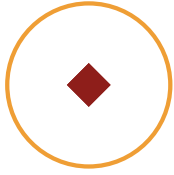
Weapons x Wall Street

Defence Procurement and the Architecture of Global Capital

POLICY BRIEF

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SUMMARY

More suppliers, one system, two brokers

BOTTOM LINE

Indonesia's order book, its legacy fleet and a new private channel now tie it to 14 supplier states and 30 defence firms. Followed upward, that variety thins out. Apart from small Chinese and Russian chains, every supplier is a NATO member, a US treaty ally or a US security partner, and two nodes broker the structure above Jakarta: NATO for security and MSCI for capital. Six of the seven bodies that grade Indonesia's equity, bonds and credit sit in New York. Diversification has added rooms to the same house.

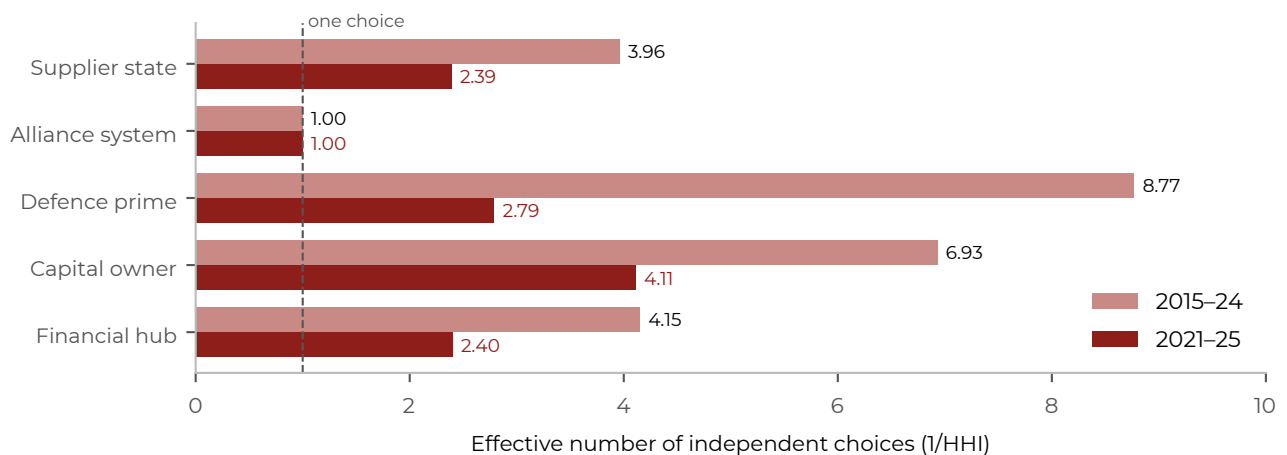
KEY FINDINGS

1. Supplier choice is about four effective states (2015–24); alliance choice is one US-centred system.
2. NATO (0.39) and MSCI (0.24) broker the structure above Jakarta; the Big Three own across both primes and graders.
3. Republikorp's deals and the Badr MoU add Turkish, Gulf and Pakistani state capital outside the index map, but every partner stays in the US security orbit.

RECOMMENDATIONS

1. Map the owners, lenders and graders of every supplier before signing.
2. Diversify the capital behind procurement, not only the flags on the platforms.
3. Put private integrators such as Republikorp under disclosure and oversight.
4. Keep Badr industrial and separate from the Mecca pact.
5. Fund spares, munitions and maintenance from a 1.5%-of-GDP domestic floor.

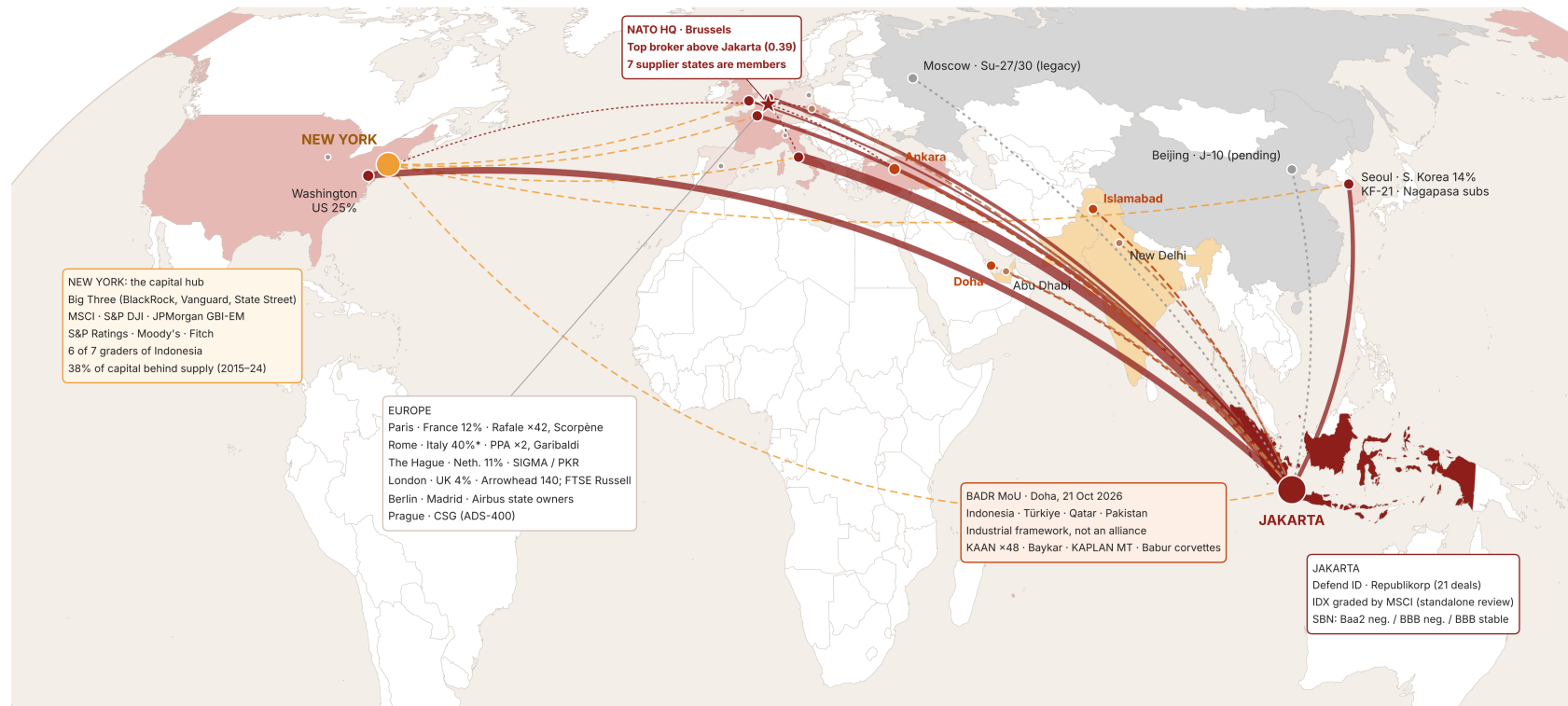
The concentration ladder: independent choices at each layer



Effective number = $1/\text{HHI}$ of the flow at each layer. Source: SIPRI supplier shares (named suppliers only); company shareholding disclosures and Simply Wall St, TIKR and MarketScreener data (Sep 2025–Sep 2026). LAB45 computation.

Weapons x Wall Street: Indonesia's weapons procurement network

Who Indonesia buys from, which system they belong to, and where the capital that owns and grades them sits. Equal Earth projection, centred on 30°E.



FLOWS

- Arms deliveries (width = SIPRI share, 2015-24)
- - - Badr MoU / Republikorp partners (agreements)
- - - Other new partners (UAE, India, Czechia)
- - - Exits: China (pending), Russia (legacy)
- - - Capital: ownership, indices, ratings (New York)
- ★ NATO HQ (Brussels) to member suppliers

SUPPLIER STATES

- Indonesia
- NATO member
- US treaty ally
- US security partner (non-treaty)
- Outside the US system
- Airbus state owner

Brokers above Jakarta (betweenness)
NATO 0.39 · MSCI 0.24 · Türkiye 0.20
New York 0.11 · Badr MoU 0.08 · Big Three 0.06

* Italy's share is for 2021-25 (SIPRI fact sheet, Mar 2026); other shares 2015-24 (SIPRI via CAAT). Source: LAB45 network dataset (Oct 2026); SIPRI; ownership disclosures; MSCI; rating agencies; Republikorp timeline; Badr MoU. Boundaries: Natural Earth.

Arc width shows SIPRI-recorded deliveries; Badr MoU and Republikorp links are agreements and are drawn at a fixed width. Source: LAB45 network dataset (Oct 2026). Boundaries: Natural Earth.

SECTION ONE

1

Diversified at the bottom

At the level of flags and factories, Indonesia's arsenal is more varied than at any time since 1945.

QUESTION

How many independent supply choices does Indonesia have?

EVIDENCE

A 116-node, 237-link network in seven layers, plus SIPRI supplier shares

ANSWER

About four effective supplier states and nine effective primes in 2015–24

14

Supplier states across the order book, legacy fleet, Republikorp channel and Badr MoU

30

Defence firms, from Dassault to EDGE, Karachi Shipyard and AVIC

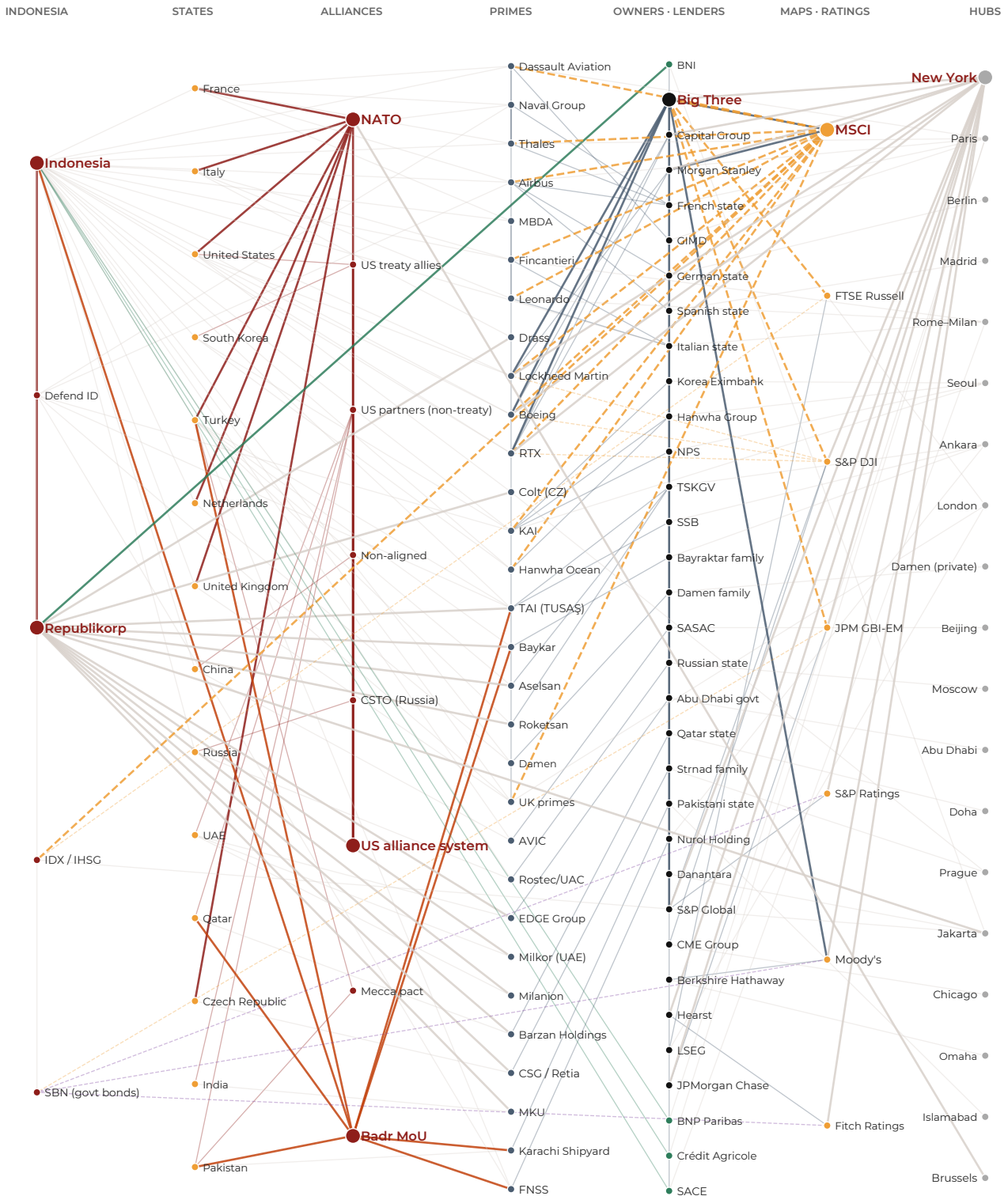
Seven layers from Jakarta upward

The network traces each purchase through seven layers: supplier states, alliances, defence firms, their owners and lenders, the index providers and rating agencies that grade Indonesia, and the financial hubs where that capital sits. Rafale and Scorpène tie Indonesia to France; PPA and Garibaldi to Italy; KAAN and Anka to Turkey; KF-21 to Korea; the pending J-10 to China. Through Republikorp, a private Indonesian integrator, new ties run to EDGE in the UAE and Barzan in Qatar.

Weighted by SIPRI's supplier shares and passed up by ownership stake, Indonesia had about four effective supplier states and nearly nine effective primes in 2015–24. On this layer, the diversification policy pursued since 2006 has worked.

The latest window narrows again: in 2021–25 Italy alone delivered 57% of named volume, and effective suppliers fell to 2.4.

Seven layers, 116 nodes, 237 links: highlighted links run through NATO, MSCI, the Big Three, New York, Republikorp and the Badr MoU



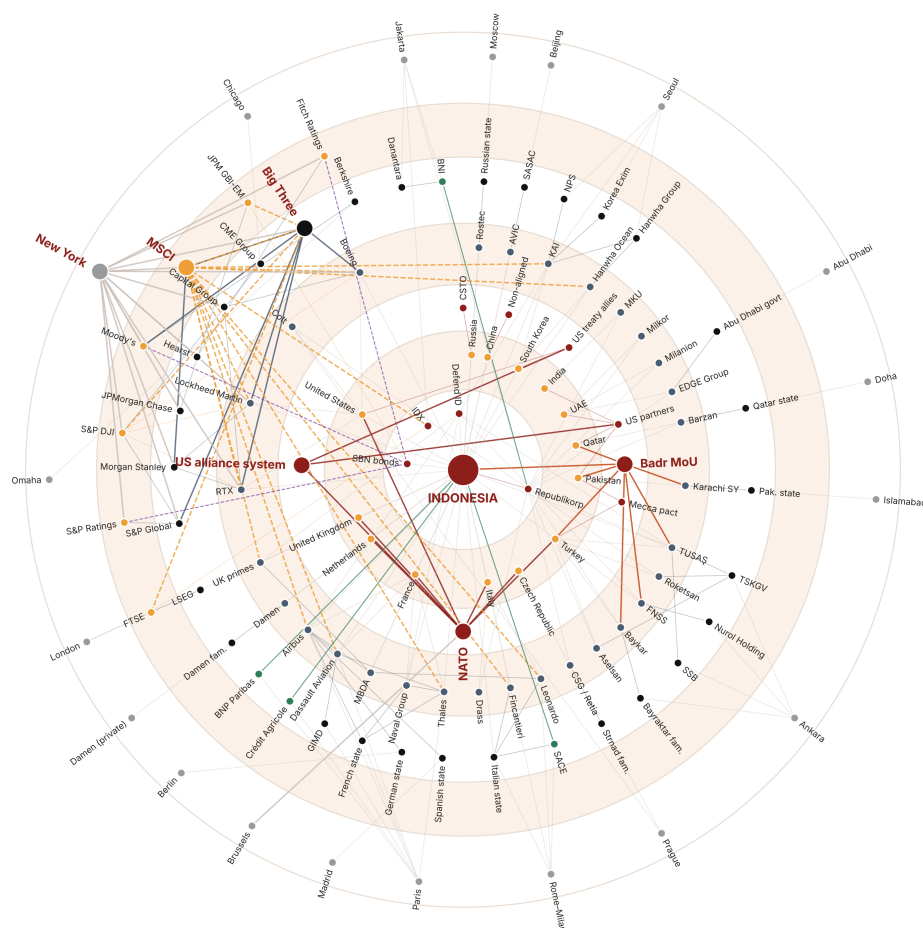
Source: LAB45 network dataset (Oct 2026): SIPRI; company shareholding disclosures; Janes and Defence Security Asia on financing. Dashed amber: index links; dashed purple: sovereign ratings; steel: ownership; green: loans; orange: Badr MoU.

WHAT IS A GLOBAL FINANCIAL HUB?

In this network a hub is the city where the capital behind a supplier ultimately sits: where its owners, lenders and graders are based and where decisions on ownership, credit and index status are taken. New York dominates. It hosts the Big Three, MSCI, S&P Dow Jones Indices, JPMorgan, S&P Global Ratings and Moody's, so it holds the owners of the US primes and six of the seven bodies that grade Indonesia; it has the highest betweenness of any city in the network (0.11, eighth overall) and is the end point of 38% of the capital flow behind named supply in 2015–24, a floor given that index funds also hold European and Korean shares. The other hubs are national: Paris and Rome–Milan hold the state and family capital behind French and Italian suppliers; Seoul, Ankara, Doha and Abu Dhabi hold state capital; "Damen (private)" marks family capital outside any market. Brussels is a different kind of node: it hosts NATO headquarters, the seat of the top security broker (0.39), not a capital hub; it is drawn on the hub ring because alliance decisions, like index decisions, are taken in one city. Jakarta appears only through Danantara, BNI and the IDX, as a market that is graded rather than a centre that grades.

Diversified at the bottom, concentrated at the top

Indonesia's arms network as seven rings: 116 nodes, 237 links. Highlighted links run through NATO, MSCI, the Big Three, New York and the Badr MoU.



THE SEVEN RINGS

- 1 Indonesia side: Defend ID, Republikorp, IDX, government bonds
- 2 Supplier states: 14 (≈4 effective among SIPRI-named suppliers, 2015–24)
- 3 Alliances and frameworks: one US-centred system, plus the Badr MoU (industrial)
- 4 Defence firms: 30 (11 inside the MSCI universe)
- 5 Owners and lenders: states, families, Big Three, banks (Airbus owners in the France slice)
- 6 Maps and ratings: 7 graders, 6 headquartered in New York
- 7 Hubs: New York (capital), Brussels (NATO seat), Paris, Rome–Milan, Seoul and others

LINKS

- Alliance
- Ownership stake
- Index map
- Sovereign rating
- Loan or credit
- Badr MoU (industrial)
- Supply, domicile, hub

Brokers above Jakarta (betweenness): NATO 0.39 · MSCI 0.24 · Türkiye 0.20 · New York 0.11 · Badr MoU 0.08 · Big Three 0.06 (owner, not broker)
Source: LAB45 network dataset (Oct 2026); SIPRI; company ownership disclosures; MSCI; rating agencies; Republikorp timeline; Badr MoU (Doha, 21 Oct 2026).

The same 116-node network drawn as seven concentric rings around Indonesia. Each supplier country has its own slice, so a state, its defence firms, their owners and their home city line up along one spoke. Links to New York, MSCI and the Big Three cross every slice; the China and Russia slices connect to almost nothing else. Source: LAB45 network dataset (Oct 2026).

SECTION TWO

2

Concentrated at the top

Above the factories, the network narrows to two brokers: NATO for security and MSCI for capital.

QUESTION

Who sits on the most paths in the structure above Jakarta?

EVIDENCE

Betweenness centrality with Indonesia, Defend ID and Republikorp removed

ANSWER

NATO first (0.39), MSCI second (0.24), Türkiye third (0.20)

0.39

Betweenness of NATO, the top broker

0.24

Betweenness of MSCI, the top financial broker

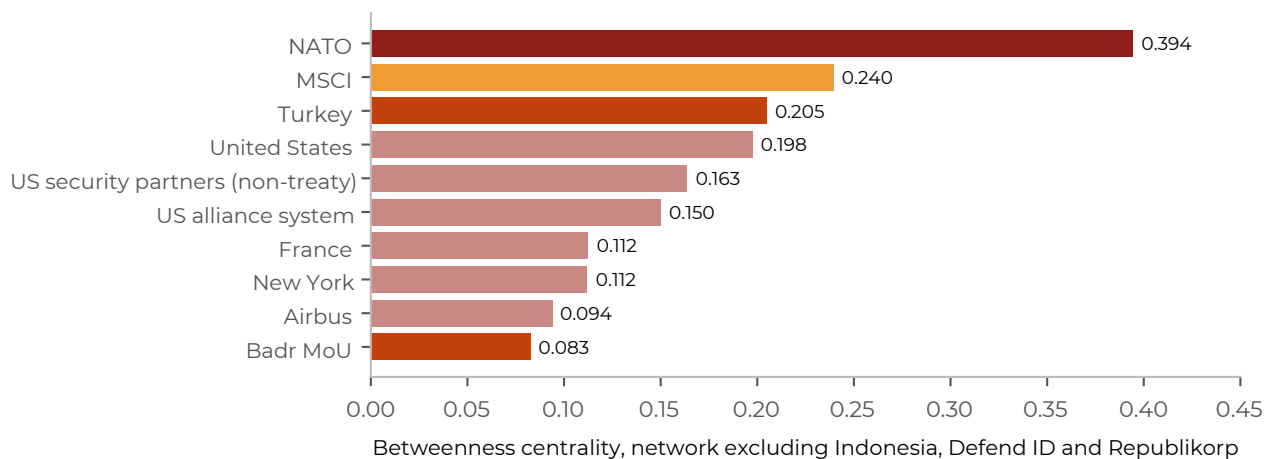
One alliance system

France, Italy, the Netherlands, the UK, Turkey and the US are NATO members; South Korea is a US treaty ally. In both SIPRI windows, every named supplier belongs to the US alliance system, so the effective number of alliance choices is exactly one. The Republikorp channel and the Badr MoU add the UAE, Qatar, India and Pakistan, all US security partners without a treaty. They route through the same system and keep NATO at the top of the broker ranking. Türkiye rises to third (0.20) as the bridge between NATO and the Badr group.

One capital broker

On the capital side, the top broker is MSCI. It links eleven listed primes in five countries, is bound both ways to the largest asset managers, and grades Indonesia's own stock market. Sections three to six explain why that position is an architecture rather than a conspiracy, who the Big Three behind it are, what MSCI's universe includes and leaves out, and how MSCI sits within a wider set of graders.

Brokers above Jakarta: betweenness centrality, top ten nodes



Source: LAB45 network dataset; ownership from Simply Wall St, TIKR (Sep–Dec 2025), MarketScreener and company disclosures. Index links mark listed shares in the MSCI equity universe; they mark exposure, not control.

3

SECTION THREE

Architecture, not conspiracy

The deep state in this network has no secret meeting, no shared plan and nothing hidden. It works through position, not intent.

QUESTION

Is the concentration above Jakarta coordinated, or structural?

EVIDENCE

Public filings, fund mandates and index methodology

ANSWER

Structural: every link is public, legal and rule-bound

	CONSPIRACY	ARCHITECTURE
Visibility	Actors and outcomes are hidden	Every link sits in a filing, a prospectus or an index methodology
Behaviour	Discretionary and secret	Rule-bound: index funds must track the index, so they buy and sell by mandate
Coordination	Actors agree in private	None needed: outcomes follow from where each actor sits, as anarchy constrains states in Waltz
Durability	Ends when the plotters go	Survives every change of CEO, fund manager or government
Accountability	Evades the law	Lawful, but answers to fiduciary duty, not to any electorate

Agency

Indonesia's classic deep state: security networks deciding, from Malari to Kudatuli

Structure

The capital deep state: positions deciding

Three mechanisms

Recursion. BlackRock, Vanguard and State Street hold about 23% of MSCI, and every fund benchmarked to an MSCI index is bound by mandate to follow its maps. Vanguard moved 22 of its index funds from MSCI to FTSE and CRSP benchmarks from 2013, so the recursion runs through whichever of their funds still track MSCI indices; within that set, the map-maker and its map-followers own each other.

Universal ownership. Funds managed by the same three hold about 31.5% of Lockheed Martin, 22.9% of RTX and 18.1% of Boeing, on behalf of pension funds and savers. Stakes of this size are normal across large listed companies; what matters is that they span every rival at once, so the managers' interest is total defence demand, not which prime wins Jakarta's tender.

Mechanical transmission. When the map changes, capital moves automatically, within days, without a single meeting.

0.24

MSCI betweenness, the highest of any financial node

15

Links: Big Three, Morgan Stanley, eleven listed primes in five countries, IDX/IHSG, New York

Why the cartographer sits in the middle

Betweenness measures how often a node lies on the shortest path between two others. MSCI scores 0.24, second only to NATO (0.39) and the highest of any financial node, because it does three things at once. Through listed float in its equity universe it links primes across borders: Lockheed and KAI, or Thales and Fincantieri, are two steps apart through MSCI and four apart through alliance routes. It is the one node bound both ways to the Big Three, which hold part of it and, through their MSCI-benchmarked funds, follow it. And it is the only index provider that both maps the primes Indonesia buys from and grades Indonesia's own stock market; FTSE Russell grades the market but not the primes in this network.

INCLUSION

Which Indonesian companies are in the index at all.

WEIGHT

How much passive capital each company receives.

CLASSIFICATION

Emerging, frontier or standalone. Status sets the cost of capital for the whole country.

x2

Indonesia sits in the architecture twice: as buyer and as graded market

How the loop reaches procurement

Indonesia buys from primes inside MSCI's universe and is itself graded by MSCI. A downgrade raises Jakarta's borrowing costs and weakens the rupiah, which makes the foreign loans behind Rafale, KAAN and the PPAs more expensive, while the same capital pool holds the suppliers. No one intends this outcome; it follows from the wiring.

Limits of the claim

MSCI's power is delegated: fund sponsors choose benchmarks, and FTSE Russell and S&P Dow Jones compete for them. Its centrality also reflects how the network was drawn, since only listed primes connect to it. Turkish Aerospace, Naval Group's state majority and Damen sit outside the map.

That is the most useful finding for policy. Indonesia's real diversification lies less in the flag on the platform than in the ownership form behind it. State-owned and family-owned suppliers sit outside the index architecture; listed ones sit inside it.

SECTION FOUR

4

The Big Three: the capital that must follow

BlackRock, Vanguard and State Street are the largest owners on both floors of the architecture: the arms industry and the institutions that grade Indonesia.

QUESTION

Who are the Big Three, and where do they sit in Indonesia's arms network?

EVIDENCE

Assets under management, shareholder data and network position

ANSWER

Not a broker but an owner: the largest holder across both defence primes and graders

US\$30tn+

Combined assets under management, 2026

6

Primes and graders where funds they manage hold 17–32%

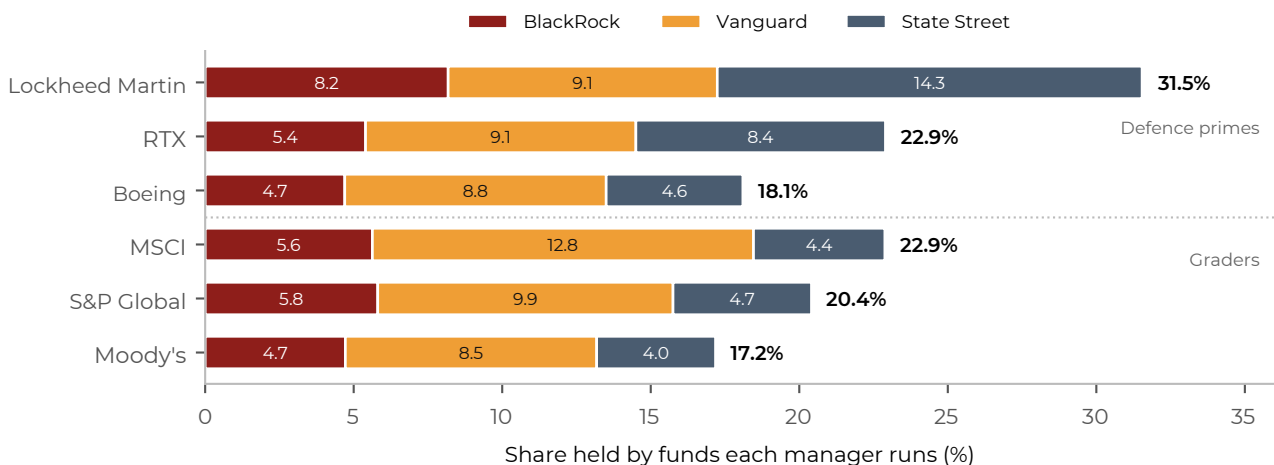
Scale and method

BlackRock managed about US\$15.5 trillion at the end of September 2026, after US\$205 billion of net inflows in the quarter. Vanguard manages roughly US\$12 trillion and State Street about US\$5–6 trillion, according to secondary 2026 rankings. Most of this money sits in index funds, which must buy every company in their benchmark, in its proportions. The Big Three own defence primes because the S&P 500 and MSCI indices contain them, not because they chose them. Academic work has documented the result: together they are the largest shareholder in most large US companies (Fichtner, Heemskerk and Garcia-Bernardo, 2017), and their share of votes keeps rising (Bebchuk and Hirst, 2019).

Owner, not broker

In the network, the Big Three rank only thirteenth by betweenness (0.06). Their power does not come from standing between others but from owning across layers. Funds they manage hold about 31.5% of Lockheed Martin, 22.9% of RTX and 18.1% of Boeing, and about 23% of MSCI, 20% of S&P Global and 17% of Moody's. Their index funds follow the maps of MSCI, S&P Dow Jones Indices, FTSE Russell and JPMorgan's GBI-EM, and hold Indonesian shares through funds such as the iShares MSCI Indonesia ETF.

Stakes held by funds each manager runs, defence primes and graders



Source: Simply Wall St (Lockheed Martin); TIKR (RTX, Boeing, MSCI, S&P Global, Moody's; Sep–Dec 2025). Vanguard's Lockheed figure combines two Vanguard entities; BlackRock's S&P Global figure combines two BlackRock entities.

1

Ultimate winner of a tender
between rival listed primes:
the same index capital

Universal ownership

A fund that holds every rival is indifferent to which wins a contract; its interest is the sector's total profit, which in defence means total demand. Research on US airlines (Azar, Schmalz and Tecu, 2018) suggested that such common ownership can soften competition, a finding still debated. For Indonesia the lesson is narrower: playing Lockheed against Boeing, or Thales against Leonardo, changes which company wins the order, not which capital ultimately profits from it.

The limits

The money belongs to pension funds and savers, not to the managers. Voting is partly passed back to clients through BlackRock Voting Choice and Vanguard Investor Choice. The three compete and diverge: Vanguard moved 22 funds from MSCI to FTSE Russell and CRSP benchmarks from 2013, and part of State Street's Lockheed stake may be held as trustee for Lockheed's own employee plans. Stakes of 17–32% are normal across large companies. That is precisely why this is architecture rather than design: the position comes from passive investing as a whole, not from any interest in Indonesia.

What Jakarta can and cannot do

Indonesia cannot negotiate with the Big Three as it negotiates with a supplier, because no single decision is theirs to make; their funds follow benchmarks. It can do three things. It can see the ownership behind every supplier before signing. It can favour state-owned and family-owned suppliers where capability allows, since they sit outside the index architecture. And it can fund spares, munitions and maintenance at home, where index flows do not reach.

Sources: BlackRock Q3 2026 results; Swipefile 2026 rankings; Fichtner, Heemskerk and Garcia-Bernardo (2017), Business and Politics; Bebchuk and Hirst (2019), Columbia Law Review; Azar, Schmalz and Tecu (2018), Journal of Finance; ThinkAdvisor (2012) on Vanguard's benchmark change.

SECTION FIVE

5

The MSCI universe: inside and outside the map

MSCI's indices decide which companies and markets global index capital can see. Indonesia's suppliers are split by that line, and Indonesia's own market is now being tested against it.

QUESTION

Which suppliers sit inside MSCI's universe, and what decides Indonesia's own place in it?

EVIDENCE

MSCI's classification framework and 15 Oct 2026 consultation; the 30-firm network; SIPRI-weighted flows

ANSWER

11 of 30 firms are inside; the capital behind supply is shifting from listed to state ownership

11 of 30

Defence firms in the network inside the MSCI equity universe

62% → 53%

Share of the capital behind named supply that is listed and index-tracked, 2015–24 to 2021–25

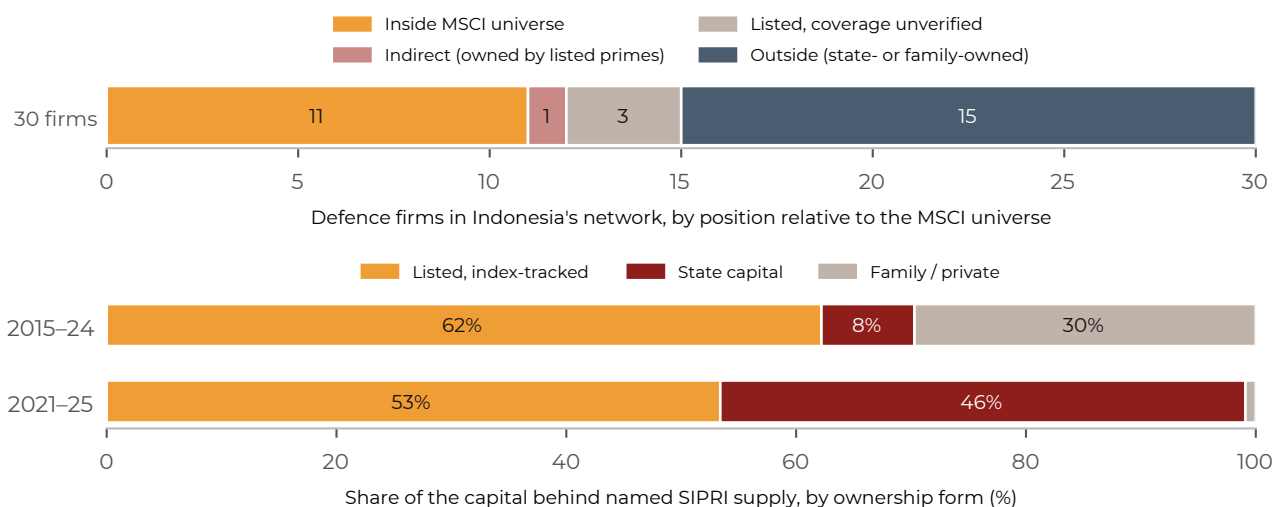
What the universe is

MSCI classifies every market as developed, emerging, frontier or standalone, using three criteria: economic development, size and liquidity, and market accessibility. Funds benchmarked to its indices buy what is inside, in proportion to its weight, and ignore what is outside. Standalone indexes are not part of the MSCI Emerging Markets or Frontier Markets indexes, so a move to standalone takes a market out of the benchmarks that most emerging-market funds track.

Indonesia under consultation

On 15 October 2026 MSCI launched a consultation on reclassifying Indonesia from emerging to standalone status. It cited investor concerns over opaque shareholding structures and suspected coordinated trading, and judged that announced reforms had not yet produced consistent progress. It chose standalone over frontier status because, in its view, frontier would not reflect the seriousness of the problems. Feedback is open until 30 April 2027, the decision is due by 30 June 2027, and a freeze on certain index changes for Indonesian securities remains in place.

Indonesia's suppliers and the MSCI line



Source: MSCI market classification framework and press release (15 Oct 2026); LAB45 network dataset and flow model on SIPRI named supplier shares. "Inside" marks listed firms in MSCI's equity universe; MBDA is owned by listed Airbus, BAE and Leonardo; Aselsan, Colt CZ and CSG are listed, but their MSCI coverage was not verified.

POSITION	FIRMS	OWNERSHIP
Inside (11)	Lockheed Martin, RTX, Boeing; Airbus, Thales, Dassault; Leonardo, Fincantieri; KAI, Hanwha Ocean; UK primes	Listed; free float held partly by index funds
Indirect (1)	MBDA	Joint venture of listed Airbus, BAE and Leonardo
Unverified (3)	Aselsan, Colt CZ, CSG	Listed; MSCI coverage not checked
Outside (15)	Naval Group, TUSAŞ, Roketsan, Baykar, FNSS, Damen, Drass, EDGE, Milanion, Milkor, Barzan, Karachi Shipyard, MKU, AVIC, Rostec/UAC	State-owned, family-owned or private

46%

State share of the capital behind named supply, 2021–25 (8% in 2015–24)

Supply is drifting off the map

In 2015–24, about 62% of the capital behind Indonesia's named supply sat in listed, index-tracked firms. In 2021–25 that fell to 53%, while state capital rose from 8% to 46%, mainly through Fincantieri's majority owner, the Italian state. The Republikorp channel pushes further in the same direction: its Turkish, Qatari and Emirati partners are almost all outside the index universe.

An irony worth naming

Indonesia's suppliers are moving partly outside MSCI's map at the same moment Indonesia's own market risks being moved outside MSCI's emerging-market benchmark. The first shift reduces how far index capital reaches into the arsenal. The second raises the cost of the credit that pays for it. The MSCI line therefore cuts both ways: it is a measure of exposure on the supply side and a measure of access on the financing side.

Implications

Procurement planners should record, for every major supplier, whether it sits inside the MSCI universe, since that determines how much index capital stands behind it. Capital-market policy and defence policy should also be read together: the reforms MSCI is testing, on free float and shareholding transparency, now bear directly on the cost of defence borrowing.

Sources: MSCI press release, "MSCI Launches a Consultation on a Proposal to Reclassify Indonesia from Emerging Market to Standalone Market Status" (15 Oct 2026); MSCI Market Classification page; LAB45 flow model.

6

SECTION SIX

The graders: one city, shared owners

MSCI is one of seven bodies that grade Indonesia. Together they set the price of the capital that pays for its weapons.

QUESTION

Who grades Indonesia's equity, bonds and credit, and who owns them?

EVIDENCE

Index classifications, bond-index weight, sovereign ratings and owner disclosures

ANSWER

Seven graders; six sit in New York; the Big Three hold 17–23% of the three listed ones

GRADER	GRADES	INDONESIA, OCT 2026	OWNER OR TOP HOLDERS
MSCI	Equity index	Consultation on standalone status (15 Oct 2026; decision by 30 Jun 2027)	Big Three 22.9%; created by Morgan Stanley (1986), divested 2009
FTSE Russell	Equity index	Secondary Emerging, retained Apr 2026; not on watch list	LSEG, London; benchmark for many Vanguard funds
S&P Dow Jones Indices	S&P 500, incl. Lockheed, RTX, Boeing	Maps the US suppliers	S&P Global 73%, CME Group 24.4%
JPMorgan GBI-EM	Local-currency government bonds	About 9.4% weight (Apr 2026); cap cut to 9%	JPMorgan Chase
S&P Global Ratings	Sovereign credit	BBB, stable (affirmed Jul 2026)	S&P Global: Big Three 20.4%
Moody's	Sovereign credit	Baa2, outlook negative (Feb 2026)	Big Three 17.2%; Berkshire Hathaway 13.8%
Fitch Ratings	Sovereign credit	BBB, outlook negative (Mar 2026)	Hearst 100%

6 of 7

Graders headquartered in New York (Fitch also in London); FTSE Russell is in London

3

Channels to procurement: equity maps, bond weight, credit rating

The 21 October episode

MSCI's signal that Indonesia could move to standalone status drew a direct response. On 21 October, President Prabowo told a plenary cabinet meeting that Indonesia was not afraid and would not be intimidated, and that the country was prepared to accept spending cuts if needed. The Financial Services Authority (OJK) later clarified that the statement was not meant to challenge MSCI and that Indonesia would work to remain an emerging market. The Jakarta Composite Index fell below 5,000. The exchange shows the asymmetry: the decision rests with a private index provider, outside any ministry or parliament.

Three channels to the procurement budget

Equity maps move foreign money in and out of the IDX and so the rupiah. The bond-index weight sets passive demand for Indonesian government bonds and so their yield. Ratings price every sovereign and export-credit loan behind Rafale, KAAAN and the PPAs. Two of the three agencies now have Indonesia on negative outlook.

Competitors with shared owners

The graders compete, but the three listed ones share their largest shareholders: BlackRock, Vanguard and State Street hold 22.9% of MSCI, 20.4% of S&P Global and 17.2% of Moody's. Many Vanguard index funds benchmark to FTSE Russell and CRSP; S&P 500 trackers from all three managers follow S&P Dow Jones Indices. Morgan Stanley created the MSCI brand in 1986 and sold out in 2009, and still holds small stakes in Lockheed (1.94%), RTX (1.2%) and MSCI (1.74%). A borrower cannot choose its graders; it can only choose how much it needs them.

Sources: CNBC Indonesia and Detik (21–22 Oct 2026) on the cabinet remarks; Kompas and Suara on OJK; S&P (Jul 2026), Moody's (Feb 2026), Fitch (Mar 2026) via Business Today and OCBC; FTSE Russell via OJK and RRI (Apr 2026); JPMorgan weight via Kabar Bursa (Apr 2026); ownership via TIKR (Dec 2025) and Wikipedia (S&P DJI, Fitch, MSCI history).

SECTION SEVEN

7

The Republikorp channel: Gulf capital, same orbit

A private Indonesian integrator has opened a second route to suppliers. It diversifies who owns them, not which system they belong to.

QUESTION

Does the Republikorp channel diversify the structure?

EVIDENCE

Republikorp timeline: 21 engagements, Feb 2023–Jun 2026

ANSWER

In ownership form, yes; in alliance terms, no; and it concentrates brokerage in one firm

21

Engagements, Feb 2023–Jun 2026

US\$9.3bn

Disclosed value: EDGE US\$7bn and Barzan US\$2.3bn

39%

Of foreign engagements with Turkish partners

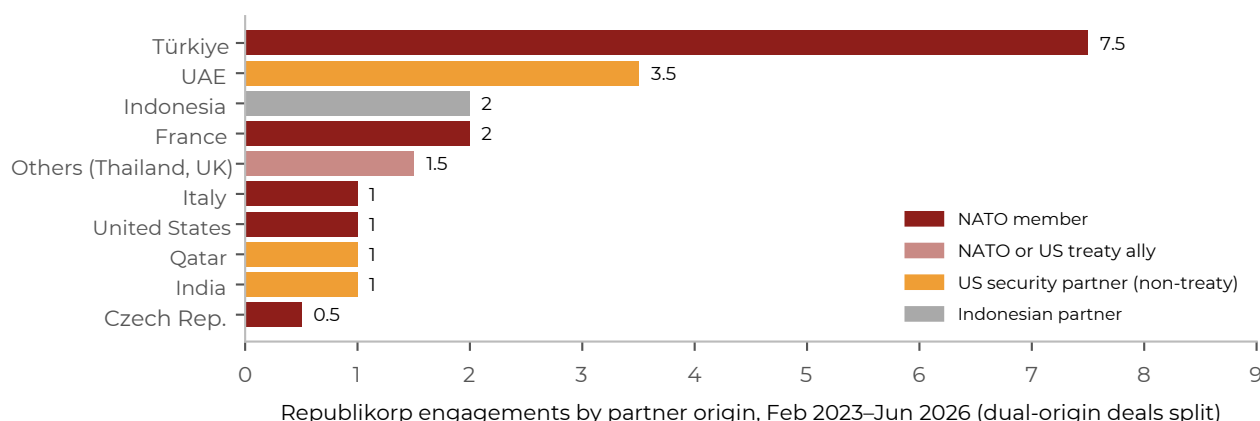
What it changes

Since 2023 Republikorp has signed with Baykar (TB3, Akinci, KIZILELMA), TUSAŞ (KAAN), Roketsan, Aselsan, EDGE, Milkor and Milanion in the UAE, Barzan in Qatar, CSG in the Czech Republic, Drass in Italy, Colt and MKU, with BNI providing domestic financing. Most of these partners are state-owned (EDGE belongs wholly to the Abu Dhabi government; Barzan to the Qatari state; TUSAŞ, Roketsan and Aselsan to Turkish state foundations) or family-owned (Baykar). They sit largely outside the index architecture, which makes this the most diversified channel by ownership form. Its foreign partners spread across about 4.6 effective origins.

What it does not change

71% of foreign engagements are with NATO members or US treaty allies; the rest are with the UAE, Qatar and India, which hold US Major Defense Partner or Major Non-NATO Ally status. The channel moves Indonesia toward Gulf and Turkish state capital without leaving the US security orbit. It also adds a new single point of failure on the Indonesian side: one private firm now holds 21 foreign partnerships.

Republikorp engagements by partner origin



Source: Republikorp Strategic Partnership Timeline, in "UAE Defense Industry" (28 Sep 2026). Origins read from the timeline's legend; dual-origin deals split half each. Engagements are agreements, not deliveries; most values are undisclosed.

SECTION EIGHT

8

The Badr MoU: an industrial bloc inside the orbit

On 21 October 2026, Indonesia, Türkiye, Qatar and Pakistan signed a defence-industry memorandum in Doha. It gives much of the Republikorp channel a government-to-government frame.

QUESTION

Does Badr change the structure above Jakarta?

EVIDENCE

Qatari and Turkish defence-ministry statements as reported; the network with Badr and Pakistan added

ANSWER

It diversifies ownership and adds a broker, but every partner stays in the US security orbit

4

Signatories: Indonesia, Türkiye, Qatar, Pakistan

0.20

Türkiye's betweenness, now third behind NATO and MSCI

0.08

Badr MoU betweenness, tenth in the network

What was signed

Deputy Defence Minister Yusuf Jauhari signed for Indonesia, alongside Defence Minister Yaşar Güler of Türkiye, Sheikh Saud bin Abdulrahman Al Thani of Qatar and Defence Minister Khawaja Asif of Pakistan. The MoU is a framework for joint production, technology transfer, research and development, technical training and supply-chain integration, run by an Executive Council that identifies projects and a Strategic Council that approves them. It builds on existing projects: Qatar's Bayraktar TB2 drones, Pakistan's Babur-class corvettes and the KAPLAN MT tank built by Pindad and FNSS. It contains no mutual-defence obligation.

What it changes

Most Badr partners are state- or family-owned: Turkish state foundations behind TUSAŞ and Roketsan, the Bayraktar family behind Baykar, Nurol Holding behind FNSS, the Qatari state behind Barzan and the Pakistani state behind Karachi Shipyard. They sit outside the index architecture, so Badr deepens diversification by ownership form. It also reduces dependence on a single private broker by giving Republikorp-type partnerships a state frame. Qatar brings what analysts call financial depth: if Gulf sovereign capital finances Badr projects, it could reduce Indonesia's reliance on credit priced by New York's graders. No financing or project values have yet been announced.

What it does not change

Every Badr partner remains inside the US security orbit. Türkiye is a NATO member; Qatar and Pakistan are US Major Non-NATO Allies. NATO stays the top broker (0.39), and Badr's centre of gravity, Türkiye, is itself a NATO state seeking technological independence within the alliance rather than from it. Turkish systems still rely partly on Western components.

	BADR MOU	MECCA JOINT DEFENCE AGREEMENT
Members	Indonesia, Türkiye, Qatar, Pakistan	Saudi Arabia, Pakistan, Türkiye
Signed	Doha, 21 Oct 2026	Mecca, 7 Aug 2026
Type	Defence-industrial framework	Mutual-defence pact: an attack on one is an attack on all
Indonesia	Signatory, at deputy-minister level	Not a party

Bebas-aktif

Red line one: no military alliance

Inside the red line, if framed carefully

As an industrial MoU signed at deputy-minister level, with Indonesia outside the Mecca pact, Badr stays within the first red line of bebas-aktif. The risk is perception. Some Indonesian media already call it an "aliansi", and its name and its overlap with the Mecca pact invite that reading. Pakistan's entry also links Indonesia's industrial network to a partner whose main adversary is India, while Indonesia works with Indian firms such as MKU. Kemhan and Kemlu should state plainly that Badr is industrial cooperation, and keep Badr projects separate from the Mecca pact and from Pakistan's security commitments.

Sources: CNBC Indonesia (22 Oct 2026); Express Tribune and Republika on the Turkish Defence Ministry statement; Al Jazeera (21 Oct 2026); Al-Monitor (Aug 2026) on the Mecca pact; Sindonews ("aliansi Badr"); EDR Magazine (Oct 2024) on Nuro's purchase of BAE's FNSS stake.

SECTION NINE · CASE STUDY

9

KF-21: co-development without autonomy

Indonesia joined the KF-21 to buy a share of a fighter's design. Eleven years later it is a prospective customer, and the parts that matter remain in Seoul and under US licence.

QUESTION

What did Indonesia get from the KF-21, and why?

EVIDENCE

Programme record 2015–2026; KAI ownership; engine licensing

ANSWER

One prototype and limited data for about 600 billion won; partner to customer

DATE	EVENT
2015	Indonesia joins as partner: 20% of development cost (about 1.6 trillion of 8.1 trillion won) for a prototype, technology transfer and 48 IF-X jets to be built by PT DI
to 2023	Indonesia pays about 227 billion won, then halts payments; its engineers leave the programme
Feb 2024	Korea opens a police probe into a suspected data leak by Indonesian engineers
Jun 2025	Indonesia's share is cut to about 600 billion won, with reduced technology transfer
Apr 2026	Prabowo visits Seoul; no KF-21 agreement. Seoul tentatively agrees to transfer one single-seat prototype
Jun 2026	Final development payment settled; Indonesia drops co-production and turns to buying finished jets, reportedly 16
Sep 2026	First production KF-21 delivered to the Korean air force; no Indonesian purchase contract yet

48 → 16

Planned Indonesian jets, 2015 vs 2026

1.6 → 0.6

Indonesia's development share, trillion won

From partner to customer

The original bargain was industrial: a share of the design and production in Bandung. What Indonesia now holds is about 600 billion won (some US\$400 million) spent for one prototype, limited data and an option to buy finished aircraft. Seoul has refused to transfer the core technologies Jakarta sought, notably the AESA radar and mission software. As an industrial programme the KF-21 has largely failed for Indonesia; as a purchase it remains open.

Why it failed: the three foundational problems

Defence economics: payments stopped for years and were renegotiated twice, the weakness a steady 1.5%-of-GDP floor would address. Institution building: a 30-year co-development needed a programme office that outlived governments; policy changed with each administration instead. Strategic culture: Indonesia again preferred finished platforms from a patron over slow co-development. The 2024 data-leak probe then eroded trust in Seoul.

Sources: Defense News (Jul 2026); Seoul Economic Daily (Jul 2026); The Defense Post (Apr 2026); Korea Times (Feb 2024, Mar 2026); Reuters (Apr 2026); Aviation Week (Jun 2026); The Avianist (Sep 2026).

3

Layers of control above the KF-21: owner, engine licence, alliance

The most tightly wired part of the network

The programme sold as Indonesia's route to fighter independence ran through the most connected part of the architecture. KAI is listed and inside the MSCI universe, anchored by Korea Eximbank (26.4%), Hanwha (15.9%) and the National Pension Service (8.75%). The Block I engine is GE's F414, built by Hanwha under US licence, so Washington retains a say over re-export and transfer whatever Seoul might wish. Korea itself is a US treaty ally. Technology transfer is bounded not only by the partner's will but by who owns and licenses the critical parts.

Fragmentation is now the larger risk

Indonesia's fighter future includes 42 Rafales ordered and 24 more considered, J-10s, 48 KAAN, the F-15EX, a reported 12 M-346FA light fighters, ageing F-16s and Sukhois, and possibly 16 KF-21s: six or seven combat types by the mid-2030s, each with its own spares chain, training pipeline and supplier politics. Readiness is lost in the troughs, when spares and support stop, and every added type multiplies them.

OPTION	GAINS	COSTS
Buy about 16 KF-21, with MRO and parts work for PT DI	Keeps the Korea relationship; recovers some value from the 600 billion won	Adds another type and supply chain; core technology stays in Seoul and under US licence
Fold the requirement into fewer lines (Rafale plus KAAN or KF-21, not both)	Fewer types; deeper training and sustainment; stronger bargaining per supplier	Disappoints one partner; KAAN carries its own engine and delivery risks
Close the programme and accept the sunk cost	Clean exit; frees budget	Credibility cost in Seoul as its export market forms

Lesson

The KF-21 is worth buying only if it replaces another planned type rather than adding one. The real decision is not KF-21 versus KAAN as aircraft, but which two or three fighter lines Indonesia can afford to sustain for thirty years, and how much of each line's ownership, licensing and finance sits outside its control.

Sources: The Aviationist (Sep 2026) on the GE F414 licence; Herald Corp on KAI shareholders; Defense News and Seoul Economic Daily (Jul 2026) on Indonesia's fighter options. Fighter counts include orders, reported decisions and options under consideration.

SECTION TEN

10

Capital and the exits

The money behind the suppliers rotates between a few cities, and the only routes out of the system lead nowhere else.

58%

Capital flow through Rome–Milan, 2021–25

38%

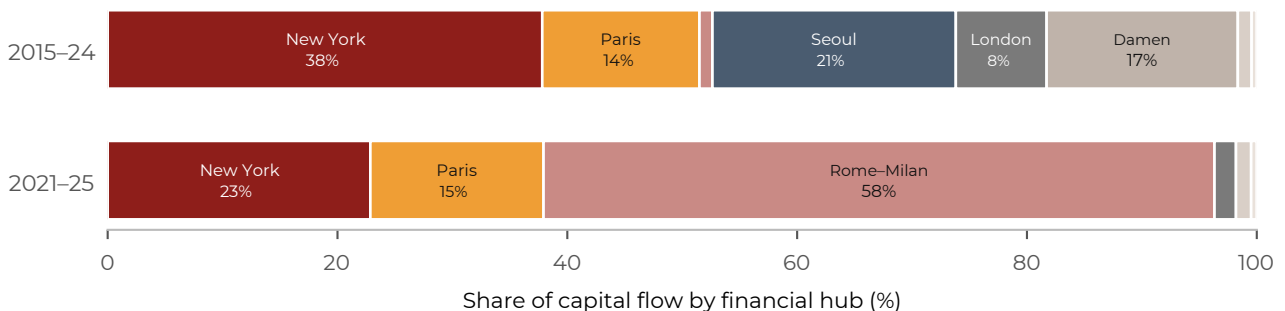
Through New York, 2015–24 (a floor)

Capital rotates between a few hubs

Passing each supplier's share to its owners and then to the city where that capital sits, the flow concentrates in a handful of hubs: New York in 2015–24, Rome–Milan in 2021–25, with Paris and Seoul behind. European and Korean floats are assigned here to their listing city, but much of that float is held by global index funds, so New York's true weight is higher than shown.

Financing follows the same hubs. The US\$1.25 billion facility for the PPAs, secured in 2024, is led by BNP Paribas with Crédit Agricole and backed by Italy's export credit agency SACE; the Rafale and KAAN purchases also rely on foreign credit. Indonesia pays the primes and the lenders, and has no seat with either.

Where the capital behind Indonesia's suppliers sits



Source: LAB45 flow model on SIPRI named supplier shares and ownership disclosures. Splits of a country's share across its primes are LAB45 assumptions.

3

Disconnected components in the network above Jakarta

The exits do not connect

Remove Indonesia and the network splits into three: the Western system, a China chain (AVIC, the J-10 and up to US\$3.1 billion of foreign loans earmarked for Chinese purchases, lender undisclosed) and a Russia chain (the legacy Sukhoi fleet). These are real exits, but small, sanction-exposed and linked to nothing else. Under bebas-aktif they hedge; they do not balance the structure.

SECTION ELEVEN

11

Recommendations

Indonesia cannot leave the architecture, but it can see it, spread its exposure and fund the core of its arsenal at home.

Map

Doctrinal: financial cartography as strategic intelligence

Map the capital before signing

Every major contract should carry a map of the prime's owners, its lenders, the agencies that grade the borrower and their hubs, maintained in LAB45's weapon systems database and reviewed by Kemhan and Kemenkeu before signature. The question is not only who builds the platform but who can stop its spares, credit or shares from moving.

Spread

Institutional: diversify capital, not only suppliers

Set limits on lenders and hubs

Procurement rules should cap the share of foreign credit from any one lender group or hub in a five-year window, and raise the domestic share of financing so that a single financial centre cannot hold both the factory and the loan.

Register

Governance: oversight of private integrators

Bring private channels into view

Private integrators such as Republikorp now broker a large share of Indonesia's new partnerships. They should disclose their foreign partners, financing and offset obligations to Kemhan and Parliament, so that a second channel adds resilience rather than a new single point of failure.

Frame

Diplomatic: keep Badr industrial

Hold the bebas-aktif line on Badr

State publicly that the Badr MoU is defence-industrial cooperation, not an alliance. Keep Badr projects separate from the Mecca pact and from Pakistan's security commitments, route them through Defend ID, and disclose their financing, so Gulf capital adds an alternative to New York's credit without adding an alliance obligation.

Fund

Fiscal: shrink what the graders can price

Fund the arsenal's core from a domestic base

Legislate a defence floor of 1.5% of GDP and a rupiah budget for spares, munitions and maintenance, so foreign credit buys platforms but never the means to keep them operational. Readiness is lost in the troughs, when spares and support stop; funding those at home removes the part of the arsenal most exposed to ratings, index decisions and lender conditions. Over time, Danantara can anchor domestic ownership of Defend ID, so part of the capital behind the arsenal sits in Jakarta.

Caveats

Flows count only suppliers SIPRI names (66% of 2015–24 volume, 70% of 2021–25). Splits across primes and the Hanwha Ocean attribution are LAB45 assumptions. Republikorp partner origins are read from its timeline legend, and its engagements are agreements, not deliveries. Badr is a framework; no projects or values beyond existing ones have been announced. FNSS is shown as wholly owned by Nuro, following its agreed purchase of BAE's 49% stake (Oct 2024). Ownership percentages combine aggregator data of different dates (Sep 2025–Sep 2026) and describe stakes managed for clients, not beneficial ownership; part of State Street's Lockheed stake may be held as plan trustee, which Lockheed's 2026 proxy should confirm. Programmes are mapped but not weighted by value, since several contract values are undisclosed.



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