

## Development of Intangible Economic Defense in Indonesia

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**ABSTRACT:** *This research focuses on the discussion of how to make efforts to realize the development of intangible economic defense in Indonesia through indicators and the capacity of national resources in stages. The writing of this article uses a search of the literature (books, magazines, newspapers, journals, and others) and interprets it objectively through in-depth analysis of the problem. Writing with qualitative methods can show interpretations that are a product or logical consequence of the data obtained during the study. The results of the study explain that (1) The development of intangible economic defense is part of the study of economic sociology which focuses on intangible results, but is felt by the community, namely welfare and a sense of security. (2) Welfare in the development process, prioritizing political security in protecting the interests of society from all threats of discomfort from global issues. (3) Human security as both actors and recipients of the economic defense development process is important for the smooth development of the development process to realize community welfare.*

**KEYWORDS:** *Development, Defense, Intangible Economy.*

### I. INTRODUCTION

Economic development is economic growth followed by changes in the pattern and structure of the economy or other words, the term economic development does not only refer to real national income, but also economic modernization. Indonesia's economic modernization must prepare the right human resources, because economic modernization will always be faced with issues that often have the potential to pose a threat to stability for the state and society.

The position of defense economics is very important, not only discussing economic matters, but the economy is also closely related to how to empower the country's wealth related to energy and natural resources. In my opinion, the conceptual relationship between science and defense whose goal is security must provide welfare for the community. Welfare here is what I mean when human resources (Indonesia) can optimally utilize their natural resources, Indonesian natural resources can be used optimally by our human resources. Talking about human resources, the first thing that the state must provide to support human resources is security guarantees for the community. When people get security, it will be easy to run the economy. Second, the government must support and appreciate all creativity and innovation so that trust and collaboration will arise between the community and the state.

Regarding defense linkages, Law Number 3 of 2002 explains that national defense is all efforts to defend the sovereignty of the state, the territorial integrity of the Unitary Republic of Indonesia and the safety of the entire nation from threats and disturbances to the integrity of the nation and state. Facts in the field today, the threats faced are not only military and non-military, but also hybrid threats. Hybrid threats are a combination of military threats and non-military threats that threaten national defense and security. In this case, the concept of implementing the Sishankamrata is very important by involving all citizens, regions, and other national

resources, as well as being prepared early by the government and carried out in a total, integrated, directed, and continuous manner.

The national and universal framework explains that defense is economically pursued, both tangible and intangible. Both are very closely related to any dimensions nationally that must be pursued in the context of defense and security. In a broader context, many things can be related to defense, including economic defense, social defense, cultural defense, and political defense.

Dissecting the economy from an economic point of view, there will be many benefits that can be created and utilized. Based on the facts that exist amid the uncertainty of the fluctuating economic situation, opportunities in defense science are the basis for making strategic decisions both fiscally and monetarily. Defense University lecturer Admiral TNI (Ret.) Agus Setyaji in a virtual discussion with the theme "The Strategy Behind the Defense Budget Allocation Policy" in Jakarta on Tuesday, July 7 2020 said that defense economics is a science to study issues related to defense, planning, power building including disarmament, weapons and world peace. According to him, many things are covered in the defense economy, including the prevention and avoidance of war, strategic interactions in terms of the arms race, and alliance formation and resource allocation and behavior.

Explaining that security is the result of defense, it is interpreted that the development of economic defense is a massive effort made on the economy in terms of optimizing national economic conditions, opening up international cooperation both in military and non-military matters, and cooperation for equitable development. Efforts to achieve economic security or national economic resilience in the context of building defense can be realized when people can have rights and carry out their obligations in fulfilling their lives. More specifically, the economy is divided into dimensions of possible sustainability, solvency, financial certainty for the future, and employment.

In this article, we will explain the development of intangible economic defense or intangible economic defense. Ex Deputy Minister of Defense Sjafrie Sjamsoeddin said that National Defense is intangible profit and cannot be calculated with rupiah figures, because it involves three things, namely state sovereignty, territorial integrity, and national safety. "These three things cannot be calculated in the nominal state budget, but these benefits are invaluable because they are in the national interest, namely national development and the survival of the nation and state," explained the former Deputy Minister of Defense when he was a resource person in the Briefing and Consolidation of National Level Leaders for Members of the Indonesian House of Representatives. Elected for the 2014-2019 period, Wednesday (20/8) at the RI National Resilience Institute (Lemhannas) office, Jakarta.

The presentation also explained about the Visualization of the State Defense System which includes how the state formulates, manages and implements the policies of the state defense system to deal with military and non-military threats. He said national defense is one of the basic elements in supporting the strong Unitary State of the Republic of Indonesia (NKRI). He explained that there are four basic interrelated elements as parameters of a strong NKRI, namely the existence of a dignified national politics, a national economy that reaches the needs of the people, a strong national defense and solid national solidity.

The implications of economic sociology are very influential for realizing intangible economic defense. Indonesia's national strength is known as the Astagatra element which consists of Trigatra and Pancagatra. Trigatra includes natural aspects such as population, natural resources, and territory. Meanwhile, Pancagatra covers social aspects such as ideology, politics, economy, socio-culture, and defense and security. Regarding the intangible economy, namely how to create benefits from the process of strengthening the development of the defense sector which has implications for the economy in Indonesia.

## II. LITERATURE REVIEW

### 2.1. *Development*

Definition development according to Easton (1985) Efforts to improve the standard of living and realize the existing potential systematically. A systematic process consists of at least 3 elements. First, there are inputs, namely conservation inputs. Second, there is a conservation process, namely a vehicle for processing input materials. Third, there are outputs, namely as a result of the implemented conservation process (Kartono and Nurcholis, tt).

Meanwhile, according to Emil Salim, development is sustainable development as "a process of change in which resource exploitation, direction, investment, technological development orientation, and institutional change are all in harmony and increase present and future potential for meet human needs and aspirations.

### 2.2. *Defense Economics*

Defense science is a scientific discipline that examines all aspects related to security on a national scale attached to the purpose of state administration. The urgency of defense science itself is the existence of an entity called the state and the need to defend itself from various threats. Defense science is universal and has become a necessity not only for the military, but also for civilians because the threats that exist enter all dimensions of national life (Ministry of Defense Information Media WIRA, 2015).

The term defense economy develops according to the novelty of threats and political developments. During the Cold War and several years after, defense economics was defined as the study of economics for defense, disarmament, change, and peace. After the Cold War era, defense economics focused on the economy for war and peace, including the study of war and conflict, both conventional and unconventional. Examples include the economic study of civil war, revolution and terrorism.

Referring to Hartley, et al. (1995), macroeconomically, defense economics is a study of resource allocation, distribution income, economic growth, and stabilization applied to defense-related topics. Defense economics encompasses various sub-sectors of the economy, including public sector economics (public goods, the effects of externalities obtained by an economic sector with other economic sectors, measurement of output), industrial economics (industrial base studies, procurement, research and development, industrial policy – collaboration, licensed production– in the defense industry), labor economy, international economy, public choice, and other macroeconomic and economic growth. Defense economy has two dimensions, namely macroeconomics and microeconomics. Macroeconomically, defense economics includes a study of the influence of defense expenditures/expenditures, both domestically and internationally, on macroeconomic variables, such as employment, output, and growth. Microeconomically, defense economics includes analysis of the defense industry base, collaboration programs, offsets, pricing and profitability of military contracts, and regulation of defense contractors.

Based on the above definition, it can be concluded that defense science from an economic perspective is a condition in which a very good opportunity or opportunity is created in the perspective of a universal aspect related to national security and should not be wasted. National and universal scale here means the opportunity to target any dimensions nationally that must be pursued in the context of defense. In a broader context, many things can be related to defense, one of which is economic defense. With Indonesia's vast territory with both biological and non-biological wealth, it seems to have given birth to a scientific field which contains a curriculum that studies how to allocate resources for welfare, income distribution, economic growth strategies, The defense economy has a position on policy in making all decisions concerning national defense and security through the resources it has, as well as how to manage resources to achieve public welfare.

### 2.3. *National Defense*

National Defense according to the Regulation of the Minister of Defense Number 16 of 2012 concerning the Policy for the Integration of the National Defense Components, namely:

"State defense is all efforts to uphold the sovereignty of the state, the territorial integrity of the Unitary State of the Republic of Indonesia, and the safety of the entire nation. The national defense effort is carried out by taking into account the dynamics of the threats faced. The development of the strategic environment always brings changes to the complexity of threats, both military threats, and non-military threats. National defense functions to realize and defend the entire territory of the Unitary State of the Republic of Indonesia as a defense unit. National defense is organized by the government and is prepared early with the state defense system through building and fostering the capability and deterrence of the state and nation as well as overcoming any threats."

The spirit in national defense arises from what is called the doctrine of national defense. In the Minister of Defense of the Republic of Indonesia Number 25 of 2014 it is explained that the National Defense Doctrine is essentially a teaching on fundamental principles that provide direction for the management of defense resources. The doctrine of National Defense is the basic principles that are believed to be true, extracted from the values of the nation's struggle and past experiences to be used as guidelines/teachings in developing the concept of national defense and security. The doctrine arises from a sense of nationalism to maintain the integrity of the sovereignty of a country. Nationalism is considered as a trigger for the spirit of love for the country.

#### **2.4. Intangible Asset**

Asset physical, such as land, factories, and machinery, played an important role in every economic activity in the past. However, in a technology-intensive and knowledge-based era like today, this role has been replaced by intangible assets (Dženopoljac, et.al in Gumelar, 2018).

Intangible assets are all non-physical assets that provide added value to the company in the future that are dynamic and sourced from knowledge and competencies, such as organizational structure, skills, workforce strength, and intellectual capital. Intangible assets can be classified into three groups (Sveiby in Berg, 2007). The first is employee competence which includes knowledge, skills, and the experience that can be achieved through company investment, education, and work experience. The second is the internal structure which includes the system and organizational culture as well as the administrative system. The last is the external structure that includes relationships with suppliers and customers.

### **III. METHODOLOGY**

This study uses a qualitative method with a literature review. A literature review is a written summary of various articles, journals, books and other documents describing past and present state of knowledge about a topic. The researcher used a literature review to compare the findings in the study with the previous literature. This study collects data from various sources that are needed as a basis for exploring how the process of building an intangible economic defense in Indonesia is based on the capabilities of its national resources.

### **IV. RESULTS AND DISCUSSION**

Defense Economics is the study of resource allocation, distribution income, economic growth, and stabilization applied to defense-related topics. Defense Economics is not only discussing economic matters, but the economy is also closely linked to social and political matters. Economic and social is how a country pays attention to the condition of society, whether all policies are right on purpose and justice is evenly distributed. Meanwhile, economics and politics are how all policies related to the economy can provide benefits or not.

Defense Economy in the context of realizing public prosperity and national security. Defense according to the Law of the Republic of Indonesia Number 3 of 2002 Article 1 paragraph 1, namely state defense is all efforts to defend the sovereignty of the state, 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.

Defense, according to Defense Minister Prabowo Subianto, which was conveyed at the leadership meeting of the Ministry of Defense, TNI and POLRI in Jakarta on January 23, 2020, is a state investment. Strong in terms of national defense will be safe and there will be a peaceful climate. Furthermore, a peaceful climate can guarantee a good economic climate, so that investors are safe.

Defense economics is a study that explores policies in resource allocation, income distribution, economic growth, and stabilization. The analysis in defense economics which is linked to macro and micro economics refers to two arguments, namely the close relationship between defense and the economy; second, the defense economic analysis framework which is divided into defense economy as an economic problem and defense economy as a security issue.

The implementation of the defense economy covers various macro and micro economic segments. To support defense and security, the microeconomic perspective acts as a frame that the economy is urgent to create output in the form of defense equipment products or other components that support defense and security. Meanwhile, in the macro perspective, it is explained that economic growth, unemployment problems, the stability of the national situation are also part of the security which is the duty of the state. The position of the defense economy in the macro sector is about how the state realizes that whatever is in the territory of the Republic of Indonesia and its resources are valuable assets that must be protected. The simple analogy is that the micro sector is part of industrialization that requires community resources,

Based on the theory and explanation of the analysis, there are several analysis results which in general are the efforts to develop an intangible economic defense which is a process of providing economic welfare to the community in an intangible manner. The indicators are interrelated, both defense, security, and the economy itself.

Welfare improvement as an effort to reduce inequality is a potential source of defense development in Indonesia. That is the essence of the demand approach. In the development process, it must be able to increase awareness of the rights and obligations of the community, by upholding the rules regarding what are rights and what are not, what is allowed and what cannot be done, including fostering behavior.

Regarding the defense economy, whether it can have a major impact on the development of the defense economy, the concept is broad and long. Moreover, talking about the relationship with defense is not only economic, but the economy is described from a defense point of view and how it can bring prosperity to the community in addition to strengthening national defense. According to a Defense University lecturer, Supandi explained the flow of the defense economy concept as follows: security > bringing in investment > growing economy > increasing state income > increasing government expenditure > increasing defense ministry budget > increasing defense sector financing > prosperous country (Supandi, 2020). Based on this cycle, the final result is intangible, namely to provide welfare for the community.

To realize the above, energy and natural resources are needed that are supported by political security and human security itself. The description is as follows:

#### ***4.1. Political Security In Order To Create Community Security And Maintain Integrity***

Regarding the intense regulation on national security, its formulation is not easy. Debates and analyzes by many experts also require a cool head to reach a consensus. The difficulties that occur focus on the different perspectives in understanding national security itself. In the military world, understanding what national security is is the function of state administration, namely defense. The police's point of view is

different, which views that defense is a form of effort or effort, while security is the result. Apart from that, we all realize that security is a shared responsibility which is divided into several elements. As a unitary state, security itself is the application of the values contained in Pancasila,

Further about political security, this term is a derivative in security. Understanding political security is not like understanding practical political science, but in this case, it requires complex studies by various related fields of science. Dissecting the two words, security in general means the ability to defend oneself in defending oneself from a real threat (existent threat). The concept of security itself is built on the basis of developments in the dynamics of global politics. Global politics that always spawns the latest issues make alertness the main job because the foreign policy constellation is full of speculation seeking profit behind the suffering of other countries. From there, a security strategy needs to be realized to deal with the very fast dynamics.

While the meaning of politics itself is a way or tactic to win or get something. In the context of Indonesia facing security threats, that politics is very important because as long as there are positive impacts taken or negotiations can produce benefits why not. Politics regarding security itself in international relations is divided into high politics concerning military threats and low politics concerning economic and social threats.

Generally, political security is very urgent in countering negative influences from outside. The benchmark for this is how much ideology can overcome/ward off threats. This position explains that Pancasila, the 1945 Constitution, and other laws have a proactive role in establishing a legal system in which the application of the concept of national security must be borne by each authorized party according to their main duties. The things achieved from security itself are the values of peace, economic prosperity, social justice, and a balanced environment.

#### **4.2. Human Security In Order To Create Community Security And Maintain Integrity**

Ideas about human security are an important source that gives rise to human security. At first, this idea was a debate about the idea of disarmament and development that took place in various UN forums in response to the arms race in the cold war era. Likewise, the activities of several independent commissions such as the Brandt Commission (The Brandt Commission), the Brundtland Commission (The Brundtland Commission) and the Commission on Global Governance (The Commission on Global Governance) helped change the focus of analysis on national security or state security into security for citizens.

The elaboration of the interpretation of this is then followed by the growing recognition of non-military threats in the debate on global security. The emergence of the concept of humanitarian security is observed from the four developments that underlie it: a. Increased civil wars and conflicts within countries; b. the spread of democracy; c. humanitarian intervention; d. widespread poverty and unemployment due to the economic crisis in the 1990s caused by globalization.

UNDP as the formulator of human security reports that Mahbub ul Haq once said: "We need to fashion a new concept of human security that is reflected in the lives of our people, not in the weapons of our country." The idea of human security is clear in the Human Development Report of the United Nations Development Program in 1994. UNDP states, "the concept of security must change from exclusive stress on national security to much greater stress on people. security, from security through armaments to security through human development, from territorial to food, employment, and environmental security" (Fitrah, 2015).

The United Nations as the agency that oversees world countries emphasizes changing the concept and focus of security from security that focuses on state security to public security, from security through military force to security through community development, from regional security to human security related to security guarantees, food, work, and the environment.

The context of human or social security is very clearly contained in the 1945 Constitution, which states that the state protects the entire Indonesian nation and all of its bloodshed. This means that the values that

have been formulated by the founders of the nation already exist and become the wisdom of the past life of the ancestors of the Indonesian nation. Meanwhile, to create security and maintain integrity, Indonesia has Pancasila as a source of legal footing because in a very diverse life, it is felt that there must be a point that connects to the same vision and mission, namely national security.

The format for maintaining the security and welfare of the people in Indonesia is explained in the following:

- a. Empowering religious forums, traditional forums, and cultural forums between communities to prevent potential social conflicts
- b. Increasing public access in the education and health sectors so that a decent social life can be realized
- c. Conducting socialization of inter-religious harmony, social solidarity, Bhinneka Tunggal Ika, and social solidarity among elements of society.
- d. Socializing deradicalization through religious leaders in the community and socializing national and pro-NKRI insights.
- e. Advocating and providing assistance to victims of conflict, so that there is no feeling of revenge and is not provoked to take revenge.

## V. CONCLUSION

### 5.1. Conclusion

Based on the explanation of the analysis above, it can be concluded that:

- a. Intangible economic defense development is a part of economic sociology that focuses on intangible results but is very much felt by the community, namely welfare and a sense of security.
- b. To achieve prosperity in the development process, prioritizing political security in protecting the interests of society from all threats of discomfort from global issues.
- c. In addition to political security, there is human security as both actors and recipients of the economic defense development process. This is important for the smooth running of the development process itself to realize the welfare of the community.

### 5.2. Recommendation

The government must ensure that the community is guaranteed to carry out the wheels of the economy for the sake of their survival, both feeling safe and comfortable, and providing support and appreciation by the state can increase the spirit of economic growth that can strengthen economic defense or national resilience.

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