Potential Impact of Fulfilment of Minimum Essential Force (MEF) to The Regional Welfare

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ABSTRACT

As with other aspects, the element of meeting the needs of national defense and security becomes very crucial aspect. These elements are not only coming from the domestic, but also related to the system of inter-state relations. To ensure the creation of the defense system and optimal security, policy will require minimum essential forces (MEF), which will outline the major components of the minimum requirements of national defense should be prepared to face any threats. The fulfillment of MEF must also provide welfare impacts for the region. For this reason this study was conducted with the purpose of calculating the impact of compliance with the MEF on the welfare of the region, especially in West Java province. IRIO using spatial approach, it can be concluded that the domestic defense industry is projected to have a role that is quite high, especially for the regional economy. To the West Java region, industrial goods of metal, in which there is the defense industry, encourage the creation of outputs and increase the income of workers. Although most of the economy and its impact enjoyed by workers in the territory, region or other provinces also continue to enjoy the effects of the increase in output and labor income.

Keywords: MEF, IRIO, National Defense System

Dampak Potensial dari Pemenuhan Minimum Essential Force (MEF) pada Kesejahteraan Daerah

ABSTRAK

Seperti aspek lain, unsur memenuhi kebutuhan pertahanan dan keamanan nasional menjadi aspek yang sangat penting. Unsur-unsur ini tidak hanya berasal dari dalam negeri, tetapi juga terkait dengan sistem hubungan antar negara. Untuk menjamin terciptanya sistem pertahanan dan keamanan yang optimal, kebijakan akan membutuhkan minimum essential forces (MEF), yang akan menguraikan komponen utama dari persyaratan minimum pertahanan nasional harus siap menghadapi setiap ancaman. Pemenuhan MEF juga harus memberikan dampak kesejahteraan bagi daerah. Untuk alasan ini penelitian ini dilakukan dengan tujuan menghitung dampak sesuai dengan MEF pada kesejahteraan daerah, khususnya di Provinsi Jawa Barat. Irio menggunakan pendekatan spasial, dapat disimpulkan bahwa industri pertahanan dalam negeri diproyeksikan memiliki peran yang cukup tinggi, terutama untuk perekonomian daerah. Untuk wilayah Jawa Barat, barang-barang industri logam, di mana ada industri pertahanan, mendorong penciptaan output dan meningkatkan pendapatan pekerja. Meskipun sebagian besar ekonomi dan dampaknya dinikmati oleh pekerja di wilayah, daerah atau provinsi lain juga terus menikmati efek dari peningkatan output dan tenaga kerja pendapatan.

Kata kunci: MEF, IRIO, Sistem Pertahanan Nasional

INTRODUCTION

According Santoso (2012), stated that national defense is with all means a universal defense, which the accomplishment based on the awareness of all citizens rights and obligations as well as confidence in its own strength to maintain the survival of the nation as an independent and sovereign country. Thus required their sustainable efforts to build and strengthen the defenses of the country, both military defenses to quell the threats of military and non-military defense to quell non-military threats. Military defense function is then carried out by the Indonesian National Army (TNI) as the main component of which is supported by the reserve and supporting components. For its implementation, the military force is influenced by various factors, including the availability and advantages in terms

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of Main Equipment Weapon System (Alutsista), (Hakim, 2011).

Based on Miderim (2013), to actualize a strong national defense system is certainly needed modernization of existing Alutsista for the creation of essential forces key components military (Minimum Essential Forces/MEF) in military defenses management. This condition is important, especially in Southeast Asia is a region prone to conflict between countries related to their various claims against the territorial boundaries of overlapping state. Consequently show off forces often used as a way to declare an authority of a country over the sea area or an island that being grabbed. For Indonesia, proprietary technology and military equipment spending that has been done, can be considered as a strategic behavior and is part of the efforts to maintain the sovereignty of the Unitary Republic of Indonesia (NKRI). But at the same time also as an efforts to increase the power and Indonesia's bargaining position against other countries (Hersusanto, 2012).

In modernization Alutsista planning towards fulfilling the main force of main components (MEF), the government employ several strategies including: 1) the new Alutsista procurement strategy to arm the formation of a new organization within the TNI, especially in border and vulnerable areas in addition to the signing of a memorandum of understanding (MoU) national defense industry coincide with the transfer of technology in procurement Alutsista imports; 2) re-materialization Alutsista strategy of TNI represents an increase and reuse of TNI's Alutsista by considering the development of science and technology in order to meet the material attainment military units through gradual development; 3) revitalization TNI's Alutsista in order to increase one level above of strata and material units adjusted to the threats within the country and 4) Alutsista relocation strategy which is a diversion of TNI's Alutsista and its units from one place to another (Margono, 2012).

According to the White Book of Indonesia's Defence of 2008, in support of national defense industry revitalization strategy, has made revitalization of PT. PAL (shipbuilding industry), PT Dirgantara Indonesia, PT. PINDAD (manufacturing industry), as well as PT. DAHANA (industrial explosives) and some other industries include in category of strategic industries (Marbun, 2009). Problems related to financial support, the government has also

constructed a Grand Design of Main Forces Key Components Fulfillment (MEF) into three stages: Stage One (2010-2014), Stage Two (2015-2019) and Stage Three (2020-2024). The fulfillment plans aims to meet Indonesia's capability of military to meet the standards or modern capability as a weapon of strategy (Syauqi, 2014).

Ministry of Defense in planning the country budgeting constantly getting increased allocations in the country budget (Financial Note, 2014). Increased budget in 2004-2005 for example, increased by 21.7 trillion, rising to Rp32,0 trillion in 2008, became Rp72,5 trillion in 2012 as well as Rp77,7 trillion in 2013. In general, most of the funds are used is still allocated for the procurement Alutsista which is still dominated by overseas production.

Table 1. Alutsistas from Other Countries

• Super Tucano from Brazil
• F-16 Block 25 of the United States
• Mi-35 and Mi-17 V5 from Russia
• T-50 from South Korea
• SU-30MK2 from Russia
• The submarine U-209 class of South Korea
• Corvet Sigma Class of Netherlands
• MBT Leopard 2A4 from the Netherlands and Germany

Source: Ministry of Defense, 2012

Despite the escalation, unfortunately when compared to military expenditures of other East Asian countries such as China, Japan, South Korea, Taiwan and Mongolia, military expenditures in Indonesia is still relatively small. China's military expenditures, for example, reached US$171.4 billion or about 2% of its total GDP in 2012. The ratio of military expenditures Indonesia with East Asia is about 1 to 50, meaning that the Indonesia's military expenditures only one per fifty East Asia military expenditures.

Table 2. Comparison of Indonesian Military Expenditure

Countries/Region	2005	2006	2007	2008	2009	2010	2011
Indonesia	3.3	3.4	4.1	3.8	4.0	4.7	5.2
East Asia	173.4	184.9	200.7	211.5	236.0	240.4	250.0

Source: Warta Ekonomi, 2012

Therefore the government has several schemes policies to be carried out, namely the Alutsista domestic production, unconditional import and development collaboration framework constructive such as joint investment, joint production and also joint research, development and innovation. Through these policies, the domestic defense industry is expected to grow, both in production capacity and technology. It became a good opportunity for the domestic industry that is actually able to compete with other countries (Priyanto, 2012).

If the opportunity used optimally, it is not impossible for the domestic defense industry to replace the role of the defense industries of other countries as they are the main supplier of national Alutsista. Thus the role of the MEF for the national economy will increase. In addition to the functions of national defense and security, MEF also can move the economy of Indonesia through the development of national defense industry. When the national economy is moving, the demand for the economic improvement of the area also increased (Harifin, 2012). Given the importance of these linkages, then this study aims to measure how the impact of industrial development of Alutsista in regional coverage.

Given the difficulty on fulfilling the data, one limitation of this study is the use of data can only be done until 2011. In the future, improved database connectivity is expected to fulfill data needs so the validity and accuracy policy becomes higher. Other study limitations related with research focus just taking care of the fulfillment of the funding from the state budget, not taking into account aspects of compliance with funding sources from other sectors.

Analysis element in the IRIO also limited on other issues. This study is still partially done to see the impact produced in the area if the national defense equipment industry developed through simulations of the metal industry. Studies have not been able to explain the link between aspects of meeting the needs of national defense equipment financing with regional input-output mechanism in the area.

Minimum Essential Forces/MEF is the mandate of national development in defense and security which has been established in RPJMN 2010-2014 corresponded with Presidential Decree No. 5 of 2010. Meanwhile, in 2009, had formulated the Strategic Defense Review (SDR) and set basic thoughts as well as recommended some strategic steps in actualizing a minimum essential force. The major purpose of MEF alignment policy is to correct planning factors, implementation mechanisms and the defense budget and not diverge from the decision-making management system of national defense in accordance with the level of authority (Sulistiyanto, 2011).

The elements consist of human resources, material/equipment major weapons systems (Alutsista) TNI, base and exercise area, the defense industry, organization, and budget. The objective that can be used as guidelines for compiling policies related to the development of TNI, especially MEF Principal Components is the term that was issued by President Susilo Bambang Yudhoyono, who refers to the Indonesian military forces (TNI) is still below the minimum force that should be owned by Indonesia to keep the sovereign territory of Indonesia.

In long term, the implementation needs to be monitored, evaluated and controlled carefully and sustainably to run according to the plan. The device that can be used as a monitoring and evaluation mechanism is SDR instrument. For example in 2009, the SDR has formulated and set basic thoughts and recommendations of strategic steps in actualizing MEF that set out in Ministry of Defense Regulation No. 2 of 2010. While in 2010 and 2011, SDR developed policy of MEF TNI alignment interest and steps to improve planning factors, implementation mechanisms and the defense budget and not diverge from the decision-making management system conformed to the level of national defense authority (Suharyadi, 2012).

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TNI Alutsista in quantity and quality relatively sufficient right now to defend the sovereignty and territorial integrity of the Republic of Indonesia. It cannot be denied that most of Alutsista are old and many encounter degradation in function and quality. Therefore, TNI strives to continue to carry out the construction of the power towards the realization of the Basic Force Main Component/MEF. Alutsista has a very important role in the national defense. Although we know the term "the man behind the gun", which puts the human/soldier as a main factor in the battle (war), but along with the increasing progress of science and technology, in addition to the human factor as the most dominant factor in winning the war, our technology military weapons have also colored the victory in a war.

Today war experts classifies war in four generations (Generation Warfare/GW), namely first generation warfare (1GW) that relies heavily on human strength, second generation warfare (2GW) the use of rifles and cannons in response to the development of weapons technology, third generation warfare (3GW) that rely on the excellence of weapons technology and information technology, as well as fourth generation warfare (4GW), asymmetric and non-linear war using the entire infrastructure and weapons systems, which is intended to destroy the enemy's willingness to fight.

This war showed an enhancement in the use of weapons technology from generation to generation. Weapons technology procurement which is becoming modern and sophisticated, became one of the important considerations for a country, in order to win a war. Weapons technology what we know as Alutsista is military hardware used for combat, which includes combat vehicles, weapons and aircraft along with supporting equipment (Subekti, 2012).

As part of the model regional analysis, impact analysis using IRIO models used to calculate the impact or multiplier output that appears in area that are producing goods and services (in regional) and other regions (interregional). The most important part in the multiplier analysis IRIO models is viewing the correlation level economy of a region with other regions. The correlation can be seen from the two components of total output multipliers which are output multipliers regional and interregional (Chenery, 1956).

Separation process of total output multipliers into two elements is called output multiplier decomposition. Multiplier interregional then separated into two components: flow-on effect and the feed-back effect. Flow-on effects or spill-over effect is impact value in other areas due to an increase in final consumption in a region. While the feed-back effect is output impact that appears in a region, as a result of increased output in other areas, which increases the output in other region triggered by an increase in final demand in a region.

Later, in terms of community income, IRIO models can be used to determine the income impact and multiplier which arise in its own area (regional effect) and appeared in other regions (interregional effect) in both absolute and relative numbers. If the addition of one rupiah in final demand (for household consumption, government consumption, investment and exports) on the product in a particular sector of a province will have an impact of additional rupiah in household income national by the total number of income impact. Beside the impact in income, income multiplier can also be measured (Toyomane, 1988).

If there is an addition of one rupiah income received by workers in a particular sector in a particular province, then we will increase the income of workers in the province plus in other provinces equal with income multiplier.

IRIO Model is very useful to acquire an overview

of each characteristic from each region and the interdependence between regions. Interdependence becomes input for economic policymakers at regional level in relation to the effort: encourage economic growth considering the potential of each area and measure the regional specialties that are directed to support national development goals which are refers to efforts for increasing productivity.

Total Multiplier Impact or National Impact

Is a number that indicated the output value change in the whole sector of national economy due to the modification one monetary unit of final demand in output j sector in a region. This multiplier impact is defined as:

$$O^A_{.j} = \sum_{i=1}^{n} m^{AA}_{ij} + \sum_{i=1}^{n} m^{BA}_{ij}$$

Where

$O^A_{.j}$ = The addition of output value j sector nationally due to additional one monetary unit of final demand in output j sector in A.

Intraregional Multiplier Impact

Is a number that indicated the output value change in the whole sector in a region due to the modification one monetary unit of final demand in output j sector in that region. This multiplier impact is defined as:

$$O^{AA}_{.j} = \sum_{i=1}^{n} m^{AA}_{ij}$$

Where

$O^{AA}_{.j}$ = The addition of output value in all of region A due to additional one monetary unit of final demand in output j sector in A.

Interregional Multiplier Impact

Is a number that indicated the output value changes in a region due to the modification one monetary unit of final demand in other region. If the final demand for the output j sector in A increased by one monetary unit, then the output impact that appears in region B is:

$$O^{BA}_{.j} = \sum_{i=1}^{n} m^{BA}_{ij}$$

Where

$O^{BA}_{.j}$ = Extra output value across the sector in B due to the addition of one unit of final demand money on sector j output in A.

Sectoral Multiplier Impact

Is a number that indicates how much change in output value of sector i in all regions, due to the addition one monetary unit of final demand j sector in an area. If the final demand increased one monetary unit the final demand of the monetary unit towards the output j sector in A, then the impact will be:

$$O^A_{ij} = m^{AA}_{ij} + m^{BA}_{ij}$$

Where

O^A_{ij} = Change of output value in i sector in all regions due to the addition one monetary unit of final demand j sector in A.

METHODOLOGY

Data used in this research is secondary data: Interregional Input-Output (IRIO) Indonesia in 2005. Indonesia IRIO Model of 2005, made by the Central Statistics Agency (BPS), composed of 30 provinces (regions) with 35 numbers of sectors. This type of transaction in the Indonesia IRIO model 2005 is a transaction on producer prices domestically. IRIO model 2005 can be reduced by 30 I-O table per area.

Interregional trade patterns were analyzed by observing the export, import and net export region, both domestically and internationally. Then the value of total domestic exports will be split into the value of exports for intermediate demand and final demand. Export and import values are calculated from the Indonesian IRIO model of 2005. We should see the correlation economy from sectoral and spatial aspects. Correlation economy sectoral between provinces was measured by the multiplier impact output, income and employment. An impact analysis is broken down into initial effect, total multiplier effect, flow-on multiplier effect, feedback multiplier effect, spill-over multiplier effect. The whole multiplier effect derived from l I-O Regional model and Indonesian IRIO models of 2005.

Table 3. Multiplier Decomposition Sectoral Output of West Java Province

Sector	Multiplier Effect	Regional Effect	Regional Effect(%)	Interregional Effect	Interregional Effect(%)
Rice	1.189	1.155	97.11	0.034	2.89
Other Foods	1.098	1.083	98.66	0.015	1.34
Crop Plantations	1.343	1.269	94.55	0.073	5.45
Livestock	1.875	1.506	80.33	0.369	19.67
Forestry	1.3	1.232	94.79	0.068	5.21
Fishery	1.361	1.25	91.85	0.111	8.15
Oil, Gas and Geothermal	1.1	1.083	98.43	0.017	1.57
Coal, metal ores and other excavation	1.375	1.236	89.88	0.139	10.12
Petroleum refining	1.488	1.417	95.26	0.07	4.74
Palm oil industry	2.181	1.466	67.22	0.715	32.78
Seafood industry	1.972	1.678	85.07	0.294	14.93
Food and beverage industry	1.888	1.674	88.69	0.214	11.31
Textiles industry and products	2.538	2.401	94.58	0.138	5.42
Footware industry	2.128	1.889	88.81	0.238	11.19
Good woods, rattan and bamboo industry	2.27	1.781	78.44	0.489	21.56
Pulp and paper industry	2.022	1.866	92.3	0.156	7.7
Rubber and rubber products	2.096	1.893	90.31	0.203	9.69
Petrochemical industry	1.917	1.735	90.53	0.182	9.47
Cement Industry	1.771	1.352	76.3	0.42	
Iron, steel and nonferrous base metal industry	2.048	1.345	65.67	0.703	
Metal industry	2.439	2.128	87.25	0.311	
Electrical machinery and equipment industry	2.536	2.394	94.41	0.142	
Transport and services industry	2.053	1.897	92.38	0.156	
Other industries	1.864	1.722	92.42	0.141	
Electricity, water and gas supply	1.814	1.651	91.02	0.163	
Building	2.13	1.843	86.5	0.288	
Trade	1.235	1.187	96.11	0.048	
Hotel dan Restaurant	1.834	1.517	82.71	0.317	
Land Transportation	1.792	1.654	92.31	0.138	
Water Transportation	2.218	1.864	84.02	0.355	
Air transportation	2.31	2.055	88.95	0.255	
Communication	1.467	1.39	94.77	0.077	
Financial institution	1.339	1.271	94.94	0.068	
Public administration and defense	1	1	100	0	
Other Services	1.538	1.433	93.15	0.105	

Source: Data processed

Results of the analysis IRIO models are then elaborated to analyze the impacts developed in the area. The aim is to explore deeper on the alutsista industry condition related with fulfillment efforts of minimum basic strength of defense and security, as well as its impact on the national economy in general.

Interregional Input-Output (IRIO) model analysis is used to measure the impact of changes in the value of output, income and employment as a result of changes in final demand on a particular sector output produced in an area (Stelder and Eding, 2000). The value will show the impact of the correlation level a sector to other sectors in the regions and sectors of the economy in other areas.

We could also calculate a pattern of trading in IRIO model, for example exports and imports between regions. We could also see in this descriptive analysis the trade balance of a region domestically and internationally (Max and Wansink, 1998). For more details of the analysis method to see economic linkages between sectors on a regional and interregional intersectoral will be presented in the next section.

RESULT AND DISCUSSION

The results of the output impact of the IRIO model illustrated correlation level of one area to another. If an area has economic relations, in this case trading, which is more extensive and intense with other regions, the total output multipliers will be of great value. The amount of total output multiplier in an area depends on the extent and intensity of economic interaction with other areas. The extent of economic interaction in a region with other regions can be interpreted as a bit much economic areas associated with a particular area. While the intensity of the interaction is defined how large an area using goods and services (demand) from other areas to meet the needs of production inputs and consumption and also how large an area providing the economic needs of other regions.

1. Analysis Output Impact of West Java Province

Multiplier decomposition sectoral outputs of West Java are shown in Table 3. Five sectors of the economy that have biggest output multiplier as follows: textiles and textile products (2.538), electrical machinery and equipment (2.536), industrial goods of metal (2.439), air transport (2.310) and woods, rattan and bamboo industry

(2.270). That is, any change in the final demand in these sectors will encourage relatively large changes in the output.

The influx of goods from metal industry indicated that the defense industry in West Java, in this case is PT. PINDAD and PT. DI which is classified in this category, has the potentially large multiplier impact output. That is, the industry can become one of the main motors for the economy of West Java. If explored further, 87.25 percent of the output impact that occurred was enjoyed alone by West Java, while other regions enjoy approximately 12.75 percent.

2. Analysis Output Impact of East Java Province

Multiplier decompositions sectoral output of East Java are shown in Table 4. Five sectors of the economy that have the biggest multiplier output as follows: electrical machinery and equipment industry (2.219), palm oil industry (2.196), textiles industry and products (2.141), wood, rattan and bamboo industry (2.084) and pulp and paper industry (2.076).

Meanwhile, output multipliers metal goods industry amounted to 1.864. Although not so large, the defense industry in East Java, in this case is PT. PAL belong to this category, has a potentially big impact multiplier output. That is, the industry has the potential to be a supporter of East Java's economy. Moreover, 93.26 percent of the output impact that occurred was enjoyed alone by East Java, while other areas only 6.74 percent.

Table 4. Multiplier Decomposition Sectoral Output of East Java Province

Sector	Multiplier Effect	Regional Effect	Regional Effect(%)	Interregional Effect	Interregional Effect(%)
Rice	1.126	1.119	99.32	0.008	0.68
Other Foods	1.085	1.074	98.98	0.011	1.02
Crop Plantations	1.388	1.326	95.5	0.062	4.5
Livestock	1.715	1.59	92.7	0.125	7.3
Forestry	1.385	1.335	96.35	0.051	3.65
Fishery	1.332	1.195	89.71	0.137	10.29
Oil, Gas and Geothermal	1.072	1.059	98.78	0.013	1.22
Coal, metal ores and other excavation	1.391	1.314	94.43	0.077	5.57
Petroleum refining	1	1	100	0	0
Palm oil industry	2.196	1.457	66.37	0.738	33.63
Seafood industry	1.948	1.706	87.58	0.242	12.42
Food and beverage industry	1.93	1.835	95.11	0.094	4.89
Textiles industry and products	2.141	1.495	69.81	0.647	30.19
Footware industry	1.941	1.744	89.84	0.197	10.16
Woods, rattan and bamboo industry	2.084	1.818	87.24	0.266	12.76
Pulp and paper industry	2.076	1.997	96.21	0.079	3.79
Rubber and rubber products	1.989	1.578	79.32	0.411	20.68
Petrochemical industry	1.7	1.632	96	0.068	4
Cement Industry	1.922	1.818	94.61	0.104	5.39
Iron, steel and nonferrous base metal industry	1.952	1.803	92.37	0.149	7.63
Metal industry	1.864	1.738	93.26	0.126	6.74
Electrical machinery and equipment industry	2.219	1.407	63.4	0.812	36.6
Transport and services industry	1.668	1.513	90.73	0.155	9.27
Other industries	1.892	1.665	87.98	0.227	12.02
Electricity, water and gas supply	2.013	1.843	91.59	0.169	8.41
Building	2.059	1.864	90.5	0.196	9.5
Trade	1.595	1.47	92.21	0.124	7.79
Hotel and Restaurant	1.861	1.741	93.55	0.12	6.45
Land Transportation	1.665	1.421	85.34	0.244	14.66
Water Transportation	1.968	1.543	78.4	0.425	21.6
Air transportation	2.05	1.724	84.08	0.326	15.92
Communication	1.088	1.07	98.38	0.018	1.62
Financial institution	1.414	1.326	93.83	0.087	6.17
Public administration and defense	1	1	100	0	0
Other Services	1.515	1.416	93.5	0.098	6.5

Source: data processed

From the list of multiplier decomposition of sectoral income of West Java, five economy sectors that has the highest income multiplier is the basic industries of iron and steel and non-ferrous base metals, air transport, seafood industry, metal goods industry, and wood products industry. The influx of goods from metal industries in West Java in top five sectors with the highest income multiplier showed that the defense industry in this area has a high role in encouraging an increasing income for workers.

In terms of revenue impact, metal goods industry does not classified in the top five sectors that have the highest impact. Revenue impact figures of this sector belong to the middle group. That is, if the output of this sector increased high enough, then the income of workers in all sectors will also climb up in a moderate level. Approximately 80 percent increase in revenue will be enjoyed by workers in West Java. While the rest enjoyed by workers in other provinces.

This condition shall also be utilized by the local government of West Java province in synergize the local development planning process. Moreover, based on BPS data, West Java, although still facing some fundamental problems, has a relatively satisfactory economic performance. Regional economic growth in the period 2008 to 2012 for example, according to BPS data showed a significant upward trend from 4.19 to 6.48. Gini Ratio is relatively low from 2008 to 2013 ranged from 0.35 to 0.41. It shows the distribution of income is evenly distributed among the residents of West Java. Unemployment rate may still be a few obstacles in the years of 2010 to 2013. This period of time, the unemployment rate in the province of West Java reached population 1,951.40 in 2010, a slight decrease in 2013 to 1,870.

In other hand, according to East Java sectoral decomposition of income, five economy sectors that has the highest income multiplier is as follows: the seafood processing industry; food and beverage industry; the palm oil industry; the wood, rattan and bamboo products industry; and hotels and restaurants. Metal goods industry itself was ranked as the 6th with a total multiplier of 2.19. Although did not get in to the top five, metal goods industry in East Java province still has a big role in encouraging a higher income for the workers.

In terms of revenue impact, the industrial sector of metal goods classified as middle income group. Accordingly if the output of this sector increased high enough, then the income of workers in all

sectors will also climbed up in a moderate level. Around 92.83 percent increase in revenue will be enjoyed by workers in East Java.

East Java provincial government should look more detail at the composition of these impacts as well as for local development basis planning process. As was the case in West Java, East Java Province is also listed as the best province for its economic performance in Indonesia. Economic growth in the period 2008 to 2012, showed the upward trend of 5.01 to 7.27. Gini Ratio is relatively low compared to West Java Province from 2008 to 2013 ranged from 0.33 to 0.37. Unlike the West Java Province who faced problems of unemployment, East Java Province actually has a relatively low unemployment rate, population 828.90 in 2010 to 871.30 in 2013.

CONCLUSIONS

As a final note, based on the result of study, Generally, defense and security factors are one of the elements supporting the attainment of the welfare state. Fulfillment aspect of the security and defense become an essential prerequisite so that national development can work well. Defense and security is not only seen on the domestic terms, but also in terms of relations with other countries. Therefore the government issued a Minimum Essential Force (MEF) policy through Ministry of Defense which describes the minimum needs of the main components that should be prepared as national defense to face possible threats, both actual and potential.

To speed up the development of the MEF which is expected to be achieved by 2014, the government already has several policies related to funding requirement. Unfortunately, most aspects of the national defense equipment fulfillments are still dominated from other countries. In the future, these conditions should be changed especially the domestic defense industry is projected to be an important role to meet the needs of the defense equipment. Supported the development of national defense equipment domestic production will obviously bring a positive impact for economic development.

In West Java, the development of the defense industry has the potential large output multiplier effects. That is, the industry can become one of the main motors of the economy of West Java. If explore further, 87.25 percent of the output impact that occurred was enjoyed only by the West Java, while

other regions enjoy approximately 12.75 percent. Meanwhile, in East Java, the development of defense industry capable of supporting the economy of East Java at 93.26 percent, while other areas only 6.74 percent.

In terms of revenue impact, the industrial sector of metal goods as basic materials of alutsista development industry is classified as middle income group both in West Java and East Java. That is, if the output of this sector increased high enough, then the income of workers in all sectors will also be pushed up in a moderate level. Based on BPS data, West Java province has a relatively satisfactory economic performance both in terms of regional economic growth and the low figure is the Gini ratio is between 0.35 to 0.41. The unemployment rate is still a few obstacles in the years 2010 to 2013. This period of time, the unemployment rate in the province of West Java reached 1,951.40 inhabitants in 2010, a slight decrease in 2013 to 1,870.60 inhabitants.

Conversely the government of East Java Province has a better economic performance than West Java. East Java province was recorded as one of the areas with the best economic performance in Indonesia. Regional economic growth in 2008 to 2012 showed the upward trend of 5.01 to 7.27. Figures Gini ratio is relatively low compared to the West Java Province from 2008 to 2013 ranged from 0.33 to 0.37. Unlike the West Java Province who faced problems of unemployment, East Java Province actually has a relatively low unemployment rate, population 828.90 in 2010 to 871.30 in 2013.

If the government remains consistent with the scheme relating to the procurement policy in order to support MEF Alutsista, national defense industry will have a good opportunity to continue to increase its capacity. In addition to begin adding Alutsista domestic production, development of defense industry can be an engine for economic growth. Thus the role of the MEF for the national economy will be more real and is expected to continue to rise. Therefore, the government needs to give serious attention to national defense industry. One example is to offer a stimulus to accelerate the increase in production capacity and quality of the national defense industry itself. This can be an important first step in terms of meeting the needs of optimal MEF as well as to encourage regional and national economy. of potential sharing of electricity subsidy by the Regional Government, we can conclude that electricity sector has a very important role in the process of development for the society welfare enhancement. Therefore, the electric power has become a source of energy that is vital for the daily household life, industrial activities, especially small and medium enterprises (SMEs) as well as other commercial activities.

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