

CHAPTER 5

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RECOMMENDATION AND CONCLUSION

5.1 RECOMMENDATIONS

The technological capability assessment reveals that the selected companies possess a certain level of capability that is sufficient to meet the present requirement of the army. It also demonstrates some weaknesses among the companies in achieving the full potential technological development. While the global automotive technology is entering new parameters in term of sophistication and usage, local automotive industry remains dormant in acquiring the latest automotive technologies available.

The political and security changes that took place in recent years have confronted the army with new operational requirements. The army is now entering into new dimension of warfare and the structure is progressively shifted to conventional force, where equipment of high technology will be the deciding factor in the outcome of battle. This change is the root of the ongoing hardware modernisation effort carried out by the army. Based on the new emerging requirements, fuelled by

back-to-normal economic situation, the government is ready to embark on defence purchases, which was stalled during the economic crisis from 1997 to 2000.

The local defence industry should take notice of this opportunity by acquiring the required technological capability so that the army need not have to scout for military hardware outside the country. This is also in line with the defence policy of “self-reliance” that the nation so desires. In view of the assessment made earlier, it is important for the industry, the army and also the political decision-makers to give some thoughts on the following recommendations:

- **Emphasise on Dual-use Technology.** Defence market is very small compared to commercial sector. To be more viable the products should be able to serve both sector’s needs. DRB-DEFTECH and Pesaka Astana should develop their strength from here to venture into other products. The vehicle serves only as the platform for other components to be integrated as different systems.
- **Select and Acquire the Right Technology.** In many cases, the technology handed over by arms manufacturers to their alliances from the developing countries are already obsolete.

The ToT arrangement should then be managed carefully so that the company would not be given a raw deal.

- **Greater Co-operation between the Army and the Industry.**

As the only customer in the defence sector, the industry should initiate more joint- R&D activities with the army so that both sides will be able to understand each other's expectation and limitation.

- **Stay Focused.** Each of the three companies initially venture into three distinct areas of defence technology; DRB on soft-skinned vehicle, MMC on armoured vehicles and PA on customised vehicles. Lately however, there is an attempt by a certain company to cross into other market that it becomes saturated. The present division of segment is just the right mix where each company enjoys a fair share of the small market. The company concerned should therefore, stay focused on its own segment.

- **Fully Implement ToT Arrangement In Purchase Contracts.**

Although the local defence industry has been in existence for more than 20 years, the development is slow compared to the neighbouring countries like Singapore. It is partly due to the

lack of efforts in fully implementing the ToT arrangements as stipulated in the purchase contracts. There tends to be alterations to the arrangement after the contract has been signed, although the policy requires the ToT clause to be executed mandatorily. Thus, the recipient of the technology must be made responsible for any discrepancies in the ToT arrangement. The Defence Industry Council established by MINDEF can become the monitoring agency to make sure all contract clauses are adhered to

- **Identify Genuine Industrialists.** The billion-dollar business that the defence purchases generate attract many parties to jump into the bandwagon, mostly just wanting to grab the quick riches the purchase contract can offer. They often disappear on receiving the payment and never show interest in providing the after-sales services and long term maintenance requirement of the equipment. It is therefore pertinent for the Ministry of Finance and Ministry of Defence to identify the real contractors with adequate facilities and strong financial standing before contracts are awarded to any particular company. Political influence and nepotism must not be traded for national sovereignty.

5.2 CONCLUSION

The study attempts to look at the development of local automotive industry from the perspective of its roles in developing the nation's defence industry. Its linkages with the Malaysian Army is very close as the army, being the land force, requires vehicles of various types and functions to conduct operations, training and other peace-time routine tasks. The changing scenario in modern warfare prompts the army to possess high technology military equipment to gain speed, firepower and maneuverability.

Realising that important linkages, a case study was conducted on three active defence related companies, all in the automotive sector. MMC Defence specialises in armoured vehicle upgrading and modification works, DRB-DEFTECH supplies soft-skinned vehicles, while Pesaka Astana specialises in producing customised vehicles. The purpose of the study is to assess their technological capabilities in supplying, assembling, manufacturing and maintaining the army vehicles. This is to ensure that they are reliable, available and maintainable at all times, ready to be deployed when required.

The study shows that overall, the companies concerned possess a satisfactory level of technological capabilities. It is also found that they

are aware of the need to gradually improve their technological capabilities in order to remain competitive. PA in particular has penetrated into regional markets in specialised vehicle sector by manufacturing its own brand of products. What the industry really has to do is to innovate in order to have the competitive edge, as proven by PA.

The government has provided all the incentives and encouragement by facilitating the ToT arrangement in the purchases of defence hardware, giving preferential treatment to local companies in securing supply contracts. The onus is on the local defence industry to realise the goal towards "self-reliance" in the defence of the nation.

5.3 **FUTURE STUDY**

The Malaysian Army is already in the process of changeover in military doctrine which is oriented towards conventional warfare, with strong emphasis on land operations. Nowadays, the army is expected to provide the balance between the following main requirement.

- A force for routine tasks.

- A conventional war fighting force that can be deployed rapidly.

These demands are the roots of on the hardware modernisation efforts as well as of the restructure of the Malaysian Army organisation. In this context, information technology plays a very important role in making quick decisions that prove vital in the battlefield. Its importance is being manifested through capability development in IT- related projects. Among the projects that have been launched are the Computerised Inventory Management system, Integrated Logistics Support system and War Gaming system. It is proposed therefore that a study on the development of Information Technology Development in the Malaysian Army be conducted. As we enter the new millennium, the war is fought on new spectrum beside the traditional one (land, sea and air). The army must be prepared to fight in the new spectrum: cyberspace, where the side that has the information has the edge over the foe.