



MINISTRY OF DEFENCE
MALAYSIA

NATIONAL DEFENCE INDUSTRY POLICY



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MALAYSIA

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FOREWORD BY THE PRIME MINISTER

Praise be to Allah SWT, by His grace the National Defence Industry Policy (NDIP) has been formulated as a national agenda to strengthen the sovereignty and security of the nation. This Policy translates the aspirations of the Defence White Paper into a strategic framework to develop a resilient, dignified, innovative and globally competitive defence industry.

The implementation of the NDIP enhances national self-reliance in defence capabilities, while at the same time generating sustained economic and technological benefits. It reflects the Government's commitment to balancing security imperatives with economic development, ensuring that Malaysia remains sovereign, prosperous and respected.

In this regard, the Government calls upon all stakeholders, including ministries, government agencies, local industry, research institutions and international strategic partners, to work together in realising the aspirations of the NDIP and in building a more resilient defence ecosystem that is prepared to meet present and future challenges.

ANWAR IBRAHIM



FOREWORD BY THE MINISTER OF DEFENCE

The defence industry is a key pillar in ensuring the readiness and strategic autonomy of our national defence. I am therefore proud to introduce the National Defence Industry Policy (NDIP) as a strategic guide for the development of a sustainable, innovative, and resilient defence industry ecosystem.

The NDIP is formulated to support the capabilities of our Malaysian Armed Forces (MAF) through the advancement of local technology, the strengthening of supply chains, and close collaboration between the government, industry, and research institutions. It also outlines an inclusive and forward-looking implementation framework to ensure that Malaysia's defence industry remains competitive at both regional and global levels.

The Ministry of Defence is fully committed to ensuring the comprehensive and effective implementation of this policy. This endeavour requires the strong support of all stakeholders including government agencies, defence industry players, academics, and end users in order to realise the goal of strategic self-reliance.

It is my sincere hope that the NDIP will serve as a catalyst for a new leap forward in shaping a more resilient and self-reliant national defence landscape.

MOHAMED KHALED NORDIN



FOREWORD BY SECRETARY GENERAL OF THE MINISTRY OF DEFENCE

The development of a sustainable defence industry requires a clear, forward-looking policy anchored in the nation's strategic needs. The National Defence Industry Policy (NDIP) is the result of integrated efforts among various parties, taking into account the importance of security, local technological development and national industrial capabilities in holistically supporting the country's defence requirements.

In driving the implementation of this policy, the Ministry of Defence is committed to consolidating the national defence industry ecosystem through meticulous planning, effective policy coordination and the execution of capacity and competency development programmes. This initiative also supports the Government's aspiration to position the defence sector as a driver of economic growth and technological innovation in the country.

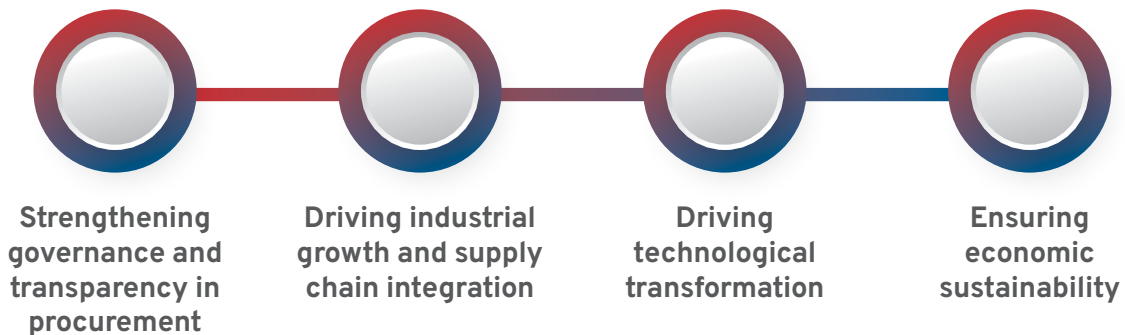
I would like to express my highest appreciation to all parties who have contributed, directly or indirectly, in formulating this NDIP. It is my hope that this policy will serve as a primary reference for various stakeholders in developing strategies for the implementation of a more dynamic, inclusive and high-impact national defence industry.

LOKMAN HAKIM ALI

EXECUTIVE SUMMARY

The National Defence Industry Policy (NDIP) provides a strategic framework to strengthen self-reliance, innovation and technological advancement in Malaysia's defence industry. Based on the long-term vision of the Defence White Paper (DWP), the NDIP translates the strategic defence aspirations into practicable industrial objectives. This policy aims to reduce dependence on foreign technology by enhancing local capabilities through close collaboration between the public and private sectors. The NDIP is also aligned with the New Industrial Master Plan (NIMP) 2030 in shifting the focus from maintenance to high-value manufacturing and technological innovation.

It is based on four main missions:



The NDIP targets a globally competitive defence industry while safeguarding national interests. Through strategic investments, innovation and strong collaboration among stakeholders, Malaysia aspires to become a regional hub for defence manufacturing and innovation. In addition, the NDIP emphasises the adoption of Environmental, Social and Governance (ESG) principles in building a sustainable defence ecosystem, ensuring long-term security, economic resilience and national technological sovereignty.

This vision may only be realised through close cooperation between the Ministry of Defence (MINDEF), the Malaysian Armed Forces (MAF), the defence industry and research and development (R&D) entities, each playing a vital role in driving the advancement of this industry.



SELAMAT DATANG
KE
KEMENTERIAN PERTAHANAN

01

AIM



Background

Malaysia is resolute in developing a self-reliant defence industry through close collaboration among four key stakeholders: the Ministry of Defence (MINDEF), the Malaysian Armed Forces (MAF), defence industry players and research and development (R&D) institutions. Each entity plays a vital role in ensuring the advancement of this sector.

MINDEF is responsible for setting the strategic direction and key policies, while the MAF determines operational requirements and provides feedback based on field experience. Defence industry players translate these requirements into production and technological development, while R&D entities drive innovation to ensure long-term competitiveness.

To strengthen this ecosystem, the Coalition of Defence Industry Malaysia CDI(M) was established to encourage collaboration, enhance synergy among stakeholders and accelerate the development of local defence capabilities. This step ensures that Malaysia continues to progress as a key player in the regional defence industry.

The Malaysia Armed Forces (MAF), which comprises the Malaysian Army, Royal Malaysian Navy (RMN) and Royal Malaysian Air Force (RMAF), plays a central role in ensuring national security. Each branch is undergoing modernisation efforts to enhance operational preparedness and exploit the latest technological advancements.

However, Malaysia faces several challenges in achieving defence self-reliance. These include dependence on foreign technology, limited domestic R&D investment, emerging security threats such as cyber warfare and competition in the global market.

To address these challenges and with reference to the Defence White Paper; the New Industrial Master Plan 2030, the Environmental, Social and Governance (ESG) framework, and Artificial Intelligence (AI), a comprehensive policy has been established for the development of the local defence industry, namely the National Defence Industry Policy (NDIP).

The NDIP sets the strategic direction for shaping Malaysia's defence industry into one that is self-reliant and ready to face future challenges. The main focus of this policy is alignment with the NIMP 2030, which promotes the shift from maintenance to high-technology manufacturing and innovation.

The NDIP also integrates ESG principles by encouraging sustainable business practices, ethical governance and the involvement of MAF veterans in the defence industry. In addition, AI is elevated as a key driver to enhance capabilities in areas such as cybersecurity, predictive maintenance, autonomous systems and intelligence analysis.

With this comprehensive approach, the NDIP seeks to ensure that Malaysia's defence ecosystem becomes more competitive and resilient in meeting future needs.

Aim and Objectives

The NIDP aims to ensure Malaysia's defence needs are met through local production, targeting annual growth of at least 5% from the current baseline by 2030. To achieve this goal, the country must reduce dependence on imports and strengthen local manufacturing capacity.

In addition, the NIDP seeks to build sovereign capabilities in critical areas such as cybersecurity, AI-driven warfare and next-generation defence systems. By prioritising long-term resilience and national security, this policy provides a strategic framework to develop a self-reliant, innovative and future-ready defence industry.

The NDIP has been developed to empower a sovereign and competitive defence ecosystem based on **six (6) identified strategic objectives** as follows:

1 **Strengthening investment attractiveness** by addressing key challenges such as short-term contracts, an unstructured industrial framework and policy alignment issues favouring foreign investment. Key initiatives include strengthening long-term agreements, prioritising local procurement where capabilities exist and streamlining regulations to reduce bureaucratic barriers. The main focus of this step is to build a stable and predictable investment environment, thereby stimulating domestic investment and increasing private sector participation in the defence industry.

OBJECTIVE

2 **Enhancing innovation and technological sovereignty** in the defence industry through expanded financing and support for Research & Development (R&D). This step aims to strengthen local technological capabilities through close collaboration between domestic entities and international strategic partners, while addressing negative perceptions of local innovation. As part of the key initiatives, efforts will be intensified to promote technology transfer, protect intellectual property and streamline regulatory processes to accelerate the development of defence technology. By this approach, Malaysia will consolidate its position in the global defence technology arena and ensure the long-term competitiveness of the industry.

OBJECTIVE

3 **Building a resilient local supply chain** through incentives to increase the participation of local manufacturers in the defence industry. Procurement process modernisation will also be prioritised to ensure efficiency and transparency, while addressing regulatory and standards-related challenges that could hinder the growth of domestic manufacturers. In addition, an interconnected supply chain will be developed through close collaboration among manufacturers, suppliers and service providers. This step aims to ensure an integrated ecosystem, further strengthening the competitiveness of the local defence industry in meeting both national and global market needs.

OBJECTIVE

4

OBJECTIVE

Empowering human capital and talent development is a critical step in driving innovation and growth in the defence industry. The main focus of this initiative is addressing workforce shortages, improving talent retention and closing skills gaps in critical sectors. Priority efforts to promote defence-specific skills include programmes under Technical and Vocational Education and Training (TVET), alongside reskilling and upskilling veterans and military retirees so that their experience continues to be utilised. In addition, leadership and expertise in this sector will also be developed to ensure industrial continuity. The ultimate aim is to create a dynamic and attractive talent pool to support long-term industrial development. Technical skills and research in weapons systems, maritime assets and aerospace technology are critical components in realising this vision, ensuring Malaysia's defence industry remains competitive at the global level.

5

OBJECTIVE

Ensuring transparent and ethical governance is key to accountability, consistency and effectiveness in decision-making within the defence sector. Main objectives include addressing policy instability and streamlining bureaucratic procedures to ensure smooth and transparent operations. The NDIP also emphasises closer collaboration and coordination between government entities and industry stakeholders to create an integrated and effective defence ecosystem. Furthermore, procurement decisions are ensured through transparent and standardised processes across key agencies to guarantee fairness and integrity in the implementation of national defence policy.

6

OBJECTIVE

Driving sustainable economic leadership whereby the NDIP is determined to promote sustainable economic growth in the defence sector, with emphasis on sustainable economic leadership. In line with national policy, the NDIP encourages foreign investment and strengthens local innovation to position Malaysia as a viable regional defence hub. The success of this strategy rests on comprehensive budget planning, ensuring that financial resources are optimally utilised to achieve national defence objectives. In addition, the expansion of capabilities in critical areas such as electronic warfare, space-based systems and autonomous technology will reinforce Malaysia's position as a future defence hub, thereby boosting the industry's global competitiveness.

Through these strategic objectives, the NDIP aspires to nurture a modern and competitive defence industry, safeguarding national interests and contributing to Malaysia's broader economic and technological aspirations. With strong public-private collaboration, focused investment and policy support, Malaysia has the potential to become a leading regional hub for defence innovation and manufacturing.

Vision and Mission

Through the strategic objectives outlined, the NDIP aspires to build a modern, competitive defence industry capable of safeguarding national interests while supporting Malaysia's economic growth and technological advancement in a comprehensive manner. With strong public-private collaboration, focused investment and solid policy support, Malaysia has the potential to become a leading regional hub for defence innovation and manufacturing, thereby strengthening its position in the global defence landscape.

Vision

To build a sovereign, competitive and innovation-driven Malaysian defence industry that strengthens national security, supports economic growth and promotes long-term strategic autonomy.

Mission

To achieve this vision, **4 missions** have been established as follows:

- 1 Strengthening Governance and Transparency in Procurement**
Ensuring integrity, accountability and consistency in the procurement and implementation of defence policies through clear regulations, streamlined decision-making processes and coordination among key agencies and stakeholders.
- 2 Driving Industrial Growth and Supply Chain Integration**
Fostering a robust domestic defence ecosystem by nurturing local production, increasing supplier participation and addressing structural gaps that undermine the competitiveness and resilience of the supply chain.
- 3 Driving Technological Transformation**
Accelerating the adoption of advanced technologies through increased R&D investment, innovation support and strategic collaborations that drive local development in areas such as AI, cybersecurity and autonomous systems.
- 4 Ensuring Economic Sustainability**
Aligning the defence sector with national development goals to attract investment, create skilled jobs and position Malaysia as a regional hub for defence innovation and manufacturing.

These four main missions form the foundation for the implementation of the NDIP, providing a strategic framework to ensure long-term resilience in both security and economic terms. By focusing on transparent governance, industrial growth, technological advancement and sustainability, the NDIP offers clear direction for the development of Malaysia's defence sector.

Effective implementation and close cooperation among all stakeholders will ensure the success of this policy, enabling Malaysia to build a self-reliant, innovative and globally competitive defence industry.

02

**REALITY AND
CHALLENGES**

| REALITY AND CHALLENGES



Current Scenario

Malaysia's defence industry is now at a critical juncture in its efforts to achieve more sustainable progress. Although the nation has successfully shifted from a maintenance-based model to an approach that emphasises innovation and sustainability, the reality on the ground still shows uneven sectoral growth.

Malaysia's defence industry continues to rely significantly on foreign technology and imports, while efforts to increase local production are only gradually advancing. Major projects and the adoption of Environmental, Social and Governance (ESG) practices have produced positive results. However, many Micro, Small and Medium Enterprises (MSMEs) still struggle to achieve a level of comparable capability due to resource constraints.

In addition, high-impact technologies such as Artificial Intelligence (AI), autonomous systems and green manufacturing remain dominated by a handful of major companies and government-linked companies (GLCs). This imbalance creates a significant gap between policy aspirations and their implementation at the operational level, necessitating a more integrated strategy to ensure that the benefits

of technological development and innovation may be widely realised within the national defence industry ecosystem.

Although institutional support mechanisms within Malaysia's defence industry are expanding, they remain fragmented, resulting in imbalances across the value chain. Talent development efforts are actively underway, but the shortage of skilled labour in high-technology areas such as cyber security, Artificial Intelligence (AI) and Unmanned Aerial Vehicle (UAV) systems continues to pose major challenges to the sector's growth.

To realise Malaysia's aspiration of becoming a regional defence hub, these critical gaps must be systematically addressed through a comprehensive strategy, including the strengthening of training programmes, industry collaboration and investment in research and development (R&D) to ensure that workforce capabilities align with the technological needs of the future.

Issues and Challenges

The progress of Malaysia's defence industry faces several interrelated challenges:

Unintegrated MSMEs Participation

01

A significant portion of Malaysia's defence ecosystem consists of Micro, Small and Medium Enterprises (MSMEs), which face challenges in scaling operations, adopting advanced technologies and integrating into larger defence supply chains. The lack of consolidation among Micro, Small and Medium Enterprises (MSMEs) has reduced overall industry efficiency while limiting their participation in higher-value segments.

Technological Dependence

02

Although Malaysia seeks to achieve self-reliance in its defence industry, the sector continues to depend on imported assets and components, platforms and expertise. This dependence not only restricts the nation's strategic autonomy but also slows down Malaysia's efforts to emerge as a competitive exporter of defence technologies.

ESG and Sustainability Constraints

03

The enforcement of ESG standards plays an important role in ensuring that the defence industry develops sustainably. However, it also presents financial and operational challenges, especially for smaller firms. Compliance with carbon emission regulations, green manufacturing and sustainability reporting is often seen as burdensome, particularly when adequate technical and financial support is unavailable.

Talent Shortages and Workforce Gaps

04

The high technology defence industry requires specialists with expertise in fields such as Artificial Intelligence (AI), robotics, autonomous vehicles and cyber security. However, the local talent pipeline in this sector has yet to be fully developed, resulting in significant capability gaps. Although education and training programmes have been established, they remain insufficient to meet the demands of a defence industry that is rapidly evolving and expanding.

Insufficient Commercialisation of R&D

05

Malaysia has invested in defence research and development through agencies such as the Science & Technology Research Institute for Defence (STRIDE) and by establishing collaborations with local and foreign firms. While these efforts are important in strengthening the defence technology ecosystem, the rate of technology transfer and product commercialisation remains low, limiting the impact of innovation on local manufacturing.

Gap Between Policy and Implementation

06

Although Malaysia has developed comprehensive policies such as the New Industrial Master Plan (NIMP) 2030 and Defence White Paper (DWP), achieving their objectives at the implementation level requires stronger interagency coordination, consistent financing mechanisms and clearer direction for industry participation.





03

**OPPORTUNITIES
& POTENTIAL
SOLUTIONS**

OPPORTUNITIES AND POTENTIAL SOLUTIONS

Opportunities for Growth in the Defence Sector

The National Defence Industry Policy (NDIP) provides a transformative roadmap and outlines critical opportunities that will strengthen Malaysia's defence sector and economic prosperity. **Five (5) main opportunities** have been identified as follows:

i

Boosting investment and AI innovation in line with the 13th Malaysia Plan (RMK13) whereby emphasis is placed on technological and digital evolution

iv

Benchmarking and strengthening self-reliance

ii

Advancing capabilities to become a regional defence hub

v

Creating jobs and increasing global defence exports

iii

Strengthening the defence ecosystem through dual-use technologies and collaborations, as outlined in the New Industrial Master Plan (NIMP) 2030



5 MAIN OPPORTUNITIES

Boosting Investment and AI Innovation

- RMK13: Investing in AI-based innovation: cyber security, autonomous systems and predictive maintenance.
- AI adaptation: improving operational efficiency and accelerates technological advancement.
- Increasing private sector participation.

Advancing Capabilities to Become a Regional Mobility Hub

- Developing capabilities in electronic warfare, space-based systems and autonomous technologies.
- Building a strong defence ecosystem – to become a regional leader in defence solutions through advanced investments in high-impact aerospace, maritime and cybersecurity systems.
- Practising sustainable manufacturing – to be integrated and aligned with ESG commitments and to attract responsible investments, in line with the RMK13 commitment to the “Green Economy.”

Benchmarking and Strengthening Self-reliance

- Setting benchmarks and learning effective strategies from leading countries (e.g., Turkiye, India, and South Korea) to strengthen local industries.
- Adapting lessons from these countries so that Malaysia can become a major player in defence in Southeast Asia.
- Exploring sub-sectors (Aerospace and UAV, cybersecurity, maritime technology, land systems) and strengthening self-reliance.
- Increasing the participation of the private sector



Strengthening the Defence Ecosystem through Dual-Use Technologies and Collaboration

- NIMP 2030: Developing dual-use technologies for military and civilian use.
- Utilising commercial innovation to improve defence capabilities.
- Helping Micro, Small and Medium Enterprises (MSMEs) to comply with ESG standards through the i-ESG framework and guidance-based compliance models.
- Reinforcing public-private sector collaboration to build local capabilities.
- Mandatory technology transfer from foreign contractors through the Industrial Collaboration Programme (ICP).

Creating Jobs and Increasing Global Defence Exports

- Creating job opportunities, driving technological innovation, facilitating technology commercialisation and increasing defence exports globally.
- Making Malaysia an influential player in the global defence arena.

Potential Solutions – Strategic Focus to Exploit Opportunities

To fully capitalise on the five (5) key opportunities, Malaysia's defence industry must address these fundamental challenges through effective strategies. This approach requires **three (3) main strategic focus areas including:**

1

Strengthening governance to ensure transparency and efficiency in policy implementation

2

Enhancing economic drivers through investment and technological development

3

Advancing local capabilities to build a self-reliant and globally competitive defence industry

With a comprehensive strategy, Malaysia has the potential to strengthen its position as a leading player in the regional defence industry.



Strategic Focus 1

Strengthening Governance

A resilient defence industry relies on a strong governance framework that ensures policy continuity, strategic alignment, transparency and institutional coordination. Effective governance is the foundation of national defence and industrial sustainability, enabling the sector to grow within a stable and well-structured environment.

Addressing governance challenges are key to building a self-reliant and competitive defence industry that can withstand economic and geopolitical uncertainties. With structured systems and strong management capabilities, Malaysia's defence industry may continue to drive innovation and development, ensuring long-term resilience and excellence in the global ecosystem.

Key Areas	Weaknesses	Solutions
Strategic Misalignment	Lack of guidelines for long-term planning and investment.	Implement the Strategic Roadmap of the National Defence Industry Policy (NDIP) for policy continuity and structured capability development.
Transparency & Accountability	Absence of guidelines for long-term planning and investment.	Strengthen monitoring and audit mechanisms and enhance regulatory oversight.
Institutional Coordination & Governance Structure	Fragmented responsibilities among agencies slow down policy implementation and limit industry growth.	Empower the Malaysia Defence Industry Council (MDIC) to coordinate policy implementation and promote Industry-Academia collaboration.
Industry Collaboration & ICP Programmes	Weak enforcement of ICP obligations results in minimal benefits from technology transfer.	Mandate Technology Transfer Agreements, set clear Key Performance Indicators (KPIs) and strengthen the Industrial Collaboration Programme (ICP).
Environmental, Social & Governance (ESG) Compliance	Insufficient consideration of ESG in defence projects undermines sustainability and global competitiveness.	Integrate ESG principles into governance, enforce environmental impact assessments, uphold labour standards, and implement antigraft policies.

Improving transparency, streamlining institutional coordination, reforming procurement processes and optimising industry collaboration are important steps in ensuring sustainable growth of the defence industry. Strong governance must be grounded in ESG principles, ensuring that environmental sustainability, social responsibility and ethics are embedded in every aspect of the sector.

With a systematic approach, Malaysia's defence sector may grow sustainably while maintaining integrity, efficiency and competitiveness in the global industrial ecosystem. The effectiveness of these initiatives depends on consistent implementation and continued commitment of all stakeholders.

Strategic Focus 2

Enhancing Economic Drivers

Building a robust and competitive defence sector requires strategic solutions to address key challenges, including limited economies of scale, reliance on foreign suppliers and suboptimal integration into global supply chains. To accelerate industrial growth, economic drivers must be strengthened through long-term policy commitments that ensure implementation continuity, as well as targeted financial incentives to encourage innovation. With clear and systematic support, Malaysia's defence industry can grow sustainably, enhance self-reliance and strengthen its position in the regional and global defence ecosystems.

Key Areas	Weaknesses	Solutions
Market Uncertainty	Short-term defence contract volatility limits investment and market scalability	Strengthening public-private sector cooperation is vital to mobilise financing and enhance industry marketability.
Foreign Competition	Local companies struggle against foreign domination.	Enforce the Defence Procurement Policy, which mandates local content in contracts.
Supply Chain Gap & Industrial Sustainability	High dependence on foreign OEMs makes Malaysia vulnerable to external disruptions.	Establish a Vendor Certification System with technical assistance and certification for local suppliers.
Funding for Research, Development and Innovation	Limited funding hinders technological progress.	Propose financial incentives and support through the participation of financial institutions in implementing technological advancement projects in AI and other key technologies.
Regional & Global Market Access	Size of the domestic market limits industry growth and export potential.	Develop a global defence export strategy, integrate ESG principles and work with ASEAN countries to align industry standards and expand market reach.

By overcoming economic challenges such as foreign competition, supply chain imbalances and underinvestment in R&D, Malaysia has the opportunity to unlock the full potential of its defence industry. Comprehensive strategic reforms and the empowerment of economic drivers will form a strong foundation for positioning the nation as a key player in the regional and global defence industry.

This approach will not only enhance Malaysia's competitiveness in defence technology development and manufacturing, but also ensure the long-term sustainability of the industry. With consistent policy support, targeted investment and coordination between the public and private sectors, Malaysia has the potential to accelerate the transformation of its defence industry to a higher level.

Strategic Focus 3

Advancing Local Capabilities

The development of a self-reliant defence industry with strategic readiness is key to Malaysia's national defence. To reduce dependence on foreign suppliers and strengthen national resilience against increasingly complex security challenges, local capabilities in manufacturing, research, and technological innovation must be enhanced. This capability enhancement requires targeted investments in research and development (R&D), the development of a highly skilled workforce and the strengthening of long-term collaboration between industry and government. With a comprehensive approach, Malaysia has the potential to position itself as one of the leading players in the global defence industry, thereby ensuring long-term stability and competitiveness.

Key Areas	Weaknesses	Solutions
Research, Development & Innovation Capacity	Slow adoption of new technologies (AI, autonomous systems, electronic warfare, advanced materials). Limited R&D funding and a tendency to choose foreign technologies.	STRIDE leads R&D to develop local defence technologies (AI, autonomous systems, electronic warfare and advanced materials) for the Malaysian Armed Forces (MAF). Prioritise local innovation in procurement policies.
Local Defence Manufacturing	High dependence on foreign companies, lack of industrial capacity and limited integration in global supply chains.	Empower the Coalition of Defence Industry Malaysia (CDI(M)) to unite local manufacturers, including Micro, Small and Medium Enterprises (MSMEs) and integrate them into the defence supply chain. Promote joint ventures with global defence companies.
Skilled Workforce	Shortage of professionals in avionics, space technology, cybersecurity and electronic warfare. Lack of structured training programmes.	Strengthen industry-academia collaboration. Facilitate the transition of the workforce from the military to the civil sector. Expand vocational training in advanced manufacturing and AI-based defence solutions.
Strategic Preparedness through Local Technological Advancements	Lack of local capabilities in space defence.	Propose investment in local aerospace technology. Ensure local technology is integrated into national defence planning.

STRIDE will spearhead R&D efforts to empower local defence technologies, focusing on AI, autonomous systems and advanced materials for the Malaysian Armed Forces (MAF).

A comprehensive and continuous approach to developing local capabilities will not only enhance Malaysia's defence readiness but also strengthen the nation's position as a major player in the regional and global defence markets. With sustained commitment to innovation and advanced technologies, Malaysia's defence industry has the potential to become more self-reliant and competitive in the long term.



DIRECTIONS

DIRECTIONS

National Defence Industry Policy Outline

NATIONAL DEFENCE INDUSTRY POLICY (NDIP)

VISION

Towards Self-Reliance and a Defence Industry Based on Local Expertise

6

Strategic
Objectives
of NDIPBoosting Investment
AttractivenessBuilding a Resilient Local
Supply ChainEnsuring Transparent and
Ethical GovernanceEnhancing Innovation and
Technological SovereigntyEmpowering Human Capital
and Talent DevelopmentLeading Sustainable
Economic Leadership

4 Mission-Based Framework & Key Strategic Drivers/Game Changing Enablers Through 2 Key Principles:

1 Technological Advancement and Sovereignty

2 Sustainable Innovation

MISSION

Protecting Justice
and Integrity
Through Good
Governance

M1

Transparent governance for all stakeholders (S1)

Procurement policy that prioritises local content and suppliers (S2)

Key Strategic Initiatives

Wealth Creation
Through Defence
Industry Growth

M2

New business models to enhance defence industry manufacturing capabilities (S3)

Defence Supply Chain Development Programme (S4)

Focus of the Industrial Collaboration Programme (ICP) for high-value industry development (S5)

Strategic asset development programme (S6)

Local Defence
Industry Supply
Chain Integration

M3

Malaysia as a global defence supply chain (S7)

Strengthening the ASEAN Defence Industry Collaboration (ADIC) platform (S8)

Empowering Local
Capabilities through
Technological
Transformation

M4

Strengthening R&D for local empowerment (S9)

Industry Impact Score Programme (S10)

Defence industry-driven talent supply programme (S11)

D21 Programme- From Duty to Industry: A Second Pathway for National Heroes (S12)

Key Strategic
Drivers

M5

NDIP implementation budget (S13)

Empowerment of the Malaysia Defence Industri Council (MDIC) (S14)

National Strategic Team for New Technology as an Innovation Driver (S15)

A structured and comprehensive defence framework has been designed to ensure Malaysia achieves self-reliance in the defence sector. This approach is driven by four core missions, supported by strategic drivers that strengthen its implementation. In line with principles based on sustainable technology and innovation, this framework emphasises the development of local capabilities, empowerment of industry and long-term sustainability.

The flow of these missions is based on two main principles:

Technological Advancement and Sovereignty:

Emphasising investment in advanced technologies to ensure Malaysia is capable to develop critical defence capabilities independently.

Sustainable Innovation:

Positioning the defence industry as a leader in environmental sustainability practices while addressing global defence challenges.

The mission-based approach of the National Defence Industry Policy integrates governance, industry growth, supply chain development and technological innovation into a cohesive strategy. By aligning these missions with strategic drivers and guiding principles, Malaysia aims to transition from dependence on foreign suppliers to becoming a self-reliant and globally competitive producer and service provider of military assets. This transformation not only strengthens national defence but also contributes significantly to economic growth and technological advancement.

Framework and Mission-Based Flow Structure

The transformation of Malaysia's defence industry is anchored on five interconnected missions, each focusing on specific aspects of development and modernisation.

Mission 1: Protecting Justice and Integrity through Good Governance

- ⋮ Establishing a foundation of transparency and accountability. It
- ⋮ emphasises the need for robust procurement policies that prioritise
- ⋮ local suppliers. Through fair processes and rigorous monitoring,
- ⋮ the defence sector may reduce the risk of leaks while ensuring that
- ⋮ national security objectives are achieved without compromising
- ⋮ integrity.

Mission 2: Wealth Creation through Defence Industry Growth

- ⋮ Focusing on strengthening manufacturing foundations to enhance
- ⋮ local production capacity. By implementing new business models
- ⋮ and encouraging vendor development programmes, it stimulates
- ⋮ the growth of Micro, Small and Medium Enterprises (MSMEs). This
- ⋮ mission also leverages the Industrial Collaboration Programme (ICP)
- ⋮ to drive high-value industry growth, ensuring that the defence sector
- ⋮ becomes a key contributor to Malaysia's economic prosperity.

Mission 3: Local Defence Industry Supply Chain Integration

Strengthening Malaysia's position as a competitive global player in the defence industry supply chain. Strategic assets are developed to enhance the country's competitiveness while strengthening the ASEAN Defence Industry Collaboration (ADIC) platform to promote standardisation and interoperability of defence assets' parts and components. Through strategic partnerships and integrated supply chains, local suppliers may access broader international markets, thereby boosting national technological capacity and export potential.

Mission 4: Empowering Local Capabilities through Technological Transformation

Driving innovation by investing in research and development (R&D) aimed at building local capacity for critical technologies. Accreditation programmes ensure that defence products and services meet strict quality standards, while specialised training programmes build a strong talent pipeline. Efforts include upskilling and integrating veterans, further strengthening human capital within the defence ecosystem.

Mission 5: Key Strategic Drivers

serving as the cross-sector element that unites all main missions within the National Defence Industry Policy. With adequate resource allocation, it ensures stable financing to effectively achieve strategic objectives. The Malaysia Defence Industry Council (MDIC) is mandated to steer the industry in a more structured manner. At the same time, the National Strategic Team for New Technology accelerates the adoption of advanced technologies such as Artificial Intelligence (AI) and robotics, reinforcing Malaysia's position at the forefront of defence innovation. Through comprehensive coordination of resource allocation, stakeholder collaboration, governance, technology development and delivery management, Mission 5 provides a strong framework to realise the full potential of Malaysia's defence industry, ensuring long-term competitiveness in both regional and global arenas.

Key Strategic Initiative 1

Transparent Governance for All Stakeholders

Key Strategic Initiative 1 aims to enhance transparent governance in Malaysia's defence industry by addressing issues of leaks, mismanagement and lack of oversight. This includes the establishment of an independent Governance Monitoring Committee to audit processes, ensure compliance and provide recommendations. In addition, this initiative strengthens the Digital Governance Platform, centralising procurement and compliance data for public access to improve transparency. To enhance governance further, stakeholder feedback mechanisms such as surveys and forums are held to assess effectiveness and identify areas for improvement. By integrating these measures with mandatory governance training, the initiative fosters accountability, integrity and efficiency, ensuring that the defence sector meets national security needs without compromising ethical standards.



MISSION 1

Protecting Justice and Integrity through Good Governance (M1)

KEY STRATEGIC INITIATIVE 1

Transparent Governance for All Stakeholders (S1)

INITIATIVES

- Establishing a Governance Monitoring Committee
- Strengthening the Digital Governance Platform
- Improving Stakeholder Feedback Mechanisms

Key Strategic Initiative 2

Procurement Policy that Prioritises Local Content and Suppliers

MISSION 1

Protecting Justice and Integrity through Good Governance (M1)

KEY STRATEGIC INITIATIVE 2

Procurement Policy that Prioritises Local Content and Suppliers (S2)

INITIATIVES

- Reviewing Procurement Guidelines
- Establishing a Vendor Development Programme
- Developing a Local Content Requirements Index (LCRI)
- Developing a Supplier Certification System
- Monitoring and Reporting Local Procurement Performance



In strengthening the foundations of Malaysia's defence industry and reducing dependence on foreign suppliers, Key Strategic Initiative 2 revises procurement guidelines to prioritise local companies with production capacity. By embedding this priority into procurement procedures, a stable demand for domestically produced defence equipment and services may be created, while driving technological innovation and developing local expertise.

As an additional measure to enhance local capabilities, this initiative establishes a Vendor Development Programme that provides mentorship and technical support to local companies. Furthermore, a Local Content Requirements Index (LCRI) is necessary to be developed in order to standardise the measurement of domestic input and ensure uniformity in the integration of local products into the defence ecosystem. With a structured approach, Malaysia may boost the competitiveness of its defence industry while reducing reliance on imports.

In addition to ensuring that vendors meet defence industry standards, the Supplier Certification System plays a key role in enhancing transparency and efficiency in the procurement ecosystem. At the same time, a structured framework will be enhanced to monitor and report on local procurement performance supports continuous improvement, ensuring a more transparent and effective process.

For the procurement of products not subject to Free Trade Agreements (FTA), the use of specific codes provides additional flexibility in safeguarding the interests of the local defence industry. Overall, these measures strengthen economic resilience and position Malaysia as a competitive regional player in the global defence landscape. With well-planned strategies, Malaysia may reduce reliance on foreign suppliers and accelerate the development of a more self-reliant and innovative defence industry.

Key Strategic Initiative 3

New Business Model to Enhance Defence Industry Manufacturing Capabilities

Key Strategic Initiative 3 focuses on transforming Malaysia's defence manufacturing landscape by adopting new business models that drive efficiency, sustainability and technological progress. Fundamentally, this initiative recognises the importance of leveraging government and private sector expertise through Public-Private Partnerships (PPP). By sharing risks and pooling resources, such collaboration may accelerate the modernisation of manufacturing facilities and foster innovation.

In addition, the application of circular economy principles emphasises on the reutilisation and refurbishment of defence equipment, thereby reducing costs and environmental impact. The establishment of centralised Defence Manufacturing Hubs aims to optimise resources, promote knowledge exchange and encourage specialisation. At the same time, a Defence Technology Startup Incubator fosters a culture of entrepreneurship, providing emerging companies with capital and infrastructure needed to develop advanced solutions. Through a Licensing Framework for Technology Transfer, local manufacturers may integrate foreign innovations within their production, thereby enhancing Malaysia's global competitiveness.



MISSION 2

Wealth Creation through Defence Industry Growth (M2)

KEY STRATEGIC INITIATIVE 3

New Business Models to Enhance Defence Industry Manufacturing Capabilities (S3)

INITIATIVES

- Implementing Public-Private Partnerships (PPP)
- Applying Circular Economy Principles
- Realising the Defence Manufacturing Hub
- Launching a Defence Technology Startup Incubator
- Developing a Licensing Framework for Technology Transfer

Key Strategic Initiative 4

Defence Supply Chain Development Programme

MISSION 2

Wealth Creation through Defence Industry Growth (M2)

KEY STRATEGIC INITIATIVE 4

Defence Supply Chain Development Programme (S4)

INITIATIVES

- Establishing a Mentorship Programme
- Developing a Uniform Training Module
- Establishing a Vendor Certification System
- Offering Financial Support to Vendors

The Defence Supply Chain Development Programme is designed to enhance the local defence supply chain by boosting supplier capabilities, raising industry standards and fostering strategic collaboration. Among the key initiatives is the establishment of a mentorship programme providing structured guidance, industry insights and business development support. To ensure suppliers meet defence requirements, the programme develops standardised training modules, equipping them with essential technical skills and regulatory compliance knowledge.

In addition, a vendor certification system is introduced to guarantee quality assurance and alignment with industry standards. Recognising the financial constraints faced by Micro, Small and Medium Enterprises (MSMEs), the programme also proposes financial support for vendors to facilitate growth and sustainability. It will increase the participation of financial institutions in the supply chain, for instance, through the provision of insurance coverage and financing funds to implement facility and infrastructure projects related to the defence sector. Based on industry analysis, stakeholder engagement and international benchmarking, the programme integrates best practices and pilot project feedback to reduce reliance on foreign suppliers and drive long-term industry growth.



Key Strategic Initiative 5

Focus of the Industrial Collaboration Programme (ICP) for High-Value Industry Development

The ICP focuses on high-value industry development, aimed at consolidating Malaysia's defence ecosystem by identifying potential sectors such as cybersecurity, electronic warfare, Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR), as well as Unmanned Aerial Vehicles (UAVs) and military drone technologies.

By prioritising ICP in procurement contracts and promoting strategic joint ventures, such an initiative ensures that foreign suppliers make active contributions to the local industry through technology transfer and skills development. In addition, a structured ICP monitoring system supported by key performance indicators (KPI), functions to track implementation and effectively measure economic and technological impact.

This initiative not only spurs sustainable industrial growth but also enhances self-reliance in defence manufacturing, positioning Malaysia as a regional leader in defence technology innovation. With strong policy support and strategic implementation, ICP has the potential to accelerate transformation of the national defence industry towards greater competitiveness and self-reliance.



MISSION 2

Wealth Creation through Defence Industry Growth (M2)

KEY STRATEGIC INITIATIVE 5

Focus of the Industrial Collaboration Programme (ICP) for High-Value Industry Development (S5)

INITIATIVES

- Identifying High Potential Industrial Areas
- ICP (Industry Collaboration Programme) Mandate in Acquisition Contracts
- Creating an ICP Monitoring System
- Promoting Joint Ventures under ICP
- Developing KPIs for ICP Results

Key Strategic Initiative 6

Strategic Asset Development Programme

MISSION 2

Wealth Creation through Defence Industry Growth (M2)

KEY STRATEGIC INITIATIVE 6

Strategic Asset Development Programme (S6)

INITIATIVES

- Mapping Strategic Assets Nationwide
- Establishing Defence Infrastructure Fund
- Promoting Dual-use Infrastructure
- Involving Academia in Asset Development
- Implementing Asset Lifecycle Management Practices

The Strategic Asset Development Programme aims to enhance national defence capabilities through structured infrastructure development and efficient asset management. This initiative begins with mapping strategic assets nationwide to assess infrastructure conditions and identify gaps. A dedicated Defence Infrastructure Fund is proposed to support the development and upgrading of critical assets. Active participation and support from financial institutions are critical to sustaining this initiative.

The programme also promotes dual-use infrastructure, ensuring that military assets can be utilised for civilian applications to generate higher economic value. Collaboration with academia will drive innovation in asset development, improving resilience and adaptability. In addition, the adoption of asset life cycle management practices such as predictive maintenance and real-time monitoring, will ensure long-term sustainability and operational readiness, creating a modern defence ecosystem prepared for the future.



Key Strategic Initiative 7

Malaysia as a Global Defence Supply Chain

Key Strategic Initiative 7 aims to position Malaysia as a major player in the global defence supply chain by leveraging local expertise, fostering international partnerships and ensuring high-quality standards. The National Defence Supply Chain Database will list local suppliers to improve coordination, while targeted trade missions and international exhibitions promote Malaysian defence manufacturers globally. It also seeks to promote local defence manufacturers internationally through targeted trade missions and expositions. To further strengthen innovation and production, this initiative facilitates technology collaboration with global defence firms, enabling joint production and knowledge transfer.

Additionally, the implementation of quality accreditation standards ensures that local suppliers meet global benchmarks, boosting credibility and marketability. Finally, closer collaboration with the Malaysia External Trade Development Corporation (MATRADE) is proposed to promote dedicated defence export programmes. This underscores Malaysia's long-term goal of expanding defence exports, driving economic growth and positioning the nation as a reliable and competitive supplier in the international arena.



MISSION 3

Local Defence Industry Supply Chain Integration (M3)

KEY STRATEGIC INITIATIVE 7

Malaysia as a Global Defence Supply Chain (S7)

INITIATIVES

- Establishing a National Defence Supply Chain Database
- Promoting Local Defence Companies at International Level
- Facilitating Technology Sharing
- Implementing Quality Accreditation Standards

MISSION 3

Local Defence Industry
Supply Chain Integration
(M3)

**KEY STRATEGIC
INITIATIVE 8**

**Strengthening the
ASEAN Defence Industry
Collaboration (ADIC)
Platform (S8)**

INITIATIVES

- Coordinating the use of existing standards for commonly-used parts and components
- Encouraging the manufacture of components that are capable of operating collectively

Key Strategic Initiative 8

Strengthening the ASEAN Defence Industry Collaboration (ADIC) Platform

Strategic Initiative 8 aims to enhance regional defence cooperation by strengthening the ASEAN Defence Industry Collaboration (ADIC) platform, ensuring uniformity in defence manufacturing across ASEAN. The main focus is on harmonising existing standards for shared parts and components, streamlining production, reducing costs and improving supply chain efficiency. Furthermore, promoting the manufacture of interoperable components will enable parts produced in one ASEAN country to integrate seamlessly into defence systems used by others, boosting regional operational effectiveness. To support this, it is recommended that the ADIC oversee the development and enforcement of these benchmarks, while regular ASEAN Industry Forums foster collaboration and knowledge exchange. This will strengthen ASEAN's collective defence capabilities and position the region as a competitive player in the global defence market.



Key Strategic Initiative 9

Strengthening R&D for Local Adaptation

Key Strategic Initiative 9 focuses on enhancing Research and Development (R&D) capacity to empower local defence technologies in Malaysia. By reducing reliance on foreign imports and fostering local innovation, this initiative aims to strengthen national defence, stimulate economic growth and build a robust defence industry. One significant step under this initiative is the exploration of a Defence R&D Innovation Fund, providing financial support to drive local innovation. Another key measure is the establishment of a Public-Private R&D Collaboration Platform to connect research institutions, industry players and government agencies. This collaborative environment will enable the exchange of ideas, expertise and resources, accelerating technological progress.

Beyond financing and collaboration, the initiative emphasises the development of a Local Technology Master Plan based on the Defence R&D Roadmap 2025–2055 through the Defence Science and Technology Advisory Council (MPSTP), ensuring a structured approach to strengthening local technologies. It also promotes dual-use technologies that may be applied in both civilian and military sectors, ensuring broader economic benefits and a more resilient supply chain. Through these efforts, the initiative aims to enhance Malaysia's defence readiness and competitiveness on the global stage.



MISSION 4

Empowering Local Capabilities Through Technological Transformation (M4)

KEY STRATEGIC INITIATIVE 9

Strengthening R&D for Local Empowerment (S9)

INITIATIVES

- Exploring the Defence R&D Innovation Fund
- Establishing a Public-Private R&D Collaboration Platform
- Developing a Local Technology Master Plan Based on the Defence R&D Roadmap 2025-2055
- Promoting Dual-use technology

Key Strategic Initiative 10

Industrial Impact Score Programme

MISSION 4

Empowering Local Capabilities through Technological Transformation (M4)

KEY STRATEGIC INITIATIVE 10

Industry Impact Score Programme (S10)

INITIATIVES

- Developing Sector-Specific Impact Scores
- Implementing a Voluntary Self-Assessment Portal
- Annual Audit and Recognition of Industry Impact
- Capacity Development Linked to Impact Score Outcomes

The Industry Impact Score Programme is an initiative aimed at promoting responsible, competitive and sustainable industry growth by providing a structured method for industries to measure, manage and improve their socioeconomic and environmental contributions. This programme involves developing sector-specific impact scores tailored to relevant indicators aligned with defence priorities, enabling fair and meaningful benchmarking across industries. A voluntary self-assessment portal will be introduced, allowing companies to review their own performance and prepare for external evaluations.

To ensure transparency and credibility, annual audits will verify data reported by industries, followed by a recognition programme to reward high-performing organisations and encourage best practices. In addition, industries will receive targeted training and advisory services based on their score results to help address performance gaps and build capacity. Collectively, these components aim to create a culture of continuous improvement and proactive industry engagement in the development of the defence sector.



Key Strategic Initiative 11

Defence Industry-Driven Talent Supply Programme

In line with Malaysia's ambition to enhance defence self-reliance and advance technology, Key Strategic Initiative 11 emphasises on the development of a continuous and high-quality talent pipeline. This initiative introduces the Defence Industry Talent Development Programme, designed to equip future professionals with the expertise required to address rapidly evolving defence challenges. By integrating government support, private sector involvement and academic collaboration, the initiative seeks to bridge the gap between theoretical learning and practical application. Aspiring talent gains specialised knowledge in fields such as aerospace engineering, cybersecurity and advanced manufacturing, ensuring Malaysia remains competitive in a global landscape where innovation and preparedness are paramount.

Four main initiatives support this effort: exploring Dedicated Defence Education Pathways, Defence Internships and Industrial Training, Defence STEM Scholarships and Career Fairs, which provide structured pathways for students and graduates to engage with industry leaders directly. Through this multi-dimensional approach, the initiative not only addresses immediate skills shortages but also nurtures a culture of continuous learning and strategic adaptability.



MISSION 4

Empowering Local Capabilities Through Technological Transformation (M4)

KEY STRATEGIC INITIATIVE 11

Defence Industry-driven Talent Supply Programme (S11)

INITIATIVES

- Exploring Specialised Defence Education Pathways
- Encouraging Industrial Training and Defence Job Training
- Consideration of the Defence STEM Scholarship
- Supporting the Defence Career Fair

Key Strategic Initiative 12

D2I Programme – From Duty to Industry: A Second Pathway for National Heroes

MISSION 4

Empowering Local Capabilities through Technological Transformation (M4)

KEY STRATEGIC INITIATIVE 12

D2I Programme - From Duty to Industry: A Second Pathway for National Heroes (S12)

INITIATIVES

- Forming a Veteran Skills Mapping Programme
- Strengthening Veteran and Military Retirees' Skills Improvement Initiatives
- Establishing a Veterans Job Portal

To further strengthen Malaysia's defence ecosystem, Key Strategic Initiative 12 leverages the untapped potential of military veterans and retirees. With specialised training, leadership experience and discipline, these individuals represent a vital resource for the defence sector. By creating a structured pathway to employment, the initiative provides meaningful post-service opportunities while addressing skill gaps within the industry. The goal is to integrate veterans' expertise into various defence-related roles, ensuring a dynamic workforce that reinforces national defence. Four core interventions support this effort: the Veteran Skills Mapping Programme, the Veteran and Military Retirees' Upskilling Initiative, a dedicated Veteran Job Portal and Employer Incentives for Veteran Hiring. The Veteran Skills Mapping Programme identifies and categorises the skills of personnel nearing retirement, providing insights for targeted upskilling.

Whereas, the Veteran and Military Retirees' Upskilling Initiative offers tailored short courses and mentoring to bridge skill gaps. The Veteran Job Portal streamlines job postings, facilitates recruitment processes and enables veterans to showcase their qualifications. Overall, this systematic framework promotes a resilient defence talent pipeline, positioning veterans and military retirees as key contributors to Malaysia's defence sector and broader economic growth.



05

**KEY STRATEGIC
DRIVERS**

KEY STRATEGIC DRIVERS

To ensure the success of the implementation of NDIP missions, three (3) strategic initiatives have been identified as the key strategic drivers or game-changing enablers from the total of 15 key strategic initiatives outlined in the NDIP. The three key strategic drivers are as follows:

Key Strategic Initiative 13

NDIP Implementation Budget

MISSION 5

Key Strategic Drivers (M5)

KEY STRATEGIC INITIATIVE 13

NDIP Implementation Budget (S13)

INITIATIVES

- Creating an Annual Budget Allocation Framework
- Identifying Priority Areas for Funding
- Public-Private Partnerships for Selected Defence Initiatives
- Developing a Transparent Reporting Mechanism

Ensuring stable and transparent financing is the key to the success of Malaysia's defence industry ecosystem. Strategic Initiative 13 addresses this need by establishing a robust NDIP implementation budget framework. This initiative targets an increase in the defence budget in line with the modernisation requirements of the MAF and capacity building. The initiative introduces the Annual Budget Allocation Framework, aligning proposals with RMK13 and promoting public-private partnerships to optimise resources. Transparent reporting mechanisms enhance accountability, while priority financing areas ensure that critical projects receive the necessary support. Alternative financing sources and incentive schemes also support growth, ensuring a solid financial foundation for Malaysia's long-term defence aspirations. Alternative financing sources may be utilised, diversifying financial streams and reducing the burden on the core defence budget. By integrating these measures, the NDIP implementation budget framework ensures sustainable and efficient financing that drives Malaysia's defence industry forward while maintaining fiscal responsibility. This approach strengthens the resilience of Malaysia's defence sector.



Key Strategic Initiative 14

Empowerment of the Malaysia Defence Industry Council (MDIC)

Strategic Initiative 14 strengthens the MDIC by enhancing its operational implementation and aligning its mandate with national defence objectives. The MDIC plays a vital role in shaping the nation's defence sector by fostering collaboration between industry stakeholders and government agencies. This strategic initiative aims to increase the council's functions in national defence planning, ensuring that industry-led perspectives make meaningful contributions to policy formulation and implementation. Another key aspect of this empowerment initiative is the establishment of a dedicated Delivery Management Unit (DMU) to manage and implement the NDIP agenda.

Another core component of this initiative is the establishment of a Strategic Platform for Unique Needs Requirement to address the unique needs of Malaysia's defence industry. With this platform in place, stakeholders may coordinate their efforts more effectively to achieve common goals. Key measures include the development of a Defence Requirements Database to rationalise industry needs and the introduction of Key Performance Indicators (KPI) to track progress. Regular published report will assess the impact of NDIP on the growth and effectiveness of the defence industry. These efforts promote structured governance, innovation and efficiency, ensuring that Malaysia's defence industry remains competitive and well-organised.



MISSION 5

Key Strategic Drivers (M5)

KEY STRATEGIC INITIATIVE 14

Empowerment of the Malaysia Defence Industry Council (MDIC) (S14)

INITIATIVES

- O&E (Operation and Implementation) MDIC
- Establishing the Delivery Management Unit (DMU) for the Management and Implementation of NDIP
- Establishing a Strategic Platform for Unique Needs Requirement
- Developing a Defence Requirements Database
- Introducing KPIs for MDIC
- Publishing report on the effectiveness of the NDIP in developing the defence industry

Key Strategic Initiative 15

National Strategic Team for New Technology as an Innovation Driver

MISSION 5

Key Strategic Drivers (M5)

KEY STRATEGIC INITIATIVE 13

National Strategic Team for New Technology as an Innovation Driver (S15)

INITIATIVES

- Identifying New Technologies
- Promoting International Cooperation
- Developing a Technology Readiness Index
- Providing Research and Development (R&D) Grants for High-Potential Technologies

Strategic Initiative 15 focuses on the National Strategic Team for New Technology as an innovation driver to address proactively technological advancements that are reshaping the defence landscape. Recognising the transformative impact of innovations such as artificial intelligence, cybersecurity solutions and Unmanned Aerial Vehicle (UAV), this Strategic Team aims to position Malaysia at the forefront of defence technology adoption and development. By identifying critical emerging technologies, this initiative seeks to harness breakthroughs that could enhance national security, improve operational efficiency and strengthen the competitiveness of the national defence industry.

The key components of this Team's mandate are to promote international collaboration with leading defence technology organisations worldwide. Such cooperation will help bridge capability gaps, facilitate knowledge exchange and accelerate the adoption of advanced solutions. In addition, the Task Force will develop a Technology Readiness Index to monitor and assess progress in the adoption of emerging technologies, ensuring that strategic priorities remain aligned with current industry trends. Finally, the provision of targeted R&D grants for high-potential technologies will stimulate innovation and encourage private sector participation, thus contributing to the resilience and long-term growth of the local defence sector.



06

**MAIN FOCUS AREAS
OF THE NDIP**

MAIN FOCUS AREAS OF THE NDIP

Critical Subsectors of the Defence Industry

The NDIP gives emphasis to several key subsectors within the national defence industry. Firstly, the maritime sector, which involves the development and manufacturing of warships, support vessels and systems related to naval defence. Secondly, the aerospace subsector, focusing on the development of aircraft, including Unmanned Aerial Vehicles (UAV) and defence aviation technology. Thirdly, military automation, which encompasses the manufacturing and innovation of rugged and high-technology army vehicles. Fourthly, cyber and electromagnetic security, which focuses on the protection of data and communication systems, as well as defence against cyber threats and electromagnetic warfare. Lastly, the weapons and ammunition sector involving the manufacturing and development of weapons and ammunition that meet safety and effectiveness standards. All of these subsectors form the main focus in efforts to strengthen and modernise the national defence industry comprehensively.

Local Industry Involvement

The NDIP prioritises the involvement of local companies in various aspects of development of the national defence industry. Among these are the development and manufacturing of combat vessels and support ships that are crucial in reinforcing maritime defence capabilities. In addition, the production of Unmanned Aerial Vehicles (UAV) is also emphasised for monitoring and defence purposes, in line with modern technological needs. The design and manufacturing of military vehicles are also a primary focus, with local companies having successfully produced armoured vehicles that meet military standards. Furthermore, the development of more integrated cyber and electromagnetic defence systems is also stressed to counter increasingly complex cyber and electromagnetic warfare threats. This approach aims to reduce dependence on foreign technology and strengthen the capacity of the local defence industry comprehensively.





Future Technologies

In addition to traditional sectors, the National Defence Industry Policy (NDIP) also prioritises new strategic technologies in strengthening national defence capabilities. Among them are the application of Artificial Intelligence (AI) in defence systems aimed at enhancing operational efficiency as well as automatic responses to threats. In addition, the development of autonomous systems such as robotics and Unmanned Aerial Vehicles (UAV) is a primary focus to improve the effectiveness of military operations in a more modern and efficient manner.

Space technology is also emphasised through research and development related to satellites and space communication systems, which are important in ensuring broader and continuous control and surveillance. In addition, defence capability against CBRNE threats (chemical, biological, radiological, nuclear and explosive) is also a critical aspect of this policy in addressing increasingly complex and high-risk security threats.

This approach is in line with the Ministry of Defence’s efforts to increase Research and Development (R&D) in defence technology, reduce dependence on foreign technology and build a sustainable and competitive innovation ecosystem. With the support of investment and strategic collaboration between the government, higher education institutions and the private sector, Malaysia aspires to become a leader in defence technology in the region.



07

**NDIP IMPLEMENTATION
PLAN**

NDIP IMPLEMENTATION PLAN

The NDIP Implementation Plan functions as a structured framework to advance Malaysia's defence industry towards self-reliance, technological progress and international competitiveness. It adopts a mission-based approach, ensuring that national security priorities are aligned with industrial growth and innovation. The roadmap outlines a phased implementation strategy from 2025 to 2030, focusing on key elements such as governance, financing, Research and Development (R&D), local industry enhancement, and strategic drivers. These phases are designed to build a resilient defence ecosystem that not only meets national security needs but also positions Malaysia as a leading defence hub in the region.



PHASE 1 Foundation Setting & Policy Development

Enhanced Governance & Institutional Consolidation

To ensure a strong foundation for the defence industry, the NDIP is recommended to be established as a national policy, supported by a dedicated body tasked with overseeing its implementation. The Malaysia Defence Industry Council (MDIC) will be empowered to enforce compliance, monitor progress and coordinate industry efforts. This initiative will provide a structured framework for governance, ensuring accountability, transparency and efficiency in policy implementation.

Financing & Investment Strategy

Financial sustainability is a crucial pillar for the growth of Malaysia's defence industry. A Defence Industry Development Fund (DIDF) is proposed to be introduced to support local defence industries in innovation and production. Additional incentives, including grants, will be proposed for defence manufacturers and technology developers to encourage investment and stimulate industrial growth. This financial mechanism aims to stimulate innovation and ensure continued economic participation from both local and international investors.

Capability Assessment & Industry Mapping

This comprehensive industry assessment will serve as a vital foundation in evaluating the current capabilities of Malaysia's defence industry. Through this assessment, gaps, strengths and opportunities for improvement will be identified, enabling more effective strategy implementation. Based on the outcomes of the assessment, priority sectors for modernisation will be determined, focusing on areas where local production may be strengthened. This approach will facilitate targeted policy interventions and strategic investments that may support gradual industry growth. With systematic implementation, Malaysia has the potential to reduce reliance on foreign defence imports, enhance local capacity and ultimately strengthen its position as a key player in the regional and global defence industry.

Strengthening R&D and Innovation

Innovation is the backbone of a sustainable and competitive defence industry. To accelerate technological progress, a public-private R&D collaboration platform will be established to foster cooperation between academia, the military and industry players. In addition, a Defence Innovation Accelerator Programme is proposed to be introduced to fast-track the development of advanced defence technologies. These initiatives will ensure that Malaysia remains at the forefront of defence industry progress, aligned with global military technology trends.

Proposed KPIs for this phase include:

- » Funding proposals for NDIP implementation having been prepared and secured
- » Strategic Task Force having been established with a strategic implementation plan finalised
- » Capability database and industry mapping matrix having been developed
- » Defence Research & Development, Commercialisation and Innovation (R&D CI) Programme established with priority technology areas having been identified
- » Improvements to the defence procurement policy to be initiated

PHASE 1

Foundation Setting and Policy Development

1

Enhanced Governance & Institutional Consolidation

- DIPN as a national policy.
- Capability of the Malaysia Defence Industry Council to enforce compliance, coordinate industry efforts and monitor progress.

3

Capability Assessment & Industry Mapping

- Comprehensive industry assessment to identify gaps, strengths and opportunities.
- Determining priority sectors to strengthen local production.
- More targeted strategic investments.

2

Financing & Investment Strategy

- Defence Industry Development Fund (DIDF) for local innovation.
- Proposed tax exemptions and grants for defence technology developers and manufacturers.
- Reducing reliance on foreign funding.

4

Strengthening R&D and Innovation

- Establishing a public-private R&D collaboration platform to foster cooperation between academia, the military and industry.
- Defence Innovation Accelerator Programme.

Proposed KPIs for Phase 1

1

Funding proposals for DIPN to be prepared.

2

Strategic Task Force and implementation plan to be finalised.

3

Industry capability database and metrics to be developed.

4

Defence R&D CI programme to be established.

5

Improvements to the defence procurement policy to be initiated.

PHASE 2

Industry Consolidation & Technological Advancement

Enhancing Local Capabilities & Industrial Growth

One of the NDIP's primary objectives is to increase Malaysia's self-reliance in defence production. Efforts will focus on modernising critical defence components such as electronics, ammunition and Unmanned Aerial Vehicle (UAV). To support this transition, TVET programmes related to defence will be upgraded to produce a skilled workforce capable of supporting industry growth. In addition, technology transfers and licensing agreements with international defence companies will be pursued to accelerate industrial development and the adoption of global best practices.

Financing & Economic Incentives

Expansion of Public-Private Partnerships (PPP) will attract greater investment to the defence sector. Defence procurement policies will be designed to prioritise local content, supporting the growth of Micro, Small and Medium Enterprises (MSMEs) in the industry. These measures aim to create an ecosystem whereby local industries thrive, reducing reliance on foreign suppliers and ensuring long-term economic sustainability.

Proposed KPIs for this phase include:

- Implementation of public-private collaborative R&D projects with identified outcomes
- Collaboration between MINDEF, MOHE and industry players for curriculum improvements in TVET and internship opportunities
- Exploration of technology licensing potential with international OEMs and local defence industry vendors
- Implementation of improvements to defence procurement policy
- Implementation of improvements to ICP

PHASE 2

Industry Consolidation & Technological Advancement

1

Enhancing Local Capabilities & Industrial Growth

- Modernisation of critical defence components.
- Strengthening TVET programmes.
- Technology transfers and licensing agreements.

2

Financing & Economic Incentives

- Expansion of Public-Private Partnerships (PPP) for local innovation.
- Prioritisation of local content in defence procurement.

Proposed KPIs for Phase 2

1

Implementation of public-private collaborative R&D projects.

2

Improvement of TVET curriculum and industrial training.

3

Technology licensing potential between local vendors and international OEMs.

4

Implementation of improvements to defence procurement policy.

5

Implementation of improvements to ICP.

PHASE 3

Expansion of Capability & Defence Industry Preparedness

Advanced Defence Production & Smart Manufacturing

With a solid foundation in place, focus will shift towards local production of high-priority defence platforms, including land military systems, naval assets, aerospace technology and cyber security solutions. The integration of Industry 4.0 technologies such as Artificial Intelligence (AI), automation and robotics into defence manufacturing will enhance efficiency, precision and cost-effectiveness. This transformation will position Malaysia as a technologically-advanced defence producer capable of meeting both domestic and international demand.

Defence Export Strategy & Global Partnerships

A significant milestone for Malaysia's defence industry will be its ability to transition into an export-oriented sector. By strengthening bilateral and multilateral agreements, the country will facilitate technology transfer and joint production initiatives, enabling Malaysian companies to participate in the global defence supply chain. Strategic alliances with ASEAN nations and other defence-exporting countries will open markets for Malaysian-made defence products, boosting industry competitiveness and its economic contribution.

Strengthening Regulatory Supervision & Compliance

To enhance credibility and trust in Malaysia's defence industry, stringent quality control measures will be enforced to comply with international defence standards. A transparent and accountable procurement framework will be developed, ensuring contracts are awarded based on merit, efficiency and integrity. These governance measures will strengthen investor confidence and enhance Malaysia's reputation as a trusted player in the global defence sector.

Proposed KPIs for this phase include:

- Improved regulation and compliance with best practices in defence procurement policy
- Increased number of local defence manufacturers prepared for Industry 4.0
- Increased number of local dual-use defence products in the market
- Strengthened cooperation with international partners for participation in the global supply chain
- Increased number of defence industry companies participating in foreign trade missions

PHASE 3

Expansion of Capability & Defence Industry Preparedness

1

Advanced Defence Production & Smart Manufacturing

- Local production of high-priority defence platforms.
- Integration of Industry 4.0 technologies.

2

Defence Export Strategy & Global Partnerships

- Strengthening bilateral agreements to create opportunities within the global defence supply chain.
- Strategic alliances with ASEAN nations to expand global market access.

3

Strengthening Regulatory Supervision & Compliance

- Stringent quality control measures.
- Transparent and accountable procurement framework.

Proposed KPIs for Phase 3

1

Improved regulation and best practices.

2

Increased number of local manufacturers.

3

Increased number of local dual-use defence products.

4

Strengthened cooperation with international partners.

5

Increased participation in foreign trade missions.

PHASE 4 Full Operation & Global Competitiveness

Achieving Self-Reliance in Core Defence Capabilities

Malaysia aspires to achieve selective self-reliance, with aims of modernisation and the creation of new jobs at a minimum annual growth of 5% from the current baseline. Sovereign capabilities will be established in critical areas such as cyber security, AI-based defence solutions and next-generation weapon systems, reducing dependence on imports and strengthening national security. This transition will consolidate Malaysia's status as a technologically-independent defence nation.

Positioning Malaysia as a Regional Defence Hub

With a strong defence industry, Malaysia will leverage its infrastructure and expertise to position itself as a strategic defence production and innovation hub in ASEAN. Efforts will be made to increase defence technology exports, strengthen regional cooperation and establish Malaysia as a preferred destination for defence-related investments and joint development projects. The nation's ability to meet both domestic and international market demands will ensure long-term sustainability and influence in the global defence landscape.

Performance Evaluation & Future Strategic Planning

A final evaluation of the NDIP cycle will be conducted to measure its effectiveness and overall impact on Malaysia's defence sector. The findings will guide future policy adjustments and the development of long-term strategies beyond 2030. This review will ensure that the progress achieved during the roadmap's implementation may be sustained and expanded, securing the growth of Malaysia's defence industry for the next decade and beyond.

Proposed KPIs for this phase include:

- Increased international collaboration and MoUs translated into higher export value of defence products and services
- Performance review study and NDIP implementation impact paper published
- Increased percentage of major defence assets and equipment procured from local sources
- A vibrant defence industry ecosystem established with active participation of all key stakeholders

PHASE 4

Full Operation & Global Competitiveness

1

Achieving Self-Reliance in Core Defence Capabilities

- Attaining selective self-reliance levels.
- Sovereign capabilities in critical areas such as cybersecurity and others.
- Reducing dependency on imports.

2

Positioning Malaysia as a Regional Defence Hub

- Industrial infrastructure and expertise in defence innovation.
- Efforts to increase defence technology exports.
- Capability to meet both domestic and international market demands.

3

Performance Evaluation & Future Strategic Planning

- Evaluating achievements and impact.
- Strategic adjustments and continuous improvements for more effective policy implementation.

Proposed KPIs for Phase 4

1

Increased international collaboration and MOUs.

2

Performance review study and implementation impact paper.

3

Increased percentage of local defence assets and equipment.

4

Competitive and resilient defence industry ecosystem.

NATIONAL DEFENCE INDUSTRY POLICY (NDIP)

IMPLEMENTATION PLAN



08

**EXPECTATIONS FOR
THE IMPLEMENTATION
OF NDIP**

EXPECTATIONS FOR THE IMPLEMENTATION OF NDIP

The implementation of the NDIP is expected to bring about several key changes that will strengthen Malaysia's defence industry:

- ▶ In order to ensure the effective implementation of the National Defence Industry Policy (NDIP), a dedicated budget must be allocated to support its execution. In addition, the Malaysia Defence Industry Council (MDIC) should be entrusted with the responsibility of monitoring and coordinating the implementation of this policy, ensuring every step is taken systematically. In order to strengthen coordination and effectiveness, a Delivery Management Unit (DMU) should be established to oversee and coordinate all planned initiatives, ensuring the NDIP is implemented smoothly and achieves its intended goals.
- ▶ The governance structure of the industry will be streamlined to ensure more organised and effective policy implementation. One of the measures being considered is the enactment of a Defence Industry Act, aimed at providing a clear legal framework to support the sector's growth. In addition, the Malaysia Defence Industry Council (MDIC) will play a key role as a coordinating body, ensuring policy implementation moves in line with strategic objectives. The MDIC will also lead digital transformation efforts within the industry, in line with Industry 4.0 developments, to strengthen the competitiveness and efficiency of Malaysia's defence sector.
- ▶ The performance of NDIP implementation will be systematically evaluated through KPIs, ensuring that every set objective may be clearly achieved. For more accurate and up-to-date monitoring, a Digital Dashboard will be used to provide real-time data on policy implementation progress. In addition, strict compliance mechanisms and independent assessments involving stakeholders will be applied to enhance transparency and ensure every step of implementation is carried out effectively. This approach will ensure that the NDIP functions as a progressive and responsive policy, capable of bringing positive change to Malaysia's defence industry.
- ▶ NDIP implementation requires close cooperation from all stakeholders. MINDEF, MAF, industry players and R&D institutions play key roles in ensuring the policy runs smoothly. In addition, Public-Private Partnerships will act as the main driver in strengthening the national defence ecosystem. Strategic relations with other countries will also accelerate technology transfer and support local industry development, thereby enhancing Malaysia's global competitiveness. This integrated approach ensures that the NDIP not only strengthens national defence, but also stimulates economic growth and technological innovation within the defence industry.



- ▶ Malaysia aims to increase local defence production with a target growth of at least 5% annually by 2030. In addition, the country will promote the use of the Defence Industry Development Fund to support industrial growth and boost competitiveness. To ensure sustainable development, green technology will be incorporated into the defence industry, while dual-use technologies will be leveraged to enhance the effectiveness of defence systems and expand their application into other sectors. Malaysia also sets the goal of becoming a regional defence hub, ensuring that local industries remain resilient and globally competitive.
- ▶ To ensure the NDIP remains relevant and effective, periodic reviews will be carried out. This measure will allow policy adjustments in response to changes in the defence industry and the evolving national security landscape. This approach ensures NDIP remains flexible and capable of adapting strategies to meet current needs, thereby strengthening the long-term competitiveness of Malaysia's defence industry.
- ▶ With systematic and comprehensive implementation, NDIP has the potential to enhance the competitiveness of Malaysia's defence industry. This strategy will help reduce dependence on imports, strengthen local capabilities and ensure the sustainable and competitive development of the defence sector at the global level. This approach not only strengthens national defence, but also creates opportunities for technological innovation, knowledge transfer and economic growth, positioning Malaysia as a key player in the regional and global defence ecosystem.



09

GLOSSARY



| GLOSSARY

4IR	Fourth Industrial Revolution
ADIC	ASEAN Defence Industry Collaboration
AI	Artificial Intelligence
ASEAN	Association of Southeast Asian Nations
B2B	Business to Business
C4ISR	Command, Control, Communications, Computer, Intelligence, Surveillance and Reconnaissance
CBRNE	Chemical, Biology, Radiological, Nuclear and Explosive
CDI(M)	Coalition of Defence Industry Malaysia
D2I	Duty to Industry
DIDF	Defence Industry Development Fund
DMU	Delivery Management Unit
DWP	Defence White Paper
ESG	Environment, Social and Governance
FTA	Free Trade Agreement
EW/IW	Electronic Warfare/ Information Warfare
G2G	Government to Government
GDP	Gross Domestic Product
ICP	Industrial Collaboration Program
ICT	Information and Communication Technology
IP	Intellectual Property
KPI	Key Performance Indicator
LCRI	Local Content Requirement Index
MAF	Malaysian Armed Forces
MATRADE	Malaysia External Trade Development Corporation
MDIC	Malaysia Defence Industry Council
MINDEF	Ministry of Defence (Malaysia)
MOU	Memorandum of Understanding
MPSTP	Defence Science and Technology Advisory Council
MRO	Maintenance, Repair and Overhaul

MSMEs	Micro, Small and Medium Enterprises
NDIP	National Defence Industri Policy
NIMP 2030	New Industrial Master Plan 2030
OEM	Original Equipment Manufacturer
PPP	Public-Private Partnership
R&D	Research & Development
R&D CI	Research & Development, Commercialisation and Innovation
RI	Research Institute
RMAF	Royal Malaysian Air Force
RMK13	13th Malaysia Plan
RMN	Royal Malaysian Navy
ROI	Return on Investment
S&T	Science and Technology
SDG	Sustainable Development Goals
SOE	State-Owned Enterprise
STEM	Science, Technology, Engineering and Mathematics
STRIDE	Science & Technology Research Institute for Defence
TVET	Technical and Vocational Education and Training
UAV	Unmanned Aerial Vehicle
UPNM	National Defence University of Malaysia

