

II. OVERVIEW

1.0

GENERAL

The Malaysian aerospace industry is relatively young and like other developing countries in this region, the Malaysian government plays a leading role in the development of this industry. The industry is closely-knit with the Malaysian government having major shareholdings in the principal aircraft operators and in Aerospace Industries of Malaysia (the holding company of Alrod Sdn. Bhd. which, at present, is the cornerstone of the national aerospace industry). Furthermore air-SMAF and/or Army officers often participate in the management or as shareholders of local companies holding agencies of principal foreign aerospace companies.

2.0

DOMESTIC PRODUCTION AND GENERAL DEMAND

Local production of aerospace products is limited to aviation tires and flight data recorders. Syarikat Dunlop Aviation Sdn. Bhd., the manufacturer of aviation tires, serves only the local replacement market. All tires manufactured are re-exported to Dunlop. **II. OVERVIEW** Flight data recorders, Alrod Sdn. Bhd. is the sub-contractor for Lockheed International.

Malaysia's requirements for aerospace products are met through imports. In 1986, total imports of aerospace products including maintenance, repair and overhaul service were in the region of US\$400 million. However, due to the broad classifications in the import statistics, this import figure may not be relevant. Industry sources have indicated that the annual expenditure on aircraft parts and components, avionics, air traffic control equipment and maintenance services is in the region of US\$300; this excludes capital expenditure on aircraft. Based on the above estimates, the market for aerospace products and services, including imports of aircraft for the year 1986 which amounts to about US\$150 million, is in the region of US\$500 million per annum.

The current levels of domestic demand are unable to justify the setting up of production facilities to manufacture such high level technology products, unless the facilities are employed to meet world or at the least Asia-Pacific regional demand. To encourage the setting up of export oriented manufacturing establishments, the Malaysian Government has introduced several investment incentives. Added advantages include the availability of industrial space and the comparatively lower land cost in Malaysia to other developed and developing countries.