Petronas of Malaysia

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RICE UNIVERSITY
FOR PROFIT COMPANY FROM THE BEGINNING

- Formed under Companies Act not as statutory body
- Expected to make profit and not sought funds from national Treasury
- Provides 20% total revenue primarily through Petroleum Income Tax
- Petroleum products not primary economic base, Malaysia – 15% exports
PETRONAS COMPARATIVELY MORE EFFICIENT AND NON CORRUPT

• Basis initially in civil service
• With some 30,000 employees relatively low ratio to sales
• Low levels of corruption
• Moves toward greater efficiency under Merican
• Signs of problems from expansion
NORMALLY INDEPENDENT FROM GOVERNMENT INTERFERENCE

- Prime Minister has interfered and protected
- Questions regarding mega-projects
- Rejection government proposals – MAS
- Day to day operations normally operates independently
PETRONAS NOT NORMALLY A TOOL OF FOREIGN POLICY

• Views of Petronas as tool of foreign policy relate to:
  • Petronas as a counter to U.S. – Sudan, Myanmar, Vietnam
  • Petronas as a supporter of Islamic causes
• Support for these perceptions from:
  • Mahathir’s desire to put Malaysia on world stage
  • Malaysia’s pride in aiding Muslims abroad
  • “Prosper Thy Neighbor”
• Evidence does not support individual decisions outside profit motive
PETRONAS TRANSFORMED ITSELF AFTER 1990

• From its inception in 1974 to 1991 primarily downstream
• Transformation after 1992
  • Expansion into the international arena
    • Total of 35 countries with emphasis Africa
    • Oil and gas exploration 26 countries
    • Downstream in Petrochemicals, retailing, gas pipelines, LNG terminals and engineering
  • Role of Shipping
    • Largest owner-operator of LNG vessels
  • Involvement in “mega-projects” domestically
  • Bottom line is normally the bottom line for Petronas