

Petronas of Malaysia

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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