



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY, MALAYSIA

MEDIA STATEMENT IN RESPONSE TO TUN MAHATHIR'S ACCUSATIONS ON PROTON-GEELY PARTNERSHIP

1. Much has been said about the future of Proton as a result of its proposed partnership with Geely. This is rather premature as it is still too early to tell but the indicators are pointing towards a brighter future ahead given, the track record of Geely in reviving Volvo. However, what we do know is that without the RM1.5 billion soft loan by the Government in April 2016, Proton's future would have been challenging - the welfare of its total direct and indirect 350 vendors and 60,000 employees would have been at stake.
2. The allegation that the Government has not disbursed the funds promised to Proton is baseless. From the total soft loan of RM1.5 billion, the Government has disbursed RM1.25 billion to Proton that was largely used to settle the outstanding payments to its vendors. The balance of RM250 million will be disbursed in about a week. Separately, as announced by the Minister of Finance II, the Government will reimburse Proton the research grant worth RM1.1 billion when the final agreement with Geely is signed in July 2017.
3. While this assistance is unprecedented in an open market economy, it was a responsible move by the Government in ensuring all viable options are explored to secure a better future for Proton. However, the Government cannot keep on helping out Proton every time it faces financial difficulties. For this reason, the RM1.5 billion soft loan was made conditional upon Proton securing a foreign strategic partner.
4. Today, the Malaysian automotive market size is about 600,000 units annually and for any company to succeed, it has to meet the economies of scale. Proton has been coming to the Government with a number of export promotion plans in the last five years. Unfortunately, none of them has materialised.
5. It must be reminded that the decision to partner Geely was purely a commercial decision made in the best interest of Proton, its vendors and employees. It was made after taking into account a number of factors including the benefits to be derived from Geely's technology, R&D facilities and injection of cash.

6. It is very unfortunate that the Government's sincere intention and unwavering commitment of wanting Proton to succeed were labelled by Tun Mahathir as an act of vengeance. The Government will and always protect the best interest of the nation, and we do not make decisions based on personal vendettas and the need to settle scores.

7. The new reality is that the automotive industry has become very global and inter-connected. Joint ventures have become a norm as not many carmakers can stand on their own feet, with examples such as Nissan-Renault and Cherry-Jaguar Land Rover. What is the point of maintaining 'national pride' as claimed by Tun Mahathir if it means letting the company to continue bleeding cash and jeopardising the welfare of its workers?

8. Furthermore, to repeat the allegation that we are sacrificing national pride is pointless as evidenced by the Perodua-Daihatsu partnership and many other joint ventures. As we know, Malaysian companies and GLCs also have major stakes in a number of operations overseas. We live in a highly- globalised environment and in order to successfully compete globally, we must pool together our resources and forge ahead.

9. To the critics of the Proton-Geely partnership, I say enough is enough. Proton will have a foreign strategic partner moving forward but Malaysia still retains majority control. Proton is known globally as a Malaysian brand and nothing can take that away from Proton.

10. The choice before us all is clear. We either let Proton to restructure its business with the help of a foreign partner or we turn a blind eye to the problems that the company is facing. At the end of the day, it is the interest of Proton's vendors, management and staff that must be prioritised above and beyond pride as well as nostalgia. Logic and common sense must prevail against emotions at any turn, if we are to succeed in this rapidly changing global landscape.

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