

A political tinderbox in Malaysia

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12 September 1998

Just how highly combustible the political situation has become in Malaysia is revealed by the rapid turn of events over the last week.

On September 2, Malaysian Prime Minister Mahathir Mohamad sacked Anwar Ibrahim from his posts of Deputy Prime Minister and Finance Minister. A day later he orchestrated Anwar's summary expulsion from the ruling United Malays National Organisation (UMNO) and moved to isolate Anwar's backers.

Pressure is now mounting on the leader of UMNO Youth, Ahmad Zahid Hamadi, to resign. Zahid sided with Anwar during the UMNO national conference in June in criticising 'nepotism', 'corruption' and the close ties between government and big business--a thinly veiled attack on Mahathir himself.

Until recently, Anwar was widely regarded as the heir apparent to the 72-year-old Mahathir. He now faces serious police charges on a series of trumped-up allegations ranging from sedition, to endangering national secrets, and sexual conduct. He could also be arrested under the country's draconian Internal Security Act (ISA), which allows for people to be jailed without charge.

This week Mahathir stepped up his campaign against Anwar, insisting his former deputy was dismissed over 'his personal problems and morals' not policy differences. To support the official line, the government-controlled press in Malaysia has churned out lurid stories about Anwar's alleged sexual misconduct.

Anwar has flatly denied all charges and publicly challenged the government to arrest him, claiming the accusations and his sacking are part of a political conspiracy.

According to press reports, thousands of his supporters, many of them students and young professionals, have been gathering outside Anwar's residence. He has called for the launching of a 'reform' movement to change Malaysia's repressive laws and to

end the close collaboration between government and big business.

Warning that Malaysia's economic miracle had proved to be a mirage, he said: 'The bloated merchants who feed their greed through nepotism and cronyism are in a panic, like wriggling worms on a hot pavement.'

Anwar retains a base of support among the Malaysian Muslim Youth Movement (ABIM) which he helped to found in the 1970s, after serving a 20-month jail term under the Internal Security Act for leading anti-government demonstrations. He was invited to join UMNO in 1982 by Mahathir who was seeking to establish his own Islamic credentials and to divide the opposition.

Yet despite his past reputation as a critic and his present rhetoric, Anwar has been reluctant to initiate a movement against the Mahathir government. He has twice called off plans for meetings around Malaysia to muster support. Under conditions of rising unemployment and poverty, he and his advisers fear that they would lose control of any movement against Mahathir.

UMNO has headed the ruling coalition of parties since Malaysia gained formal independence from the British in 1957. Successive governments have kept in place a battery of laws including the ISA to severely restrict every aspect of life, including the operation of the press, trade unions, opposition parties and movements.

In calling for 'reforms,' Anwar is seeking to exploit the legitimate hostility of workers, young people and sections of the middle class to the lack of basic democratic rights and declining living standards for his own political purposes.

The breakdown of relations between Anwar and Mahathir reflects deep divisions within the ruling class itself. Anwar's sacking came just one day after

Mahathir announced sweeping economic measures aimed at ending speculation in Malaysian shares and in the ringgit. Strict controls have been placed on currency exchange and trading, a fixed exchange rate has been established and a year must elapse before profits from trading in Malaysian stocks can be repatriated.

As Finance Minister, Anwar advocated diametrically opposed policies--an opening up of the Malaysian economy and the removal of restrictions on foreign investors along the lines demanded by the International Monetary Fund (IMF). In 1996, *AsiaMoney* nominated Anwar as Finance Minister of the year and in 1997, *Time* hailed Anwar as one of a new breed of Asian leaders.

Over the last year, however, the ringgit has lost around 40 percent of its value against the US dollar and the Malaysian share market has plunged precipitously. The country is officially in recession and many businesses, including those with close links to the government and UMNO, are facing bankruptcy.

Having instituted currency and stock market controls, Mahathir has appointed himself Finance Minister to replace Anwar. He now plans to reflate the economy and to provide some relief to cash strapped corporations. He has already moved to ease interest rates and to adjust regulations to allow banks to provide more credit.

To consolidate his control, Mahathir has appointed his close associates to key economic posts, including Tan Sri Ali Abul Hassan Sulaiman, who oversaw the country's privatisation program, as the new central bank governor. Two weeks ago, the two top central bank officials resigned after opposing Mahathir's proposed monetary regulations.

But the new economic regulations have drawn sharp criticisms internationally. Andrew Ballingal, chief strategist for Schrodgers Asia, lashed out at the measures, saying: 'As far as I am concerned, all the lights have gone out in Malaysia. Mahathir says: We don't want these bloody foreigners investing any money in Malaysia. I think a lot of investors won't go near Malaysia irrespective of how attractive a place it is for investment as long as Mahathir is in charge. Mahathir says he doesn't need the world. Well, maybe the world doesn't need him.'

The withdrawal of international investment has undoubtedly contributed to the acute instability in

Malaysia's stock exchange over the last week. After initially falling more than 13 percent, shares rocketed on the next four days to record a gain of 70 percent, only to slump again by 21 percent on Tuesday.

Continuing financial upheaval, worsening economic recession and growing social tensions are certain to add further fuel to the sharp political disputes in Malaysian ruling circles and to undermine the social base on which UMNO and its coalition partners have relied to retain power for more than 40 years.

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[4 September 1998]



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