

"A gale of creative destruction"

What Anwar Ibrahim means by "reformasi" in Malaysia

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In the midst of the gathering of international leaders at the recent Asia Pacific Economic Cooperation (APEC) summit last week an editorial entitled 'The Real Business of APEC' appeared in the pages of the *Asian Wall Street Journal*, one of Asia's most widely read big business newspapers.

The editorial comment was remarkable from several standpoints. Its author, the former Malaysian deputy prime minister Anwar Ibrahim, is currently residing in Sungai Buloh jail in Kuala Lumpur, the city in which the APEC meeting was being held. He is being held without bail while standing trial over allegations of interfering with police investigations and sexual misconduct--the pretext for his removal from power in early September.

Anwar's editorial came just two days after US Vice-President Al Gore told APEC that 'democracy' and an end to corruption were essential to economic recovery in Asia, and then praised anti-government demonstrators in Malaysia protesting Anwar's arrest and calling for 'reformasi' or democratic change. Gore's comments constituted a none-to-subtle attack on Malaysia's Prime Minister Mahathir Mohamad and more generally on governments, including Japan, that resist US demands for further market reforms.

The newspaper's decision to open its pages to the imprisoned Anwar in the midst of the furore over Gore's remarks certainly signifies that powerful sections of big business, both inside Malaysia and internationally, have a major stake in pushing aside Mahathir. The content of the article underscores the fact that the economic agenda being pushed by Gore and Anwar under the slogan of 'democracy' or 'reformasi' has little to do with the aspirations of thousands of ordinary Malaysians for an end to the country's authoritarian rule and an improvement in living standards.

Anwar's chief target was so-called crony capitalism--the intricate network of close connections between private businesses, the state apparatus and government in countries like Malaysia bound together by state subsidies, contracts, preferential credit deals, and government licences. 'Instead of pointing the finger at speculators and blaming 'unrealistic demands' set by international agencies acting as lenders of last resort, Asian nations would do well to put their houses in order first,' he wrote. Asian nations must end 'ambitious plans for outlandish [infrastructure] projects,' commit themselves 'to wiping out corruption and nepotism,' remove tariff barriers and eradicate 'subsidies, monopolies and favoritism'.

Anwar's economic prescriptions follow the line he was pursuing as finance minister prior to his dismissal and that won him the support of the International Monetary Fund as well as the praise of various leading business magazines. He is speaking on behalf of investors, in Malaysia and internationally, who regard the special preferences given to the business cronies of Mahathir and the ruling United Malays National Organisation (UMNO) as a barrier to their own economic interests.

When the IMF and the US speaks about 'rights' and 'reforms,' their concerns are not with the basic democratic rights of working people. For decades, they have propped up military dictatorships and autocratic regimes throughout the region, including the Mahathir government. Now under conditions of deep economic crisis, the US and other major powers are seeking to prise open all areas of the globe for exploitation by the major transnational corporations. What they are after is the right to move capital freely at the whim of the market and to exploit the working class without restriction. In order to do so and to secure their investments, they require legal equality with nationally based firms.

Anwar clearly understands the catastrophic social implications. 'Is Asia, where cronyism is entrenched in many quarters, ready for this sea change towards a more ethical and moral political leadership and better corporate governance,' he asks. 'So many vested interests are at stake. Unless the gale of creative destruction is unleashed on these rent-seeking and parasitic corporate activities, however, the Asian economy will never regain its past vigour.'

What Anwar means by unleashing a 'gale of creative destruction' is the wiping out of large sections of business, especially those which in the past have had to rely on the support of the state. Those most likely to reap the benefits would be the large international investors able to buy up failing businesses at firesale prices and exploit the economic openings left by a string of bankruptcies.

Not surprisingly, sections of Malaysian business reacted with hostility to Anwar as he began to implement the demands of the IMF at the end of last year for budget cutbacks, tough financial measures and the abolition of huge state-backed infrastructure projects. Anwar was sacked the day after Mahathir announced tight monetary and capital controls aimed at halting speculation in Malaysian stocks and currency, and easing credit restrictions for Malaysian businesses, many of which were teetering on the brink of collapse.

Mahathir has been able to maintain a degree of political support firstly by appealing to nationalist sentiment with his demagogic denunciations of international speculators, the IMF and the US. But, more significantly, many people are understandably sceptical about the 'market reforms' championed by Anwar. After all, 'the gale of creative destruction' has already produced a social disaster in countries like Indonesia, Thailand, South Korea and elsewhere, throwing millions out of work and into poverty virtually overnight.

Such social conditions do not lead to 'democracy' but to state repression. In South Korea, President Kim Dae Jung, who has been hailed as 'the grand old man of Asian democracy,' has not hesitated to use thousands of riot police to break up protests and strikes by workers against the destruction of jobs and conditions. A Malaysian government under Anwar would be no different.

In Malaysia, thousands have braved police batons, teargas, water cannon and jail in order to support the 'reformasi' protests sparked by the sacking and arrest of Anwar. Many protesters are concerned about the Mahathir's autocratic rule, about the lack of even the most basic democratic rights in Malaysia and by the

deterioration of living standards. But if they place their faith in Anwar, Gore or other capitalist politicians, they will be rudely disappointed.

Throughout the four decades since Malaysia achieved formal independence from Britain, the capitalist class has proven completely incapable of satisfying the aspirations of working people for basic democratic rights and decent living standards. UMNO-dominated governments have ruled continuously since 1957 by exploiting a mixture of divisive racial politics and outright police repression. A battery of laws has been used to jail opponents without trial, to silence the press, to rig the judiciary, to bar students and public servants from political activity and to crush strikes and industrial action.

Genuine democratic rights are bound up with the struggle for social equality and an end to the political, economic and social domination of a tiny wealthy ruling elite over the masses of Malaysian workers, small farmers and sections of the middle class. Neither a continuation of Mahathir's crony capitalism nor 'the gale of creative destruction' advocated by Anwar offer any economic or political solution for working people. The real causes of the economic crisis in Asia and internationally lie in the workings of the profit system itself which is threatening to plunge the world economy into a 1930s-style depression.

The only social force which is capable of challenging the ruling class and leading a powerful and progressive struggle for democracy and social equality is the working class. By mobilising independently and fighting for the reorganisation of society on the basis of social need, not individual profit, workers would win to their side students, intellectuals, peasants and agricultural labourers, small businessmen and professionals who have also been hard hit by economic recession. It is to this political task that a turn needs to be made.

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