

Malaysian government instigates a politically motivated 'anti-corruption' drive

John Roberts
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Malaysian economic regulatory authorities—the Securities Commission and the central bank, Bank Negara—have initiated an extensive crackdown in the corporate sector in the name of ending corrupt practices. However, questions have been raised by opposition figures and in financial circles about the selective, political nature of the measures that have targeted businessmen connected to opponents of the Malaysian government.

On August 12, the Malaysia's *Sun* newspaper reported that the Securities Commission had handed the Immigration Department a list of 70 names of businessmen and their senior advisors to prevent them from leaving Malaysia. The Securities Commission admitted taking the action, claiming only that the number was lower.

Among those already arrested and facing charges are some of the most prominent figures in the country's corporate sector. On April 30, Ismail Zakariah, a former chief executive of the Sime Bank, a major Malaysian bank, was charged with breaking lending guidelines under the Banking and Financial Institutions Act by lending \$M175 million (\$US46 million) against the instructions of the bank's board.

On July 24, KFC managing director Ishak Ismail and Abrar Corporation executive chairman Wan Hasni Wan Sulaiman were charged with offences under the Securities Act. The KFC director, who became a major corporate figure after gaining control of Idris Hydraulic in 1991, is charged with providing false information in 1996 when submitting a plan for Securities Commission approval. Wan Hasni Wan Sulaiman has been charged over allegedly using a plan to cheat investors in 1997.

On August 4, Datuk Tony Thiah Thee Kian, executive of TA Securities, the country's largest retail brokerage firm, and his sister-in-law, Kimmy Khoo Poh Kim, the company secretary, were charged with aiding the political and business figure John Soh Chee Wen in defrauding the now defunct Omega Securities of \$M424.9 million. If convicted Tiah and Khoo could face jail sentences of up to 10 years and fines of up to \$M1million. The authorities have initiated an international manhunt for Soh.

Opposition figures have accused Prime Minister Mahathir Mohamad of directing the crackdown against businessmen connected to the deposed and jailed former deputy prime minister and financial minister Anwar Ibrahim. Similar concerns have been voiced by bankers and businessmen quoted in Hong Kong and Singapore-based newspapers.

Members of Parti Keadilan Nasional (National Justice Party), established this year by Anwar's wife Wan Azizah, have denounced the measures saying they are aimed at smearing and intimidating opposition supporters in the lead-up to the national elections. One of the government's aims, they say, is to cut off funds for opposition parties.

The poll is due to be held by the middle of next year, but there is widespread speculation in the press that Mahathir will call an early election.

The government claims the crackdown is not politically motivated but has been initiated by the Securities Commission in response to calls from foreign investors, fund managers, business and the media for moves against corrupt business practices. Mahathir said the regulating authorities were acting independently of the government. Securities Commission chairman Ali Abdul Kadir commented: "We are not concentrating on any particular sector, party, of friends of anybody."

Mahathir's assertions appear to be rather hollow as a number of those facing charges are well known for their connections to Anwar.

For 10 years until 1991, Datuk Ishak Ismail was secretary of the ruling United Malays National Organisation (UMNO) division of Permatang Pauh—Anwar's constituency in Penang. After 1991 he remained a committee member. His political closeness to Anwar is apparent from an interview in which he said Anwar "is my mentor and I learnt a lot from him. I felt privileged to serve under him in his division. I have great respect for him. He is a leader of high integrity."

Wan Hasni Wan Sulaiman was also a strong Anwar supporter. He was deputy chief of the UMNO young organisation in Kelantan until Anwar was deposed in last September. In October, he was expelled from UMNO for

“anti-UMNO activities” as part of a purge of 300 to 400 Anwar supporters.

Ismail Zakaria was known to be close to both Mahathir and Anwar when the latter was Finance Minister. He was being considered as a future governor of the Bank Negara.

Furthermore, the roundup of Anwar supporters comes in the aftermath of fresh allegations by the jailed Anwar of corrupt practices by close supporters of Mahathir. In the course of July, he lodged police reports accompanied by supporting documents alleging that:

- * Mahathir, in collaboration with the attorney-general's chambers, blocked the criminal prosecution of international trade and industry minister Rafidah Aziz over charges that she had favoured her son-in-law in an allocation of shares.

- * Mahathir, and not managing director Eric Chia, was largely responsible for \$M3 billion in losses at the state-owned steel corporation Perwaja.

- * Present Finance Minister and business tycoon Daim Zainuddin received money and shares from three prominent businessmen—Halim Saad, controlling shareholder of the giant Renong corporation; Tajudin Ramli, Malaysian Airlines chairman and principal shareholder; and Wan Azmi Wan Hamzah, chairman of the property group Land & General. Daim is one of Mahathir's closest political associates.

While Anwar's allegations have received little publicity and are unlikely to be pursued by the police, they appear to have rattled the Mahathir government. “The Anwar reports have put the government back on the defensive. They seem to be in a bind on how to react,” Jomo Sundaram, an economics professor, commented.

The crackdown by the Securities Commission is part of Mahathir's answer as he considers whether to call an early election. The UMNO general assembly, held from June 18 to 20, was used by the party leadership as a virtual election rally. Claiming that the government's regulatory policies were working, Mahathir and Daim branded the IMF's policies as moves by the “ethnic Europeans” to recolonise Malaysia, and Anwar and his supporters as the lackeys of foreign capital.

The government has also put Anwar on trial for a second time, on charges of sodomy. He is already serving a six-year sentence on corruption charges. The trial has proceeded despite evidence that witness statements against Anwar were coerced by the police. The police have just admitted this week that they rewrote the charges when it was discovered that the apartment block in which the offenses were supposed to have taken place had not even been built at the time.

As well as the publicity surrounding the trial, Mahathir is counting on an improved economy to assist him winning an

early election. But the so-called recovery in Malaysia has largely been fueled by government spending and is rather shaky. There has been little foreign investment in the country. Export growth in April and increased foreign reserves occurred against the backdrop of an economic contraction of 7.5 percent last year. Banks have refused to increase lending by the 8 percent demanded by the government.

Anwar's expulsion last year and his subsequent jailing were not simply the product of a personal falling-out between the prime minister and his former deputy, but reflected deep rifts in ruling circles in the wake of the Asian economic crisis. Anwar demanded that the UMNO-led government respond by adopting the economic policies required by the IMF, a process he had begun as finance minister. He was seeking to further open up the economy to foreign investment and maintained a high interest rate regime, which was threatening to bring down major Malaysian corporations, including some closely allied to Mahathir and Daim.

Last September Mahathir responded by sacking the Bank Negara head and implemented a series of capital and currency controls including the suspension of offshore trading of the Malaysian ringgit, a fixed exchange rate and restrictions on the repatriation of profits by foreigners in share trading. When Anwar refused to accept the changes and refused to resign, Mahathir sacked and then expelled him from UMNO. After Anwar launched a nationwide campaign calling for Mahathir's removal, he was arrested under the Internal Security Act and then finally charged with corruption and sexual misconduct.

The bitter dispute first surfaced in the June 1998 at the general assembly of UMNO. Anwar tried to appeal to the resentment of smaller Malay business interests who were going to the wall, while those close to UMNO were being bailed out by government money. He and his supporters called for the government to “cleanse society of collusion, corruption and nepotism”.

Mahathir responded at the time by producing a list of business interests connected to Anwar, who had benefited from state largesse. The message was clear: pursue this anti-corruption campaign and you will end up being investigated for financial malpractice. A little over a year later, the Mahathir government seems to be carrying out the threat.



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