

An uncertain future for Malaysia's prime minister

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26 March 2001

The 20-year rule of Malaysia's 75-year-old Prime Minister Mahathir Mohamad is looking increasingly uncertain. Over the last few months, Mahathir has been criticised over the outbreak of racial violence on the outskirts of Kuala Lumpur and from within his own United Malays National Organisation (UMNO) for corporate bailouts. He has cracked down on opposition parties, as well as trying to woo them into talks. In the background, the country's economic position is deteriorating.

Articles questioning Mahathir's hold on power have begun to appear in the international press, which rarely comments on anything in Malaysia unless something is afoot. A comment entitled "Losing his grip" in the *Financial Times* on February 28 noted: "Such is the sense of change that many diplomats and political analysts in Kuala Lumpur believe that Dr Mahathir may be preparing to resign as one of the world's longest-serving leaders. Of course there have been rumours of his imminent departure before and Dr Mahathir remains hard to read. But what is beyond dispute is that he is under more pressure than at any other time since he took office in 1981.

The *Financial Times* reported Mahathir's deputy Abdullah Ahmad Badawi as saying: "The government may not be able to afford another round of rescues. I am well aware of the rumblings and discontent among the professional business community that the government should not continue to protect those who have blatantly mismanaged their corporate empires and have repeatedly come back crying for help. I am aware that these criticisms are being made by Malaysians themselves, and I am aware that many of these criticisms are valid."

An article posted on *Bloomberg.com* under the heading "Winds of political change are blowing in Malaysia" focused on the festering political sore created by Mahathir's dismissal and jailing of his former deputy Anwar Ibrahim. "Mahathir's position has worsened because his economy is deteriorating, and because of revulsion toward his persecution of his former handpicked successor," wrote David DeRosa. "If Mahathir steps down, as some observers believe may soon happen, it could be rightly said that he, like General Suharto of Indonesia, was a victim of the Southeast Asia currency meltdown of 1997. The difference is that the crisis, which erupted on July 2, 1997, in Thailand, took out Suharto almost immediately. Mahathir managed to hold onto power for several years."

Anwar's sacking in September 1998 was the result of sharp differences within the ruling Barisan Nasional (BN) coalition led by UMNO over the direction of economic policy in the wake of the Asian financial crisis. Mahathir dismissed Anwar, who had been implementing IMF restructuring measures, and imposed a series of capital and currency controls aimed at propping up sections of Malaysian business, particularly those with close connections to UMNO. Anwar was arrested under the country's draconian Internal Security Act and later put on trial on trumped-up charges of corruption and sexual misconduct.

Far from destroying Anwar politically, his treatment has undermined the government's support, in particular among the country's majority Malay population. In the November 1999 national elections, the BN alliance,

which includes the conservative Chinese and Indian-based parties—the Malaysian Chinese Association (MCA) and the Malaysian Indian Congress (MIC)—held onto its two thirds majority as a result of the country's electoral gerrymander. But UMNO won less than 50 percent of the Malay vote—its worst poll result in 30 years.

Last November, the ruling coalition lost a by-election for the Kedah state assembly seat of Lunas, which BN has held ever since independence in 1957. The National Justice Party (Parti Keadilan) formed by Anwar's wife Wan Azizah Wan Ismail in 1999 won the poll, taking an estimated 60 percent of the Malay vote and 80 percent of those who were voting for the first time. During the campaign, portraits of Anwar appeared throughout the electorate, indicating that more than two years after his arrest, he remains a central political figure.

The loss in Lunas sent shock waves through UMNO. A member of UMNO's supreme council Shahrir Samad commented at the time: "This is the 'old man' syndrome of an old man sulking. The voters did not see any changes in the government, which is perceived as full of corruption, self-serving and out of touch with the people." The "old man"—Mahathir—has reacted in a number of ways to try to shore up his weakening position.

Pro-Malay rhetoric

In a bid to undercut his Malay opposition—the Islamic fundamentalist Parti Islam se-Malaysia (PAS) in particular—Mahathir sharpened the tone of his pro-Malay rhetoric. Malays, who comprise about 55 percent of the country's population, enjoy a series of economic and educational privileges over ethnic Chinese (30 percent of the population) and ethnic Indians (8 percent). The prime minister attacked Chinese people who were calling for an end to the pro-Malay bias, branding one group "extremists like the communists" of the Emergency period. The comment was not just a rhetorical flourish but implied a definite threat of police measures against the organisation.

Mahathir also took the unusual step of offering to hold "Malay unity" talks with PAS and the National Justice Party. The proposal was widely interpreted as a sign of weakness on the part of Mahathir who has responded to virtually every other challenge during his lengthy political career with police crackdowns rather than conciliation. Anwar's wife dismissed the offer. PAS leaders, who claim to be recruiting 45,000 new members a month, many of them defectors from UMNO, set a series of tough pre-conditions.

Talks with PAS were scheduled for February 19 but were called off by PAS leaders after a series of police attacks on opposition rallies. On February 17, police used water cannon to disperse a rally in Kuala Lumpur organised by PAS and Keadilan to protest the appointment of the chief prosecutor in the Anwar trials to the country's highest court. A PAS youth leader told reporters at the rally that Attorney-General Mohtar Abdullah "abused his powers" and "is not qualified to be a judge in any courts".

PAS president Fadzil Noor is now insisting that prior to any discussions with UMNO there has to be agreement on the fate of Anwar. PAS also has

a string of items that it wants on the agenda, including government economic mismanagement, the restoration of oil royalties to the PAS-controlled Terengganu state, an end to police attacks on opposition organisations and permission for PAS's newspaper *Harakah* to publish twice weekly. Mahathir is in no position to meet any of the PAS demands.

After the cancellation of the talks, Wan Abdullah Rahim Wan Abdullah, PAS leader and speaker in the Kelantan state assembly, told *Reuters* that Mahathir had to go and that the fate of Anwar had to be resolved. "The main factor now is... Anwar Ibrahim. Will he come out? Will he be pardoned? Will he be able to lead UMNO? I think he's the anchor man."

In the meantime, a public rally held on February 4 by a newly-formed grouping within UMNO known as the Malay Action Front provided a revealing glimpse of the degree of opposition to the government within its own ranks. The meeting of 3,000 was largely composed of UMNO members, including two junior ministers—deputy Health Minister Suleiman Mohamad and the deputy Information Minister Khalid Yunus—and had been given the go-ahead by Mahathir himself in order to promote Malay rights.

For the most part, however, the rally did not focus on racial issues but rather attacked the government over corruption. PAS newspaper *Harakah* commented on the rally: "If the speeches had been uttered at any opposition meeting, the speakers would have found themselves charged with sedition or worse... It openly challenged the legitimacy of Dr Mahathir to remain in office."

Former UMNO youth leader Mazlan Harum criticised the UMNO leadership for bailing out Malaysian Airlines chief Tajudin Ramli by buying his 21 percent stake in the airline at double the market price while Malay students went without scholarships.

MAF rally organiser Tajuddin Rahman attacked the government for using affirmative action to favour a few rich Malays while rural Malays suffered. "We keep on hearing about DRB-HICOM, Berjaya Group, Renong, YTL and MRCB getting all the big projects. Don't be greedy. Leave some for others." Tajuddin went on to urge Mahathir to "clean up" the Malaysian cabinet and restore the confidence of Malays in it.

Mahathir and the UMNO leadership immediately disowned MAF and the rally but the damage had already been done. Despite the purge of Anwar and his supporters from UMNO over two years ago, the issues of nepotism and corruption have reemerged in its ranks, indicating sharp divisions in ruling circles over the direction of economic policy. These tensions have sharpened amid growing fears of an economic downturn in Malaysia.

Economic vulnerability

The capital and currency controls imposed in 1998 by Mahathir may have helped, initially at least, to cushion Malaysia from the impact of the Asian financial crisis. The economy shrank by 7.8 percent in 1998 but grew by 5.8 percent in 1999 and 9.3 percent in the first nine months of 2000. The principal source of the growth, however, has been manufacturing exports. In the third quarter of 2000, for instance, export growth of 32 percent contributed 5.5 percent of the 7.7 percent overall economic growth rate. Yet, the export section is highly vulnerable to any downturn in the US, which accounts for a significant proportion of Malaysia's trade, particularly in electronic goods.

The economic controls have also affected foreign direct investment. The government claimed an increase in foreign investment of 13 percent for the first nine months of 2000 but much of this was tied up with a single 7.4 billion ringgit natural gas project. Senior economist Kostas Panagiotou at Kim Eng Securities told the *Financial Times* that there was a net capital outflow of \$US7.9 billion in 1999 and probably \$10.2 billion in 2000. When the biggest public share offering in the region since the 1997 recession was put up for Time dotCom recently, part of the politically well connected Renong Group, only one quarter of the shares were taken up.

Mahathir has staked a lot in high-tech industries. The government set

aside \$10 billion for the development of the Multimedia Super Corridor but the project has attracted little foreign investment. A recent article in the *Sydney Morning Herald* commented: "The vision is on hold, blurred by the economic crisis that swept through South-East Asia in late 1997 and now facing an even graver threat from the signs of an economic downturn in the US that is likely not only to dry up new investment in technology industries but also to wreak havoc on the electronics manufacturing sector that is the backbone of Malaysia's recent expansion..."

"A decade ago Malaysia was recording heroic rates of growth but, like the rest of the region, was hard hit by the crash of late 1997. After rallying in 1999 on the back of a surge in exports, the economy is again in sharp decline. Most security houses reckon the country will be lucky to achieve 4 percent growth this year, yet the government refuses to downgrade its forecast of 7 percent... He [Mahathir] is now seen by many as at once a core symptom of UMNO's problems, the one person capable of solving them and yet the person least able to reinvent himself politically to save the day. It is a paradox that could leave the party locked on a course to eventual defeat, especially if the economy hits heavy weather over the next couple of years."

The country's economic problems are exacerbating social tensions. On March 8, racial violence erupted around Petaling Jaya town, an oppressed area housing low-paid workers and unemployed on the outskirts of Kuala Lumpur. According to police, six people—five ethnic Indians and an Indonesian immigrant—were killed in clashes between Malays and Indians. At least 50 people were injured, 75 have been arrested and around 800 riot police have been deployed in the area.

The violence is the worst since the race riots of 1969, which claimed the lives of hundreds of ethnic Chinese. The government responded by imposing a state of emergency and implementing measures to further bolster the economic position of the majority Malays that have further entrenched racial divisions over the last three decades. A political science professor Palanisamy Ramasamy commented to *Newsweek*: "How can you build up sound racial relations when there is no racial equality in this country. As long as Indians and Chinese feel like second-class citizens, [it's] impossible."

On March 20, about 200 ethnic Indians, carrying banners such as "We demand justice and development," took part in a demonstration organised outside parliament by a number of non-government organisations (NGOs). A letter addressed to the government stated: "We believe [Mahathir] had the power and authority to decisively act to minimise the deaths of Malaysian citizens. We hold the prime minister of Malaysia and the government responsible for what happened." Ethnic Indians, most of whom were brought by the British colonial rulers to work in the rubber plantations, are among the poorest layers of Malaysian society.

The response of the government to the clashes has been a further crackdown on opposition parties and on the foreign press. Prominent opposition leaders, including Anwar's wife, PAS general secretary Nasarudin Mat Isa and Democratic Action Party secretary-general Kerk Kim Hock, are being investigated over an opposition statement that questioned the official death toll of six. They could face charges of sedition and lengthy jail terms.

UMNO's youth wing has filed a police report alleging that the *South China Morning Post*, *International Herald Tribune* and *Agence France-Presse* maliciously exaggerated the number of dead in the racial violence. The move could result in charges of sedition being brought against the newspapers. The government has also delayed the distribution of recent issues of the *Far Eastern Economic Review* and *Asiaweek*—a move that it claims is not political.

Far from being an indication of strength, the government's sensitivity to the mildest of criticisms is a further sign that the ruling alliance is torn by frictions and Mahathir's future is doubtful.



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