

Malaysian prime minister's sudden resignation points to political instability ahead

John Roberts
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On June 22, Malaysia's 76-year-old Prime Minister Mahathir Mohamad dropped a political bombshell in the midst of the three day national conference of the ruling United Malays National Organisation (UMNO). One hour into his closing speech, Mahathir suddenly announced that he was immediately resigning all his party and government positions, ending 21 years in office.

Melodramas at UMNO conferences are certainly not unknown. But usually they are well rehearsed and calculated affairs, designed by the party tops to rally support for the leadership. Mahathir's nationally televised resignation clearly caught even Mahathir's closest associates by surprise and resulted in mayhem on the conference floor.

To cries of "why, why" from the delegates, a sobbing Mahathir was quickly surrounded by senior UMNO officials. He could be heard saying, "No, I have decided. I have decided," as he was shunted out of the hall. Deputy Prime Minister Abdullah Ahmad Badawi quickly mounted the podium to move that the conference reject the resignation. After about an hour he returned to announce that Mahathir would stay on temporarily as leader and withdraw his immediate resignation.

Behind the scenes, a deal was worked out. On June 25, UMNO leaders revealed a plan in which Mahathir would continue as government leader until Malaysia hosted the Organisation of Islamic Conference summit scheduled for 24-25 October 2003. In the meantime, authority would be gradually transferred to Badawi. The disarray in the leadership was underscored by the fact that, before Mahathir's comments, senior party officials had been telling journalists that an early national election was likely in 2003. Afterwards the word was the election would take place as scheduled in 2004—that is, following Mahathir's departure from politics.

While UMNO leaders were left to sort out the mess, Mahathir took off for a 10-day cruise on the Mediterranean. He returned to Malaysia on Wednesday, insisting that he would resign, as agreed, in October 2003. Whatever Mahathir's exact personal motivations, this rather bizarre sequence of events is both an indication of sharp underlying tensions within UMNO and a forewarning of further ructions to come.

Mahathir's autocratic rule as UMNO leader and prime minister means that a simple announcement about a change of leadership is not possible. He has been ruthless in removing any rival, and therefore even his anointed successor, from top jobs. In the 1980s, Mahathir used the country's notorious Internal Security Act (ISA)

to consolidate his grip on power by detaining senior UMNO and government officials without charge or trial.

In 1998-1999, Mahathir sacked his deputy Anwar Ibrahim following sharp disputes over the direction of economic policy during the Asian financial crisis. He expelled Anwar and his supporters from UMNO then, when Anwar began to organise opposition rallies, had him arrested, first under the ISA then on bogus charges of sodomy and corruption. His former deputy and chosen successor now sits in jail after being convicted in two sham trials.

In July 2001, the well-connected and powerful finance minister, Daim Zainuddin, was abruptly removed from office and leading UMNO positions when Mahathir decided that an about-face on economic policy was necessary to appease international investors. Badawi's main qualifications for the dubious honour of deputy prime minister appear to be unswerving loyalty to Mahathir and his own lack of stature—in other words, he presents no threat at all to the prime minister.

If Mahathir, who is well known for changing his mind, does depart as scheduled, open splits may well emerge in UMNO's ranks. Anwar and Zainuddin may have gone but the factional interests they represented have not. Anwar gave voice to those layers of big business that were demanding an end to the web of nepotistic relations through which UMNO had encouraged a layer of indigenous Malay or *bumiputera* owned corporations. In 1998, he opposed Mahathir's imposition of capital and currency controls to rescue ailing Malay businesses. Zainuddin, on the other hand, was at the centre of the business empires that sprouted up around UMNO because of government largesse.

These subterranean conflicts inside UMNO, largely hidden from view by a subservient Malaysian media, are probably at least one of the factors behind Mahathir's departure. On the surface, he had no obvious reason to resign. Mahathir had carefully exploited the political situation following the September 11 terrorist attacks on the US to lift the government out of its previous slump in political stocks.

Tensions had been high in UMNO since the 1999 national election when the party lost ground to opposition parties—the Islamic fundamentalist Parti Islam se-Malaysia (PAS) and the National Justice Party (Keadilan) formed by Anwar's wife—both of which exploited popular hostility, particularly among Malays, to Anwar's treatment. PAS gained 27 seats in the 193-seat parliament at the expense of UMNO, which gained less than half

the Malay vote. UMNO had to rely for the first time on its main coalition partners, the Malaysian Chinese Association and the Malaysian Indian Congress, to retain the two-thirds majority needed for constitutional changes.

However, following September 11, Mahathir and UMNO seized the opportunity to brand PAS as Islamic extremist and arrested over 60 alleged terrorists under the ISA—some of them connected to PAS. After making gains in a series of by-elections and state polls, UMNO leaders were confident that an early national election would enable the party to reverse its 1999 losses.

Furthermore Mahathir had used the “war on terrorism” to mend his fences with Washington and international investors. The Clinton administration had been publicly critical of the jailing of Anwar who had championed the open market policies favoured by the IMF and Washington. In mid-May, however, Mahathir was warmly welcomed in the White House as a moderate Muslim leader and an ally in the “war on terror”. US criticism of Mahathir’s anti-democratic methods ceased.

At the same time, following the removal of Zainuddin, Mahathir had adopted at least some of Anwar’s economic policies to woo foreign investors who had boycotted the country after the imposition of capital and currency controls. At the end of last month, the international credit rating agency Moody’s gave Mahathir another vote of confidence, announcing it would probably upgrade Malaysia’s rating due to the country’s growing foreign reserves and progress in corporate restructuring.

While Mahathir has succeeded in putting the opposition parties on the defensive, these measures will have only sharpened criticisms within his own party. Mahathir’s political reputation has been based on nationalist populism and Malay chauvinism mixing carefully contrived demagoguery against the West, thinly-veiled slurs against the country’s Chinese minority and discriminatory measures designed to benefit the Malay corporate elite and layers of the middle class.

Mahathir’s turn to Washington, particularly in the midst of criticism in Malaysia over the US invasion of Afghanistan, and to more open market policies will have alienated at least some of his supporters inside UMNO. One sign of sharp tensions within the ruling party emerged in another outburst by Mahathir during his opening speech to the UMNO conference.

Mahathir attacked Malays for relying on official privileges in commerce and education. Despite all the advantages provided by the government, he said: “The Malays are still weak, the poorest people, and are backward.” He went on to declare that Malays should learn from the country’s ethnic Chinese. “If we take out the Chinese and all that they have built and own, there will be no small or big towns in Malaysia, there will be no business and industry, there will be no funds for subsidies, support and facilities for the Malays.”

Mahathir told the conference that despite the punitive business charges imposed on Chinese owned businesses, they still made profits while the Malays did not. He then declared that not curing Malays of “a subsidy mentality” was the great failure of his political life.

For anyone to make such statements at an UMNO conference would be extraordinary. For Mahathir, whose entire career has

been based on establishing and defending Malay privileges and making racial insinuations against the Chinese minority, it signalled a political turn. Clearly, a significant section of the Malay ruling elite has concluded that the policy of capital and currency controls has failed. To be “internationally competitive” Malaysia must wind back protection for Malay businesses and public spending on sections of the Malay middle class. Defence Minister Najib Razak told the press: “There must be a gradual understanding among Malays that the world has become more competitive.”

Education policies have already begun to reflect the shift. This year, for the first time since the pro-Malay New Economic Policy was implemented in 1969, university entrance was based on merit not racial quotas. In addition, 10 percent of the places at government-run junior colleges were to be open to non-Malays. Mahathir told a news conference during the UMNO meeting that, if Malays survived these reforms, other areas might be opened to similar changes.

These measures have attracted criticism however. One prominent academic attacked the changes to junior colleges as “unfair” as they “would deny *bumiputeras* their special rights”. One UMNO party division passed a resolution of no confidence in the education reforms. While the resolution was formally directed at the Education Minister Musa Mohamad, no one could mistake the real target: Mahathir himself.

No move was made against Mahathir at the national conference but in the period leading up to his retirement all the party factions will be sharpening their knives for a struggle over the leadership positions. Badawi’s credentials as deputy leader and apparent successor—loyalty to Mahathir and a low political profile—could quickly turn into political liabilities.

As a result, a certain nervousness is apparent in ruling circles in the region and internationally over the departure of Malaysia’s longstanding autocrat. A number of commentators have speculated that Mahathir’s retirement would spur the rise of Islamic fundamentalism and political instability in the region. Singapore’s Prime Minister Goh Chok Tong summed up the mood of foreboding when he commented: “At this stage, the region cannot live with another political uncertainty in another country, after Indonesia. That would be very bad for the region.”



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