

Former Malaysian deputy PM challenges ruling party

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In a series of speeches and interviews, Malaysia's former deputy prime minister Anwar Ibrahim, who was dismissed, vilified and jailed in 1998 on trumped-up charges, has thrown down a challenge to the government of Prime Minister Abdullah Badawi.

In a blistering attack in the *Australian* newspaper on July 2, Anwar denounced the government's economic policies as "protectionist" and "outdated", and appealed to Australian Treasurer Peter Costello to raise the issue at the Asia Pacific Economic Cooperation (APEC) forum in Sydney in September. "I will be sending Peter Costello my document on a Malaysian economic agenda," he said.

Anwar described the ruling United Malays National Organisation (UMNO) as "a party of the past, totally corrupt and irrelevant" and branded Badawi as "a dictator". Although Anwar was previously an UMNO leader who supported its discriminatory policies in favour of ethnic Malays, he revised his stance, saying the "proud experiment" had "borne mixed fruit" and risked turning Malaysia into an economic "basket case".

Anwar's opposition to the UMNO-dominated government and its economic policies indicates that none of the issues that erupted in the midst of the 1997-98 Asian financial crisis have been resolved. At the time, Prime Minister Mahathir Mohammad dismissed Anwar, expelled him and his supporters from UMNO, then had him arrested on charges of corruption and sexual misconduct when he launched anti-government protests. Anwar was convicted of corruption, but the charges of homosexuality were overturned. He was finally released in 2004, but remains banned from politics until next April.

The charges against Anwar were concocted to obscure bitter disagreements over economic policy. While Anwar as finance minister sought to impose the IMF's market reforms, Mahathir imposed a series of capital and currency controls aimed at propping up Malay-based businesses with close connections to UMNO. The heavy-

handed methods used to suppress Anwar and his supporters have continued to resurface as Malaysia has fallen behind its regional rivals. Mahathir was forced to loosen his economic controls, which were further removed when Badawi took over as prime minister in 2003.

With discussion of early national elections next year, the Badawi government is under fire not just from Anwar, but from Badawi's predecessor. Last year, Mahathir branded Badawi a "traitor" for selling out to Singapore by stopping construction of a new bridge between the two countries. He has also attacked the prime minister for cutting tariffs and opening up the auto market, threatening the national carmaker Proton. While Badawi managed to exclude Mahathir from the annual UMNO conference, the row pointed to sharp divisions within the ruling party over economic policy. Clearly, some support Mahathir's protectionist demands, while others are sympathetic to Anwar's calls for market reforms.

The government is rapidly laying out its election cards: the whipping up of communal divisions combined with state repression against its critics. On July 10, Deputy Prime Minister Najib Razak provocatively declared that Malaysia was "an Islamic state" in which "Islam is the official religion". The comments are designed to appeal to the predominantly Malay majority, particularly in more economically backward rural areas, at the expense of the country's Chinese and Indian minorities, who comprise more than 40 percent of the population. Najib has since indicated that elections might be called early next year—possibly before April to exclude Anwar from standing for parliament or formally participating.

The conservative Malaysian Chinese Association (MCA), an ally in the ruling coalition, issued a statement reassuring its base that Malaysia remained a secular state. Rabid Malay chauvinist Hishammuddin Hussein, UMNO youth leader and Education Minister, immediately hit

back, ordering the MCA not to issue any more such statements. At the same time, the Internal Security Ministry ordered all major media not to debate the question, saying only the prime minister and his deputy were authorised to comment on it.

At the same time, the government is cracking down on Internet bloggers and web sites that have increasingly become vehicles for criticism and political opposition, which is virtually absent in the conventional government-controlled media. One of Anwar's aides, Nathaniel Tan, was jailed on July 13 for five days under the Official Secrets Act for allegedly possessing "classified" documents relating to corruption. On his release, he denied the charges and accused the police of breaching procedure.

On July 25, police summoned political commentator Raja Petra Kamarudin, who runs the popular web site *Malaysia Today*, for interrogation over UMNO claims that his articles mocked Islam and threatened racial harmony. Nazri Abdul Aziz, a minister in the Prime Minister's Department, foreshadowed new laws to control bloggers. He said the government would not hesitate to use the country's Internal Security Act, which provides for detention without trial, against anyone who stirred up sensitive issues. While claiming to uphold freedom of speech, he declared that the government would "wipe out the freedom to cheat, defame and hurt people".

The government's claim to be allowing free speech is absurd. Nazri's comments demonstrate that the Badawi government is intent on using its stranglehold on parliament, the media and the courts to maintain a monopoly on defaming the opposition and stirring up racial and religious tensions. As the jailing of Anwar established, UMNO is prepared to imprison any opponent on the most spurious of charges.

State repression, however, will not resolve the underlying dilemmas facing the Malaysian economy. Anwar is speaking for increasingly significant sections of domestic Malay, Chinese and Indian business that oriented to the international market and do not require UMNO patronage and state regulation to survive. His backers fear that without changes to attract foreign investment and make Malaysia more competitive, the country is destined to become an economic backwater. Anwar told *Asia Times* last year that Badawi had failed in his pledge to eliminate corruption and cronyism and open the economy to foreign competition.

Last December, an *Asia Times* article entitled

"Malaysia's squandered reform chance" acknowledged that the GDP was growing at around 5.8 percent. The actual figure for 2006 was 5.9 percent, compared to 5.2 percent in 2005, and a predicted rate of more than 6 percent this year. But the pro-Malay New Economic Policy (NEP), it stated, was associated with "shoddy planning ... unaccountability and cronyism that has long plagued the country". Growth rates in China and Vietnam are significantly higher.

According to UN Conference on Trade and Development (UNCTAD) figures, Malaysia plunged from being the 4th highest destination for foreign direct investment in 1990 to 62nd in 2005. The article cited Citigroup as saying: "Malaysia is quickly dropping out of the radar screen of global investors". UNCTAD figures showed Malaysia received \$3.9 billion in investment in 2006, down 1.6 percent compared with 2004. Singapore by contrast received \$31.9 billion—a growth of 58.8 percent.

The Malaysian economy has received a certain boost from short-term developments. Political uncertainty in Thailand in the wake of the military coup last September has led to an outflow of funds, including into the Malaysian stock market. The Kuala Lumpur Composite Index has gained 23 percent over the past year, with an inflow of \$523 million into equities during April alone. Prices for palm oil—a major Malaysian export—have been booming.

The relative economic buoyancy is one reason the government is considering early elections—not due until 2009. In May, it increased public sector pay by between 7.5 and 35 percent. The government has also exempted foreign investors from regulations in its Iskandar Development Zone and has started to boost spending on infrastructure projects. But its balancing act between protecting uncompetitive UMNO-connected businesses and the need for more foreign investment is a precarious one. Without drastic economic restructuring, investors will simply go elsewhere—to China, India or Vietnam.

That is why, despite the threats of state repression, Anwar is challenging UMNO with the support of substantial layers of the country's business elite.



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