

Malaysia's prime minister to step down next year

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After weeks of political infighting, Malaysia's Prime Minister Abdullah Badawi announced on October 8 that he will not contest the presidency of the ruling United Malays National Organisation (UMNO) at the party's rescheduled conference next March. The announcement opens the way for Deputy Prime Minister Najib Razak to assume the post and take over as prime minister.

Abdullah's decision came amid a continuing challenge to the UMNO-led government by the parliamentary opposition Malaysian Peoples Front (PKR) led by Anwar Ibrahim and further signs of a deteriorating economic situation. Abdullah has been under siege since the poor showing of UMNO and its Barisan Nasional (BN) allies in national elections in March.

Anwar, who was elected to parliament in a by-election in August, had previously set September 16 as the date for toppling the government. He claimed to have the support of the 31 BN parliamentarians needed to form a new government with the PKR's 82. The deadline came and went, as did the opening of the new parliamentary session on October 13, without any move for a no-confidence motion.

Anwar still insists, however, that he will form a new government. He used his first parliamentary speech to challenge the government's economic policies and to call for a new state budget for 2009. Referring to the global financial crisis, he accused the government of being in a "state of denial" over the strength of the economy and external threats. "The government would be hard pressed to generate funds to make the budget work. They are not only dreaming but sleeping in broad day light," he said.

Prior to his speech, Anwar in effect set a new deadline, telling the press that the government could fall by December. The government's sensitivity to attacks on its economic management was obvious. Both Prime Minister Abdullah and Deputy Prime Minister Najib, who became finance minister on September 17, were absent during

Anwar's speech, but were forced to respond as international stock markets spun out of control.

Najib told reporters there would be no new budget, but that budget figures would be revised. He claimed that GDP growth would still be in the order of 5 percent this year, down from earlier estimates of 5.5 to 5.7 percent. Other estimates, however, are already predicting far lower growth. The CIMB investment bank has forecast that GDP would grow by only 3 percent next year. Neighbouring Singapore is already in recession.

Even before the latest convulsions on Wall Street, the country's economy was being buffeted by nervous foreign investors. In the second quarter of the year, the outflow of portfolio investment was \$US6 billion, a sharp reversal of the \$6 billion inflow in the first quarter. Najib said that the government intended to announce a "stabilisation plan" to deal with the growing economic turmoil.

The Malaysian stock market has fallen by 35 percent this year. Last Thursday, the country's central bank announced in tandem with Singapore that it would guarantee all bank deposits until December 2010. An accompanying statement emphasised that the decision was "preemptive and precautionary" and the country's banks were not in danger. Like similar moves in other countries, the decision clearly reflects continuing fears that the international financial instability could hit Malaysia's banking system.

The global financial crisis and economic downturn could not have come at a worse time for UMNO. In the wake of the March election result, Abdullah had promised to address the issue of high fuel prices and inflation, reform the politicised police and judiciary, and end systemic corruption. None of these pledges have been carried out and the government now faces growing hostility over the worsening economy and deteriorating living standards.

Calls for Abdullah to step aside intensified after Anwar

won a parliamentary seat and announced his challenge to the government. The elevation of Najib to the position of heir apparent appears to reflect the wishes of sections inside UMNO who insist on a hard-line approach to maintain the party's political dominance. UMNO has held power for more than half a century since Malaysia's independence from British rule.

Najib entered parliament in 1976 at the age of 23 following the death of his father Abdul Razak, the country's second prime minister. In 1987, as leader of UMNO's youth wing, he sought to whip up anti-Chinese sentiment amid a deep political crisis inside UMNO. Najib has the backing of Abdullah's predecessor Mahathir Mohamad who quit UMNO in May over Abdullah's failure to protect UMNO-aligned businesses and his embrace of pro-market economic policies.

Najib faces a challenge from a former finance minister Tengku Razaleigh Hamaz, who according to some commentators has the backing of Abdullah's supporters. He also has to overcome a legal scandal involving the murder of a Mongolian woman, Altantuya Shaariibuu. Najib's close associate Abdul Razak Baginda has been charged with the killing along with two police officers who were part of a guard unit protecting the prime minister and deputy prime minister.

The tensions inside UMNO and the government are barely hidden. On September 16, Zaid Ibrahim, a minister in the prime minister's office responsible for legal reform, resigned over the government's use of the Internal Security Act (ISA) to arrest three opposition figures. Najib's backer, Mahathir, was quick to express his delight at Zaid's departure and the end of "his so-called legal and judicial reforms".

At his press conference on October 8, Prime Minister Abdullah said he would use his remaining time as premier to carry out his promised reforms. He even suggested that a special group be set up to allow people to join the BN coalition without first joining one of its ethnic-based parties—a step that would turn BN into a single multi-racial party.

Abdullah's comments were immediately criticised by Information Minister Ahmad Shabery Cheek who denounced the suggestion as "akin to dissolving UMNO and will be a humiliation for UMNO." Commenting on Abdullah's proposed reform measures, the *Asia Times* web site commented on October 11 that they were hardly likely to survive with "Zaid gone and Najib—not known for being a political reformer—breathing down his neck."

The government will undoubtedly step up its campaign against the opposition. One of Najib's media critics, Raja Petra Kamarudin, editor of the *Malaysia Today* web site, is still being held without charge under the ISA for his criticisms of the government.

Central to the government's attacks is a new trumped-up charge of sodomy against Anwar, which recalls the methods used against him in 1998 in the wake of the Asian financial crisis. Anwar, who was deputy prime minister and finance minister, fell out with prime minister Mahathir who opposed his attempts to impose the IMF's open market prescriptions. Mahathir imposed currency and capital controls, expelled Anwar from UMNO and then had Anwar charged with corruption and sodomy when he organised anti-government rallies. Anwar was convicted but released in 2004 after the Federal Court quashed the sodomy charge.

Anwar was detained on a new charge in July as his campaign to replace the government was gaining momentum. The case is based solely on allegations made by a former aide, Saiful Bukhari Azian. Anwar has denied the charges, provided an airtight alibi for the day of the alleged assault, and pointed to Saiful's close association with top UMNO leaders. Police are nevertheless proceeding and the next hearings are due to resume on October 31.

The case against Anwar is a measure of UMNO's desperation. The decision to force Abdullah to step aside to bolster the government's flagging support is another. Far from resolving the crisis in the ruling coalition, the installation of a new prime minister will only intensify it.



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