

Malaysian prime minister under pressure over US-led economic pact

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Malaysian Prime Minister Najib Razak is facing an increasing challenge from within his United Malays National Organisation (UMNO), the major force in the 14-party Barisan Nasional (BN) coalition government. UMNO, based on the national capitalist elite, has exercised autocratic power in Malaysia since independence from Britain in 1957.

Former Prime Minister Mahathir Mohamad is bitterly opposed to Najib for signing up, in 2010, to US President Barack Obama's proposed Trans-Pacific Partnership (TPP). The TPP is a mechanism through which Wall Street is seeking to fully open up economies in the Asia Pacific for American trade and investors. Above all, the TPP is directed against China.

Through the TPP, the US is pressing for the dismantling of national regulatory measures and the protection of the "intellectual property rights" of American corporations, particularly in areas such as software, media and pharmaceuticals. Mahathir has denounced the 12-nation TPP as a plan to colonise Malaysia.

Among the TPP's provisions are many that would adversely affect the protected business empires that cluster around UMNO, including those regarding investment rules, state-owned enterprises and the country's pharmaceutical industry.

The moves against Najib stem from the basic economic and foreign policy differences that erupted between Mahathir and the Anwar Ibrahim-led wing of the ruling elite in 1998 following the 1997 Asian financial crisis. Mahathir dumped Anwar as deputy prime minister for supporting US-backed International Monetary Fund demands to dismantle the protectionist measures underpinning UMNO's Malay-dominated business base.

Mahathir, now 89, who left office in 2003 after 22

years, formally withdrew his support from Najib last August. Tensions built up after the 2013 election in which the BN won only 47 percent of the vote to the PR's 51 percent. The ruling coalition was saved by a blatant gerrymander that gave it 133 seats to the opposition's 89. Mahathir held Najib responsible for the debacle.

Mahathir's faction includes Deputy Prime Minister Muhyiddin Yassin, former Finance Minister Daim Zainuddin, senior UMNO figure Jazlan Mohamed and Mahathir's son, Kedah state Chief Minister Mukhriz Mahathir. When pro-Najib UMNO leaders called a national meeting of UMNO's 191 divisional leaders on March 8 to pledge support for Najib, 31 did not turn up.

Mahathir has also condemned Najib for limiting the economic preference system for ethnic Malays, implementing some pro-market "reforms," abolishing the Internal Security Act and initially promising to repeal the Sedition Act. The economic preference regime dovetails with the race-based electoral system that discriminates against Chinese and Indian Malaysians.

The Mahathir faction has honed in on a scandal surrounding Najib's national investment fund, the 1Malaysia Development Bhd (1MDB). Founded in 2009 to promote foreign direct investment, it has had little success, while amassing debts reported to total \$US11.2 billion.

According to a *Bloomberg* report, 1MDB has trouble servicing its debt. A syndicate led by Deutsche Bank is owed a payment of \$975 million in September. Poor rating of assets will adversely affect a 1MDB float planned for later this year. Last month, Deputy Prime Minister Muhyiddin declared that the government should not bail out 1MDB.

The Sarawak news portal *Sarawak Report* alleged

that Low Jho Teck, a Penang business figure, was involved in siphoning off \$US700 million in a petroleum deal that involved 1MDB. Jho Teck is a close friend of Najib's stepson Riza Aziz. As chairman of 1MDB, Najib is vulnerable to questions about its operations. Last year, *Asia Sentinel* reported a study that identified strange sources of loans taken out by 1MDB.

Last month, Mahathir seized on a *New York Times* article that pointed to Najib's considerable family assets in the United States. Mahathir asked about the source of this enormous wealth.

Public bickering inside UMNO continues despite the jailing of the opposition coalition People's Alliance (PR) leader Anwar Ibrahim on February 10 for five years and stepped-up attacks on dissent using the anti-democratic Sedition Act.

Najib's government, in fact, has intensified its anti-democratic assault on the opposition parties since Malaysia's highest court overturned Anwar's 2012 acquittal on a trumped-up charge of sodomy on February 10. Anwar was immediately consigned to jail to serve out his five-year sentence.

Following a demonstration of 10,000 in support of Anwar in Kuala Lumpur on March 7, the police on March 16 arrested Anwar's eldest daughter, Nurul Izzah. She was detained on sedition charges for making a speech in parliament quoting her father's criticism of the court for "bowing to political masters" and being "partners in a crime that contributed to the death of a free judiciary."

Malaysia's Sedition Act, which dates from British colonial times, criminalises speech with an undefined "seditious tendency." This is believed to be the first time since 1978 that a member of parliament has been arrested under the notorious Act. For now, Nurul has been released on bail, pending further police inquiries.

These repressive measures were designed to appeal to UMNO's extreme right wing and undermine support for the Mahathir faction, but the internal backstabbing has continued.

Najib's political weakness has made him more dependent on the ultra-nationalists and Islamists inside UMNO. Najib has refused to say whether federal UMNO will support moves by the Parti Islam se-Malaysia (PAS) government in Kelantan to impose the reactionary Islamic criminal code, which includes

penalties of amputation and stoning to death.

PAS leaders in the state secured the support of local UMNO lawmakers against PAS's partners in the PR coalition—Anwar's secular Malay-based Keadilan and the ethnic Chinese based Democratic Action Party. Even if the measure does not get the backing it needs in the national parliament, it has the potential to break up the PR.

Economic developments are exacerbating the political instability. Exports fell by 8.2 percent in January, year on year. The ringgit has fallen 6 percent this year against the US dollar, mainly due to falling oil and gas prices. Oil and gas exports make up 20 percent of exports and 30 percent of government revenues. In January, Najib announced \$1.5 billion in spending cuts and pushed ahead with the extremely unpopular goods and services tax, which commenced on April 1.

The Obama administration has pushed hard to bring Malaysia into its anti-China "pivot to Asia" strategy, which includes the TPP, and Najib has responded by seeking to deepen the relationship. For this, he has received Washington's de facto support for his repressive measures against Anwar and the opposition.

Obama visited Malaysia last April, the first trip by a US president since 1966, and will do so again in November to discuss intelligence sharing and military cooperation, under the "strategic partnership" that Najib and Obama announced last year.

Now concerns are being expressed in Washington about the instability of Najib's leadership and its potential impact on Malaysia's pro-US orientation. The US Council of Foreign Relations website on March 18 carried an article entitled "Growing Political Crisis in Malaysia?"

In Malaysia, as elsewhere across the Asia-Pacific region, the aggressive drive by the Obama administration to encircle China, militarily and economically, is fracturing relations within ruling circles.



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