

Malaysian prime minister engulfed in corruption scandal

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Malaysian Prime Minister Najib Razak faces allegations of involvement in shifting \$US700 million from a state-owned investment fund into his personal accounts. The cash was reportedly used in part by his United Malays National Organisation (UMNO) during the tight national election campaign in 2013.

Last Friday, the *Wall Street Journal* reported that it had official documents from an investigation by the Malaysian Auditor-General showing the money moved from the heavily-indebted 1Malaysia Development Berhad (1MDB) fund through government agencies, banks and companies into Najib's accounts. Of five deposits, the newspaper traced two, totalling \$681 million, that were made during the 2013 election.

Najib and 1MDB officials denied the allegations. He threatened to sue the financial newspaper, branding the claims as "political sabotage" seeking to undermine "confidence in our economy, tarnish the government and remove a democratically elected prime minister."

Najib accused former prime minister, the 89-year-old Mahathir Mohamad, of working with foreigners to create the political crisis. Mahathir has since last August pushed corruption allegations surrounding 1MDB as a central part of his factional struggle inside UMNO against Najib.

Up until last Friday the allegations swirling around 1MDB had not directly connected Najib to the ongoing scandal. Previously the *Sarawak Report* news portal linked Najib's stepson Riza Aziz to his close friend Penang businessman Low Jho Teck, who had been accused of involvement in siphoning off \$700 million in a petroleum deal. Various 1MDB deals have resulted in debts of over \$11 billion that the fund is finding difficult to service.

On Saturday, Attorney-General Abdul Gani Patail confirmed that a taskforce investigating 1MDB

impropriety had handed him papers, "including documents related to allegations of fund transfer into the account of the prime minister."

The claims have fanned a crisis that threatens Najib's political position and raises the possibility of criminal charges. The scandal has the potential to destabilise the autocratic UMNO, which, through the Barisan Nasional (BN) coalition, has ruled the country since formal independence from Britain in 1957.

Opposition Democratic Action Party (DAP) parliamentary leader Lim Kit Siang issued a statement declaring: "With the Attorney-General's confirmation, the WSJ [*Wall Street Journal*] allegation against Najib has assumed an even more serious character and import, sparking a political and government crisis of the first magnitude, never seen in Malaysia's 58-year history."

Some ministers have rallied to Najib's defence, fearing his fall would cause a general collapse of the UMNO regime.

However on Sunday, senior UMNO figure, Deputy Prime Minister Muhyiddin Yassin, who supports the Mahathir faction, called for authorities to investigate the allegations. He told the *Sunday Star*: "We want the truth. This is a very serious allegation that can jeopardise [Najib's] credibility and integrity as Prime Minister and leader of the government."

On Wednesday, the attorney-general told the media that any officials involved in leaking confidential information from the 1MDB investigation had committed criminal offences and would be prosecuted. The same day, police raided 1MDB's Kuala Lumpur offices.

The 1MDB investigation taskforce includes the county's central bank, the national police and the anti-corruption agency. The fact that sensitive documents

have ended up in the hands of the *Wall Street Journal* indicates that sections of the political establishment have shifted their support from Najib amid growing troubles in Malaysia's export-dependent economy. On Monday, the ringgit hit 3.8 against the US dollar, the lowest value since the 1990s, underlining the threat to the currency, balance of payments and capital flows.

The DAP, along with the Peoples Justice Party (Keadilan), has called for the reconvening of the national parliament to address the crisis. DAP parliamentarian Charles Santiago and 72 others have lodged a police report and called for an investigation into Najib's role.

At a meeting in the parliamentary compound of opposition politicians and non-government organisations, the DAP's Lim Guan Eng, the chief minister in the opposition-controlled Penang state, said his government would look into stopping all land deals in Penang involving 1MDB, turning up the political pressure.

Over the past month, Najib appeared to have strengthened his position. In mid-June, the opposition People's Alliance (PR) coalition fell apart. The leadership of the Islamic Parti Islam se-Malaysia (PAS), encouraged by UMNO, refused to work with the ethnic Chinese-based DAP, effectively dissolving the coalition of PAS, DAP and Keadilan.

This development followed the re-jailing in February of opposition leader Anwar Ibrahim, the founder of the PR and Keadilan, on trumped-up sodomy charges. These moves put Najib in a better position to deal with the Mahathir faction inside UMNO.

Conflicting forces are expressed in the scandal. Mahathir has attacked Najib for making pro-market concessions and is opposed to Najib's support for the Obama administration's anti-China Trans Pacific Partnership (TPP), which seeks to have the region abide by US rules for trade and investment.

Mahathir, who served 22 years as UMNO leader and prime minister until 2003, represents ruling layers whose state-protected business empires surround UMNO. This economic patronage is accompanied by a racially-based political system that provides preferential treatment for ethnic Malay-based companies against ethnic Chinese and Indian minorities.

By contrast, Anwar and the opposition parties rest on

sections of the ruling elite marginalised by these policies and by the restrictions they place on economic growth.

Since the 1997 Asian financial crisis, US finance capital has striven to break up the UMNO economic order, in order to allow American capital's unfettered operation in Malaysia and across the region.

A follow-up article in the *Wall Street Journal* on July 5 insisted: "If the allegations against Mr Najib prove true, Mr Mahathir and others are right to call for his resignation." However, the article immediately added that "incompetence and greed won't be rooted out until Malaysia's democracy matures into a true multiparty system." That is, the outcome of this affair should be the ending of UMNO's autocratic rule.

However, Najib has cultivated close relations with the Obama administration by joining Washington's anti-China "pivot to Asia" strategy. Obama is due to visit Malaysia in November to discuss intelligence sharing and military cooperation with Najib as part of a "strategic partnership."

In return for Najib's foreign policy stance, Washington toned down its criticisms of UMNO's economic policies and lent Najib political support. That allowed UMNO to ignore the mass protests against the rigged 2013 election, in which the opposition PR gained 51 percent of the vote to the BN's 47 percent, but secured only 89 seats in the 222-member parliament. Washington conveniently looked the other way as the government launched a crackdown on the opposition, using the Sedition Act.

The latest scandal has intensified the political crisis in Kuala Lumpur and threatens to undermine the figure who has brokered the closer relations with Washington.



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