

# International investigations fuel Malaysian corruption scandal

**John Roberts**  
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Attempts by Malaysia's Prime Minister Najib Razak to bury the long-running 1MDB corruption scandal have been brought undone by a series of statements and reports internationally that raise more questions. The scandal not only threatens to bring down Najib but is weakening his United Malays National Organisation (UMNO)-led government.

The allegations focus on the heavily indebted, state-owned 1Malaysia Development Berhad (1MDB) and the government's misuse of public funds. Najib is in the spotlight over the transfer of \$681 million into his personal account before the bitterly contested 2013 election. Last July in a bid to fend off criticism, the prime minister sacked his deputy, the attorney general and four other ministers.

On January 26, Attorney General Apandi Ali made a concerted attempt to finally lay the affair to rest. He told the media the \$681 million was a "personal donation" from the Saudi Arabian royal family, to be put to any use, and therefore was not looted from 1MDB. The attorney general said most of the money was not spent and \$620 million was returned in August 2013.

As a result, Apandi declared: "I am satisfied with the findings that the funds were not a form of graft or bribery." He proceeded to shut down an inquiry by the Malaysian Anti-Corruption Commission (MACC) and other investigations. Apandi also said no criminal offence was committed and therefore there was no need for Malaysia to ask foreign nations to complete their investigations.

Najib issued his own statement, saying: "The matter has been comprehensively put to rest. It is time for us to unite and move on."

The scandal is far from over, however. Since Apandi's announcement, Najib and the government

have been hit by new revelations and continuing criticism.

On February 1, Singapore announced that it had seized a large number of bank accounts as part of its ongoing investigation into the 1MDB scandal. United States authorities are continuing their inquiries into the investment fund and its dealings in New York involving Najib's stepson Riza Aziz and associate Jho Low.

On February 4, Saudi Arabian Foreign Minister Adel al-Jubeir called into question the account provided by the Malaysian attorney general. While accepting Apandi's claim that there was no wrongdoing, he said he did not think the \$681 million came from the Saudi government or that it was a political donation. "It is a private Saudi citizen, I believe, and the funds went to an investment in Malaysia," he said.

On the same day, French prosecutors announced an investigation into allegations that Najib, as defence minister, took bribes as part of a French company winning a \$1.2 billion submarine contract. The inquiry is potentially very damaging to Najib. It will raise once again allegations that he was involved in the murder of a young Mongolian model Altantuya Shaariibuu, who was allegedly linked to a middle man in the submarine deal, Abdul Razak Baginda.

On February 5, the Swiss attorney general's office said its investigation now had evidence indicating that \$4 billion was misappropriated from Malaysian state-owned companies. While stating that Najib was not a suspect, it said some of the money had made its way into the accounts of ex-officials in Malaysia, as well as current and former officials in the United Arab Emirates. The Swiss formally asked the Malaysian attorney general to assist in their inquiries, undermining Malaysian efforts to shut down any further

investigation.

Najib has clung to power, despite being directly implicated in the protracted scandal, by suppressing critics at home. He has also enjoyed the tacit support of the Obama administration, which has largely turned a blind eye to the allegations in order to secure closer military ties with the Malaysian government. When Obama visited Malaysia in 2014, he pointedly did not meet with opposition leaders or criticise Najib's autocratic methods of rule.

Under conditions of worsening global economic crisis, however, the expanding international corruption investigations are a sign of deepening concern over the Malaysian government, particularly in financial circles, which have long been critical of UMNO's cronyism.

A comment by the British-based *Financial Times* said the Malaysian attorney general's announcement had done nothing "to dispel a growing sense that Najib Razak has been a disastrous prime minister for Malaysia." The comment warned that the allegations swirling around Najib "are damaging Malaysia's international reputation and deepening a public trust deficit at home."

The *Financial Times* decried the government's "lurch towards authoritarianism" and its jailing of opposition leader Anwar Ibrahim following the 2013 election, saying these events were "unsettling investors in Malaysian stocks and bonds." Its real concerns, however, are not UMNO's longstanding anti-democratic methods. The comment said it was necessary to end "the practice of providing patronage to a group of crony Malay business people."

As the comment makes clear, the scandal surrounding Najib has become a useful tool to press for a wholesale restructuring of the Malaysian regime that will further open up the economy and protect the interests of "investors in Malaysian stocks and bonds."

For all the government's efforts to suppress criticism, the scandal will not go away within Malaysia either. During his January 26 press conference, Attorney General Apandi waved around copies of MACC reports to emphasise the extent of the investigation he was shutting down. Press photographs snapped shots of the documents, details of which were then published by the *Sarawak Report*.

The *Sarawak Report* used the documents to trace money from SRC International, a former subsidiary of

1MDB now owned by the finance ministry, which Najib controls. The newspaper tracked the funds to specific credit cards used during Najib's holiday to Europe in 2014. Within UMNO, however, the prime minister has insisted that the money funded projects to win votes at the 2013 election.



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