

US government lawsuit undermines Malaysian prime minister

John Roberts
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The decision by the United States government last month to launch civil action to recover \$1 billion in funds, said to have been looted from Malaysia's state-owned investment fund, 1 Malaysia Development Berhad (1MDB), has compounded pressure on Malaysian Prime Minister Najib Razak to step down.

Justice Department lawyers and Federal Bureau of Investigation officials joined US Attorney General Loretta Lynch at a press conference on July 20, the day the case was filed. Officials highlighted hundreds of millions of dollars spent on gambling at US casinos, buying hotels and luxury real estate in the US and Britain, purchasing high-priced works of art and producing the motion picture *The Wolf of Wall Street*.

Among the allegations contained in the legal case are that members of a conspiracy, including 1MDB officials, their relatives and associates, diverted 1MDB funds using "fraudulent documents and representations" to launder "funds through a series of complex transactions and fraudulent shell companies with bank accounts located in Singapore, Switzerland, Luxembourg and the United States." These transactions sought "to conceal the origin, source and ownership of the funds, and were ultimately processed through US financial institutions and were used to acquire and invest in assets located in the United States."

The Justice Department statement detailed the money trails in at least three main schemes: \$1 billion embezzled in 2009; \$1.3 billion misappropriated from two bond offerings in 2012; and a further \$1.2 billion taken from a bond offering in 2013.

Allegations were first raised just over a year ago by Malaysian news portals, *The Edge* and *Sarawak Report*, and the *Wall Street Journal*. Former Malaysian Prime Minister Mahathir Mohamad, as well as Malaysia's political opposition, pointed the finger at Najib, who

heads the ruling United Malays National Organisation (UMNO).

Until now Najib has not been named in any of the official investigations in the United States, Singapore, Switzerland and Luxembourg into the money-laundering operations involving 1MDB funds.

Those named in the documents are Najib's son-in-law Riza Aziz, Malaysian financial industry figure Jho Low, who is a close associate of Aziz and Najib, Low associate "Eric" Tan Kim Loong, Khadem Al Qubaisi, who was a managing director of an Abu Dhabi sovereign wealth fund, and US citizen Mohamed Ahmed Badawy al-Husseiny.

Najib has not been identified as such but there are 36 references to "Malaysian Official 1" (MO1), who allegedly received hundreds of millions of dollars stolen from 1MDB. It is obvious that Najib, who founded 1MDB in 2009 and has since been the chairman of its board, is the unnamed MO1.

The document itself indirectly implicates Najib. Paragraph 39, for instance, states: "Upon its formation (1MDB), Malaysian Official 1 assumed a position of authority... had the authority to approve appointments to, and removals from, 1MDB Board of Directors." Further, "[A]ny financial commitments by 1MDB, including investments, that were likely to affect a guarantee by the government of Malaysia for the benefit of 1MDB or any policy of the Malaysian government, required, the approval of Malaysian Official 1."

To anyone with knowledge of the scandal, the identity of MO1 is clear. In one section, the complaint quotes Malaysian Attorney-General Apandi Ali at a press conference in January, claiming that \$681 million had come into Najib's account legally from the Saudi royal family. The complaint alters the quote by

inserting “Malaysian Official 1” in place of Najib, effectively equating MO1 with Najib.

The document contradicts Apandi’s account, saying that the money came from an account whose beneficial owner was Low associate Tan Kim Loong. Tracing the complex path of money transfers comprises a large part of the complaint’s evidence supporting its requests to the court for forfeiture.

The day after US lawsuit was launched, authorities in Singapore announced they had frozen bank accounts holding \$184 million, of which \$88 million belonged to Low and his family. They cited control failings and breaches of money laundering regulations at a number of financial institutions as part of Singapore’s investigation into illicit activities involving 1MDB.

Najib issued a statement saying the US Justice Department lawsuit “must be given space and opportunity for the judicial process to be carried out.” He added that “any individual who has been named must clear their own names,” implying that others would take the blame.

Najib and the UMNO leadership have attempted to defuse the 1MDB scandal by issuing blanket denials, purging UMNO critics, closing down Malaysian investigations into 1MDB, exercising tight control over the mainstream media and cracking down on the opposition. On June 29, Lim Guan Eng, chief minister of Penang state and secretary-general of the ethnic Chinese-based opposition Democracy Action Party, was arrested on dubious corruption charges.

The US lawsuit, however, is a blow to Najib and indicates that he is losing support in American ruling circles. Najib has enjoyed political support from President Barack Obama in return for tilting foreign policy toward Washington’s anti-China “pivot to Asia,” strengthening ties between the Malaysian and American militaries and backing the US-led Trans Pacific Partnership (TPP).

In July last year, *Time* magazine published an article urging Obama to “steer clear” of Najib in his search for “dependable allies in Southeast Asia.” It listed as harmful to US interests the potential growth of the 1MDB scandal, the continued jailing of opposition leader Anwar Ibrahim, Najib’s overreliance on the Islamist Parti Islam se-Malaysia, the potential of French investigations into corruption involving submarine acquisition to bring Najib down, and the

government’s increasing turn to police-state measures to maintain its rule.

A *Financial Times* editorial on August 2 bluntly declared that Najib had forfeited US support and should stand aside while the investigations ran their course. “Mr Obama should encourage all US agencies to pursue the 1MDB case to the full extent of American and international law. That applies not only to potential charges against Mr Najib and his associates, but also those involving banks and companies that have abetted the alleged laundering of more than \$3.5 billion stripped from 1MDB.”

Like the *Wall Street Journal*, which has vigorously pursued the 1MDB scandal, the *Financial Times* represents the interests of international finance capital, which, under conditions of worsening global economic breakdown, cannot tolerate the “cronyism” for which Malaysia’s ruling UMNO is notorious. Such practices act as an impediment to the profits of global banks and corporations.



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