

Former Malaysian prime minister's conviction deepens political crisis

By John Roberts
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Former Malaysian Prime Minister Najib Razak's conviction last month on corruption charges follows a decades-long period of conflict within the ruling elites and is inflaming the current political crises and instability. He was the leader of the United Malays National Organisation (UMNO) that ruled Malaysia for more than sixty years to 2018.

Najib was sentenced on July 28 in Kuala Lumpur by High Court Judge Mohd Nazlan Mohd Ghazli, to 12 years imprisonment and fined \$US49million. Najib was convicted on all seven counts relating to the moving of \$9.87 million into his personal accounts from SRC International, a unit of 1Malaysia Development Berhad (1MDB), a state investment fund.

Najib, out on bail pending an appeal to the Federal Court, faces two more trials over the billions of dollars that he and other UMNO figures and their business cronies in Malaysia and internationally allegedly looted from the 1MDB.

The second case involves charges over laundering \$550 million taken from 1MDB. The third case concerns the abuse of power and cover up of a 1MDB audit report.

The scale of looting and laundering of state funds was staggering. Prosecutors in the US Justice Department claim \$4.5 billion in 1MDB funds vanished during Najib's term as prime minister from 2009 to 2018. In 2016, the *Wall Street Journal* estimated \$6 billion was "siphoned" out of 1MDB.

The money laundering operation sparked official investigations, not only in the US, but Singapore, Switzerland, Luxembourg, Hong Kong and the United Arab Emirates. The US investigation alone uncovered hundreds of millions of dollars spent on art works, casinos, and buying hotels and luxury real estate in the US and UK. It financed the production of *The Wolf of Wall Street* motion picture.

Notwithstanding the magnitude of the fraud, the conviction of a former prime minister and UMNO chief is unprecedented. Najib, like his UMNO predecessors, ruled the country through coalition governments since formal independence from Britain in 1957. They relied on an electoral gerrymander, anti-democratic laws and a politically controlled police and judiciary.

The UMNO regime was based on Malay chauvinism at the expense of the ethnic Chinese and Indian minorities that constitute about 30 percent of the population. The UMNO

monolith claimed to present the welfare of all ethnic Malays but the chief beneficiaries of its race-based politics were the well healed UMNO cronies and connected business empires.

Najib had no fear of ever been held to account until the shock election defeat of his government at the May 2018 national elections.

Najib's government was ousted by the Pakatan Harapan alliance (PH), composed of the ethnic Chinese based Democratic Action Party (DAP), the People's Justice Party (PKR) of Anwar Ibrahim and the Malaysian United Indigenous Party (Bersatu) of Mahathir Mohamad, who was UMNO prime minister from 1981 to 2003.

While the PH presented itself as a reforming multiracial coalition that would end the race-based policies and corruption of UMNO and the BN, it was inherently unstable. It brought together heterogeneous sections of the ruling elite whose only real agreement was to get rid of Najib.

Anwar had been Mahathir's deputy prime minister and finance minister in 1998. He responded to the 1997–98 Asian financial crisis by supporting the International Monetary Fund's demands to open up the economy, and that threatened UMNO's business cronies. Mahathir sacked Anwar and had him arrested and beaten up then framed and jailed on charges of corruption and sodomy. Najib repeated the frameup sending Anwar to jail a second time.

Mahathir only broke with Najib and UMNO because his government signed up to the Obama administration's Trans-Pacific Partnership in 2016 threatening protected Malay businesses. On the same basis, he also opposed Najib's signing \$22 billion worth of infrastructure deals with Chinese corporations as part of Beijing's Belt and Road Initiative, which gave large-scale access to the Malaysian economy.

Despite the glaring differences on economic and social policy, Anwar, from his jail cell, insisted on bringing Mahathir and the Bersatu party into the electoral coalition, overcoming strong opposition in his own PKR. As part of the coalition deal that made Mahathir prime minister for the first half of the parliamentary term, Mahathir agreed to obtain a pardon for Anwar, allowing him to enter parliament and take over for a second term.

Mahathir, however, continually delayed setting a time for

Anwar to become prime minister. Instead he stacked the cabinet with Bersatu, ex-UMNO, ministers out of proportion to the number of its parliamentary seats and openly defended the Malay chauvinism he had always espoused, creating the conditions for a break-up of the PH coalition.

Mahathir as prime minister began the prosecution of Najib, but by February of this year the new government was tearing itself apart.

This allowed a section of the ruling class, determined to maintain the dominance of the Malay elites, to plot and carry out a coup. The majority of Bersatu, minus Mahathir, his son Mukhriz, and four other Bersatu MPs, left the ruling coalition, along with a faction inside the PKR. Aided by intervention of the head of state, a sultan serving as king, the breakaways joined with UMNO and the Islamist Parti Islam se-Malaysia (PAS) to form a government. Bersatu leader Muhyiddin Yassin became prime minister.

The new government appeared to be signalling to the judiciary to acquit Najib. Four days before the verdict, it agreed to a \$3.9 billion settlement with US investment firm Goldman Sachs, one of the many financial institutions involved in Najib's 1MDB operation. This amount was only a small proportion of the amount sought by the Mahathir government when it filed charges in 2018. The firm received \$600 million for raising \$6.5 billion on bonds, but then turned a blind eye to the corrupt use of the funds.

The out-of-court settlement meant that the firm would abandon its defence that senior members of the BN government lied to the firm, thus potentially letting Najib and other UMNO figures off the hook. Malaysian prosecutors also dropped, without giving reasons, 1MDB charges, against Najib ally, Musa Aman, in June and Najib's stepson, Riza Aziz, in May.

The High Court verdict shows that divisions in ruling circles run deep.

While no section of the ruling elite has any genuine commitment to popular democratic rights, the authoritarian UMNO structure has been weakened by developments in the world economy that have cut the ground from under cronyism and related policies of national economic regulation.

As in other South East Asian countries, the coronavirus pandemic in Malaysia has accentuated unresolved economic and political conflicts with the ruling elites. Amid the fierce internal conflicts, the ruling class has been unable to agree on an economic course to deal with the impact of the global slowdown and financial turmoil.

Washington's anti-China campaign, begun under the Obama administration and intensified under Trump, has destabilised the whole region. Like other countries, Malaysia is trying to precariously balance between its economic dependence on China—its largest trading partner—and strategic relations with the US and its allies. At the same time, stirring up anti-Chinese chauvinism has been stock-in-trade for UMNO politicians.

The economy is slowing sharply. In June the IMF revised its

GDP growth figure for Malaysia from negative 1.7 to negative 3.8 percent, compared with positive growth of 4.3 percent a year before. When strict pandemic restrictions were relaxed in June, the official unemployment rate fell slightly from a record 5.0 percent in May to 4.9 percent.

However, the real figure is likely to be much higher as seen by the savage reaction of the government to discontent among the millions of undocumented and other immigrant workers. Hundreds have been rounded up and arrested under the pretext of violating pandemic restrictions. When Al Jazeera exposed this mistreatment of immigrant workers, its Malaysian office was raided and its journalists threatened with sedition charges.

Muhyiddin and his UMNO dominated government have gone on the offensive, apparently in preparation for an election. This month corruption charges were laid against prominent DAP figure Lim Guan Eng over construction contracts in Penang state where he was finance minister and chief minister.

Under these pressures political alliances are falling apart.

Two days after the Najib verdict, UMNO president Zahid Hamidi, who himself faces possible 1MDB charges, announced that UMNO would not formally join the ruling coalition, undermining Muhyiddin's efforts to stabilise the government. Instead UMNO will join PAS and other UMNO allies in a coalition alliance based on Malay-Muslim chauvinism in the expectation of an early election.

Mahathir and his five ex-Bersatu MPs refused to re-join Anwar's PH coalition on the basis that rural Malays will work with Anwar but will not accept him as prime minister. Anwar and the PKR are refusing to have Mahathir as a prime ministerial candidate. DAP leaders are urging compromise fearing the turmoil will lead to losses in a snap election.

The Najib conviction is a clear sign that the entire edifice centred on UMNO on which the ruling class has relied for decades is falling apart, opening up the prospect of further political upheavals.

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