

Malaysia's Mahathir trumps 'anti-corruption' crowd

by Gail G. Billington

Since the May 21 resignation of Indonesian President Suharto, a curious verb has gained currency in international media and policy circles: "to Suharto-ize," meaning, to bring to the altar a long-standing political leader as a sacrificial offering to take the blame for economic and social breakdown under International Monetary Fund (IMF) "shock therapy" and "loss of confidence" of fickle financial markets, under cover of a campaign against "corruption," "cronyism," and "nepotism."

The lead target of a continuing campaign to "Suharto-ize" leaders in crisis-wracked Asia is now Malaysia's Prime Minister Dr. Mahathir bin Mohamad, who holds place as the longest-sitting head of state in the region. Mahathir has been in the crosshairs of the international financial oligarchy because of his attacks—beginning at the Association of Southeast Asian Nations summit in July 1997, and, even more, following a blistering keynote speech to the IMF annual meeting in Hong Kong in September 1997—on a global financial system that thrives on the ability of the likes of megabillionaire George Soros to wreak havoc on regional currencies.

As the second phase of the Asian crisis accelerates toward what an increasing number of people now recognize is a full-blown depression, support is lining up behind Mahathir's warning that Asia is being softened up for financial "re-colonization." Accordingly, efforts have been stepped up to oust Mahathir, and replace him with what some allege will be a more "market friendly" leadership, led by Deputy Prime Minister and Finance Minister Anwar Ibrahim. At the June 18-21 annual general assembly of the ruling party, the United Malay National Organization (UMNO), the succession issue was put on the table. In the end, Mahathir and Anwar pledged their mutual support to each other, and those who sought to foment schism, were frustrated in their efforts.

Time for global financial reform

Days before the UMNO General Assembly convened, World Bank officials said that the Asian financial crisis has cost Thailand, the Philippines, Malaysia, Indonesia, and South Korea 80% of their Gross Domestic Product, through the flight of credit and capital. Since July 2, 1997, the Malaysian currency, the ringgit, has collapsed more than 36% in

value—not the worst victim, if compared to the Indonesian rupiah's 83.5% collapse—but the Malaysian stock market has been the hardest hit in the region, down 63.2%. One result will be that by year's end, some 200,000 Malaysians will slip below the poverty line.

Since the beginning of the crisis, Mahathir has rallied his country to support sacrifices necessary to avoid being subjected to IMF "reforms," which he repeatedly identified as leading to loss of sovereignty and national independence. Accordingly, a special economic crisis management council, the National Economic Action Council, was set up, under the direction of senior economic adviser Tun Daim Zainuddin, whose post, as of June 25, has been elevated to a cabinet position. More recently, an Asset Management Co. (AMC) was created to handle non-performing loans in a manner similar to an institution set up by President Franklin Delano Roosevelt in the United States to prevent the loss of vital productive capacity. On June 10, the Malaysian cabinet backed Mahathir in urging banks to lower interest rates, contrary to IMF advice, and the country has struggled to maintain price controls on essential commodities.

In two speeches delivered in Tokyo (see *EIR*, June 19, p. 7), Prime Minister Mahathir qualitatively escalated his criticism of the speculation-driven financial markets. In his June 2 speech to the Fifth Symposium of the Institute for International Monetary Affairs, he stated, "I believe that the time has come to deal with the entire issue of reform of the international financial system to ensure currency stability and to contain the activities of those who buy and sell money for no other purpose than to make profits."

Mahathir has *not* signed the call initiated by Helga Zepp-LaRouche and Ukrainian parliamentarian Natalya Vitrenko for Clinton to urgently convene a "New Bretton Woods conference." However, some among the Prime Minister's audience must have thought the floor had just dropped out from underneath them.

Two days later, in a speech to the Nihon Keizai Shimbun (Nikkei) International Conference on "The Future of Asia," Mahathir warned that globalization will lead, "sooner, rather than later," to a situation in which Asians "will think of regaining control over their economies. They will regard this as a new war of liberation." He added that "control of the media

enables [the globalizers] to shape public opinion, censor criticism, and generally promote the legitimacy and wholesomeness of their concept of the new world order.”

In between, on June 3, Mahathir gave an interview to Britain’s Reuters television, in which the central question asked was: Isn’t it time to pass the reins to Deputy Prime Minister Anwar Ibrahim? His speech to the Nikkei conference, in particular, sparked a sharp, and regrettable, response from the U.S. Ambassador to Kuala Lumpur, John Malott, who warned that the Prime Minister’s statements would “hurt investor confidence.” Mahathir responded twice, on June 13 and 14, that Malaysia wants long-term foreign investment to rebuild its economy, but that “hot money leaves a trail of destruction.”

A concert of attacks followed, including an outrageous *Time* magazine article which accused the Prime Minister of funnelling a \$250 million loan to his son through political party connections, which was followed by calls for a campaign against “cronyism and nepotism” in Malaysia, like that in Indonesia, by the head of the UMNO Youth organization, Ahmad Zahid Hamidi, and the leader of the Muslim Students Association, both of whom are reputed to be close to Anwar Ibrahim.

The most egregious breach was the ambush of Malaysia’s Trade and Industry Minister Dr. Rafidah Aziz, staged by the Foreign Chambers of Commerce (MICCI) at its annual luncheon on June 16. Aziz has been the MICCI’s guest of honor at this event every year for the past ten years, but she could hardly have anticipated this year’s proceedings. In his address, MICCI President Jorgen Bornhoft issued a list of demands to improve “investor confidence”: “The government needs to speak with one voice. The right noises have been coming out of the Finance Ministry,” run by Anwar Ibrahim, Bornhoft said. “There is a need for the Anti-Corruption Agency to be independent and to report directly to Parliament.”

Bornhoft ticked off demands for lifting recommended retail prices on 600 food items, and for eliminating Malaysia’s affirmative action program to increase Malay-owned business, to open up banking, trading, and services to greater foreign control. Finally, in a flashback to colonial Malaya, Bornhoft demanded that the haze caused by forest fires and water shortages “must not be allowed to recur,” ignoring the El Niño weather cycle, and IMF-mandated cuts in infrastructure projects, which have caused the problem.

Aziz, answering philosophically, noted that this was the first time in ten years that corruption had been raised, and wondered out loud if this was a new issue or one that was being raised “because everyone is talking openly about it.” She said, “There is no acceptable level of corruption, period,” and challenged the MICCI to give specific cases and incidences. “Unless such action is taken,” she said, “the private sector will be on record as abettors of corruption.”

The UMNO General Assembly

The UMNO annual meeting got off to a bang on June 18 with the speech of UMNO Youth chief Zahid Hamidi, who defied the party leadership, and delivered a 40-minute speech denouncing the “debilitating impact” of corruption, cronyism, and nepotism. The intensity of his speech may, in part, reflect pressure from his constituents, many of whom are from among the 25,000 small and medium-sized businesses which have been hardest hit by the current crisis. The speech threatened to precipitate a factional debate that could undermine far more than the UMNO.

In remarks following Zahid’s speech, Deputy Prime Minister Anwar called upon the youth leaders “to close ranks” behind the Prime Minister, warning them not to listen to “opportunists.” He said, “Don’t be taken in by the foreign media or foreigners out to put our leaders at loggerheads with one another. . . . Let us not dance to the tunes of the frustrated and displaced. . . . There is no short cut to recovery.”

Subsequently, at a June 19 press conference, Anwar stated, “At no time did I make any reference to the possibility of me challenging the President [Prime Minister Mahathir]. It is only the interpretation of some of you, particularly the foreign media.”

On June 19, Mahathir delivered a 75-minute speech, broadcast live on national television, titled “The Challenges of Turmoil,” in which he organized the 1,900 UMNO attendees and the broader citizenry to understand the nature of the current crisis, in a way which few, if any, other world leaders have so far done. Thematically, he developed the “new order” of financial colonization, which relies not on physical, military occupation, but on “control through currency trading.” He said, “When a country becomes poor, its politics will become unstable and the fight for power will ensue. . . . Perhaps there are people who believe that only by changing their government, that the economic problems could be resolved. . . . Attacks will not cease until power is surrendered to foreigners, until the country is colonized again. . . . What we are doing is actually to defend our independence, no less than that.”

Privatization data released

On June 20, Mahathir lowered the boom, releasing a list of 171 companies, and names of major shareholders, who have been awarded privatized projects, and a further list of 114 firms which had been offered projects. Among the beneficiaries, many of whom are relative unknowns, are UMNO Youth head Zahid Hamidi, Anwar Ibrahim’s father; more than once, Mahathir blocked projects to his own family.

In an interview with the *Far Eastern Economic Review*, released on June 25, Mahathir said that the lesson he learned from President Suharto’s fall “is that it is possible for foreign people to influence people in the country, agitate them, and cause them to overthrow the government.”