

The
man
who
would
be
Prime
Minister...



And
the
man
who
would
do anything
to stop him



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The **fight** for Malaysia's **soul**

By LESLIE LOPEZ

It doesn't get more personal than this. Speaking recently to a small group of close business friends, Malaysia's former premier Dr Mahathir Mohamad went to great lengths to explain why it was important for the ruling National Front (Barisan Nasional) coalition to finish off opposition leader Anwar Ibrahim.

"He is obsessed," says one senior Kuala Lumpur businessman, recalling the session with Dr Mahathir. "To him, there could be nothing more disastrous than Anwar becoming prime minister."

Dr Mahathir isn't hiding his distaste for that prospect.

Malaysia's upcoming general election has brought him out of retirement with guns blazing against his protégé-turned-nemesis to protect his legacy. The 87-year-old Dr Mahathir, who stepped down 10 years ago, has emerged as de facto campaigner-in-chief for the NF. In recent weeks, he has been crisscrossing the country, spreading a political message that Anwar, who he insists is unfit to become prime minister, will upset the delicate power-sharing model that has helped preserve peace among the country's

multi-religious and multi-racial population, and overturn economic policies that favour the country's politically dominant ethnic Malays through patronage.

Anwar demurs from attacking his one-time mentor directly. But to the large crowds that attend his rallies across the country, Anwar warns that unless Malaysia abandons the economic policies put in place by Dr Mahathir and his brand of race-based politics, the country, which is grappling with soaring debt and a yawning budget deficit, is headed for serious trouble.

Malaysians go to the polls on May 5 in what is shaping up to be the toughest election battle for the National Front coalition government that has ruled the country since independence in 1957.

Analysts say the results could go either way, and a hung parliament would push the country into a period of instability. A close election result will also undermine the political standing of Prime Minister Najib Abdul Razak and trigger a leadership challenge in his United Malays National Organisation (Umno), the linchpin of the NF coalition.



Malaysia's Opposition leader Anwar Ibrahim speaks to thousands of protesters at a gathering at the historical Merdeka Stadium in Kuala Lumpur during a rally for electoral reforms on Jan 12. – AFP

The various ways in which this election can be framed reflect how complex a moment this is in Malaysian politics. But a close look at the Mahathir-Anwar dynamic offers a fascinating narrative on how the twists of these two men – who have been key players in the country's political drama since the early 1970s – help explain the challenges facing Malaysia and the central role they continue to play in shaping this Southeast Asian nation.

"This is Anwar's chance to settle scores, but the playing field is still lopsided and he is fighting an uphill battle," says a former cabinet minister, pointing out that the opposition coalition must also battle an unfriendly mainstream media, which refuses to carry its messages, and a hostile civil service that is beholden to the National Front juggernaut, itself with huge financial resources at its disposal.

Dr Mahathir won the first round in a power struggle with Anwar triggered by the 1997 regional financial crisis. In response to the crisis, he turned his back on

economic orthodoxy, imposed capital controls to protect his economic policies and jailed Anwar on charges of corruption and sexual misconduct.

Anwar spent six years in jail before Malaysia's highest court released him just months after Mahathir stepped down as premier in late 2003. Since then, Anwar has been on the ascendant and now leads an opposition alliance that has captured the imagination of ordinary Malaysians demanding change.

Both men started off as outcasts. Dr Mahathir was kicked out of Umno in late 1969 after he criticised the party leadership for its failure to help the country's Malays. Anwar, at the time a budding student leader in Malaysia's main university, took a shine to the rebellious politician. He made Dr Mahathir a favourite among students, who were considered a powerful lobby in Malaysian politics then.

Dr Mahathir's growing popularity outside the party forced Umno to bring him back into the fold and he rose

quickly to become prime minister in 1981. The following year, Dr Mahathir pulled off a major political coup by recruiting Anwar – who by this time had already built-up a strong national following as an outspoken and charismatic civil-rights activist – into Umno.

By the mid-1990s, Anwar had risen to become deputy premier and was widely seen as Dr Mahathir's most likely successor. Then the regional currency crisis hit, pushing Malaysia's once-barrelling economy into a tailspin.

Dr Mahathir and Anwar, who was also finance minister at the time, differed sharply on how to deal with the crisis that was threatening to unravel the premier's economic legacy.

Since the mid-1980s, Dr Mahathir rushed ahead with industrialising Malaysia through his brand of command capitalism, in which his government entrusted politically well-connected companies with big-ticket infrastructure projects under the country's so-called privatisation programme. A rising stock market and the availability of easy credit concealed the sometimes questionable commercial merits of these ventures, which included the building of toll roads, bridges and power plants.

There was a strong political dimension to the Mahathir economic agenda. The government's ability to dispense largesse in the form of licences, contracts and stock allocations helped to entrench Dr Mahathir politically and allowed him to dominate the country like no other leader.

Anwar, on the other hand, favoured a more free-market approach to dealing with the crisis and signalled that Malaysia needed to put the brakes on big-ticket projects. The contrasting approaches put the two men on a collision course, which culminated with Dr Mahathir's move to implement capital controls and sack Anwar, who was later charged and sentenced to long jail terms for sodomy and corruption.

The Anwar debacle was a major blow to Dr Mahathir's political standing among Malaysians who believe that the former deputy premier was a victim of a high-level conspiracy aimed at blocking him from making a bid for leadership.

In any case, with Anwar out of the way, Dr Mahathir was able to focus his efforts on propping up the economy. Capital controls shielded Malaysia from the wrenching economic contractions suffered by other countries, such as Thailand, Indonesia and South Korea – all of which were forced to accept a bailout from the International Monetary Fund with onerous conditions.

Dr Mahathir and the NF were able to avoid implementing painful reforms to raise productivity and make Malaysian exports more competitive. Instead, public funds were used to bail out troubled crony companies and growth was fuelled through massive stimulus spending.

With his economic legacy seemingly intact, Dr Mahathir decided to step down and hand power to his deputy, Abdullah Ahmad Badawi, in 2003.

But it didn't take long before Abdullah fell out of favour with his former boss. His decision to scrap several big-ticket projects irritated Dr Mahathir, who privately complained that his successor was trying to undermine his legacy. But nothing infuriated Dr Mahathir more than the release of Anwar in September 2004.

Forces aligned with Dr Mahathir blamed Abdullah for the decision by the



(L-R) Najib Razak, Dr Mahathir Mohamad and Anwar Ibrahim during the United Malays National Organisation (Umno) annual general assembly in Kuala Lumpur on June 20, 1998. Dr Mahathir was then the prime minister with Anwar as his deputy. – Reuters

country's highest court to overturn Anwar's sodomy conviction, and accused him of doing so in a bid to shore up his personal popularity with Malaysians.

As Dr Mahathir openly attacked his successor, Anwar slowly rebuilt his political base by tapping into the growing disenchantment with the Umno-led NF. The big shakeup came in March 2008, when Anwar's opposition coalition denied the NF its customary two-thirds majority in Parliament and wrested control of five key state assemblies.

Following the shocking election result, Dr Mahathir resigned from Umno and openly campaigned against Abdullah, who was forced to step down and hand the premiership to Najib in April 2009.

Abdullah's unceremonious departure only emboldened Dr Mahathir to have a greater say on policies and cast a long shadow over the Najib administration. In recent years, Dr Mahathir has sniped at Najib's reforms, which include repealing the country's tough security laws that the former used during his rule to silence critics and political foes, including Anwar.

Najib's economic agenda also smacks of Mahathirism, say economists. Since taking office, Najib has pledged to transform the economy and turn Malaysia into a high-income nation. But economists argue that many of his economic initiatives represent big-ticket projects awarded to politically well-connected groups that have only pushed

the country's debt to record levels.

The ratio of Malaysia's government debt to gross domestic product (GDP) is at 53.10 per cent, just shy of the self-imposed ceiling of 55 per cent. But this figure would be much higher if so-called off balance sheet guarantees provided by the government to state-controlled entities are taken into account.

The ratio of government debt to GDP is used as a measure of a country's ability to make future payments on its debt, and economists say that the state's ballooning borrowings have left Malaysia vulnerable to any external downturn.

The current state of the economy brings into focus the economic debate between Mahathir and Anwar during the financial crisis that rocked the region beginning in mid-1997. Indonesia, Thailand and South Korea – countries that adopted the painful, yet necessary, reforms that Anwar advocated for Malaysia at the time – are in far better shape today, and in a much stronger position to deal with any economic downturn.

So, although the face-off between the two politicians can be seen historically as a contest between a reformist economic agenda represented by Anwar and Mahathir's old way of doing business, it really boils down to a deeply personal contest between Anwar and Mahathir.

It is a battle, long postponed between the two men, for Malaysia's future.