

Malaysia in 1996: Mahathir-Anwar bouts, UMNO election, and Sarawak surprise. (Prime Minister Mahathir Mohammad; Deputy PM Anwar Ibrahim) James Chin.

Abstract:

1996 was marked by the political shadow fights between Prime Minister Mahathir Mohammad and Deputy Prime Minister Anwar Ibrahim. Anwar is described as over-eager to assume the prime ministership while Mahathir seems unwilling to vacate the post. On the other hand, the Malaysian government has maintained tight monetary measures and policies in order to meet Vision 2020. It has also reduced the current account deficit and promoted high technology industries.

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Malaysia in 1996 was dominated by the wayang kulit (shadow puppet) political bouts between Prime Minister Mahathir Mohammad and Deputy PM Anwar Ibrahim. Despite denials of political differences by both men, the evidence suggests otherwise. Anwar was seen as unwilling to wait for Mahathir's retirement to occupy the nation's number one post, while Mahathir publicly stated that he expects Anwar to take over from him but pointedly added that he did not know when. The economy continued to do well and there was no major shift in foreign policy.

Politics

The shadow fight dominated politics in the first half of the year as the PM and his deputy argued over the replacement of two incumbent chief ministers, Kedah's Osman Aroff and Sabah's Mohd. Salleh Said Keruak, both strong Anwar supporters. In May, after intense pressure from the prime minister, Osman Aroff abruptly resigned. Prior to that, he and Anwar's political secretary had organized 22 state assemblymen to address a public memorandum to Mahathir saying they would reject his nominee, Sanusi Junid, to be the next menteri besar (chief minister) of Kedah and confirming their support for the incumbent. The 22 were later forced to make a public apology to Mahathir, and Anwar's political secretary was sacked. The Sabah problem can be traced back to the 1994 state election during which Mahathir had promised to rotate the chief ministership every two years among the three major communities in Sabah - the Muslim bumiputera, non-Muslim bumiputera, and the Chinese. The Muslim Mohd. Salleh Said Keruak of the Sabah UMNO party, refused to step aside as chief minister when it was the Chinese turn, arguing that the promise need not be kept as the ruling Barisan Nasional coalition did not win the 1994 election in the state. The Sabah BN government was formed through defections from the electoral victor, Parti Bersatu Sabah (PBS), and Salleh, who was covertly supported by Anwar's faction, claimed incorrectly that the other Sabah BN component parties were also against the rotation. After intense pressure, Salleh handed power over to Yong Teck Lee from the Sabah Progressive Party (SAPP) in May.(1)

The triennial UMNO General Assembly(2) was set for October, and while initially some had expected Anwar to fight Mahathir for the party's presidency, the latter's hand was strengthened after the Barisan Nasional's landslide victory in the 1995 elections. In October 1995 Mahathir successfully pushed through an UMNO resolution that would bar contests for the top two posts, president and deputy president, and from then on attention focused on the three vice-presidential positions, widely seen as a proxy battle between Mahathir and

Anwar, and positions in the UMNO Supreme Council, the party's executive body. Mahathir also pushed through a policy that banned all forms of "campaigning," citing the need to halt the spread of "money politics." During his speech at the assembly, Mahathir even wept when he described "money politics" as the only virus capable of destroying the UMNO. Potential candidates for party posts had to be "cleared" by a special UMNO committee before they were allowed on the ballot. Despite all the rhetoric, vote buying among the UMNO delegates was still rampant.

The "no campaign" rule immediately placed Anwar's allies at an disadvantage as most of the incumbents were aligned with Mahathir. On the eve of the General Assembly, 16 delegates were barred from attending and a further seven were barred from standing as candidates for the Supreme Council for allegedly being involved in "money politics." Most of the seven were in Anwar's camp. But the convention in October did produce a few surprises. Abdullah Ahmad Badawi, a Mahathir supporter given his long uneasy relationship with Anwar, made a dramatic comeback when he won one of the three vice-presidential slots. Badawi had held the post for three consecutive terms between 1984 and 1993 before he was ousted by the Wawasan (vision) Team led by Anwar in 1993. The two other vice-presidential slots were won by incumbents Najib Tun Razak and Muhammad Taib. Education minister Najib was in Anwar's Wawasan Team but now was widely understood to be a Mahathir supporter, while Selangor Menteri Besar Taib was seen as more in Anwar's camp. The incumbent who lost to Badawi was Sports Minister Muhyiddin Yassin, an Anwar loyalist.

The head of Wanita UMNO (Women's wing), Rafidah Aziz, a favorite of Mahathir who had led the group for the past 12 years, was ousted by Siti Zaharah Sulaiman, openly backed by Anwar's supporters. While this support undoubtedly helped Siti Zaharah, Rafidah's fall was mainly due to her own shortcomings. Many Wanita delegates complained that she was inaccessible, unapproachable, and unsupportive of women's causes, but what really swung the tide against her was the share allocation scandal. In late 1995 when it was revealed that her son-in-law was given 1.5 million shares of a publicly listed company under a scheme to help bumiputera,⁽⁶⁾ all the respect she commanded crumbled and those who had previously been denied her patronage decided to vent their anger. As widely expected, the leader of UMNO Youth and a Mahathir supporter, Abdul Rahim Thamby Chik, was decisively defeated by Ahmad Zahid Hamidi, a close ally of Anwar. The tide had been running against Rahim ever since allegations arose over his affair with a 16-year-old girl; although the police cleared him, a sizable body of UMNO delegates (and the general public) did not believe him. Accusations by the opposition Democratic Action Party (DAP) that Rahim was "unusually rich" also sullied his reputation beyond repair. A surprise was the victory of Hishamuddin Tun Hussein, cousin of Najib and son of former Prime Minister Hussein Onn, as deputy head of UMNO Youth. Although he joined UMNO only in 1989, his rise in the party has been meteoric, and he won despite Anwar's last minute attempt to stop him.

Generally speaking, the results of the UMNO polls point to a Mahathir victory. While his loyalists may have lost the UMNO Youth and Wanita leaderships, the Badawi and Najib victories suggest that Mahathir's group is still in command of the upper UMNO echelon. Consolidating his strength, the prime minister in December replaced several key party figures. Mohamad Rahmat, UMNO secretary-general for the past eight years, was replaced by Sabbaruddin Chik, a well-known Mahathir backer. Other loyalists were appointed to the UMNO Supreme Council with the result that Mahathir allies on the Council outnumber Anwar's.

Another issue that pre-occupied Malay politics was the dissolution of Parti Melayu Semangat 46 (PMS46) formed by Tengku Razaleigh Hamzah after he had contested and lost the presidency of UMNO to Mahathir in 1987. In 1990, PMS46 and Parti Islam (PAS) forged a

coalition to challenge UMNO for the Malay vote, but it was successful only in Kelantan where it took over the state government. However, differences between the secular PMS46 and the Islamic PAS began to emerge in 1993 and the relationship broke down after PMS46 suffered heavy losses in the 1995 elections, forcing its leadership to seek a reconciliation with UMNO. Mahathir agreed to admit PMS46 members on condition that the party dissolve itself; he was also motivated by the fact that Razaleigh, back in UMNO, would be useful in countering Anwar's ambitions and could also help UMNO recapture power in Kelantan. PMS46 was duly dissolved amidst great fanfare a few days before the UMNO Assembly, and Mahathir attended a "Malay Unity" rally in Kelantan without Anwar.

The breakdown of the PMS46-PAS relationship ushered in a "cold war" between the Kelantan palace and the PAS-led state government. Razaleigh is a Kelantanese prince and the Kelantan sultan's uncle, and it was clear that the sultan favored PMS46 over PAS. Traditionally, the palace has been a source of political power, and parties close to it have usually governed the state. The loyalty of the Kelantan constituents normally has been split three ways: 80% of the vote shared almost equally between UMNO and PAS, and 20% for the palace, that is, PMS46. This was how the coalition won power in Kelantan in 1990. During the second half of the year, the sultan showed his displeasure at PAS by refusing to meet with the *mentri besar*, Nik Abdul Aziz Nik Mat, refusing even to shake his hand at official functions. The impasse paralyzed the state administrative machinery, and although UMNO pushed PAS to call an election, Nik Aziz stubbornly refused as he feared PAS would lose.

The Malaysian Chinese Association (MCA) party convention was a relatively quiet affair with Ling Leong Sik, the incumbent president, totally dominating the proceedings. His main rival had stepped aside a year earlier and Ling's men easily swept all the top posts. The MCA, which is a partner in the ruling BN, also benefited from the defection of two opposition Democratic Action Party (DAP) state assemblymen in Negri Sembilan in November. But the DAP provided the major political surprise of 1996 with its strong showing in the Sarawak state elections in September. The Sarawak BN was expected to win all 62 state legislative seats, but the Opposition won five seats - DAP 3 and Independents 2.(4) The DAP's victories were significant given that one of its newly captured seats went to Wong Soon Kai, deputy chief minister and leader of the Sarawak United People's Party (SUPP), and also because the party had never before won a seat in Sarawak.(5)

International Relations

As in previous years, Malaysia's foreign policy was based on its membership in ASEAN and there were no major shifts in 1996. At the ASEAN summit in Bangkok, Malaysia pushed for the immediate admission of Myanmar but faced opposition from the Philippines and Singapore who wanted to delay its entry. At the Asia-Pacific Economic Cooperation (APEC) Summit in Manila, Malaysia pushed unsuccessfully for the organization to lift its moratorium on new memberships and admit Vietnam and Peru.

Controversy broke out in October when the cabinet banned the 2nd Asia Pacific Conference on East Timor (APCET II). Like its predecessor in Manila, foreign participants were deported or refused permission to enter the country. A group of BN Youth members then disrupted the local group's opening ceremony, and the police moved in and arrested all the local organizers and some of the protesters. The crucial relationship with Indonesia ensured that APCET II would never be allowed to proceed on Malaysian soil. Relations with Malaysia's most important ASEAN trading partner, Singapore, were strained by two issues. The first concerned the intrusion of Singapore air force fighters flying training missions over the

southern state of Johor. Although an agreement allows these flights, Malaysia alleged that the planes were frequently flying below the agreed altitude. The second issue was far more serious. Singapore's Lee Kuan Yew infuriated Malaysians when he publicly said that Singapore might be forced back into the Malaysian Federation if the island's economy declined. This, Lee argued, would be catastrophe for Singapore's ethnic Chinese majority as Malaysia's system was based on "race" and not "meritocracy." Malaysia lodged a formal protest but privately Kuala Lumpur understood that Lee's remarks were meant for Singaporeans and were related to the upcoming election. Like the relationship with Indonesia, Singapore's relationship is crucial to Malaysia and all issues were quietly resolved or put aside.

The Economy

Finance Minister Anwar Ibrahim's budget contained a range of measures to promote high-technology industries and reduce the current account deficit, which stands at about M\$14.8 billion (US\$6 billion), or 6% of GDP. The government's policy of maintaining high growth to achieve the Vision 2020 target of making Malaysia an industrialized nation by that year meant tight monetary policies and measures designed to constrain inflationary pressures caused largely by consumer spending. The central Bank Negara raised the three-month interbank rates to 7.24%, up from 6.5% a year ago, which dampened demand and kept the economy from overheating. Real GDP continued to grow strongly at 8.3%, down from 9.5% last year. The country maintained full employment at 2.7% and inflation eased to 3.6% (within the government's target of under 5%).

Earlier, Mahathir had launched the "Multimedia Super Corridor" on the outskirts of Kuala Lumpur, a plan to leapfrog into the information technology industry. He announced generous incentives for high-technology firms willing to invest in the corridor, including tax-free status for 10 years, tax exemption on all multimedia equipment, and free entry of expatriates. The government continued to promote a structural shift away from labor-intensive industries, fearing an over-dependence on foreign labor. Malaysia's strong economy had attracted an estimated 1.8 million foreign workers (out of a work force of only eight million), only 750,000 of whom were properly registered. The illegals, mostly Indonesians and Bangladeshis, caused severe social problems, and locals blame them for the steep increase in petty crimes, disease, and for bringing in "alien" culture. The public was incensed by reports of illegals marrying local women or making them pregnant in the hope of gaining residency. In October, after extensive negative press reports and a riot between locals and foreign workers, the government announced that foreigners who marry locals would be deported immediately and that employers would be heavily fined and even face jail if they employed illegal migrants. But with full employment and easy access by small boats from Indonesia and the open Thai-Malaysian border, the influx of illegal workers will persist.

A notable change during the year was the decision to allow foreign brokerage firms to own up to 49% of local firms in order to increase foreign interest in the local capital markets, and specifically to promote Labuan, an island off of Sabah, as Malaysia's international offshore financial center.

The Perwaja issue dominated the business scene in the second half of the year. A state-owned steel making plant in Terengganu, Perwaja was part of Mahathir's strategy of investing in heavy technology in the early 1980s. After suffering massive losses, the prime minister appointed Eric Chia, a controversial ethnic Chinese entrepreneur and personal friend, to head the enterprise in 1988. Instead of turning Perwaja around, the DAP alleged

that Chia used it to enrich himself and his friends through fraud, causing the plant to lose up to 10 billion ringgit (about US\$4 billion). Chia's behavior did not help; he resigned suddenly in October 1995 and the government was forced to step in with a rescue package. In February 1996, Anwar appointed a team to investigate Perwaja's accounts after admitting in Parliament that it was insolvent. Although the investigation was completed in August, the government refused to release the report citing "commercial" reasons, reinforcing the opposition's claim that high-level corruption was involved.(6) In the meantime, the government announced that it was seeking to sell Perwaja to a private concern. By year's end, the sale still had not gone through despite Mahathir's promise that the government would absorb Perwaja's M\$2.9 billion debt.

Conclusion

At the close of the year, it was generally agreed that Mahathir reigns supreme, despite all the political maneuvering behind the scenes. He was able to isolate most of Anwar's supporters after the UMNO party elections, and his prestige was enhanced when he brought about the dissolution of PMS46. Razaleigh will remain influential simply because the UMNO leadership expects him to deliver Kelantan back into the UMNO fold at the next state election, but his return does give the prime minister another card to play against Anwar's ambitions. The friction between Mahathir and his ambitious deputy remains, and there is no doubt that the wayang kulit politics between them will continue to dominate Malaysian politics.

1. In an ironic twist, Mahathir instructed Anwar to force Salleh and Sabah UMNO to back down, and Anwar had to go in person to Kota Kinabalu to enforce the action.

2. UMNO-United Malays National Organisation-is the major party in the ruling Barisan Nasional (National Front) coalition.

3. In Malaysia, 30% of the shares of all publicly listed companies must be set aside for bumiputera, i.e., Malays and other indigenous people. The government selects the bumiputera who are given the special right to buy these shares, which are sold at a heavily discounted price and often make huge gains. These share allocations have been used to reward UMNO supporters and close family members of the UMNO elite.

4. Both independents are covert BN supporters. Interview with a senior Sarawak politician, 12 September 1996.

5. Ung-Ho Chin, *Chinese Politics in Sarawak* (New York: Oxford University Press, 1996), and Ung-Ho Chin, "Gambling, the Media and Tycoons in Sarawak Chinese Politics," *Nanyang Siang Pau* (Malaysia), 29 September 1996.

6. According to an interview with an UMNO official (15 November 1996). Anwar wanted to release the report to embarrass Mahathir but the prime minister explicitly instructed that the report not be released.

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