

MALAYSIA

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# Mahathir's Big Test

**W**hen he took the reins from ailing predecessor Hussein Onn six years ago, Malaysia's Prime Minister Dr. Mahathir Mohamad was often described as a "man in a hurry," an idealist who wanted to reform Malaysia and its people. "He was the darling of liberals because, unlike his predecessors, he had no ties with the Malay aristocracy and wasn't educated in any of the elite institutions in Britain," recalls a Kuala Lumpur lawyer. "He snubbed the British and the Commonwealth and spoke up on Third World issues." In the past three years, however, Mahathir has slowed a great deal. His administration has been bogged down by an economic slump and a series of high-level financial scandals. Soon, Mahathir defends his presidency of the United Malays National Organisation, dominant partner in Malaysia's ruling Barisan Nasional coalition. The post automatically confers the country's premiership. The event will be historic. For the first time in UMNO's 41 years, the incumbent faces a serious challenge.

The challenger: Trade & Industry Minister Tengku Razaleigh Hanzah, bypassed in 1976 when Hussein chose Mahathir as his deputy. Even though Razaleigh, a prince from Kelantan State in the northeast, still has to declare officially that he will run (he has until Apr. 11), associates and friends say he has left no doubt that he will do so. The candidacy of such a powerful figure is in itself a major upset for Mahathir. UMNO, with a paid membership of 1.3 million, indulges in hyperactive grassroots politics all year round. The party's 133 divisions — 132 parliamentary constituencies on the peninsula and one in Labuan island off East Malaysia — have elected eleven delegates each to the party's annual general assembly, to be held in Kuala Lumpur on April 24. There, the 1,463 will join the members of the party's supreme council in electing the party's leadership. Although 88 divisions have nominated Mahathir for the party's presidency, 37 have nominated Razaleigh.

That majority still provides some re-

assurance to Mahathir supporters. Running for UMNO's deputy leadership is Deputy Prime Minister Ghafar Baba, who has had 74 nominations against 50 for incumbent Musa Hitam, Ghafar's predecessor as deputy PM. Some of Mahathir's staunchest loyalists claim the prime minister's 66% of the nominations in-



Chan Looi Tat — Asiaweek

**Mahathir last week: A one-vote win is enough, he says**

dicade that he could win anything between 60% and 65% of the votes. By that reckoning, Mahathir's running mate Ghafar could poll 55% of the votes. But even Mahathir's own supporters concede that nominations only give a rough idea of where the votes are likely to come from. Most nominations were made through a show of hands in divisional meetings and, observers say, in a party as steeped in tradition as UMNO and in a country which practises the politics of patronage, members are wary of open opposition that would invite the wrath of government leaders.

"Fence-sitters and the faint-hearted normally show support for the incumbent leaders rather than underdog opposition," notes one keen observer of Malaysian politics. "The 30% of nominations that Razaleigh has are his hardcore supporters who are not afraid to show their faces. He is bound to have a lot more support than that because several of his recognised strongholds have diplomatically nominated Mahathir." The same is true of Musa, now informally allied with former arch-foe Razaleigh, whom he has beaten twice for the UMNO deputy presidency. Indeed, Musa is by most reckonings odds-on favourite to win the deputy leadership comfortably. Ghafar explained last week that he was running for the post "out of respect for the faith that Dr. Mahathir has placed in me by asking me to be deputy prime minister."

Mahathir doesn't have such loyalty from all his cabinet. Five of the eleven UMNO ministers have declared their opposition to him. Besides Razaleigh, they are Foreign Minister Rais Yatim, Defence Minister Abdullah Badawi, Social Welfare Minister Shahrir Samad and Minister in the Prime Minister's Department Ajib Ahmad. Culture, Youth & Sports Minister Najib Razak supports them privately and Information Minister Ahmed Rithauddeen, from Kelantan, remains neutral. Three deputy ministers — Abdul Kadir Sheikh Fadzir of the Foreign Ministry, Zainal Abidin Zin of Energy, Telecommunications & Posts and Radzi Sheikh Ahmad of Primary Industries — have come out publicly against Mahathir. Several others are keeping their opposition private.

Despite the downturn in Mahathir's fortunes in the last three years, such a formidable challenge to his leadership would have been unthinkable even four months ago. The premier led the 13-party Barisan coalition to a thumping victory in the general elections last August. UMNO thoroughly trounced its biggest opponent, the fundamentalist Parti Islam Sa-Malaysia, which won only one of the 177

parliamentary seats. UMNO, considered protector of Muslim Malays, who form just under half the 16 million population, was expanding to the East Malaysian state of Sabah ostensibly to protect the interests of the native communities there. Furthermore, the massive margin of UMNO's victory in the parliamentary polls had buried the bulk of financial scandals and allegations against Mahathir's close associates.

**A**t that time, too, UMNO deputy leader Musa Hitam, the only politician considered a threat to Mahathir, had faded from the headlines. Musa, whose February, 1986, resignation from the deputy premiership followed allegations that he was trying to topple Mahathir, was telling friends himself in private that he didn't think he would have a chance in a contest against Mahathir. "Last November, nobody could in his wildest imagination think that the PM might be in the position that he is in today," says one political analyst. "Now it looks as if he has a tough battle on his hands and unless he fights back his opponents are going to gain momentum in the run-up to the elections." The only other challenge to the UMNO leadership was in 1978 when Suleiman Palestin took on Premier Hussein Onn. An unknown, Suleiman had no chance of winning.

Nowadays, Mahathir is looking in-

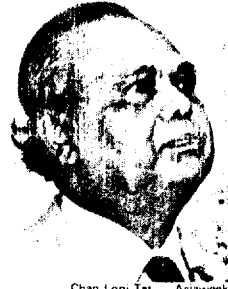
creasingly like a candidate trying to defend his seat rather than a statesman above the fray of political squabbling. Earlier, he had adopted a low profile, staying away from the mudslinging, self-promoting routine of local politics. Three weeks ago he fired his first salvos by recalling the party's grand traditions of smooth power transitions. Last week, he declared that he would keep the presidency if he won, no matter how small the margin. "There are people saying I will resign if I win the contest by a 55%-45% or 51%-49% margin," he told a small group of Malaysians during a brief trip to Brunei (where he had a 15-minute meeting with Sultan Hassanal Bolkiah). But, he went on, "even if I win by only one vote, I will continue to hold the post." For the first time in the campaign, Mahathir alleged that "some countries" were "attempting to get weak leaders elected" in UMNO. He named no countries, but referred to "Zionists" who had opposed Malaysia and its policies.

Analysts say Mahathir's fighting tone of recent days and reference to a close vote are tell-tale signs that he believes the contest will be a cliffhanger. But, with Razaleigh yet to declare, the PM is han-

dicapped by being unable to mention his rival by name. "If he attacks Razaleigh now, he would be seen to be jumping the gun," says one political observer. "He has to be a statesman as well as worry about the vote tally at the end of the day."

Razaleigh, according to his supporters, seems convinced he is only a whisker away from victory. Part of that optimism comes from the positive feedback new mate Musa has been getting in his campaign rounds. The Razaleigh camp says that the support for Musa indicates opposition to the Mahathir administration, so that all they need to do is to harness it. Both sides now have a complete list of those eligible to vote and campaigning has shifted to closed-door meetings between candidates and small groups of delegates.

Independent analysts say 75%-80% of the delegates have already made up their minds and among them Mahathir has a slight edge. But if up to 25% of the total voters are still undecided, the contest could go either way. "It is already looking like a very, very close fight," says one Malay academic who makes no secret of his dislike for Mahathir but says he isn't a supporter of Musa or



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#### Ghafar: Challenger

Razaleigh either. "In Malay politics a close fight means half the battle is already won." Many Mahathir supporters reckon Razaleigh isn't aiming for outright victory but is hoping he can muster enough votes to pressure Mahathir to retain him in the cabinet and try for the top post again in 1990.

The current campaign brings under attack for the first time in UMNO's history such sensitive areas as the performance of the coalition government, the leadership style of the prime minister and controversial financial dealings of several of the prime minister's close associates. A key issue is the fledgling economy which, after growing at an average annual rate of 7.3% between 1973 and 1984, contracted by 1% in 1985, grew by just 1% last year and is expected to grow by 1.5% this year. Total external debts have increased more than threefold from \$6 billion in 1981, the year Mahathir took over, to \$20.2 billion last year. The debt service ratio is now approaching 200%, three times the figure in 1981.

Mahathir and his associates have blamed international recession and lower commodity prices for the downturn. His opponents, on the other hand, say mismanagement of the economy in better times and over-dependence on foreign borrowing have contributed. They say Malaysia, just four years ago one of the best economic performers in the region, is now one of the worst at a time when international economies are growing at a much faster rate than they were in the early

1980s. They say his administration's attitude on foreign borrowing has been careless. As evidence, they cite Deputy Premier Ghafar's statement last month that "the more we borrow the better"; Ghafar's logic, it seemed, was that borrowing money to develop the country



Daim: His role is now a campaign issue

would be using other people's money to gain economic progress.

Another major issue in the campaign has been the role of Finance Minister Daim Zainuddin. A personal friend of Mahathir's, he rose from small-time property developer to become one of the country's richest tycoons. After criticism

from within and outside the government that he was using his portfolio to his personal advantage, Daim was forced last year to sell substantial stakes in seventeen corporations. In 1982, he had come out of nowhere to take a 51% stake in the Malaysian French Bank, formed after the nationalisation of Banque Indosuez in France. Mahathir had favoured Daim's bid over others possibly more suitable, it was said. At the time of Daim's appointment to the finance ministry in 1984, he exchanged the bank holding for a 40% stake in the ten-times-larger United Malayan Banking Corporation, the country's third largest bank in which government corporation Pernas had a similar share. In 1985, Daim increased his UMBC holding to 51% in a rights issue Pernas was told not to subscribe to. Late last year, he sold out to Pernas at a much higher price. "This is probably the biggest skeleton in Mahathir and Daim's closet," says a senior UMNO leader close to the prime minister. "I think it needs explanation."

Musa and Razaleigh have also raised questions about several top businessmen close to Mahathir who have used his name to get loans and whose subsequent deals collapsed. Among them is Ibrahim Mohamed, the former chairman of Promet, the oil-rig, construction and property giant that went into receivership last year. Others include Abdullah Ang, managing director of the failed Malaysian Overseas Investment Corporation, a trading house that was brainchild of the PM. Ang is currently serving a jail term for misappropriating MOIC funds. Mahathir's suppor-

ters say the PM cut himself loose from the two men and several others when he realised that they were using his name. "The fact that these people are either in jail or fighting in courts is proof that Mahathir is not keen on protecting them," says a Mahathir supporter. The PM, he says, has spruced up his image in the past two years. "All these scandals that you hear about are two or three years old. At the time, Musa was still deputy prime minister and Razaleigh was finance minister. They must shoulder equal responsibility because in our system of government there is collective responsibility."

Mahathir has also taken the flak from the \$1.1 billion Bumiputra Malaysia Finance scandal. BMF, the Hongkong subsidiary of the government-controlled Bank Bumiputra Malaysia, lent money to the Carrion group and other companies related to Carrion chairman George Tan with utter disregard for prudent banking practices. Observers note, however, that BMF hasn't been a major issue in the campaign because it also threatens in some ways to implicate Razaleigh, a former Bank Bumiputra chairman. Another scandal that has hurt Mahathir is the Maminco affair. Malaysian company Maminco, in an operation personally supervised by Mahathir, tried to corner the international tin market in London to boost tin prices but lost more than \$300 million. Further, both Musa and Razaleigh have criticised what they call "prestige projects" like the Dayabumi commercial complex built in



Ang: Scandal

Kuala Lumpur during a property glut, the Penang Bridge that links Penang island with mainland peninsula, the north-south highway and the Proton Saga national car plant which is struggling to keep afloat by trying to enter international markets at cut prices.

Some heavy industry projects have come in for criticism, including several new cement plants running at a third of capacity because of a cement glut.

**S**uch issues, temporarily put in the shade by last year's general election triumph, have emerged with the challenge to the leadership. The real battle will begin on Apr. 12, the day after the final day of registration, when the two sides can bring their campaigns into the open. Although it may be in keeping with Malaysia's democratic traditions, the twelve-day squabbling may leave UMNO, protector of Malays, badly bruised and, probably, split down the middle. ■