

THE SUCCESSOR: Abdullah (left) will have big shoes to fill when he replaces Mahathir

portant thing: juggling the competing interests of Muslim Malays and of the ethnic Chinese, whose success in business had traditionally spawned resentment. It was no small feat. When Mahathir became prime minister in 1981, Malaysia was recovering from both the traumatic race riots of an earlier decade and a protracted campaign against communist insurgents. Mahathir was perceived as anti-Chinese and "ultra-Malay." He had written a controversial 1970 book titled "The Malay Dilemma," which offered a chilling race-based analysis of how ethnic Malays were being dominated economically by the more adept Chinese.

To level the playing field, Mahathir expanded upon what the government called a New Economic Policy, or NEP. It was essentially a sweeping affirmative-action plan favoring bumiputra. They got preferential treatment in business and education, guaranteed by law. At the same time, Mahathir knew he couldn't alienate the country's vibrantly entrepreneurial ethnic Chinese. So he engineered the grand bargain upon which

IN STYLE, ABDULLAH IS THE POLAR OPPOSITE OF MAHATHIR—LOW KEY AND CONSENSUS OBSESSED

heir apparent, Anwar Ibrahim, on what many believe to be trumped-up charges of sodomy and corruption. The erosion of judicial independence under Mahathir "was the severest blow to Malaysia's society and democratic traditions," charges Dr. Kua Kia Soong, a human-rights activist who was detained in 1987 under Malaysia's stringent Internal Security Act. "I had bigger hopes for Malaysia, because I'm aware of what we could have achieved." The 1988 dismissal of judges who'd ruled Mahathir's United Malays National Organization party illegal is seen as another blemish. Agreed political analyst Chandra Muzaffar, "Mahathir was such a powerful leader that it hurt the development of institutions such as the judiciary."

Born in 1925, Mahathir has long been haunted by memories of British colonial rule. A recurring theme in his anti-Western vitriol has been a fear that Malaysia's *bumiputra*, or native sons—generally meaning ethnic Malay Muslims—might suffer from the economic hegemony of outsiders. His infatuation with grand infrastructure projects, say those who know him, was prompted mostly to fuel the ambitions of his people, to jolt the bumiputra into a whole new industrial and technological mind-set. "We were very rural, we

never had any infrastructure," says Mahathir acquaintance Lim Kok Wing. "He wanted to drag people out and make somebody produce a car just to prove that they can produce a car."

Not all such endeavors succeeded. But Mahathir was remarkably deft at one im-

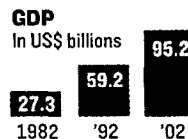
Malaysia's success has been based. He reassured non-Malays that economic opportunities remained plentiful while his rhetoric and his policies blatantly favored Malays.

The formula worked to transform Malaysia over the past two decades into an economic powerhouse, churning out not just rubber and tin but computer chips and cell phones. The country now ranks among the world's top 20 trading nations. Per capita GDP has reached nearly \$4,000—third in Southeast Asia behind Brunei and Singapore. Between 1988 and 1997, GDP growth averaged 8 percent to 10 percent annually. Poverty rates for both Malay and Chinese families have fallen dramatically. Today, Chinese and Indians are among the most ardent supporters of the ruling coalition.

That's good news for Abdullah. With firm political backing, he can begin the tough task of keeping Malaysia economically competitive. Already, lower production costs in China, India and Vietnam are luring investors away. Investment from foreign manufacturers has dropped in recent years. Some of the country's famous projects, such as the Petronas Twin Towers, are not fully occupied. And the once-hot electronics industry in Penang shows signs of hollowing out. Many of the other

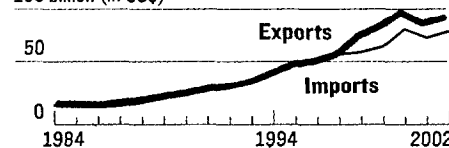
Mahathir's Miracle

Over the past two decades Prime Minister Mahathir Mohamad has turned Malaysia into a new economic powerhouse.



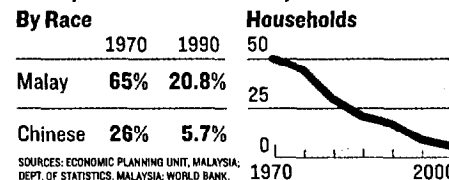
TRADE SURPLUS

100 billion (in US\$)



POVERTY

Poverty rates have fallen broadly under Mahathir.



SOURCES: ECONOMIC PLANNING UNIT, MALAYSIA; DEPT. OF STATISTICS, MALAYSIA; WORLD BANK.

Malaysia

heavy-industry projects Mahathir championed in the 1980s have already "flopped pretty miserably," asserts K. S. Jomo, a University of Malaya professor and Mahathir critic. Abdullah must also deal with the reality that economic success has not stopped a conservative Islamic movement from carving out a foothold in Malaysia.

Perhaps, then, Malaysia is due for change. Mahathir almost forcibly modernized a poor country and spoke angrily for the world's have-nots. Now, Abdullah himself suggests it's time to cultivate the "software" that a more mature country needs. Under Abdullah, the atmospherics of government are likely to be less fiery--

sort of Malaysia on Prozac. The question is whether Pak Lah can formulate his own prescriptions for consolidating the economic gains, and healing the divisiveness, that his formidable mentor has bequeathed to him.

With JOE COCHRANE and
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