

Cronyism continues under PM Najib
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The Malaysian government has portrayed its recent decision not to legalise sports gambling as the action of a responsible administration responding to public opinion and keeping its promise to be more open and accountable.

In fact, the episode is a sharp reminder of how deeply entrenched the crony culture is in the country and how little has changed under the leadership of Prime Minister Najib Razak.

While Najib has pleased many Malaysians by refusing to allow businessman Vincent Tan to expand his gambling empire, the prime minister's image has suffered because of his secretive attempt to revive sports betting.

In the public outcry over the proposal, Najib was also outmaneuvered by the political opposition through its control of key states in peninsular Malaysia.

By reversing course, he underlined his growing reputation to backtrack on policy in the face of protest, as he has done over his ambition to dismantle certain parts of the New Economic Policy, the affirmative action plan that has benefitted ethnic Malays for four decades.

Malaysians were kept in the dark this year as Vincent Tan, invoking an unpublicised agreement negotiated with the government decades ago, geared up to begin accepting bets on the World Cup in South Africa.

With little warning, his company, Ascot Sports, announced that it had obtained exclusive rights to a business that could top RM20 billion annually – without competitive bidding or public discussion.

Pak Lah vetoed licence

Dramatic as the news was, it wasn't the first time that Tan had been on the brink of starting Malaysia's first legal sports betting operation.

In 2004, months after becoming prime minister, Abdullah Ahmad Badawi discovered that a licence had been issued to Tan in 2003 by premier Dr Mahathir Mohamad in his capacity as finance minister.

Abdullah's aides said Mahathir had awarded the licence not long before retiring, but the former premier denied being "personally responsible" for it.

Worried that his administration would be open to criticism by conservative Muslims, especially the opposition PAS, which had long campaigned to close existing gaming outlets, Abdullah vetoed the gambling concession.

Tan's revived plans burst into the open in early May in a filing with the stock exchange. Tan's publicly listed Berjaya Corporation said it was buying his 70 percent stake in dormant Ascot Sports for RM525 million. (His son holds the remaining 30 percent.)

Berjaya said, "The Ministry of Finance has given its approval for the re-issuance of the licence... upon certain terms and conditions." Berjaya subsequently made it known that the

"re-issuance" took the form of a "letter of approval" it had received from the Finance Ministry in January.

Vincent Tan, a key non-Malay crony

In the uproar that followed, some of the mysterious history of the sports betting proposal emerged.

It transpires that Mahathir's government first issued a licence to Tan in 1987, without informing the public. After suffering losses, Tan surrendered the license in 1990, but apparently negotiated for Ascot Sports to be given the right of first refusal if a new licence was issued.

At first, the Najib government did not dispute Berjaya's claim to have obtained the licence. But as opposition mounted to more legalised gambling, Najib, wearing his finance minister's hat, stunned the country by declaring that the licence had not yet been issued after all.

In a written reply in Parliament, he said the government was "still getting feedback from various quarters" and had not finalised the terms and conditions. Najib's hesitation in following through on the letter of approval his ministry sent to Berjaya four months earlier reflected his political dilemma.

A strong element in the backlash was the memory of the Mahathir era, when well-connected businessmen, widely termed cronies, were given privatisation and other government contracts without any tendering process. Vincent Tan was the chief non-Malay crony.

Moreover, Tan made his initial fortune when granted the privatised lottery Sports Toto, until then controlled by the Finance Ministry, in 1985. The deal was kept secret initially, erupting into what became the 'Sports Toto Scandal' when word of it eventually leaked.

By seeming to allow the licence to go to Ascot Sports in a non-transparent fashion, Najib drew attention to what looked like his broken promises to be more open. He also appeared to be condoning gambling, which is forbidden in Islam and opposed by many Malays.

Najib needs more gambling tax

The government attempted to frame the widening debate as an effort to curb underground sports betting, which is known to be rampant in Malaysia.

But in reality Najib needed increased gambling tax to help reduce Malaysia's officially projected budget deficit from 7 percent to 3 percent of gross domestic product by 2015.

One industry group

estimated illegal sports betting turnover at RM20 billion to RM30 billion, and calculated potential government revenue at RM1 billion to RM3 billion.

Najib was also outflanked by the opposition. The Penang state government, led by DAP, declared a ban on sports betting, followed by Kedah and Selangor. Kelantan, controlled by PAS and the only other state in opposition hands, forbids all forms of gambling.

NONENarrowing Najib's options further, sections of his Umno, including Umno Youth, opposed the move. Terengganu, in Umno hands, also said it would not allow sports gambling, according to local press reports.

After a meeting of Umno's supreme council, Najib capitulated, saying the decision was taken "after much deliberation on the impact it will have from the perspective of religion and politics." Left unsaid was why Najib felt bound by a tainted agreement entered by a past administration, and whether more such deals might surface.

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