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Mahathir Mohamad waved as he left the prime minister's office in Putrajaya, Malaysia, yesterday. Mahathir, 77, stepped down after a 22-year reign over the small Southeast Asian country. *Andy Wong / Associated Press*

WORLD

Malaysia's Mahathir steps down

Often autocratic ruler transformed country

By Jane Perlez
NEW YORK TIMES NEWS SERVICE

KUALA LUMPUR, Malaysia — Asia's longest-serving leader, Mahathir Mohamed, stepped down yesterday, leaving a legacy of a modern Muslim nation that he molded on the back of often autocratic rule and the use of tirades — often anti-Western and anti-Semitic — intended to create national cohesiveness.

Mahathir, 77, better known on the international stage for his crude outbursts than for his economic and political accomplishments at home, handed

power to a handpicked successor, Abdullah Badawi, 63, in a nationally televised ceremony in the new government capital, Putrajaya.

Mahathir's departure, which he announced 16 months ago, was peaceful, in contrast to the bloody ends of the reigns of Ferdinand Marcos of the Philippines and Gen. Suharto of Indonesia, two other strongmen of his era.

During his 22 years as prime minister, Mahathir managed to forge a nation out of a disparate ethnic mix of a Malay majority and Chinese and Indian minorities. He transformed a country dependent on tin, rubber and palm oil exports into one of the major trading nations of Southeast Asia, and the exporter of most of the world's Dell laptop computers and Intel high-end processors.

"It has been a remarkable transformation," said Joseph Stiglitz, a professor of economics at Columbia University and a co-recipient of the Nobel in economic science in 2001. "They have attracted foreign direct investment, improved technologically and become a country that is helping other developing countries. I think it is an alternative to the extremism we see in much of the world."

In the sleek capital of glass and steel towers here, women in the latest fashions from Prada and Ferragamo saunter through shopping malls in high heels and headscarves. Farther out in the hinterland, there are plans for a new rail line stretching the length of the peninsula.

SEE Mahathir, A22



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Successor must face rising tide of Islamic fervor

Islam is the official state religion, and the strict version of Shariah law applies to Muslims in two of Malaysia's provinces. Recently, an unmarried woman was fined more than \$1,000 for sitting too close to a man to whom she was not related.

How to square the modernization of Mahathir with the increasing religiosity among Malay Muslims is one of the crucial questions at the end of his era.

The answer lies in the notion that Malaysia, with a manageable population of 23 million, can demonstrate that modernity and Islam are compatible, says Karim Raslan, a lawyer educated at Cambridge University and one of the younger-generation commentators here.

"For those who come from the Enlightenment tradition, the increasing religiosity is very distressing," Raslan said. "But we live in the real world."

Thus, Raslan said, Malaysian political dialogue will probably be cast even further in an Islamic framework.

"Malaysian Muslims have become much more conservative religiously, so you have to be able to argue and to present all the policies in terms of Islam," Raslan said. "The division between the mosque and the state no longer exists." But, he said, that does not mean that modernization or the steps toward more democracy will end.

Mahathir's rants against

Jews, who he said earlier this month "ruled the world by proxy," served a political purpose at home, analysts here said. They also represented his own beliefs, which, when amplified in public forums such as this month's meeting of the Organization of the Islamic Conference, propelled him onto the world stage. That is where, analysts say, he felt he belonged, along with the better-known senior minister of Singapore, Lee Kwan Yew.

By criticizing the Jews — which he continued to do in his last week in office — Mahathir was trying to burnish his credentials among Malaysia's Islamic religious community, said Jomo K. Sundram, a critic of Mahathir's and a professor of applied economics at the University of Malaysia.

Much of Mahathir's speech to the Islamic conference in Malaysia last month was a scathing attack on Muslim religious leaders, another favorite Mahathir theme. He accused them of failing to bring their people into the modern world.

"Anti-Semitism is the kind of thing you do to establish your ostensible Islamic credentials," Jomo said. "Mahathir does this because his Islamic credentials are so weak, and because he spends so much time attacking the ulamas. He was saying, 'In case you think I'm anti-Muslim, here is some anti-Semitism.'"

Badawi is expected to present a more subdued image, and to be "more responsible," a Western official said. He will probably dispense with the anti-Semitic outbursts, in part, officials here say, because his own background as a graduate in Islamic studies sits better with Islamic religious leaders.

On the economic front, Bad-

"They have a kind of economic stability which others don't have."

JOSEPH STIGLITZ,
Nobel Prize winner in economics

awi seems poised to continue the Mahathir formula of encouraging foreign direct investment and keeping the natural-resource industries rolling. He inherits an economy that is expected to achieve 4.5 percent growth this year, second only to Thailand in the region.

Mahathir got high marks from some, including from Stiglitz, for daring to rebuff the International Monetary Fund's prescriptions for Malaysia during the Asian financial crisis of 1997.

"Though Prime Minister Mahathir's policies — trying to keep interest rates low, trying to put brakes on the rapid flow of speculative money out of the country — were attacked from all quarters, Malaysia's downturn was shorter and shallower than that of any of the other countries," Stiglitz wrote in his book, "Globalization and Its Discontents."

Now, six years later, Malaysia has an economic situation that is the envy of others, Stiglitz said. "They have a kind of economic stability which others don't have," he said. "They managed their way through the crisis and that gives them a certain amount of confidence."

By providing an open door to technology industries, he said, Malaysia had overcome what economists call the "natural resource curse" in developing na-

tions — an overdependence on natural resources.

In the recent global downturn, though, Malaysia has relied on surging oil and gas prices, and on big sales of palm oil to China. One of the major challenges for Badawi will be what to do about the flows of foreign direct investment that are flooding into China instead of into countries such as Malaysia in Southeast Asia.

Mahathir was elected several times in multiparty elections. New elections are scheduled for next year and Badawi is expected to win easily.

But the focus will be on whether the new prime minister can win back some of the voters who chose the conservative Islamic Party of Malaysia over the United Malays National Organization party in 1999. Those voters were disenchanted by Mahathir's 1998 prosecution of Anwar Ibrahim, who was deemed to be his successor but was charged by Mahathir's courts with corruption and sodomy after attempting a power grab.

The Islamic Party of Malaysia, which wants a more conservative Islamic state, made strong electoral gains in 1999, and now controls two of the 13 state governments.

Another question will be whether Badawi will relax the strict newspaper and broadcast censorship that Mahathir imposed and justified until his last days in office.

It seemed clear that Badawi would retain the friendship with the Bush administration that Mahathir forged immediately after the Sept. 11 terror attacks. Mahathir provided important intelligence to the United States that helped in the arrest of suspected terrorists.