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Najib has too much power for Malaysia's good

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The story is that in March 2013 one or more unnamed Middle Eastern donors transferred a total of nearly \$700m into the personal account of Najib Razak, prime minister of Malaysia. The generous amount was a donation to be lavished on that year's election campaign of the ruling United Malays National Organisation as Mr Najib saw fit. So sordid are the goings-on in Malaysia these days that, astonishingly, this is not the case being mounted against the prime minister. This is the case for Mr Najib's defence. Malaysia's widely lampooned prime minister is in such a deep, dark and money-stuffed hole that this is the version of events being promoted by his allies.

It was also the finding this month of the Malaysian Anti-Corruption Commission. It turns out that an anonymous donation from a foreign benefactor is the least damaging explanation of how 2.6bn ringgit found its way into Mr Najib's account. The prime minister has denied committing any wrongdoing or accepting money for personal gain.

If this is the positive take, the negative version is worse. This would have it that in 2009 Mr Najib set up a development fund, now in debt to the tune of \$11bn, with the express purpose of generating cash to be spent on prolonging UMNO's already nearly six decades in power. Seeded with a tiny amount of state capital, 1Malaysia Development Berhad, or 1MDB in its now dirt-spattered initials, avidly set about borrowing money on the capital markets. It issued bonds worth billions of dollars and bought sundry energy and property assets in Malaysia and around the world. 1MDB, which has a chronic lack of cash flow, is struggling to service its debts. In May, it received a lifeline when an Abu Dhabi state fund injected \$1bn into its coffers to tide it over.

According to a report last month in the Wall Street Journal and investigative journalists at the Sarawak Report, the money in Mr Najib's account had been moved by agencies, banks and companies linked to 1MDB. Mr Najib denies any connection between 1MDB and the funds in his account. He has threatened to sue the Wall Street Journal. 1MDB, says Mr Najib's defenders, was a genuine, if flawed, attempt to modernise the Malaysian economy through developing innovative sources of growth.

Whether you believe the bad version of the story (donation) or the very bad version (slush fund) comes as small consolation to Malaysia. Once consid-



ered a model of development, the country's reputation is sinking fast. So is that of Mr Najib. The urbane, blue-blooded and British-educated prime minister was once courted by the likes of Barack Obama, US president, and David Cameron, British prime minister, who saw him as an economic moderniser and a progressive standard-bearer of moderate Islam.

One disaffected Malaysian, in an allusion to the former dictator of the Philippines, described his country as "going backwards to the era of [Ferdinand] Marcos". In Mr Najib's wife, the fashion-conscious Rosmah Mansor, Malaysia may even have its own prospective

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Imelda, the former first lady of the Philippines whose extravagant shoe collection became a symbol of the rottenness of the Marcos regime. The reputational risk to Malaysia is having financial consequences too. The Ringgit has fallen to a 17-year low and Malaysian stocks, the worst performing in Asia, are down one-third over the past 12 months.

Mr Najib's supporters say he is the victim of a conspiracy being led by Mahathir Mohamad, the still-influential former prime minister who built the system of patronage and money politics that has sustained UMNO for so long. At 90, Mr Mahathir is launching salvo after vituperative salvo via his blog.

Yet more than the innuendo and the as-yet-unproven accusations, Malaysia's crisis is about the legitimacy of its institutions. To the extent that these were ever strong, they are now being badly compromised. Mr Najib has moved aside the attorney-general who was investigating his case. He has sacked his

deputy prime minister for daring to suggest there was a case to answer. Four members of a committee co-ordinating a probe into 1MDB have been conveniently promoted, bringing that part of the investigation to a halt. Two newspapers have been suspended for running with the 1MDB story and the leader of the now-fractured opposition, Anwar Ibrahim, has been jailed for sodomy.

Tony Pua, an opposition MP who has led the charge against Mr Najib, thinks the prime minister will survive. "He can't be removed because he controls the wheels of power," he says. As prime minister, Mr Najib wields enormous authority. As president of UMNO, whose interests often trump those of the state, he perhaps wields even more. That is Malaysia's real problem. UMNO's interests and those of the nation have been artificially fused. For the good of Malaysia, they should be prised apart.

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