

Newspaper	Financial Times
Date	27 August 2015

Malaysia gripped by struggle between political blue-bloods

Premier's inner circle accuses former prime minister of mounting a coup

Financial Times - 27/8/2015

DAVID PILLING — KUALA LUMPUR

Behind the political crisis engulfing Najib Razak, prime minister of Malaysia, lies nearly \$700m that somehow made its way into his personal bank account. Behind that, according to leaked documents, lies a state development fund with \$11bn in debts. Behind everything, however, sits a 90-year-old, for two decades the unassailable leader of this erstwhile Southeast Asian success story, who is doing all in his power to topple the present prime minister.

That at least is the claim of those around Mr Najib, who accuse Mahathir Mohamad, Malaysia's forceful former prime minister, of mounting what they describe as a coup d'état. "He has abused his position and done everything he can to undermine his successors just because his list of personal demands is not being met," says a person close to government.

Mr Najib strenuously denies any wrongdoing or accepting money for personal gain. The funds in his account, he says, came from an unnamed Middle Eastern benefactor — an explanation endorsed by the country's anti-corruption commission.

Mr Mahathir is having none of it. "I don't believe it is a donation. I don't believe anybody would give [that much], whether an Arab, or anybody," he says in his no-nonsense style.

Straight-backed and wearing his familiar khaki suit, the sharp-as-knives nonagenarian is clearly enjoying his duel with the man he handpicked six years ago to run this Muslim country of 30m people.

"I think at some stage he has to go because today he has undermined the legal system," he says, referring to Mr Najib's dismissal of the attorney-general and his promotion of officials who had been co-ordinating an investigation into Malaysia Development Berhad, the fund at the centre of the controversy.

Those moves, along with the sacking of his deputy prime minister, who had criticised Mr Najib, have in effect shut down the inquiry, Mr Mahathir says. "They should be allowed to investigate, but he's dismantled the institutions."

The bitter feud between Mr Mahathir and Mr Najib, a political blue-blood whose father was prime minister in the 1970s, has laid bare a crisis of legitimacy within the United Malays National Organisation, which has run Malaysia unbroken since independence in 1957. Umno, of which Mr Najib is president, squeaked back into power in the 2013 general election despite losing the popular vote.

Since then, Malaysia's economy has taken a turn for the worse, buffeted by low prices for oil and gas, which make up nearly 30 per cent of government revenue, and by the slowdown and currency devaluation in China. The Malaysian ringgit has fallen to 17-year lows and the stock market, down more than a quarter this year, has been the worst-performing in Asia over the past 12 months.

As if this were not enough, Mr Najib is fighting a firestorm of accusations around IMDB, the acronym now familiar to almost every Malaysian. Established in 2009 under Mr Najib, who is chairman of IMDB's advisory board, the purported goal of the fund was to help catalyse Malaysia's transition to a high-



Duellist: Mahathir Mohamad, speaking above, says Prime Minister Najib Razak, behind on poster, has undermined the legal system

Small text, likely a photo credit or source.

income economy. Yet instead of funding new areas of economic activity, IMDB mostly snapped up aged power stations in Malaysia, Egypt, Bangladesh and elsewhere as well as plots of government land in Kuala Lumpur at what Mr Mahathir says were knockdown prices.

On the other hand, say critics, the fund overpaid significantly for its power stations. IMDB denies that, saying Goldman Sachs carried out an independent valuation.

Sceptics also wonder why IMDB had to borrow, particularly since it paid fat fees for several bond issues, three of which, totalling \$6.5bn, were arranged by Goldman Sachs for fees and commissions approaching \$600m.

"When you borrow the money, it's not sovereign wealth, it's sovereign debt," scoffs Mr Mahathir in a well-rehearsed line. "I told the prime minister that we don't need this and sure enough he got into trouble."

Now the fund is struggling to service those debts and is engaged in a disposal of assets aimed, say insiders, at winning it down altogether. The people running IMDB deny accusations from opposition politicians that it has been used as a

"I think at some stage he has to go because today he has undermined the legal system"

Mahathir Mohamad

political slush fund. Instead, they say, it was an innovative financial vehicle that faces a cash crunch because it was slow to monetise assets.

The Sarawak Report, a UK-based blog, and the Wall Street Journal last month published documents appearing to show that money in the prime minister's account had been transferred there by agencies, banks and companies linked to IMDB. Mr Najib denies any link between those funds and IMDB, saying some of the documents are forged. The FT has not been able to verify the claim independently.

Mr Mahathir says of the nearly \$700m in Mr Najib's account: "I think it has something to do with IMDB despite the explanation that it was a donation."

Attention has shifted to possible dissent within Umno, where rumours of plots against Mr Najib abound.

Although Mr Mahathir stepped down in 2003, he has remained a kingmaker — and kingbreaker.

Displayed in Mr Mahathir's office is a Fijian war club, once used by cannibals. "It's for breaking your skull and then eating your brains," Mr Mahathir says with a chuckle.