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Interview. Mahathir Mohamad

Former PM hits at Singapore amid 1MDB scandal

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Ex-Malaysia leader says
city-state is reluctant to
pinpoint people involved

JEEVAN VASAGAR — KUALA LUMPUR

Mahathir Mohamad, Malaysia's former prime minister, has attacked Singapore's handling of alleged money laundering linked to Malaysian state investment fund 1MDB.

In an interview with the Financial Times, Mr Mahathir accused Singapore of failing to target the protagonists of what is alleged to be a global scheme to siphon off more than \$3.5bn from the fund.

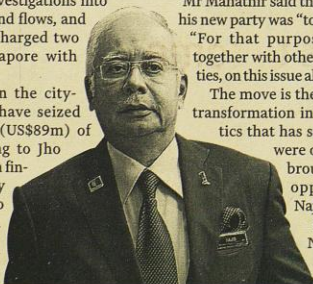
"Notice that the government of Singapore is very reluctant to pinpoint the people involved in this corruption," Mr Mahathir said. "It affects Singapore's reputation as a financial centre. It is not doing the right thing. The people who accepted the bribes are not the people who are laundering the money."

The scandal around 1MDB has echoed through the world's financial system, highlighting apparent failings in money-laundering controls at global banks.

Singapore's regulator has vowed to carry out more intrusive inspections of banks and is creating a dedicated money-laundering unit, after taking the rare step of ordering the closure of a Swiss bank's branch in the city-state earlier this year.

Singapore authorities said last month that the country was playing an active role in global investigations into 1MDB-linked fund flows, and that they had charged two people in Singapore with related offences.

Authorities in the city-state say they have seized about \$120m (US\$89m) of assets belonging to Jho Low, a Malaysian financier alleged by US prosecutors to have played a central role in the operations of 1MDB, and his



family. Mr Low has previously denied any wrongdoing.

"Appropriate actions will be taken against those who have broken Singapore's laws," said a spokesperson for the Singapore attorney-general.

"As investigations are still ongoing, we are not able to comment any further."

The US Department of Justice has exposed details of transactions to try to recover assets it said had been purchased with stolen Malaysian funds. These range from property in London and New York to Van Gogh paintings and the rights to proceeds from the film *The Wolf of Wall Street*.

The DOJ case was the first time Najib Razak, prime minister, had been officially tied to the 1MDB scandal. Although not mentioned by name, the description of "Malaysia Official 1" in court documents matches his biography and job description.

The US intervention has given succour to domestic critics of Mr Najib, who set up 1MDB and chaired its advisory board. Mr Najib denies any wrongdoing.

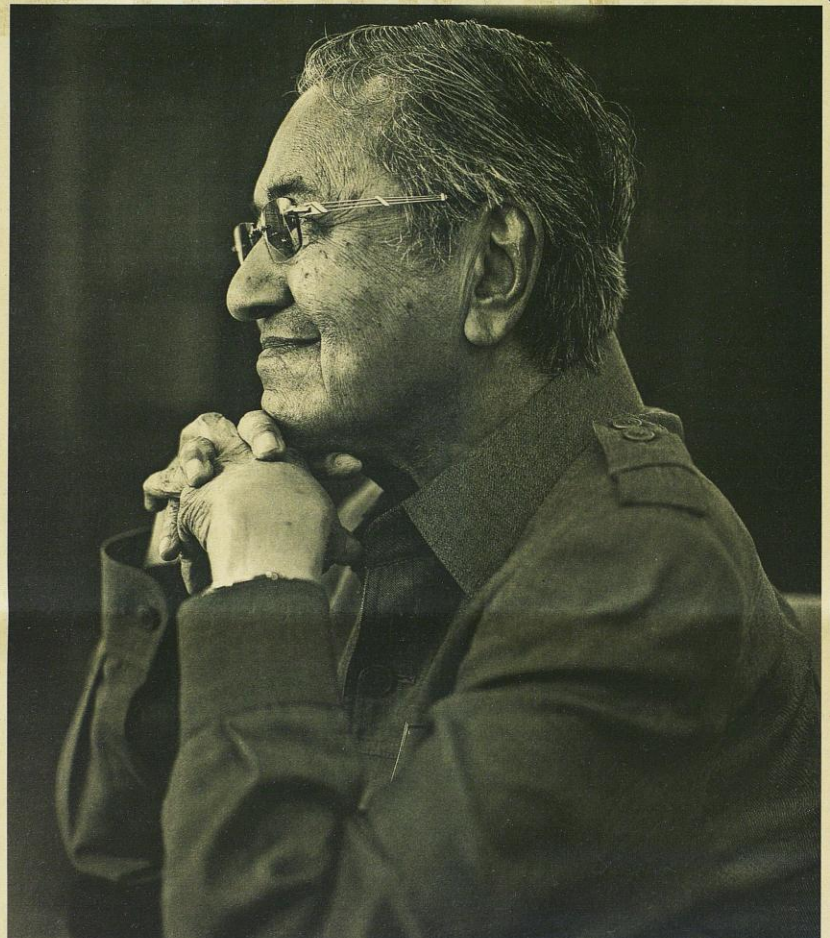
Mr Mahathir, Mr Najib's former mentor, is seeking to capitalise on the prime minister's discomfort by launching a political party that aims to be a rallying point for disaffected members of the ruling United Malays National Organisation, which has dominated Malaysian politics for decades.

"It is quite obvious that the party that is being led by Najib is being used by Najib to cover up," Mr Mahathir said. "The FBI and DoJ have exposed the wrongdoing."

Mr Mahathir said the primary goal of his new party was "to get rid of Najib". "For that purpose it will work together with other opposition parties, on this issue alone."

The move is the latest twist in a transformation in Malaysian politics that has seen leaders who were once bitter rivals brought together in opposition to Mr Najib.

However, Mr Najib has eliminated threats from within



Mahathir Mohamad, above, wants his new party to 'get rid of' Najib Razak, left
Sanjiv Dasu/Panos

his own party and has contained any electoral damage.

Critics have accused him of using a proposed law to strengthen Islamic courts as a "wedge issue" to split the opposition on racial and religious lines.

Voters from Malaysia's Chinese and Tamil minorities deserted Mr Najib's coalition at the last elections in 2013 but the sharia bill enables him to win support from the Islamist opposition party and fracture the opposition, analysts say.

While the 1MDB affair has convulsed Malaysia's politics it has had relatively little impact on the country's economy. Malaysia's growth slowed in the first quarter, but foreign investment rose 28 per cent year on year, led by services.

'Investors are coming back in because they see Najib has stabilised his position'

Malaysia is establishing itself as a regional hub for higher education; in February, the UK's Reading university officially opened a new overseas campus in the southern state of Johor.

"Investors are looking for stability," said Wan Saiful Wan Jan, head of the Institute for Democracy and Economic Affairs, a Kuala Lumpur think-tank. "Stability does not necessarily mean good governance. We have not seen capital flight. I think investors are coming back in because they see Najib has stabilised his position."

Tim Condon, a Singapore-based analyst at ING, said in a note this week that while "political noise" was persistent in Malaysia, "we remain confident that it doesn't threaten PM Najib's job".