

Malaysia pays high price for political drama

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Theatrical election battle between Mahathir and Najib will not resolve economic challenges

Mahathir left the prime minister's office in 2003, but his post-crisis policy mix and years of drift cement Malaysia's trajectory toward today's middle-income-trap status.

In March 2009, Najib took the premiership talking big about raising Malaysia's game. It seemed an ideal political bookmark: The son of the 1970s-era prime minister -- Abdul Razak Hussein -- who devised Malaysia's productivity-killing race quotas would scrap them. Instead, Najib doubled down on economic apartheid.

Najib created a new state fund, 1Malaysia Development Bhd, that turned the nation into something of a joke in financial circles. It sparked money-laundering investigations from Singapore to Zurich to Washington, after money was allegedly used for purposes as remote from Malaysia as financing the Leonardo DiCaprio film "The Wolf of Wall Street." Since the tale went global in 2015, Malaysia's ranking in the World Economic Forum's competitiveness index fell five places to 23rd from 18th.

The scope of the scandal brought Mahathir back into the fray. On Jan. 7, the opposition Pakatan Harapan coalition named Mahathir its standard-bearer and Wan Azizah Wan Ismail, wife of Mahathir's former rival Anwar Ibrahim, as deputy. Seventy-year-old Anwar Ibrahim himself is in jail, but angling for a royal pardon that would enable him to succeed Mahathir in due course.

Long shot

But why do Malaysians think a nonagenarian who helped create such an inward-looking model might turn things around? Or as Malaysia Today put it in a recent headline: "Why

is Kleptocrat Mahathir Screaming About Kleptocracy?" It is worrisome, too, that the election discourse is generating no concrete ideas to tame inflation, boost wages, increase opportunities for Chinese and Indian minorities or address the problems of an aging population.

Optimists say the end justifies the means. Malaysia has effectively been a one-party state for decades, empowering UMNO to gerrymander voting districts, close ranks around a stable of corporate champions and perfect a massive patronage machine. That hold on power explains why an educated and sophisticated nation of 31 million people ended up with two contenders battling over who is less corrupt.

Mahathir could be the only politician with the clout and tenacity to oust Najib. It is a long shot. Aside from the machine behind Teflon Najib, Malaysia is awash in clannish loyalties among regions and creeds. One of the attack lines against Mahathir, for example, is that he is not a sufficiently devout Muslim. Mahathir retorts that Najib's 2018 budget shamelessly doles out "sweets" in districts facing the closest election contests.

The good news: Even if Mahathir fails to wrest the premiership from Najib's hands, his blistering attacks are shining a spotlight on UMNO's complacency and dysfunction. It is a much-needed wake-up call as Indonesia, the Philippines and Vietnam vie for the share of foreign direct investment not racing to China.

The bad news: Mahathir is hardly an ideal change agent to drag closed, risk-averse Malaysia Inc. into an increasingly dynamic global economy. Malaysia must reduce the stifling role of government, shift toward high-value-added production, increase innovation and halt a brain drain caused by Chinese and Indian talent fleeing to Singapore and Hong Kong. And yet this election is more about two political titans brawling over who is less shady than finding a new way forward.

Time is not on Malaysia's side. Entertaining for sure, Mahathir vs. Najib probably will not end a 20-year drama and will exact a high cost on the economic future. Reversing course requires fresh thinking and an abrupt change in policy priorities -- both in short supply this election season.

William Pesek is a Tokyo-based journalist and author of "Japanization: What the World Can Learn from Japan's Lost Decades." He has written for Bloomberg and Barron's.

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