

Mahathir's Return

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The former prime minister is expected to complicate life for newly minted Premier Najib

With Malaysia expected to shed as much as 2.5 percent off its gross domestic product in 2009 and the country's politics riven with factionalism, Prime Minister Najib Tun Razak looks unlikely to get a 100-day honeymoon, or even less of one. For one thing, he has former Prime Minister Mahathir Mohamad looking over his shoulder at every move.

The late-March conclave of the United Malays National Organisation that ratified Najib in power in particular demonstrates Mahathir's resurgence, and with him probably UMNO's old guard. With a US\$16.26 billion stimulus package announced in March to increase employment, improve infrastructure and help the private sector, the test of whether there is a new UMNO or an old UMNO will be where the stimulus will be directed. Watch for the firms most closely connected to party stalwarts.

The problem is that while Najib may placate the Mahathir faction inside UMNO, the greater public at large continues to be disenchanted with the party's leadership of the country. After the March 2008 election which cost the ruling national coalition its two-thirds lock on parliament, Najib has lost four of five other by-elections to the opposition Pakatan Rakyat, winning only one in an isolated village in Sarawak in East Malaysia. He faces a revolt in the northeastern, conservative state of Terengganu, where 10 local assembly members refused to be seated last week in objection to the chief minister appointed to head the party there. In two by-elections on April 8, one in Perak and the other in Mahathir's own home state of Kedah, his personal return to the campaign trail appeared to have done little good, with both elections going to the opposition in greater numbers than in the 2008 general election.

Although Mahathir's hegemony over his old party is not 100 percent, and he says he is retired and intends to remain only an adviser, his return to UMNO leaves little doubt about his sway. After he left the party in a huff a year ago when it was announced that he faced a probe over judicial corruption, he devoted considerable space on his blog, Chedet, to blasting Najib when he wasn't ripping into Abdullah Ahmad Badawi, whom he anointed as his successor only to turn on him with a vengeance. Party insiders say Najib, having got Mahathir back on his side, lives in fear that the former prime minister will go after him again if he doesn't get what he wants. Mahathir, party insiders say, regards Najib as weak and won't hesitate to blast the prime minister if he doesn't get his way.

In particular, party insiders say, one condition for getting Mahathir back into the party was the isolation of Khairy Jamalludin, former Prime Minister Abdullah Ahmad Badawi's son-in-law, even though Khairy was elected head of the important Youth wing of the party. Despite the position's importance, Khairy was denied a cabinet seat and his close associates within his faction of the party are being investigated for vote-buying although vote-buying was widespread on all sides during the UMNO conclave.

Mahathir's son Mukhriz, who lost out to Khairy in the contest for the youth wing job, was named

minister of international trade and industry. That ministry in particular is the senior Mahathir's brainchild, the agency from which many of the grandiose projects of Mahathir's 22-year reign as prime minister sprang.

Daim Zainuddin, who was appointed finance minister by Mahathir in 1984, holds no official position. Daim became enormously rich — and controversial — under Mahathir. Although he apparently will have no official position, he is expected to play a major role in advising the government on Malaysia's economic outlook, perhaps joining the new council of economic advisers that Najib is establishing. It was Daim as much as Mahathir who advocated the creation of a class of Malay entrepreneurs through the award of vast contracts for government-linked projects to counterbalance the Chinese. That policy as much as anything is responsible for the quandary Malaysia finds itself in today, with a class of rent-seeking cronies who have become enormously rich while draining government coffers, particularly in the construction industry.

Although it is by no means certain, it also appears that some of Mahathir's cherished grandiose projects, which were cancelled by Badawi to Mahathir's eternal enmity, may be back. In particular, the so-called "crooked bridge" across the causeway whether Singapore wanted it or not, has made a reappearance, with a trial balloon floated last week in *The Star*, one of Malaysia's two English-language newspapers, which is owned by the Malaysian Chinese Association, the second-biggest component party in the Barisan Nasional, or ruling national coalition which is led by UMNO.

If the bridge does make an appearance, one UMNO stalwart told *Asia Sentinel*, it will demonstrate beyond doubt the sway Mahathir holds over Najib. It is certain to cause serious complications in Malaysia's relations with Singapore, which buys water from Malaysia, and sand, which Singapore needs in ever-increasing amounts in its bid to fill the Strait of Sumatra to make itself a bigger country. Singapore also wants airspace — *liebensraum* for its air force, which is bigger than Malaysia's and Indonesia's combined, and which can't get its wheels up before it leaves Singapore's borders.

Another project which will probably reappear soon, according to party insiders, is the dual-track railway that will run 329 km up Malaysia's spine from Ipoh to the Thai border. In 2007, the government approved a no-bid contract with Gamuda-MMC for RM12.5 billion (US\$3.73 billion) but then shelved it again. The MMC part of the consortium is a construction company backed by Syed Mokhtar Al-Bukhary, a longtime backer and fundraiser for UMNO. The contract, critics say, was far in excess of the amount necessary to actually build the project. It remains to be seen what company will get the contract this time.

On the other hand, time may be running out for the troubled Iskandar Malaysia project, a massive 2,200 square kilometer development in Johor, across from Singapore, which Badawi commissioned in 2006 and which has been flagging, particularly as the global economy has turned down. The development is to include port facilities and a huge panoply of petrochemicals projects and other projects as well as condominiums. Besides being commissioned by Badawi, Mahathir has called it an extension of Singapore itself.

Local media quoted Mahathir as saying "after the land is sold, the Malays will be driven to live at the edge of the forest and even in the forest itself. In the end, the area in Iskandar Malaysia will be filled with Singaporeans and populated with only 15 per cent Malays."

Whether the opposition can capitalize on the disarray within the coalition is another matter. The Penang deputy chief has quit the Parti Keadilan Rakyat opposition party amid corruption allegations over illegal quarrying activities, is threatening to expose further scandals in the Penang government. The opposition coalition has been under pressure across the country from Najib's attempts to pry

away party members , with critics charging he had been offering large sums of money to get them to jump ship.

The stimulus package, the largest in Malaysia's history, represents 9 percent of GDP, but still is expected only to bring the export-oriented economy back to about neutral. With malaise growing, and critics at his back, Najib faces an unappetizing future.

P.S.

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