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## A cleaner Malaysia holds serious political risks

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The judge described it as a "scandalous state of affairs." A government bailout was awarded to a company controlled by two men with very good political connections. Millions of dollars were then siphoned out of the company accounts. Rare for its candor, perhaps unprecedented for the insight it provided into Malaysian-style political patronage, the verdict by Gopal Sri Ram, a Court of Appeal judge, earlier this year stunned many lawyers and anti-**corruption** crusaders who wondered whether it was the beginning of a sort of Malaysian "glasnost." From the lively debates in newspapers to the admission by senior government ministers that they are fighting a culture of **corruption**, even the most hardened government critics agree that Malaysia has entered a period of increased political openness as the shadow of two decades under Mahathir bin Mohamad, the visionary former prime minister with authoritarian leanings, slowly passes. Last month, the government of Prime Minister Abdullah Ahmad Badawi, who succeeded Mahathir in 2003, announced the creation of an anti-**corruption** ombudsman, an office that will have the power to "investigate and punish," said one government official. Abdullah has also issued new rules for government-controlled companies, cut the number of approvals necessary for building permits and shortened the time it takes to issue documents like passports and drivers' licenses. The litany of measures was in part designed to strike at the heart of **corruption** by removing opportunities to pay bribes. Yet there is entrenched skepticism in Malaysia over whether all of this will work. Rooting out **corruption** is more complex than in neighboring countries like Thailand or Indonesia, experts say, because **corruption** is not an appendage to the system. In some ways it is the system. Since 1971, a Malaysian program of affirmative action for its majority ethnic group, the Malays, has sought to even out the wealth between the ethnic Chinese minority and Malays by giving the latter a range of preferential treatment, including the awarding of contracts and government jobs. "In a Western context, it is regarded as cronyism and nepotism and undue preference which is a form of **corruption**," said Ramon Navaratnam, a former top official at the Finance Ministry who is now president of the Malaysian chapter of **Transparency International**, an anti-**corruption** organization. "But in the minds of some leaders that is not **corruption**, it is consistent with giving preference to the bumiputra community." Malays are the leading bumiputra, or indigenous, group, and hold 77 percent of all government jobs, according to government statistics released last month. Ethnic Indians and Chinese, who are not considered indigenous because they arrived during British colonial rule, make up 5 percent and 9 percent of the civil service respectively, far lower than their actual share of the population, which together is about 40 percent. The question of ethnic preferences is the thorny subtext to almost all discussions of patronage and **corruption** in Malaysia, a dilemma for Abdullah, who risks cutting into his own Malay power base as he seeks to clean out a system where politicians award contracts to their friends and allies. Shahrir Samad, a prominent member of the governing party, once called the system of ethnic preferences "the deliberate creation of an oligarchy." Early in April, the government released its Ninth Malaysia Plan, a five-year strategy document that extended some of the

affirmative action preferences until 2020 far longer than anyone had anticipated when they were introduced 35 years ago. Malaysia's governing coalition, which since the country's independence in 1957 has been led by the United Malays National Organization, "lives and breathes on patronage," said Terence Gomez, a political economist who has written extensively on the topic and is a director at the UN Research Institute for Social Development in Geneva. "I think Abdullah is sincere when he says he wants to clean up the party," Gomez said. "But this whole system of patronage and money politics is so deeply embedded in the party that it's very difficult for him to actually do it. There is a lot of resistance coming from the grass roots." Lim Kit Siang, a longtime opposition leader in the Malaysian Parliament, describes Malaysian-style **corruption** as a web of shell companies involved in government contracts whose ownership is unclear. Detailed insight into the system of Malaysian patronage came in January when Gopal, the appeals court judge, described how in the 1990s, a company, Metro Juara, whose directors had close links to a finance minister, Daim Zainuddin, bought an indebted company that managed a toll highway. Under pressure from protesters, the government had removed an unpopular toll that was the main source of the income for the company, so the buyout did not seem to make financial sense, the judge said. "Not long after the takeover a strange thing happened," Gopal wrote in his judgment. Metro Juara received a bailout totaling 756 million ringgit, the judge calculated, or more than \$200 million at current exchange rates. It was as if, the judge wrote, "by the utterance of a magic spell all bureaucratic doors were opened." The judge said that the only two shareholders of Metro Juara, Halim Saad and Anuar Othman, then took 32.5 million ringgit from the company account as a sort of reimbursement for the deal, which the judge called "stupefying." The judgment is being appealed. \*Next: **Corruption** allegations chip at the reputations of Vietnam's leaders.