



# IDSS COMMENTARIES (59/2005)

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## RETURN OF THE MAHATHIR ERA?

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WHEN the ASEAN Free Trade Area (Afta) was first mooted, Malaysia's trade and industry minister Rafidah Aziz was one of its strongest advocates. After all, Malaysia was an open economy and free trade its lifeblood. There was, however, one snag; Kuala Lumpur would not be able to liberalise its automotive industry as fast as ASEAN would like. Its national car, Proton, needed more time before it could face external competition. Nonetheless, both Ms Rafidah and her then prime minister, Mahathir Mohamad, got their way. So, while Afta gradually came into force in the other sectors, liberalising the automotive industry was to be delayed until 2005.

That critical year has now arrived. But little did anybody expect a political backlash, and in a manner that we have seen in recent weeks. Ms Rafidah has suddenly found herself in the dock over the national car. The man who has put her in the spot? The former premier and now retired Dr Mahathir. In an unexpected twist, Ms Rafidah's one-time mentor has openly and quite angrily accused her of undermining the national car project by the way she has handled – or mishandled – the distribution of import licences for foreign vehicles.

These licences, called Approved Permits (AP), are given to bumiputras to help them break into a sector long monopolised by the country's ethnic Chinese. But Ms Rafidah, Dr Mahathir said, has flooded the market with cheaper competitors by giving too many APs too fast, and to too few people. Worse, she did not fulfill the spirit of the APs because of late, only a handful of bumiputra businessmen have benefited from the AP system. In the latest upshot, Ms Rafidah has called for the APs to be scrapped because they went against the rules of the World Trade Organisation. Not surprisingly, her political career is now under threat.

It is an irony that two stalwarts who were once very close, always loyal to each other, have now drifted apart over differences in policy. For Dr Mahathir, this is nothing new, of course. In his lifetime, there has been a string of leaders, some very close friends and allies, who had clashed with him – notably Tengku Razaleigh Hamzah, Musa Hitam and Anwar Ibrahim. If Ms Rafidah goes, she will join Dr Mahathir's gallery of leaders whom he had scalped. But she will have the dubious honour of having her position shaken by Dr Mahathir -- after he is no more in power. This is significant; Dr Mahathir can flex his muscles if he wants to, which means he is still a force to be reckoned with in Malaysian politics.

Just as importantly, this latest intra-UMNO tension has thrown into a state of flux some core organising principles underpinning Malaysian society. The AP issue is emerging at a time

when there is a push by UMNO Youth to revive the New Economic Policy (NEP) – even though in substance the NEP has never ceased. The NEP’s goal was to achieve socio-political stability by redistributing economic wealth amongst the ethnic communities. The target was to help the bumiputras own 30% of the economy by 1990. The spirit of the NEP was extended into the automotive industry through the AP scheme. Yet, both Dr Mahathir and Rafidah are now questioning the APs, though for different reasons. Dr Mahathir says it is not being done properly. Ms Rafidah is saying that the AP system itself must go.

It is only to be expected that the other communities are finding it fortuitous to question the revival of the NEP. Worse, some are even asking for a review of the underlying social contract amongst the various races that was put in place upon independence. This recognises Malay political dominance in return for citizenship for the Chinese population. In the wake of this crucial debate, the Malaysian Chinese Association, UMNO’s key coalition partner, has emerged from its latest internal party elections to take a middle ground: While it does not seem to oppose the revival of the NEP, the MCA is asking for more opportunities for the Chinese business community. In so doing, it skirts around the intra-UMNO dynamics revolving on the key personalities linked to the AP and NEP issues. These are namely Dr Mahathir, Ms Rafidah and UMNO Youth leader Hishamuddin Hussein and his deputy, Khairy Jamaluddin, the last of whom is also the son-in-law of Prime Minister Abdullah Ahmad Badawi.

### **Protecting the Mahathir legacy?**

The AP issue may well go down as a turning point in Malaysian politics since the retirement of Dr Mahathir in 2003 -- an exit which should have officially closed the Mahathir era. In coming out so strongly against Ms Rafidah, the former premier marked more than just the end of his retirement vow to retreat into political silence. This will certainly have an impact on his successor. The new prime minister has barely served two years and has had a good and peaceful start to his premiership. But there have always been doubts as to how long that tranquility can last. How Prime Minister Abdullah handles the fallout from the AP issue will therefore reflect the strength of his position as leader of not just UMNO but of 25 million Malaysians.

It is rare for a sitting prime minister to have to manage tensions generated by a former prime minister. The late Tunku Abdul Rahman did give Dr Mahathir some headaches early in the latter’s premiership in the 1980s. But those were mild criticisms that usually came in the form of barbed media commentaries by the Tunku. So far PM Abdullah has been very deft in managing the fallout from the AP issue. He needs to make sure that the spillover will not complicate his relationship with Dr Mahathir. But the former premier has made it clear that he has nothing more in mind except to correct some wrongs arising from the AP controversy.

When he stepped down two years ago, Dr Mahathir has warned his critics to leave him alone in peaceful retirement. But he says he has been provoked out of his slumber. He justifies his renewed assertiveness in the name of a higher good – the national car project. It has become his *cause celebre* because he feels it is under threat. In an interview with Channel News Asia, he continues to portray himself as a man taking the moral high-ground -- a protector of Proton, the company, and of the country’s automotive industry. Indeed, he sees it as his duty to correct the uneven playing field that the AP system has created at the expense of Proton.

But given that he is too closely associated with the birth and genesis of Proton, for which he

is now advisor, many people are inevitably asking what exactly he is protecting -- Proton or his legacy. His legacy is of course, huge and extensive. It is a whole new Malaysian society which he reconstructed since taking over as premier in 1981, carved in the futuristic image of his Vision 2020. If he feels protective over Proton, will he feel equally stirred should he deem other aspects of his legacy to be coming under threat as well? Notice how, unlike his first year in retirement, Dr Mahathir has become more forthcoming in giving his views to the media. He has even commented on the post-election MCA leadership -- a previously crisis-ridden leadership which he helped to iron out just before stepping down. Will we see a more interventionist Mahathir?

The Abdullah Badawi premiership may have just begun. PM Abdullah has so far been leading with a steady hand and has been making his own mark. The question is whether we are now also witnessing signs of a comeback of the Mahathir persona or influence, if not a return of his era.

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