



IDIS010: SOUTHEAST ASIA: PAST & PRESENT

**What does the 1MDB Scandal reveal about the history
of corruption within Malaysian politics?**

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What does the 1MDB Scandal reveal about the history of corruption within Malaysian politics?

Malaysia is a parliamentary democracy with a constitutional monarchy and had its first election in 1959. Since then, Malaysia has gone through 14 general elections with the 15th taking place in November 2022. In 2009, Najib Razak won the 12th general elections, with his rule lasting until 2018. During this time, Najib and the rest of the Malaysian government was involved in the corruption scandal of 1MDB (also known as the 1Malaysia Development Berhad). While the scandal made a devastating impact on politics, it brought up the levels of corruption that was happening in Malaysia. This begs the question of what does the 1MDB Scandal reveal about the history of corruption within Malaysian politics? In this paper, I will argue on how the 1MDB scandal has revealed the extent of corruption within Malaysian politics and how it created an impact on Malaysian trust.

One of the most famous and globally known scandals that happened, and arguably known as the poster child case of corruption in Malaysia, is the 1MDB Scandal. The 1MDB scandal was internationally recognized because it involved the, "...embezzlement and laundering of billions of US dollars... (Jones, 2020, pg.59)." The 1MDB scandal was initiated by the prime minister at the time Najib Razak who, at the time, was recently sworn into office after winning the 2009 elections. It was first known as the, "...Terengganu Investment Authority, a sovereign wealth fund aimed at ensuring economic development for the state of Terengganu, (Sannusi & Rahim, 2016, Pg.15). It was then changed to become the "...Malaysian national investment fund... (Jones, 2020, Pg. 60)," and was fully owned and run by the government. The purpose of the 1MDB fund was to better the well-being of the citizens of Malaysia by promoting economic development through global and foreign investment. The funding of 1MDB came from bonds that were issued by the government. During the years of 2012 and 2013, a total of 6.5 Billion USD was raised from local and international bonds. Another source of funding came from the loan from the Kumpulan Wang Persaraan, also known as the civil service pension. SRC International (a subsidiary of 1MDB) took a loan of over 4 billion RM (954 million USD). "The sum total of the borrowing by 1MDB in 2015 was RM41.9 billion (US\$10 billion) including RM8.2 billion (US\$1.96 billion) of inherited loans (Jones, 2020, Pg.60)." Goldman Sachs, who were a global investment firm, were the ones arranging and writing these bonds.

One of the biggest reasons as to why the 1MDB scandal was internationally known was because of the amount of embezzled money which came from borrowed bonds and loans. Most of the embezzled money was deposited into the bank account of the company Good Star which was owned by Jho Low, who is credited to be the “mastermind” of the entire scandal. From then, these amounts of money were then distributed to other bank accounts, with the facilitation of Jho Low. The money was distributed to bank accounts in many places such as Saudi Arabia, the U.S, Switzerland, etc. These were used for the purchases of luxury items and/or as a way to fund lavish lifestyles. “According to US prosecutors, more than US\$6.5 billion (RM27.34 billion) flowed from 1MDB, “through a complex web of opaque transactions and fraudulent shell companies, to finance spending sprees by corrupt officials and their associates (Jones, 2020, Pg.61).” Another form of corruption which, “...involved receiving or retaining money from these sources, disguising or not investigating its origins and purpose (Jones, 2020, Pg.62),” were known as false declarations. Many false declarations were made by the recipients of money from the 1MDB fund. One such person was Jho Low. False declarations were also made by officials within the 1MDB board about the purpose of certain loans. In 2016, Najib’s new attorney general, had “cleared him (Najib) of any wrongdoing in the 1MBD case (Dayley, 2019, Pg.229).” The public was in shock and continued to lose more trust in him, while the U.S had, “...opened its own criminal investigation of the 1MBD funds (Dayley, 2019, Pg.229).”

This brings the question on how this scandal was covered up for so long? The government removed key officials from the office including the deputy prime minister. The government also ensured that various documents and computer files depicting the embezzlement of funds regarding 1MDB were hidden from investigators, particularly from the, “...National Audit Department and the Malaysian Anti Corruption Commission (MACC) (Jones, 2020, Pg.62).” It was not until the year of 2015 in which the scandal came to light. British journalist Clare Brown, who was working under the Sarawak Report, received 227,000 emails and leaked documents about the ongoing 1MDB scandal including the embezzlement of money, where and who it was going to, and how it was being used. It showed how Jho Low was using the money to fund his “jet set, playboy lifestyle... (Dayley, 2019, Pg.230),” in the United States. Many of his endeavors were investing in millions worth of property in areas such as Beverly Hills, investing in a private jet, and holding parties with guests such as Paris Hilton and Usher. 10 million dollars from the 1MDB was also used for the funding of the movie, “The Wolf of Wall Street.” In terms of Najib, it was found that he

had spent over 15 million dollars on luxury items for him and his wife, Rosmah such as a diamond that was worth 27.3 million dollars. These events led to a lack of trust in Najib and the government and, "...Malaysian netizens were united in their online discourse portraying their support for 'Pakatan Harapan' to put a stop to Najib (Firdaus, 2020, Pg.187)." This then led up to the general elections in 2018 which resulted in Najib's defeat against Mahathir Mohammad after 9 years. This also led to the downfall of UMNO (United Malay National Organization) who were a partner of Najib's campaign of Barisan Nasional. Under Mahathir's orders after just a few days of his reelection, Najib's property was raided and it was proven to be "...the biggest seizure in Malaysian history (Peterson, 2018)," as Najib and Rosmah had a total of 273 million RM worth of watches, handbags, and jewelry, all that came from the 1MDB funds. Mahathir had created a task force for the 1MDB scandal, one that would be responsible for all parts of the scandal such as, "... financial tracking and asset acquisition which resulted from the mismanagement of 1MDB funds that are kept or invested in the country or abroad (Jones, 2020, Pg. 63)." Today, Najib has to serve a 12 year jail sentence while Jho Low is still missing in action.

When talking about corruption, particularly around the 1MDB scandal, two big names have consistently been brought up as the main "masterminds" of the entire scandal. The prime minister Najib Razak, and his partner and supporter, Jho Low. Many do not know how much Jho Low had played a part in the entire scandal. Low became so popular that a book called the Billion Dollar Whale, was written about his crimes about the 1MDB scandal. The book accurately displayed Low as a, "... a prominent socialite, throwing opulent parties while mingling with the Hollywood elite lifestyle funded by funds embezzled from 1MDB (Nor & Baharuddin, 2020, Pg 355)," as well as a detailed extent of his crimes including how he was the main push for Najib to use the 1MBD funds for political gain. Low had promised that, "Profits from 1MDB would fill a war chest that Najib could use to pay off political supporters and voters, restoring UMNO's popularity (Hope & Wright, 2018,)." With all this to say, he is still considered a fugitive on the run with the U.S, "...intending to bring criminal charges against Jho Low (Gabriel, 2018, Pg.73).

With the 1MDB scandal being the poster child of corruption in Malaysia as well as being one of the most globally recognized scandals of corruption, it opens a so-called "pandora's box" into various other forms of corruption that were prominent in Malaysian history that all eventually played a part in the 1MDB Scandal. One form of corruption that

was prominent is the concept of money politics and vote buying. Money politics is the funding of electoral campaigns. The problem with money politics is that it will, “...heighten the incidents of corrupt practices in a country and further dampen economic development, which could ultimately jeopardize public welfare (Azmi & Zainudin, 2020).” It may create unfair competition since one party might have more resources. In relation to money politics, comes the problem of vote buying which are campaigns buying votes. In the context of Malaysia, money politics had been a problem since the early 2000s. One of the more notable cases of money politics and vote buying was during the general elections of 2013. “An external donation of RM 2.6 billion Ringgit (US\$681m) was allegedly transferred to his (Najib’s) personal bank account, but he (Najib) had claimed that the money was used to fund the 13th General Election expense (Azmi & Zainudin, 2020).” It was later found out that the money came from the 1MDB funds. Later more evidence showed that the, “...1MDB funds was spent first during the 2013 general election and then five years later in GE14 (Saravanamuttu & Mohamad, 2019, Pg.6).” This issue of misusing funds for electoral gains became a, “...major campaign issue in the urban areas during the 2018 14th General Election (Murudi & Ting, 2019, Pg.114),” which was also a factor of Najib’s downfall. This was one of the examples of how the 1MDB scandal was able to reveal more on the corruption of Malaysia that may have faire not been fully exposed.

One other aspect of corruption that was brought to light from the 1MDB scandal was the controlling of the media to hide the corruption that was brewing within the government. Up until the year of 2015, the entirety of the 1MDB scandal was hidden under wraps from the government which then exposed the idea that the government has more power over the media than what was originally thought. After the 1MDB scandal, the government and officials working under the 1MDB scandal blocked multiple websites, including the Sarawakian report which created the expose of the 1MDB scandal, in order to save the reputation. Kay Tat Ho, a publisher for the Edge Media Group, recalled how he wrote an article on the scandal which led to, “1MDB calling the article irresponsible reporting and the Home Ministry suspended both our weekly and daily editions (Ho, 2018). In the year of 2015, when the scandal was exposed, “...the Malaysian government had blocked at least ten websites, including online news portals and private blogs, for reporting about the scandal (Malcom, 2016).” This censorship of media and creating a fake facade in order to hide the lies of the government creates a strong level of distrust as the citizens are being fed information in order to believe

that Najib and the 1MDB funds are used for its original purpose, which is another contributing factor to the fall of Najib and UMNO during GE14.

The impact of the 1MDB scandal was able to open the eyes of Malaysians to the various levels of corruption that was happening, particularly with the problems of money politics and the censorship of media. This, in turn, sparks the levels of distrust towards their government resulting in the fall of Najib and the rise of Mahathir. Hence, answering the question of how the scandal was able to reveal the history of corruption throughout Malaysian politics.

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