

Malaysia's 1MDB – Political Dynamics between Corruption and Anti-corruption

Kleptocracy at its worst

In July 2016, the US Justice Department moved to seize more than \$1 billion associated with 1Malaysia Development Berhad (1MDB) that had been laundered through the US.¹ This thrust the simmering corruption scandal centred on 1MDB into the international spotlight. The total amount involved was eye-watering. More than US\$4.5 billion had been stolen from 1MDB between 2009 and 2015.² It was the single largest action ever brought under the Justice Department's Kleptocracy Asset Recovery Initiative.³ The tangled money trail stretched across numerous shell companies and individuals operating in multiple jurisdictions, including the US, Switzerland, Luxembourg, Hong Kong, Singapore and Malaysia. Money was siphoned into luxury real estate, prized art works, luxury goods and jewellery, a private jet and superyacht, gambling debts as well as chunks of music-publishing and movie-production enterprises.

Described by the then US Attorney-General as "kleptocracy at its worst",⁴ the repercussions of the scandal were felt in Malaysia's watershed 2018 general elections, which saw the long-ruling United Malays National Organisation (UMNO) party swept aside. However, the new Malaysian government found itself having to deal with a cleaned-out and debt-laden 1MDB.

1MDB was a strategic development company established in 2009 by then prime minister Najib Razak ostensibly to make strategic investments and attract foreign direct investments for the country's long-term economic development. 1MDB was owned by Malaysia's Ministry of Finance where Najib was also Finance Minister, and it was able to raise its own funds through bond issues and borrowings. The advisory board of 1MDB was also chaired by Najib. This ability of 1MDB to raise and borrow funds apparently with government backing became a key mechanism in the illicit transfers of funds. This case study traces the events in the aftermath of the discovery of missing funds and illicit transfers at 1MDB. It also examines the tensions and dynamics across public sector institutions, civil society and political regimes that propelled anti-corruption efforts in Malaysia.

Unfolding of the 1MDB saga

Although the US Justice Department's actions brought 1MDB to global attention, controversies surrounding the company had surfaced earlier in Malaysia. Questions about the credibility and transparency of 1MDB's accounts were raised as the fund churned through a succession of auditors.⁵ In January 2015, 1MDB, which

¹ US Department of Justice, "United States Seeks to Recover More Than \$1 Billion Obtained from Corruption Involving Malaysian Sovereign Wealth Fund," July 20, 2016, <https://www.justice.gov/opa/pr/united-states-seeks-recover-more-1-billion-obtained-corruption-involving-malaysian-sovereign>

² Cynthia Gabriel, "Malaysia's Missing Billions," *Journal of Democracy* 29, no. 1 (2018): 69-75, accessed January 8, 2019, <http://muse.jhu.edu/article/683636>; "United States Seeks to Recover Approximately \$540 Million Obtained From Corruption Involving Malaysian Sovereign Wealth Fund," US Department of Justice, June 15, 2017, <https://www.justice.gov/usao-cdca/pr/united-states-seeks-recover-approximately-540-million-obtained-corruption-involving>

³ US Department of Justice, "United States Seeks to Recover More Than \$1 Billion".

⁴ "US attorney-general calls 1MDB scandal 'kleptocracy at its worst'," *TODAY*, December 5, 2017, <https://www.todayonline.com/world/us-attorney-general-calls-1mdb-scandal-kleptocracy-its-worst>

⁵ "Malaysian Institute of Accountants probing KPMG and Deloitte's handling of 1MDB books," *The Straits Times*, August 23, 2018, <https://www.straitstimes.com/asia/se-asia/malaysian-institute-of-accountants-probing-kpmg-and-deloittes-handling-of-1mdb-books>

This case study was written by Woo Jun Jie and Jean Chia under the guidance of Xi Lu, Lee Kuan Yew School of Public Policy (LKY School), National University of Singapore. The case does not reflect the views of the sponsoring organization nor is it intended to suggest correct or incorrect handling of the situation depicted. The case is not intended to serve as a primary source of data and is meant solely for class discussion.

had taken on substantial debts, was reported to have missed a loan payment of US\$550 million to a number of Malaysian banks.⁶ High-profile projects like Bandar Malaysia, a large mixed development on prime real estate in the capital of Kuala Lumpur appeared to have stalled.

Another astounding revelation came on 2 July 2015 when the Wall Street Journal reported that US\$681 million of 1MDB funds had been traced to Najib's private bank accounts. This was swiftly refuted by Najib who claimed that the money was a legitimate "donation" from a member of the Saudi royal family and had been returned.⁷ Various other suspicious transfers involving 1MDB funds were also uncovered. A brief list of key transactions is provided below:

- Between 2009 and 2011, US\$1.83 billion of borrowed funds was "exported" from 1MDB to London-based PetroSaudi International Ltd, through a joint venture between 1MDB and PetroSaudi. Most of the funds were then diverted to Good Star Ltd., which was owned by Low Taek Jho (also known as Jho Low), Najib's adviser to 1MDB, and US\$700 million was subsequently channelled to Najib's personal bank accounts.⁸
- In late 2011, funds totalling US\$1 billion borrowed by 1MDB subsidiary, SRC International from a Malaysian public servants' pension fund, KWAP, ostensibly to develop a school of hotel management, were instead routed to Najib's personal accounts by the managing director of SRC.⁹ SRC was later divested from 1MDB to the direct ownership of the Finance Ministry.
- In August 2012, 1MDB allegedly overpaid Malaysian conglomerate Genting Group for power plant assets under Edra Global Energy, after which Genting made donations to a Najib-linked charity.¹⁰ The assets were later sold to a Chinese state-owned enterprise.
- In 2013, US\$1.4 billion of the US\$3.5 billion raised through bond offerings meant for the acquisition of power plants in a joint venture with Aabar Investments PJS, a subsidiary of Abu Dhabi's sovereign wealth fund International Petroleum Investment Company (IPIC), was diverted to a similarly named third-party company, Aabar Investments PJS Limited set up in the British Virgin Islands. The diverted funds were split between the original Aabar's managers and Najib's personal accounts.¹¹
- In 2013, some US\$1.2 billion out of US\$3 billion raised through another bond offering supposedly for the development of Tun Razak Plaza, a real estate joint venture between 1MDB and Abu Dhabi, was instead channelled into a Singapore bank account linked to a 1MDB executive director. The money then went towards funding the personal spending of Jho Low and other associates.¹²

⁶ Jason Ng and P.R. Venkat, "1MDB's Lenders Threaten to Put Malaysian State Investment Firm in Default", *The Wall Street Journal*, February 11, 2015, <https://www.wsj.com/articles/1mdb-lenders-threaten-to-put-malaysian-state-investment-firm-in-default-1423630327>

⁷ William Case, "Stress testing leadership in Malaysia: the 1MDB scandal and Najib Tun Razak," *The Pacific Review* 30 (2017): 634, DOI: 10.1080/09512748.2017.1282538

⁸ "Bank of Malaysia's damning letter to the Parliamentary Accounts Committee," *Sarawak Report*, July 7, 2016, <http://www.sarawakreport.org/2016/07/bank-of-malaysias-damning-letter-to-the-pac/>

⁹ "Najib flashed SRC Credit Cards to fund multi-million ringgit holiday shopping sprees!" *Sarawak Report*, January 20, 2016, <http://www.sarawakreport.org/2016/01/najib-flashed-src-credit-cards-to-fund-multi-million-ringgit-holiday-shopping-sprees-exclusive/>; "Matching sums of \$170m left SRC and arrived in Najib's account," *Sarawak Report*, March 5, 2016, <http://www.sarawakreport.org/2016/03/170m-went-out-of-1mdb-and-170m-went-into-najibs-account-all-in-late-2011-exclusive/>

¹⁰ P.R. Venkat and Rick Carew, "Malaysia's 1MDB to Sell Energy Assets to China Nuclear Firm," *The Wall Street Journal*, November 23, 2015, retrieved from Factiva.

¹¹ Cynthia Gabriel, "Malaysia's Missing Billions," *Journal of Democracy*, 29 (2018): 71-72, DOI: <https://doi.org/10.1353/jod.2018.0005>; Justin Baer, Tom Wright and Bradley Hope, "Goldman Probed Over Malaysia Fund 1MDB; Focus is on whether bank didn't alert authorities to unusual funds movement," *The Wall Street Journal Online*, June 8, 2016, retrieved from Factiva.

¹² Gabriel, "Malaysia's Missing Billions"; Baer, Wright and Hope, "Goldman Probed Over Malaysia Fund 1MDB".

Fallout from 1MDB scandal

Despite these revelations, Najib initially appeared to survive challenges to his political power through outright denials, stalling tactics and blatant political manoeuvring, earning him the sobriquet “Teflon prime minister”. However, the 1MDB case eventually proved to be a catalyst for political change in Malaysia. The long-ruling Barisan Nasional (BN) coalition – comprising Najib’s party of UMNO and two junior partners, Malaysian Chinese Association and Malaysian Indian Congress – suffered a stinging defeat in Malaysia’s 14th General Election in May 2018.

The new Pakatan Harapan (PH) coalition government swiftly opened investigations into the allegations of embezzlement from 1MDB. Najib was later charged in Malaysia with 42 counts of money laundering, graft and breach of trust relating to 1MDB.¹³ Najib’s wife, Rosmah Mansor, and a number of officials from the Najib administration were also charged with corruption. The chief executive of 1MDB was charged with alleged audit tampering,¹⁴ while three former senior executives of 1MDB were on the run from the Malaysian Anti-Corruption Commission (MACC).¹⁵ Jho Low, a central figure in the embezzlement who faced charges in the US and Malaysia, and an associate who served as the front for Low’s banking transactions, also remained at large.

The case also tainted several financial institutions. Credit Suisse and UOB bank were fined for breaching anti-money laundering requirements in Singapore, while the Singapore unit of Abu Dhabi-owned Falcon Private Bank was shut down.¹⁶ Swiss bank BSI, which was embroiled in illicit transfers involving 1MDB, was also forced to close down.¹⁷ The Malaysia authorities brought criminal charges against investment bank Goldman Sachs, which had received some US\$600 million in unusually high fees from three bond issues it had arranged for 1MDB.¹⁸ Criminal charges were also filed against individual bankers. The Malaysian Institute of Accountants also investigated 1MDB’s former auditors, KPMG and Deloitte, in Malaysia.

A China connection

Under the Najib administration, Malaysia was increasingly pulled into China’s orbit, especially its Belt and Road Initiative (BRI). When news about 1MDB’s burgeoning debt became public, Chinese state-owned enterprises stepped in. China General Nuclear Power Corp acquired 1MDB’s power plants assets under Edra Global Energy for US\$2.3 billion. China Railway Engineering Corp was part of a consortium that took a 60% stake for RM7.41 billion in 1MDB’s high-profile Bandar Malaysia development, a major transport hub that was to house the terminus for a proposed Kuala Lumpur-Singapore high speed rail. The deal was however cancelled by the government in May 2017 due to a payment dispute with the consortium.¹⁹

¹³ Anisah Shukry, “Najib Faces a Laundry List of Charges as 1MDB Trial Kicks Off”, *Bloomberg*, April 2, 2019,

¹⁴ “Former 1MDB CEO arrested, to be charged Wednesday over alleged audit tampering,” *Channel NewsAsia*, December 11, 2018, <https://www.channelnewsasia.com/news/asia/former-1mdb-ceo-arrested-alleged-audit-tampering-najib-11020692>

¹⁵ “Who are Jho Low’s 4 ‘lieutenants’ in 1MDB scam?” *TODAY*, December 5, 2018, <https://www.todayonline.com/world/who-are-jho-lows-4-lieutenants-1mdb-scam>

¹⁶ Yen Nee Lee, “Singapore slaps fines on Credit Suisse and UOB in money laundering probe of Malaysian development fund,” *CNBC*, May 29, 2017, <https://www.cnbc.com/2017/05/29/singapores-central-bank-fines-credit-suisse-and-uob-for-1mdb-related-transactions.html>

¹⁷ Salvatore Cantale and Ivy Buche, “Commentary: How the 1MDB scandal brought down a century-old Swiss bank,” *Channel NewsAsia*, August 16, 2018, <https://www.channelnewsasia.com/news/commentary/1mdb-najib-razak-jho-low-money-laundering-swiss-bank-accounts-10616388>

¹⁸ “Goldman Sachs fires back after Malaysia charges bank in 1MDB probe,” *Channel NewsAsia*, December 17, 2018, <https://www.channelnewsasia.com/news/asia/goldman-sachs-fires-back-after-malaysia-charges-bank-in-1mdb-probe-11039392>

¹⁹ Reme Ahmad, “1MDB-linked Bandar Malaysia property deal falls through”, *The Straits Times*, May 4, 2017, <https://www.straitstimes.com/asia/se-asia/1mdb-linked-bandar-malaysia-property-deal-falls-through>

China's state-owned Exim Bank of China extended a soft loan for 85% of US\$13 billion cost for the 688 km East Coast Rail Link (ECRL), a flagship BRI project that would connect the east and west coasts of peninsular Malaysia, linking the South China Sea to the Straits of Malacca. Another state-owned enterprise, China Communications Construction Company was awarded the contract for the procurement, engineering, and construction of the project.²⁰ Another key BRI project was the RM30 billion Melaka Gateway – comprising a waterfront district, cruise terminal and deep-sea port – that had backing from Powerchina International, a Chinese utility, and two Chinese port developers.²¹ Forest City, a township development on reclaimed land in the Johor straits was built by a joint venture involving a Chinese developer. The proposed high-speed rail line between Kuala Lumpur and Singapore was also expected to involve Chinese firms.²²

For China, BRI projects such as the ECRL and Melaka Gateway served to ease its concerns about geographical connectivity, should the US ever block its access to the vital sea link of the Straits of Malacca.²³ For Najib, the projects brought in funding that could be diverted to plug 1MDB's widening financing gaps, and help woo voters, especially in the heartland areas of Malaysia's less developed eastern seaboard. For example, the ECRL was touted as creating 80,000 jobs and injecting a 1.5% boost to the GDP of Kelantan, Terengganu and Pahang.²⁴ However the projects also exposed Najib to political headwinds in the lead up to the 2018 general elections.

Dynamics between Corruption and Anti-corruption Wave

Some like Case argued that the ensemble of key institutions in Malaysia, "hybridised" by a mix of democratic procedures and authoritarian controls, supported the continuity in leadership and polity necessary for the establishment of patronage distributions that in turn contributed to the 1MDB scandal.²⁵ These institutions included a single-dominant party, a "strong" yet porous bureaucracy stuffed with party members, restrictions on civil liberties and electoral competitiveness through an electoral authoritarian regime, a controlled but deliberative legislature, and a powerful security apparatus that could manage or suppress dissent.

In a political system dominated by a single party, the party could engender elite-level cohesion and mass-level loyalties by selectively distributing patronage in the form of resources like land titles, subsidised housing and scholarships. Moreover, by privileging a Malay-Muslim community over non-Malays, UMNO took an additional step to solidify support among the elites and masses within a divided society, redoubling the party's institutional resilience.²⁶ To amass and control the resources that fed its patronage system, the party created a "strong yet porous" bureaucracy stuffed with its party members. Under an electoral authoritarian regime, UMNO restricted civil liberties and electoral competitiveness, while gaining compliance from citizens.²⁷ At the same time, a "controlled, but deliberative" legislature relegated legislators

²⁰ Melissa Goh, "Najib urges China to complete East Coast Rail Link before 2024", *Channel NewsAsia*, August 9, 2017, <https://www.channelnewsasia.com/news/asia/najib-urges-china-to-complete-east-coast-rail-link-before-2024-9108022>

²¹ "Three Chinese firms take part in new RM8b Malacca port", *Malay Mail*, October 21, 2016, <https://www.malaymail.com/news/malaysia/2016/10/21/three-chinese-firms-take-part-in-new-rm8b-malacca-port/1232627>

²² The high-speed rail project was later suspended for two years until 31 May 2020.

²³ Tang Siew Mun, "China's Infrastructure Strategy under Review in Malaysia", ISEAS-Yusof Ishak Institute, June 8, 2018, <https://www.iseas.edu.sg/medias/commentaries/item/7734-chinas-infrastructure-strategy-under-review-in-malaysia-by-tang-siew-mun>

²⁴ "China turns Malaysia's East Coast Rail Link into reality", *Railway Technology*, October 1, 2017, <https://www.railway-technology.com/features/featurechina-turns-malaysias-east-coast-rail-link-into-reality-5938409/>

²⁵ Case, "Stress testing leadership in Malaysia," 636.

²⁶ Case, "Stress testing leadership in Malaysia", 636.

²⁷ Case, "Stress testing leadership in Malaysia", 638.

in opposition to a minority role with their numbers capped by prior manipulations.²⁸ In addition, Malaysia avoided the “guns and votes” dilemma of balancing between the risks of military coup and electoral defeat by fashioning the Royal Malaysian Police into a powerful domestic security apparatus that could manage or suppress dissent.²⁹

As the scale of gross mismanagement at 1MDB and Najib's personal involvement became increasingly apparent however, political rivals of Najib and governance campaigners in Malaysia saw an opportunity to push back against the dominance and patronage system of the UMNO-led government. While various institutions were exploited by Najib's rivals to challenge his authority, Najib also relied on his institutional powers as UMNO president, Malaysia's prime minister, chief executive of the bureaucracy and leader of the parliamentary majority to reclaim these institutions from defecting political elites, opposition leaders, civil society activists and alienated citizens.

Alienating technocratic capacity – institutions biting back

Technocratic capacity in Malaysia's “hybridised” institutions such as the central bank Bank Negara, had been increasingly sacrificed to the entrenched patronage system. The impact appeared to weigh on the Malaysian economy. Malaysia's equity prices and currency performed poorly in 2016, continuing a downward trend of the previous few years.³⁰ Public debt as reported by the Finance Ministry reached RM630.5 billion or 54.5% of GDP, close to the government's self-imposed limit of 55% of GDP.³¹

With controversy swirling around 1MDB, the Najib government was compelled to form a special task force in March 2015 to investigate the company. The task force was headed by then Attorney-General Gani Patail and comprised officials from the Attorney-General Chambers, MACC, Bank Negara, and the Police Special Branch. The Malaysia Parliament's Public Accounts Committee (PAC) also opened a separate inquiry into 1MDB in 2015. The PAC was a bipartisan parliamentary body that at the time comprised eight BN and five opposition legislators. The PAC questioned senior officials from the Finance Ministry and the Prime Minister's Department, and also called up 1MDB's then-CEO and then-president for questioning.³²

However, Attorney-General Patail was abruptly removed from his post on 28 July 2015. According to an investigative journalism portal, the Sarawak Report, prior to his removal, Patail had been preparing a charge sheet against Najib for corruption in relation to SRC International, a 1MDB subsidiary.³³ This was followed a week later by the MACC's announcement that the special task force had concluded that the US\$700 million in Najib's accounts were political donations, and not from 1MDB.³⁴ In January 2016, the new Attorney-General Mohamed Apandi Ali reiterated Najib's claim that the US\$681 million was a donation from the Saudi Arabia's royal family to Najib, and that Najib had returned US\$620 million as it “wasn't utilized”.³⁵

²⁸ Case, “Stress testing leadership in Malaysia”, 638.

²⁹ Case, “Stress testing leadership in Malaysia”, 639.

³⁰ “Malaysian ringgit, shares fall in 2016 on 1MDB woes, outflow worries”, *Nikkei Asian Review*, December 30, 2016, <https://asia.nikkei.com/NAR/Articles/Malaysian-ringgit-shares-fall-in-2016-on-1MDB-woes-outflow-worries>

³¹ Yiswara Palansamy, “MoF says Malaysia's debt still manageable”, *Malay Mail*, March 17, 2016.

³² “Malaysia's Public Accounts Committee hauls up top civil servants in probe on 1MDB”, *The Straits Times*, May 11, 2015, <https://www.straitstimes.com/asia/se-asia/malaysias-public-accounts-committee-hauls-up-top-civil-servants-in-probe-on-1mdb>

³³ “Arrest warrant for the Prime Minister! – The real reason the attorney general was fired – exclusive”, *Sarawak Report*, July 30, 2015, <http://www.sarawakreport.org/2015/07/arrest-warrantfor-the-prime-minister-the-real-reason-the-attorney-general-was-fired-exclusive/>

³⁴ Shannon Teoh, “Funds in Najib's accounts came from donors, not 1MDB, says anti-graft agency”, *The Straits Times*, August 4, 2015, <https://www.straitstimes.com/asia/se-asia/funds-in-najibs-accounts-came-from-donors-not-1mdb-says-anti-graft-agency>

³⁵ “Malaysia attorney general: Saudi royal family gave Najib \$681M ‘personal donation’”, *CNBC*, January 26, 2016, <https://www.cnbc.com/2016/01/25/malaysia-attorney-general-saudi-royal-family-gave-najib-681m-personal-donation.html>

The probes had also revealed that between 2009 and 2011, 1MDB had supposedly obtained “permissions” from Bank Negara to “export” large sums of cash totalling US\$1.8 billion to a joint venture with PetroSaudi.³⁶ Bank Negara later reported that 1MDB had instead diverted most of the funds, with the apparent collusion of PetroSaudi’s managers, to a third party, Good Star Ltd, whose beneficial owner was Jho Low. However, it was not until March 2016 that Bank Negara, whose governor was ending her term in April that year, publicly disclosed that it had taken administrative punitive action with an undisclosed fine against 1MDB for failing to provide documentary proof for the investment.³⁷ The bank then appeared to consider the matter closed, at least within its regulatory ambit.³⁸ However the episode cast doubt on the robustness of Bank Negara’s controls in the face of political pressure it presumably faced from Najib.

Other institutions in the state bureaucracy also showed signs of pushing back against the ruling party’s efforts to keep a lid on the growing scandal. The judiciary ordered the lifting of a ban imposed in September 2015 by the Home Affairs Minister on two business journals, *The Edge Weekly* and *The Edge Financial Daily*, which had reported extensively on 1MDB dealings.³⁹ The Auditor General who was instructed by Najib to conduct a probe into 1MDB, produced a report in May 2016 that the former deemed “sufficient as a basis for further investigation” by the Parliament.⁴⁰

Another indication of the extent of pushback from technocratic institutions was the leaking of information concerning 1MDB dealings to investigators, non-governmental organisations, journalists and bloggers,⁴¹ such as the Sawarak Report that helped break the news on financial mismanagement at 1MDB in 2015. The leaked information included details such as screenshots of Najib’s bank account, credit card statements and the charge sheet against Najib in relation to SRC International.⁴²

The political pressure on institutions could be formidable. Amid intensifying political pressure and attacks from Najib’s supporters, the head of MACC announced his decision in July 2016 to step down, more than two years ahead of schedule.⁴³ Such attacks included a police report filed in July 2016 by an UMNO official against key civil servants – the head of MACC, the former governor of Bank Negara and the former Attorney-General – who had led investigations into 1MDB.⁴⁴ Other key figures in the probes on 1MDB were unceremoniously replaced.⁴⁵

³⁶ “Bank Of Malaysia’s Damning Letter To The Parliamentary Accounts Committee”, *Sarawak Report*, July 7, 2016, <http://www.sarawakreport.org/2016/07/bank-of-malaysias-damning-letter-to-the-pac/>

³⁷ Melissa Goh, “Malaysian central bank initiates punitive action against 1MDB”, *Channel NewsAsia*, March 23, 2016, <https://www.channelnewsasia.com/news/asia/malaysia-central-bank-initiates-punitive-action-against-1mdb-8122448>

³⁸ “Bank Negara closes 1MDB probe”, *The Straits Times*, August 13, 2016, <https://www.straitstimes.com/asia/bank-negara-closes-1mdb-probe>

³⁹ “Malaysia High Court lifts suspension of *The Edge* publications”, *The Straits Times*, September 21, 2015, <https://www.straitstimes.com/asia/se-asia/malaysia-high-court-lifts-suspension-of-the-edge-publications>

⁴⁰ Melissa Goh, “Report on 1MDB forms sufficient basis for investigations: Malaysian AG Ambrin Buang”, *Channel NewsAsia*, May 19, 2016, <https://www.channelnewsasia.com/news/asia/23/report-on-1mdb-forms-sufficient-basis-for-investigations-malaysi-8025686>

⁴¹ Case, “Stress testing leadership in Malaysia,” 641.

⁴² According to Sawarak Report editor, the charge sheet was leaked by then Senior Deputy Public Prosecutor, Kevin Morais, who was later found murdered in September 2015. Syed Jaymal Zahiid, “Rewcastle-Brown: Murdered DPP Kevin Morais was my informant”, *Malay Mail*, May 21, 2018, <https://www.malaymail.com/news/malaysia/2018/05/21/rewcastle-brown-murdered-dpp-kevin-morais-was-my-informant/1633226>

⁴³ Jeevan Vasagar, “Malaysia anti-graft chief quits job early”, *FT.com*, July 31, 2016, retrieved from ProQuest.

⁴⁴ Jeevan Vasagar, “Malaysia anti-graft chief quits job early”, *FT.com*, July 31, 2016, retrieved from ProQuest.

⁴⁵ A deputy public prosecutor, Kevin Morais who had been involved in the 1MDB investigations was found murdered in September 2015, although it was unclear if his death was directly connected to 1MDB. Syed Jaymal Zahiid, “Murdered DPP Kevin Morais was my informant”; “SRC case – charges to be filed soon, says anti-graft boss Shukri”, *The Star Online*, May 23, 2018, <https://www.thestar.com.my/news/nation/2018/05/23/tightening-the-noose-src-case-charges-to-be-filed-soon-says-antigrft-boss-shukri/#GFdDVwVeV7oTDpsz.99>

Alienating voters – citizenry rallying

Even before the 1MDB crisis, the BN coalition led by UMNO appeared to be losing its hold on voters. In the 2008 general elections, BN suffered the loss of its customary two-thirds majority in parliament. It further lost the popular vote in 2013. Although the country had enjoyed growth under UMNO's economic model exemplified by the 1971 New Economic Policy, which promoted affirmative action for the ethnic Malays,⁴⁶ some saw it as a vehicle for corruption and authoritarian rule.⁴⁷ Economic growth in earlier decades had also fuelled the rise of a new Malay and non-Malay middle class that had arguably become more politically engaged in the wake of the 1997 Asian financial crisis. Triggered by the shambolic arrest and trial of a former deputy prime minister in 1998, civil society groups called for political reform or *reformasi*. Some subsequently gathered under the banner of a non-government organisation, Coalition for Clean and Fair Elections (Bersih) that was formed in 2005 to call for electoral reform.

The Bersih movement was re-galvanised following reports on 1MDB in the Wall Street Journal and Sarawak Report. Prior to this, Bersih had already mounted three large-scale rallies against electoral manipulation and corruption. Despite the government's moves to declare the rally illegal and ban related websites and materials, tens of thousands of ordinary citizens showed up at the Bersih 4 rallies in Kuala Lumpur, Kuching and Kota Kinabalu in August 2015, calling for Najib's resignation.⁴⁸ Unpopular policies such as a proposed goods and services tax, coupled with rising cost of living and a weak economy only added fuel to the simmering dissatisfaction of the public. A smaller Bersih 5 protest took place in November 2016, despite the detention of Bersih leaders, activists and opposition leaders just hours before the rally. Bersih rallies were also bolstered by the appearances of high-profile dissenting political leaders including former prime minister and UMNO president, Mahathir Mohamad and former deputy prime minister, Muhyiddin Yassin.

Najib painted the Bersih movement as "deceitful" and a "tool of the opposition".⁴⁹ Shortly after Bersih 4, the National Silat Federation organised a "Malay Dignity" gathering in September 2015 to show support for the government.⁵⁰ In the lead up to Bersih 5, pro-government supporters – labelled "Red Shirts" as a counter to the "Yellow Shirts" associated with Bersih – warned of retaliation if Bersih 5 went ahead. A smaller gathering of pro-government supporters eventually materialised at Bersih 5, but violent confrontations were averted between the two groups.

Some observers pointed out that the Bersih and Red Shirts protests reflected the country's ethnic fault lines, which were amplified by Malaysia's race-based politics and policies. UMNO which led the BN coalition, positioned itself as a champion of the Malays, while two smaller BN partners were the Chinese-based Malaysian Chinese Association and Indian-based Malaysian Indian Congress. The Bersih rallies attracted large ethnic Chinese and Indian turnouts, whereas the pro-government Red Shirts supporters were predominantly Malay. Among the Red Shirt supporters, some saw the Bersih rally as an attempt by the ethnic Chinese to usurp political power.⁵¹ The Red Shirts leader Jamal Yunus who was a UMNO divisional chief for Sungai

⁴⁶ The New Economic Policy was a form of affirmative action introduced in 1971 following deadly racial riots in 1969. It gives ethnic Malays cheaper housing and quotas for college scholarships, government contracts and shares of listed companies.

⁴⁷ John Funston, "Malaysia's 14th General Election (GE14) – The Contest for the Malay Electorate", *Journal of Current Southeast Asian Affairs*, 3 (2018): 65, <http://nbn-resolving.org/urn:nbn:de:gbv:18-4-11484>

⁴⁸ Oliver Holmes, "'Illegal' Malaysian protests call for PM Najib Razak's resignation", *The Guardian*, August 29, 2015, <https://www.theguardian.com/world/2015/aug/29/illegal-malaysian-protests-demand-pm-najib-razaks-resignation>

⁴⁹ "Thousands march in Malaysian capital calling for PM Najib to step down", *Reuters*, November 19, 2016, <https://www.cnbc.com/2016/11/19/bersih-5-thousands-march-in-malaysian-capital-calling-for-pm-najib-to-step-down.html>

⁵⁰ "5 things about Malaysia's 'Red Shirt' rally", *The Straits Times*, September 16, 2015, <https://www.straitstimes.com/asia/se-asia/5-things-about-malaysias-red-shirt-rally>

⁵¹ The Straits Times, "5 things about Malaysia's 'Red Shirt' rally".

Besar, brought up the spectre of the 1969 racial riots between Malays and ethnic Chinese.⁵² On the other hand, Mahathir labelled the “Malay Dignity” gathering in September 2015 as the government’s attempt to divert attention from 1MDB by falsely “turn(ing) the Bersih demonstration into a racial thing, Chinese against Malays”.⁵³

Perceived leadership vulnerability – shifting political landscape

At the heart of the political and institutional drivers of the 1MDB scandal was the key role of the prime minister and finance minister Najib, who also chaired the fund’s advisory board. Although the patronage system did not dry up immediately, the widening scale of the 1MDB case emboldened UMNO party elites to challenge Najib’s supremacy and jostle for power. Political strongman, Mahathir who was Malaysia’s longest-serving prime minister, called for Najib to resign in the wake of the US Justice Department report on 1MDB. He also filed court orders in 2016 against Najib for alleged corruption and abuse of power, and to freeze the latter’s assets.⁵⁴ Muhyiddin, who was then deputy prime minister and UMNO deputy president also openly criticized Najib over 1MDB.

The chorus of criticism was joined by Shafie Apdal, then Minister of Rural and Regional Development and an UMNO vice president; Mukriz Mahathir, the son of Mahathir and then chief minister of Kedah; as well as the former chief ministers of Selangor and Terengganu. As defections mounted, other party elites, heading the 191 divisions that scaffolded UMNO’s nationwide apparatus, took up complaints over 1MDB. Many shifted into “waiting mode, with many not wanting to go down with the Najib ship”, intently monitoring the dynamics at play.⁵⁵

The Najib government deployed its considerable resources in a systematic effort to cover up the scandal, often with the help of the police. Existing laws like the Sedition Act, the Communications and Multimedia Act 1998 (CMA), the Security Offences (Special Measures) Act 2012 (SOSMA), and a new National Security Act (NSA) introduced in August 2016, were used to stifle dissent and obstruct access to information.⁵⁶ For example, the government cited the CMA to block access to online news portal The Malaysian Insider for “causing confusion” over the 1MDB scandal; the portal eventually closed down. The editor and chief executive of another online news portal, Malaysiakini were also charged under CMA for airing a video of a news conference where Attorney-General Apandi was criticised. Bersih chairperson Maria Chin Abdullah was detained without charge under SOSMA for alleged involvement in activities detrimental to parliamentary democracy on the eve of the Bersih 5 rally. The government also used the Official Secrets Act to shield the Auditor-General’s report on 1MDB from the public eye. Even the former prime minister, Mahathir was not spared as the police revealed that four investigations on him had been opened.⁵⁷

⁵² “Thousands march in Malaysian capital calling for PM Najib to step down”, *Reuters*, November 19, 2016, <https://www.cnbc.com/2016/11/19/bersih-5-thousands-march-in-malaysian-capital-calling-for-pm-najib-to-step-down.html>

⁵³ “Dr Mahathir: Red shirt rally held to divert attention from 1MDB”, *The Star/Asia News Network*, October 8, 2015, <https://www.asiaone.com/malaysia/dr-mahathir-red-shirt-rally-held-divert-attention-1mdb>

⁵⁴ “Malaysia’s Mahathir seeks court order to freeze PM Najib’s assets”, *Channel NewsAsia*, April 19, 2016, <https://www.channelnewsasia.com/news/asia/malaysia-s-mahathir-seeks-court-order-to-freeze-pm-najib-s-asset-8071542>

⁵⁵ Bridget Welsh, “Not business as usual in Malaysia”, *New Mandela*, March 17, 2016, <https://www.newmandala.org/not-business-as-usual-in-malaysia/>

⁵⁶ Helena Varkkey. “Malaysia in 2016: Persistent Crises, Rapid Response, and Resilience”, *Southeast Asian Affairs* (2017): 203-219, accessed April 1, 2019, <https://muse.jhu.edu/>

⁵⁷ “Malaysia police open four investigations on Mahathir”, *The Straits Times*, April 11, 2016, <https://www.straitstimes.com/asia/se-asia/malaysia-police-open-four-investigations-on-mahathir>

The efforts of domestic investigators looking into the affair were often stymied by intimidation or top-down personnel moves, and official inquiries were either blocked or diverted.⁵⁸ Faced with growing dissent and intensifying probes into 1MDB, Najib orchestrated a dramatic cabinet reshuffle on 28 July 2015 to remove detractors and reinforce his hold over the government and UMNO.⁵⁹ Along with four other ministers, then deputy prime minister Muhyiddin was sacked and replaced with Home Minister Ahmad Zahid Hamidi, another UMNO vice-president. Both Attorney-General Patail and director of the Police Special Branch who were part of the special task force investigating 1MDB were also replaced.

At the same time, then PAC chairman Nur Jazlan and three members of the PAC were appointed to ministerial and deputy ministerial positions in the cabinet reshuffle. This came just before PAC was scheduled to interview 1MDB senior executives and effectively left the PAC inquiry in limbo. It was only in early April 2016 that the PAC, under a new chairman, issued its findings on 1MDB which laid the blame for "restrictions and weaknesses" squarely on the 1MDB board and its former CEO.⁶⁰ This prompted the entire 1MDB board to resign. The Finance Ministry also dissolved the 1MDB's board of advisors that was headed by Najib and took over its remaining assets.⁶¹ These moves appeared to quell internal criticisms over the mismanagement of 1MDB, at least for a while.

However, Najib's financial reliance on China attracted criticism that it had come at too high a cost to Malaysia. Positioned to bolster his image in the midst of the 1MDB scandal, infrastructure deals with China such as the ECRL were perceived to have been negotiated on "predatory financing"⁶² terms and lacked clear commercial viability.⁶³ The massive US\$34.2 billion pipeline of infrastructure projects raised fears that the country would be too indebted to China.⁶⁴ The Chinese-backed projects were also shrouded in opaque and questionable processes, such as awarding of contracts to directly Chinese companies without an international tender⁶⁵ and payments to Chinese firms were made on a fixed schedule rather than work completed.⁶⁶ The spread of economic benefits on the ground were thinner than anticipated, as local firms and workers found themselves cut out of the contracts.⁶⁷ Although there was no widespread public backlash

⁵⁸ Cynthia Gabriel, "Malaysia's Missing Billions", *Journal of Democracy*, 29 (2018): 70, accessed January 9, 2018, doi.org/10.1353/jod.2018.0005. See for example, Ashley Tang, "New MACC chief breaks down in recounting what he went through (full story)", *The Star Online*, May 22, 2018, <https://www.thestar.com.my/news/nation/2018/05/22/new-macc-chief-breaks-down-in-recounting-what-he-went-through/#k7SKMZYPly4CuQG3.99>

⁵⁹ Shannon Teoh, "Najib sacks DPM, four ministers and AG", *The Straits Times*, July 29, 2015, <https://www.straitstimes.com/asia-se-asia/najib-sacks-dpm-four-ministers-and-a-g>

⁶⁰ "Parliament report on Malaysia's 1MDB blames board; calls for probe into ex-CEO", *CNBC*, April 7, 2016, <https://www.cnbc.com/2016/04/06/parliament-report-on-malysias-1mdb-blames-board-calls-for-probe-into-ex-ceo.html>

⁶¹ Rozanna Latiff, "Malaysia dissolves 1MDB advisory board headed by PM Najib", *Reuters*, May 4, 2016, <https://www.reuters.com/article/us-malaysia-scandal-1mdb/malaysia-dissolves-1mdb-advisory-board-headed-by-pm-najib-idUSKCN0XV007>

⁶² Tang Siew Mun, "China's Infrastructure Strategy under Review in Malaysia", ISEAS-Yusof Ishak Institute, June 8, 2018 <https://www.iseas.edu.sg/medias/commentaries/item/7734-chinas-infrastructure-strategy-under-review-in-malaysia-by-tang-siew-mun-2/>

⁶³ Prashanth Parameswaran, "A China Bailout in Malaysia's 1MDB Scandal?", *The Diplomat*, January 15, 2019, <https://thediplomat.com/2019/01/a-china-bailout-for-malysias-1mdb-scandal/>

⁶⁴ Liz Lee, "Selling the country to China? Debate spills into Malaysia's election", *Reuters*, April 27, 2018, <https://www.reuters.com/article/us-malaysia-election-china/selling-the-country-to-china-debate-spills-into-malysias-election-idUSKBN1HY076>

⁶⁵ "China turns Malaysia's East Coast Rail Link into reality", *Railway Technology*, October 1, 2017, <https://www.railway-technology.com/features/featurechina-turns-malysias-east-coast-rail-link-into-reality-5938409/>

⁶⁶ Tang Siew Mun, "China's Infrastructure Strategy under Review in Malaysia", ISEAS-Yusof Ishak Institute, June 8, 2018 <https://www.iseas.edu.sg/medias/commentaries/item/7734-chinas-infrastructure-strategy-under-review-in-malaysia-by-tang-siew-mun-2/>

⁶⁷ Lee, "Selling the country to China?"

at the time, the perception, particularly within the opposition but even among some UMNO members and BN voters, was that “Najib (was) being bought by the Chinese”.⁶⁸

The political landscape in Malaysia was shifting dramatically as old rivalries were set aside and new alliances forged. Despite a history of political rivalry, UMNO made overtures to the Islamist party of Parti Islam Se-Malaysia (PAS) in an effort to divide the opposition after the 2013 election. This included ratcheting up its rhetoric on Malay domination and allowing PAS to present a private member's bill as a step towards hudud (punishments under Islamic law).⁶⁹ The strategy appeared to work as PAS split from its earlier coalition with Parti Keadilan Rakyat (PKR) and Democratic Action Party (DAP) in 2015. The leader of PAS also defended Najib during the 1MDB scandal, dismissing it as foreign intervention in cahoots with the opposition in Malaysia to topple the BN.⁷⁰

At the same time, dissenting former UMNO members such as Mahathir, Muhyiddin and Shafie, were joining forces with former rival parties such as PKR, DAP and Anamah, a splinter party from PAS. This culminated in the signing of a “Citizens' Declaration” in March 2016 led by Mahathir and some 45 political and civil society figures who were calling for the ouster of Najib as prime minister. The declaration kept the 1MDB issue in the public eye and renewed pressure on Najib when existing channels for investigating and punishing corruption had been stifled. As Mahathir explained, “If there is evidence of wrongdoing, then the Attorney-General can take the case to court. But right now, that system is not working”.⁷¹ A self-styled “Save Malaysia” campaign kicked off with roadshows to garner wider public support for the Citizens' Declaration.

However with several of Najib's adversaries purged, institutions tamed and the local media subdued, the flames surrounding the 1MDB scandal appeared to dampen in 2017, at least domestically. Although a few thousand showed up at opposition PH coalition's anti-kleptocracy demonstration,⁷² the public seemed to have grown weary of 1MDB. As one commentator explained, Malaysians had “priced it in” over time.⁷³ Moreover, the 1MDB issue was not seen as having much traction among rural Malay voters who were typically more concerned about bread-and-butter issues.⁷⁴

Despite the US authorities bringing criminal charges against Jho Low and seizing assets in relation to 1MDB, Najib looked unassailable domestically. The economy was picking up, while the opposition alliance, which had coalesced around Mahathir, was afflicted by past animosities and seemed shaky. It was under such assured circumstances that Najib called for a general election in early April 2018. Few commentators expected the 1MDB scandal to have a significant impact at the ballot box when “Najib and BN held all the

⁶⁸ “China wants this Malaysian port to rival Singapore (and that's not all)”, *TODAY*, August 1, 2017, <https://www.todayonline.com/world/asia/chinese-money-pouring-malaysia-could-help-najib-votes>

⁶⁹ John Funston, “Malaysia's 14th General Election (GE14) – The Contest for the Malay Electorate”, *Journal of Current Southeast Asian Affairs*, 3 (2018): 68, <http://nbn-resolving.org/urn:nbn:de:gbv:18-4-11484>

⁷⁰ “Utusan: Opposition and foreigners in 1MDB conspiracy to topple BN”, *Malay Mail*, July 12, 2015, <https://www.malaymail.com/news/malaysia/2015/07/12/opposition-conspiring-with-foreign-powers-in-plot-to-topple-bn-utusan-malay/931853>

⁷¹ Akil Yunus, “Dr M initiates citizens' declaration to oust Prime Minister”, *The Star/Asia News Network*, March 5, 2016.

⁷² “Thousands rally in Malaysia to oust premier Najib”, *Channel NewsAsia*, October 14, 2017, <https://www.channelnewsasia.com/news/asia/thousands-rally-in-malaysia-to-oust-premier-najib-9311646>

⁷³ Ralph Jennings, “Malaysia's Prime Minister Is Spending Billions To Win Back Voters In 2018 Elections”, *Forbes*, December 6, 2017, <https://www.forbes.com/sites/ralphjennings/2017/12/06/embattled-malaysian-leader-will-give-things-away-to-win-2018-elections/#58fca5a73c95>

⁷⁴ James Chin and Bridget Welsh, “Special Issue Introduction: The 2018 Malaysian General Elections: The Return of Mahathir and the Exit of UMNO”, *Journal of Current Southeast Asian Affairs* 37 (2018): 4, <http://nbn-resolving.org/urn:nbn:de:gbv:18-4-11451>

cards".⁷⁵ In fact, many election forecasts had predicted a return to power, albeit with a slimmer margin, for BN.⁷⁶

Turning the tide – an electoral victory for the opposition

As it turned out, the 9 May polls was a time of reckoning for Najib, UMNO and the BN coalition that had ruled Malaysia for six decades. The PH scored a historic victory over the BN. Helmed by Mahathir, the PH won a simple majority – 121 out of 222 parliamentary seats – to form the government. Reflecting a deep-seated desire for change, ordinary Malaysian turned out in droves to vote. The BN faced a Malaysian tsunami across race, generations and backgrounds, including rural Malay voters who were UMNO's traditional vote bank. Its share of the popular vote fell to an unprecedented 33.7%.⁷⁷ Racial politics and the dispensing of financial rewards and patronage turned out to have even less traction than in the 2013 election.⁷⁸

The remarkable turnaround in Malaysia was the result of a confluence of factors that included worries about the cost of living exacerbated by an unpopular goods and services tax, uncertain economic future and unease about the growing influence of China. It was also a backlash against entrenched corruption. In particular, the 1MDB scandal had thoroughly exposed UMNO as "a vehicle for the rich fat-cat division chiefs and the political tool of the 'strongman' premier, while the rank and-file [were] hurting".⁷⁹

Under the new PH government, a new special task force comprising the MACC, police and Bank Negara was quickly convened in May 2018 to look into criminal investigations into 1MDB. The police seized some US\$275 million worth of luxury items, jewellery and cash in their raids on properties linked to Najib.⁸⁰ Najib and his wife, Rosmah were questioned by the MACC and banned from leaving the country. Facing a long list of charges relating to receiving bribes, criminal breach of trust, money laundering and tampering with the state audit report on 1MDB, the corruption trial of Najib started in early April 2019 with seven charges related to the theft of RM42 million from SRC International.⁸¹ Rosmah was also slapped with money laundering charges. Arrest warrants in relation to 1MDB were also issued for Jho Low, his aide and three former 1MDB officials, although their whereabouts were unknown.

Even then, UMNO was not to be written off entirely. Since the beginning of 2019, BN or UMNO candidates prevailed in three consecutive elections, including Semenyih where PH lost its parliamentary seat.⁸² With his trial looming, Najib embarked on a charm offensive, refashioning himself as a folksy voice of the Malay population and a victim of a vindictive government.⁸³

⁷⁵ Chin and Welsh, "The 2018 Malaysian General Elections", 3.

⁷⁶ See for example, Anisah Shukry, "Your Guide to Malaysia's Upcoming General Election", *Bloomberg*, May 8, 2018, <https://www.bloomberg.com/news/articles/2018-05-07/your-guide-to-malaysia-s-upcoming-general-election-quicktake>; Tan Hui Yee, "Malaysia election: Pollster Merdeka Center expects BN to win poll, but not popular vote", *The Straits Times*, May 8, 2018, <https://www.straitstimes.com/asia/se-asia/malaysia-election-pollster-merdeka-center-expects-bn-to-win-poll-but-not-popular-vote>; Weizhen Tan, "Malaysia elections: Here are the results forecasters are predicting and why", *CNBC*, May 8, 2018, <https://www.cnbc.com/2018/05/08/malaysian-election-2018-najib-razak-vs-mahathir-mohamed.html>

⁷⁷ Funston, "Malaysia's 14th General Election (GE14)".

⁷⁸ Marc Lourdes, "Prime Minister Najib Razak defeated as opposition claims victory in Malaysia", *CNN*, May 10, 2018, <https://edition.cnn.com/2018/05/09/asia/malaysia-elections-results/index.html>

⁷⁹ Welsh, "Not business as usual in Malaysia".

⁸⁰ Stefania Palma, "Malaysia police value assets seized in 1MDB-linked raids at \$275m", *Financial Times*, June 28, 2018, <https://www.ft.com/content/fdd644fe-79c0-11e8-bc55-50daf11b720d>

⁸¹ "A long list of charges against Najib as 1MDB trial kicks off on Tuesday", *The Straits Times*, February 11, 2019, <https://www.straitstimes.com/asia/se-asia/a-long-list-of-charges-against-najib-as-1mdb-trial-kicks-off-on-tuesday>

⁸² The by-elections were Cameron Highlands in January, Semenyih in March and Rantau in April.

⁸³ "Malaysia's ex-PM Najib gears up for graft trial with charm offensive", *Channel NewsAsia*, February 8, 2019, <https://www.channelnewsasia.com/news/asia/malaysia-s-ex-pm-najib-gears-up-for-graft-trial-with-charm-offensive-11213256>

Renegotiating BRI projects

Another fallout of the BN's electoral loss was China's infrastructure deals made with the Najib administration. Even as both sides touted the chance to recalibrate Malaysia-China relations, the new PH administration quickly suspended a number of China-backed projects, including the ECRL as well as oil and gas pipelines being constructed by Chinese enterprises in peninsular Malaysia and Sabah. During his visit to China in August 2018, second-time prime minister Mahathir made it clear that while the new government supported the projects, Malaysia could not afford the initial contracts and intended to renegotiate them.⁸⁴ In this respect, Malaysia joined countries such as Nepal, Myanmar and Pakistan, which had put the brakes on some of their BRI projects. China also found itself on the back foot when details emerged of the Najib administration's discussions with Chinese officials in 2016 about bailing out 1MDB in return for Malaysia acquiescing to China's BRI projects.⁸⁵

It was only in mid-April 2019 after months of negotiation that the ECRL was revived, with the cost for the first two phases lowered from RM65 billion to RM44 billion.⁸⁶ The Bandar Malaysia development, which had been in limbo since 2017, was also set to resume with the same consortium partners,⁸⁷ although the high-speed rail link between Kuala Lumpur and Singapore was deferred.

Global regulatory cooperation against money laundering

While 1MDB began as a domestic case of corruption and financial mismanagement, there were regional and international ramifications. For instance, regional financial centres such as Singapore, shell companies in the British Virgin Islands, Caymans, Curacao and the Seychelles as well as major international banks such as Citibank, JP Morgan Chase, Standard Chartered Bank, RBS, Deutsche Bank and UBS were frequently used as conduits for the diversion of funds from 1MDB.⁸⁸ Almost US\$3.7 billion of stolen funds from 1MDB was laundered through various banks in Singapore.⁸⁹

Given the global nature of money laundering and illicit funds transfers, policy initiatives aimed at curbing or monitoring such flows would therefore need to take on a regional, or even global, nature as well. This required closer regulatory cooperation across the world as well as the establishment of clear regional and global regulatory standards pertaining to money laundering. Of particular importance to such regulations were political exposed persons who might pose a risk to the financial sector, should they participate in corrupt practices. Hence on top of banks and other "too-large-to-fail" financial institutions, regional and global regulatory frameworks needed to pay special attention to such politically exposed persons. This was particularly evident in the role of Najib Razak in the 1MDB scandal.

⁸⁴ "‘We cannot afford this’: Malaysia pushes back on China's big projects", *The Business Times*, August 21, 2018, <https://www.businesstimes.com.sg/government-economy/%E2%80%98we-cannot-afford-this%E2%80%99-malaysia-pushes-back-on-china%E2%80%99s-big-projects>

⁸⁵ Prashanth Parameswaran, "A China Bailout in Malaysia's 1MDB Scandal?", *The Diplomat*, January 15, 2019, <https://thediplomat.com/2019/01/a-china-bailout-for-malysias-1mdb-scandal/>

⁸⁶ John Pennington, "Where does Malaysia's renegotiated ECRL deal leave China and its Belt and Road Initiative?", *Asean Today*, April 17, 2019, <https://www.aseantoday.com/2019/04/where-does-malaysias-renegotiated-ecrl-deal-leave-china-and-its-belt-and-road-initiative/>

⁸⁷ "Malaysia to revive second major China-linked project", *CNBC*, April 19, 2019, <https://www.cnbc.com/2019/04/20/malaysia-to-revive-multi-billion-dollar-project-linked-to-china.html>

⁸⁸ Gabriel, "Malaysia's Missing Billions".

⁸⁹ Gabriel, "Malaysia's Missing Billions".

Discussion questions

1. What was the role of Malaysia's public sector institutions in fighting against institutionalised corruption and fraud? What were their weaknesses, and how did they initially fail?
2. What were the avenues for the citizenry to counter entrenched corruption? How did Malaysia's political context help or hurt such efforts?
3. How did the existing political context of Malaysia enable corruption? How did the Najib administration try to counter dissent? What were the factors that enabled the opposition alliance to eventually prevail?
4. If you were the Attorney-General/Bank Negara governor/director of the Police Special Branch, what would you have done when faced with mounting evidence of wrongdoing at 1MDB?