



# Democracy, Dictatorship and Development: Lessons From Malaysia and Singapore

By David Ndi



Three weeks ago, police raided the residencies of Malaysia's immediate past Prime Minister, Najib Razak and seized US\$ 28.6 million in cash and, among other things, 37 bags stuffed with jewellery and 294 boxes containing designer handbags. The authorities say that it will take time to ascertain the value given the size of the haul, but going by former first lady Rosmah Mansor's known tastes – she is derisively nicknamed “bag lady” – we could be talking upwards of US\$ 10m worth of handbags alone. Her favorite Hermés Birkin tote bags come with price tags ranging from US\$10,000 to north of US\$ 300,000. The exposé gives us a preview of what we can expect when our mansions give up their Eurobond secrets.

Razak lost the election to an anti-corruption coalition fronted by his 92-year old predecessor and mentor, Mahathir Mohammed, ending 61 years of Barisan National coalition government. At the heart of the political drama is 1MDB, a sovereign bond heist similar to our Eurobond mystery that I have written about in the past.

1MDB is a special purpose investment vehicle set up and controlled by Razak in 2009 to attract private investment for infrastructure projects around Kuala Lumpur. Far from attracting investment, it went on a borrowing binge, chalking up US\$ 12 billion in debt in a couple of years, including US\$6.5 billion of international bond issues. More than US\$ 4 billion was stolen and laundered in the

world's leading financial centres, including Singapore, Switzerland and the USA.

The evidence led straight to Razak, his family and cronies including a smoking gun— US\$680m traced to his personal bank account. In an effort to suppress the scandal, Razak fired his deputy, replaced the attorney general and central bank governor with his lackeys, clamped down on the media and internet, whipped up ethnic nationalism, put a top secret lid on the investigation and got himself cleared by his new compliant attorney general.

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It did not work.

Foreign authorities which had initially steered clear were forced to open investigations as complicity of investment banks in their jurisdictions became impossible to ignore. Goldman Sachs came under scrutiny for charging an incredible nine percent of the bond value as transaction fees, more than 10 times the market rate. Goldman Sachs was a big benefactor of both Obama and the Hillary Clinton campaign.

Money laundered in the US included financing of the Hollywood blockbuster, *Wolf of Wall Street*, starring Leonardo di Caprio, a luxury yacht, a Picasso and a US\$27m diamond necklace. When they finally moved, the US authorities refused to name Razak in the indictments referring only to "Malaysian Official 1". Malaysia, and Razak personally have been strong US allies in the anti-terror campaign.

Malaysia is one of those Asia's tiger economies that, as we say, left us behind. What we often don't realize is that the Asian Tigers have their own leaving-each-other-behind stories, none as dramatic and instructive as that of sister nations Malaysia and Singapore.

On attaining self-rule from the British in 1957 Singapore's founding fathers championed political union with sister British colonies in the Malay peninsula— just as was mooted between Kenya, Uganda and Tanzania. Malaysia was resource rich with large oil and gas reserves, other mineral resources, and well-developed plantation agriculture. Singapore was a resource poor city-state with only a port in a strategic location. Singapore's leaders, led by Lee Kwan Yew, saw unification as the best way to secure Singapore's security and prosperity.

Singapore's overtures culminated in political federation in 1963. It was a fractious marriage from day one. Two years later, Singapore was bundled out of the federation. In his memoir, Lee Kwan Yew writes about this as a most traumatic experience. Reading between the lines, the rejection and the political vulnerability it precipitated, motivated Singapore's leaders' drive to succeed.

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Half a century on Singaporeans enjoy one of the highest standards of living in the world with the ninth highest average income (US\$52,000), the wealthiest Asian country with an average income one third higher than Japan (US\$38,000), close to double that of South Korea (US\$28,000) and five times that of Malaysia (US\$10,000). Today, one of Malaysia's vexing economic challenges is brain drain as its techies and professionals cross over to Singapore for lower level but better paying jobs. Malaysians cannot help but ask themselves how Singapore left them behind.

In popular discourse, the view that democracy is a luxury that poor countries cannot afford, that what we need are progressive autocrats has considerable following. Singapore's Lee Kwan Yew and Malaysia's Mahatir Mohammed are both held up as pin-up benevolent dictators. If benevolent dictatorship is the holy grail of economic transformation then how is it that resource poor Singapore ends up five times wealthier than better endowed Malaysia? Malaysia and Singapore's divergent economic paths can be summed up in two very familiar words: tribalism and corruption.

The rocky marriage began with Malaysia adopting Islam as the state religion, despite the protestation of the significant non-Muslim minorities. Malaysia's leaders adopted socio-economic policy that privileged natives (the "*bumiputera*", or sons of the soil) over the immigrant, predominantly Chinese and Indian population. The Chinese (23 percent) and Indians (seven percent) minorities make up 30 percent of Malaysians. Singapore is the opposite, majority Chinese with Malays (15 percent) and Indians (7.5 percent). As with our Africanization and South Africa's Black Economic Empowerment (BEE) policies, the affirmative action lent itself to unjust enrichment by the state elite. Once they were bundled out of the union, Singapore's political leadership set their country on the opposite course— adopting equality, inclusivity and meritocracy as its foundational values.

Mancur Olson observes in *Democracy, Dictatorship and Development*, the paper that featured in my last column, that while "poor countries can grow extraordinarily rapidly when they have strong dictators who happen to have unusually good economic policies, such growth lasts only for the ruling span of one or two dictators."

Lee Kwan Yew was Prime Minister of Singapore for 31 years (from independence in 1959 to 1990, and he continued as 1st Senior Minister of Singapore for another 14 (1990-2004) and as Senior Mentor Minister of Singapore, a post created for him for another seven (2004 - 11). Thus Singapore had the good fortune of having the leadership and counsel of an exceptional leader for 59 years—his constituents for 60. He led the Peoples Action Party (PAP), which he co-founded, to eight successive election victories. He was no academic slouch, having graduated from the London School of Economics and from Cambridge with a "double first" law degree.

Dr. Mahathir Mohamad (doctor as in physician) was Malaysia's Prime Minister for two decades from 1983 to 2003. Although he is more closely associated with Malaysia's economic rise than anyone else, Malaysia's rise was well underway when he assumed office. The economic miracle did not survive him. During the first decade of his tenure, Mahathir implemented economic plan he inherited. During the second one, he launched his Vision 2020, which aimed to propel Malaysia to a high income country through mega-projects. His flagship Silicon Valley copy paste Multimedia Super Corridor did not fly.

Mahatir's more enduring legacy is deepening authoritarianism. He pushed through constitutional changes that centralised power, undermined the monarchy, and weakened the judiciary. He also

mismanaged his succession, following the acrimonious fallout with his long term deputy and heir apparent, Anwar Ibrahim. While not personally corrupt, he promoted crony capitalism. His protege Razak repurposed the authoritarianism for corruption.

History has been unusually kind to Mahathir Mohamad. He now gets a second bite at the cherry. Perhaps the greatest irony of his comeback is that after all he did to undermine it, it is through democracy that he has succeeded in his second run for the premiership. And much of the credit for the survival of democracy in Malaysia goes to his erstwhile heir-turned-nemesis, Anwar Ibrahim. Indeed, Anwar Ibrahim, who has been in jail, is the *de facto* leader of the political movement that has propelled Mahathir to power. One of his campaign pledges, on which he has delivered, was to secure Ibrahim's pardon. Although he has apologized, and he will in all likelihood be succeeded by him, Ibrahim's political persecution is one blot on his legacy that he will find difficult to erase.

It has helped that Malaysia is a parliamentary system. Had the dictatorial power that Mahathir amassed been in a presidential system, bringing Razak down would have been considerably harder. In presidential South Korea, it took weeks of massive demonstrations to bring down President Park Geun-hye. Closer to home, it took the army to remove Mugabe after close to two decades of rigging himself back in power in presidential Zimbabwe, while parliamentary South Africa has now ousted two presidents in its 24-year post-apartheid history.

The benevolent dictatorship school of development posits benevolent dictatorship and democracy as mutually exclusive. But what we see in both Singapore and Malaysia is progressive autocrats and working electoral democracies. Lee Kwan Yew did not change the constitution and elevate himself to an imperial president like Jomo Kenyatta, who never once faced an opponent in an electoral contest.

Lee Kwan Yew developed Singapore politically and economically. In 1998 he proposed the Group Representation Constituency (GRC), a kind of multimember constituency to protect the minorities participation in parliament. In GRC people are elected as a group that must include individuals from the minority groups. We could easily solve the one-third gender rule problem with something similar. I have advocated adoption of a modified proportional representation at the county level (the parliamentary seats in a county would be pooled and allocated to parties based on popular vote).

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And the spirit of inclusive politics lives on. Singapore has recently elected its first woman president. Halima Jacob is Malay, Muslim, and only the second Malay president after the country's first president, Yusof Bin Ishak, who died 47 years ago. Two years ago the constitution was amended again to ensure that minorities ascend to the presidency. Specifically, it provides that the presidential election will be reserved for a racial group if a member of that racial group has not held the presidency for five consecutive terms. This is how Halima Jacob became president. This is another political innovation that we could adopt to make the presidency inclusive. It is worth noting that the president is responsible for the group representation constituencies. The president's other functions include control of the country's financial reserves, and oversight of the anti-corruption agency.

African leaders are fond of benchmarking pilgrimages to East Asia. Some even claim to be inspired

by Lee Kwan Yew – how so, one wonders. Lee Kwan Yew left office with no personal wealth to speak of. He did not own a single business. Those claiming to be so inspired by him are as rich as kings. They see political power as entitlement to wealth. Given their materialistic obsession, they only see hardware. They can hardly be expected to see the political software that drives the economic success they wish to copy. They see bullet trains, they want. They see *Cyberjaya* (a failure), they want.

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As Olson observes in the paper referred to earlier, “dictatorships are by their very nature susceptible to succession crises and uncertainty about the future”. Nothing illustrates this better than the anxiety, political intrigue and foreboding that gripped Kenya in the mid-1970s as Jomo Kenyatta's death became an inevitability. By maintaining a parliamentary democracy, however dominant their political parties/coalitions were, both Lee Kwan Yew and Mahathir Mohammed ensured that they did not subject their countries to the political and economic costs that this uncertainty portends.

Far from resolving the transfer of power problem, our multiparty politics, and presidentialism in particular, has aggravated it. Until we solve this one, those benchmarking trips to East Asia will continue to bring home bridges to nowhere.

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