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By Peter Symonds

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Malaysia files charges against Goldman Sachs over 1MDB scandal

Malaysian authorities on Monday filed criminal charges against the giant US investment bank, Goldman Sachs, over its involvement in the scandal surrounding the 1Malaysia Development Berhad, or 1MDB, that investment fund. Goldman Sachs received a massive \$US600 million in fees—far higher than usual—for raising \$6.5 billion in bonds and allegedly turning a blind eye to the corrupt use of the money.

Finance Minister Lim Guan Eng said that Malaysia would be seeking \$7.5 billion in reparations as the proceeds from the sale of three bonds in 2012 and 2013 “were not used for national development but was siphoned out.” Another \$1 billion in damages would be sought to cover the fees and bond coupons that were issued “higher than the market rate.”

The 1MDB scandal was a significant factor in the defeat at the national election in May of the government led by the United Malays National Organisation (UMNO). UMNO dominated coalitions have held power continuously since the end of British colonial rule in 1957 through its control of the country’s media and police-state apparatus.

Former Prime Minister Najib Razak has pleaded not guilty after being arrested in July on corruption charges of siphoning off money from the 1MDB fund. He claims that the more than \$700 million that passed through his personal account was a donation from the Saudi royal family. US prosecutors claim the money came from 1MDB which Najib headed.

Malaysian Attorney-General Tommy Thomas said on Monday that he was filing charges against subsidiaries of Goldman Sachs and two of its former bankers, Tim Leissner and Roger Ng Chong Hwa. Leissner and Ng are accused of bribing Malaysian officials to secure Goldman’s involvement in the lucrative 1MDB bond auction. Two others—

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Malaysian businessman Low Taek Jho, also known as Jho Low, and the fund's former counsel, Jasmine Loo Ai Swan, were also charged.

US authorities have also brought charges against Leissner, Ng, Low and others involved in the 1MDB scandal. Leissner, who headed Goldman's operations in South East Asia, has pleaded guilty to money laundering and bribery. Ng was arrested in Malaysia in early November. Low is on the run. US prosecutors claim that up to \$4.5 billion was siphoned out of the fund by the various people involved.

Responding to the Malaysian charges, Goldman Sachs denied any wrongdoing and insisted that it would "vigorously defend" itself. However, the scandal has provided a glimpse into the operations of the investment bank, which, as US prosecutors commented, was "highly focused on consummating deals, at times prioritizing this goal ahead of the proper operation of its compliance functions."

At his hearing in the US, Leissner confirmed that he attempted to hide his activities from bank's legal department, which, he said, was "very much in the culture of Goldman Sachs." In other words, the company, which was intimately involved in the shady operations that fueled the global financial crisis in 2008–09, put profit ahead of all else.

A statement issued by a Sydney law firm on Tuesday on behalf of Jho Low declared that their client would not hand himself over to "any jurisdiction where guilt has been predetermined by politics and there is no independent legal process." It added that Low could not get a fair trial in Malaysia, "where the regime has proven numerous times that they have no interest in the rule of law."

While prompted by self-interest, the comments also point to the political nature of the 1MDB scandal, which was exploited to oust Najib and the UMNO regime. The real concern in Washington's eyes was not so much the illicit use of funds, but the close ties between the Najib government and China. Malaysia had signed up to more than \$22 billion in contracts as part of Beijing's huge Belt and Road Initiative (BRI) infrastructure plans to consolidate China's strategic position by linking up Eurasia.

The new government headed by Prime Minister Mahathir Mohamad has promptly axed the projects, which he lambasted during the election campaign as being "unequal treaties." While he has kept his distance from Washington, Mahathir has taken a markedly anti-Chinese stance. During a trip to Beijing in August, the prime minister declared that Malaysia did not want "a new version of colonialism happening because poor countries are unable to compete with rich countries."

Mahathir is no stranger to the crony capitalism that has dominated Malaysia for decades. He served as prime minister for more than 20 years between 1981 and 2003. During the 1997–98 Asian Financial Crisis, he ousted his finance minister and deputy, Anwar Ibrahim, after the later embraced the IMF's demands to open up the Malaysian economy to global finance. The measures threatened to bankrupt ethnic Malay businesses closely aligned to UMNO and Mahathir.

When Anwar launched a campaign against government corruption, Mahathir had him arrested and convicted on trump-up charges of corruption and sodomy. In a bizarre political twist, Mahathir, who quit UMNO to wage a campaign against Najib over the 1MDB scandal, formed an alliance with the opposition coalition headed by Anwar to contest this year's election. This unstable alliance is now in power.

The 1MDB revelations could prove to be a disaster for Goldman Sachs and exposes the unscrupulous practices of American investment banks and finance houses. However, from the broader interests of US imperialism, the scandal, which the *Wall Street Journal* had a major hand in divulging and sensationalising, has served to undermine China's position in a key South East Asia country.

The removal of Najib is part and parcel of a far broader US strategy, begun under President Obama and intensified by President Trump, to weaken China's influence throughout the Indo-Pacific and internationally. This diplomatic offensive is linked to trade war measures and a US military build-up aimed at preventing China from challenging US global dominance.