

'Cowgate' scandal highlights Najib's faded reforms

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ANALYSIS A scandal centred on cows and luxury condos raises the chances that Malaysian elections will be delayed and highlights Prime Minister Najib Abdul Razak's stuttering efforts to reform the corruption-prone South-East Asian nation.

'Cowgate', as it has inevitably been dubbed, is providing rich fodder for the opposition as it digs up dirt on a publicly funded cattle-rearing project that it says was used as a personal fund for the family of one of Najib's ministers.

It is not the first corruption scandal to hit Najib and his long-ruling United Malays National Organisation (Umno), but the farmyard connection makes it a potentially damaging one because rural Malays - the bedrock of Umno's support - may relate to it more easily than to more obscure financial matters.

"The cow issue is God-given," Zuraida Kamaruddin, the head of the women's wing of the opposition People's Justice Party, told Reuters following a speech at a recent rally, which she punctuated with the occasional "moo" for comic effect.

"This time we have real evidence that proves their mismanagement."

The family of Women, Families and Communities Minister Shahrizat Abdul Jalil is accused of using RM250 million (US\$83 million) in soft government loans meant to develop the cattle project to buy luxury apartments, expensive overseas trips and a Mercedes.

Meanwhile, the National Feedlot Centre project was found by the auditor-general to have done little to reach its initial goal of making the country 40 percent self-sufficient in beef production by 2010.

Najib last month froze the assets of the National Feedlot Corporation (NFC), which is under investigation by Malaysia's anti-corruption commission. With fresh allegations appearing almost daily on the country's lively Internet news sites, the scandal adds to growing temptations for him to delay elections that must be called by April 2013.

The 58-year-old son of a former prime minister had been expected to call the polls around April, before a looming global slowdown risked hurting Malaysia's trade-dependent economy.

But with the US economy showing signs of recovery and the euro zone not yet imploding, he may feel he can wait and hope for the scandal to blow over while recent government handouts to poorer families take effect.

Gross domestic product figures out today are expected to show South-East Asia's third-largest economy slowed in the last quarter of 2011 but still grew at a brisk annual pace of 5 percent.

The risk for Najib is that the scandal could balloon further or set off other allegations of graft, implicating other members of his government and giving a further boost to opposition leader Anwar Ibrahim. Anwar was acquitted on sodomy charges last month, leaving him free to campaign.

NONEThe ruling Barisan Nasional coalition is expected to hold on to its parliamentary majority after historic gains by the opposition in 2008. But the NFC scandal adds to the difficulty Najib (right in photo) faces in recapturing the coalition's once impregnable two-thirds majority and winning a mandate to keep up with his tentative reforms.

That could set off an internal power struggle, with many expecting Najib's more conservative, less reform-minded deputy Muhyiddin Yassin to launch a bid for the Umno leadership.

"There are people within Umno who don't want any change at all," said a Kuala-Lumpur-based fund manager who asked not to be identified. "If Muhyiddin comes in... he's an old fashioned sort of politician and the market won't react well."

Fading reforms

Malaysia, once mentioned in the same breath as South Korea and Singapore as an Asian "tiger" economy, has mostly disappointed since the region's financial crisis of 1997 as it struggles to revamp an economy centred on commodities and low-end manufacturing. Corruption has worsened, with the country sliding to 60th in Transparency International's global ranking of graft perceptions last year compared to 33rd in 2002.

Najib has reached out to Malaysia's middle class as a reformer, promising to replace repressive security laws and wean the country off a race-based economic system that has alleviated poverty but increasingly stunted growth, fuelled corruption and turned off foreign investors.

But he has watered down or backtracked on many of his key pledges, encountering opposition from within Umno and its network of corporate interests that benefit from the system of ethnic Malay privileges.

Najib announced a significant overhaul of the system in 2010 named the New Economic Model (NEM), most of which has not been implemented.

"The NEM is not only dead but has also been effectively buried under a new avalanche of preferential policies and contracts that run against the open, transparent and accountable system promised," said Lim Teck Ghee, the director of Malaysia's Centre for Policy Initiatives.

Cowgate is a gift for critics who say little has changed on Najib's watch since 2009 other than the rhetoric.

In the first major red flag over its operations, the auditor-general said in a report last year that the NFC had failed to set up a network of satellite farms and produced less than half of its target of 8,000 head of cattle by 2010.

Whistleblowers, the opposition and Malaysia's irreverent blogosphere then took up the baton. The opposition has cited accounting and property documents, the authenticity of which has not been disputed, showing that around RM62 million was spent by family members on - among other things - several up-scale apartments in Kuala Lumpur and Singapore, land and a US\$180,000 Mercedes.

The NFC company that runs the centre is undeniably a family affair, which critics say epitomises the cozy relations between Umno and well-connected families and businesses. Its chairperson is Mohamad Salleh Ismail, Shahrizat's husband, and all three of their children are directors.

NONEShahrizat has denied any personal wrongdoing and has filed a defamation suit against two opposition members, including Zuraida (left). Wan Shahinur Izmir Salleh, Shahrizat's son and NFC's chief executive, has said the company was allowed to use the loan at its discretion and that the properties were bought to earn rental income.

Even some Umno members are not convinced by the explanation, however, and have called on Shahrizat to quit. Influential former prime minister Mahathir Mohamad has added his voice to calls for her dismissal.

"It looks ugly," said Shahrir Abdul Samad, an Umno member of parliament for the southern state of Johor and a former cabinet minister. "This was an opportunity for him (Najib) to show he could handle a crisis."

- Reuters

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