

Umno's direct election may save Najib's job

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By Daniel Ten Kate, Bloomberg

Prime Minister Najib Abdul Razak's move in 2009 to open up his party's leadership selection may prove a job-saver should he fail to boost its share of the vote in national elections next month.

Najib oversaw a 60-fold expansion of the pool of members picking the Umno head. The revamp was a move against so-called money politics, with Najib saying votes could be bought if Umno continued to let only 2,500 of its 3.5 million members pick the leadership, secretary-general Tengku Adnan Tengku Mansor said in an interview.

"Because of the opening up of the party election process to a larger number of voters, the personal popularity of a particular candidate becomes even more influential," said Joseph Chinyong Liow, associate dean of the S Rajaratnam School of International Studies in Singapore.

"This might translate into support within Umno if his position is under threat."

Najib, whose ratings have exceeded those of his government, has championed a gradual reform programme, loosening affirmative action programmes for ethnic Malays and embraced foreign investment.

The prospect of an internal leadership challenge, even if the Umno-led BN coalition secures another five-year term, could suppress stock prices for months, CLSA Asia Pacific Markets analysts say.

'Big risk'

The rule change from 2009 will help Najib, 59, fend off any party insiders who seek his ouster if his coalition wins by a narrower margin in the May 5 election.

After the last vote, in 2008, predecessor Abdullah Ahmad Badawi faced calls to resign as prime minister and Umno president for failing to retain the two-thirds majority in Parliament that the coalition had held for four decades.

"I told him you're taking a big risk by allowing 140,000 to choose the president of the party," said Tengku Adnan, whose advice Najib overruled.

Najib took over from Abdullah mid-term. His approval rating slipped to 61 percent from 63 percent in December, according to a survey of 1,021 voters conducted Jan 23 to Feb 6 on the country's peninsula conducted by the Merdeka Center for Opinion Research.

By contrast, 48 percent of respondents said they were "happy" with the government.

Deputy Prime Minister Muhyiddin Yassin (left in photo), who is six years older than Najib and potentially next in line, started the move to oust Abdullah after the last election, according to Saifuddin Abdullah, deputy minister for higher education who is a member of Umno's supreme council, the party's executive body.

Muhyiddin, 65, declined an interview request.

Lowered bar

"I don't expect Muhyiddin to do it again against Najib," Saifuddin said in a March 18 interview. "Even if he does this time, Najib is in a stronger position compared to Abdullah. We have lowered the bar. If we don't get a two-thirds majority this time around it's not unexpected, so the sentiment will be different."

The risk of the ruling coalition losing seats has made the FTSE Bursa Malaysia KLCI Index Southeast Asia's worst performing stocks benchmark this year, rising 0.7 percent, compared with gains of more than 15 percent in Indonesia and the Philippines.

Brokerages including Bank of America Merrill Lynch and Citigroup Inc expect an even closer election result than in 2008, when BN retained power with 63 percent of the seats, the narrowest margin since it formed in the wake of 1969 race riots.

If Najib can't improve on this, "then he's in a very weak position," Ooi Kee Beng, deputy director of the Institute of Southeast Asian Studies in Singapore, said in an interview. "Muhyiddin is not an unambitious person and he's older than Najib, so he can't wait his turn."

The prime minister needs either to win back key states, such as Selangor, or more seats in parliament than the last election, said Ooi. BN lost control of five of Malaysia's 13 state assemblies, before later regaining power in Perak following defections.

Opinions vary on the margin of victory Najib needs to survive as party president

and the nation's leader. Anand Pathmakanthan, head of research at CLSA Asia Pacific Markets, said a better performance for Umno would cement Najib's position as leader regardless of whether its 12 coalition partners perform well.

"If that didn't happen, you'd have follow-on speculation of a leadership challenge running up to the Umno General Assembly in the fourth quarter," he said. "That will do the markets no favours."

'Very precarious'

Anwar, who was Umno's deputy president before former leader Dr Mahathir Mohamad ousted him in 1998, said that Najib's position is "very precarious" if he either loses the election or does worse than Abdullah.

"It's been widely talked about - he'll be removed either way," Anwar said in an interview last month, referring to Najib.

Mahathir, who led BN to five straight election victories before retiring in 2003, led calls for Abdullah to resign even before the last election. He's been more supportive of Najib, saying in an August interview that Najib leads a "weak government" and isn't himself the problem.

Last month, Mahathir helped Najib's wife, Rosmah Mansor, promote a biography in which she denied buying a RM24 million diamond ring or being present at the murder of Altantuya Shaariibuu, an interpreter who was the lover of the prime minister's former adviser.

Najib has denied any connection to the killing, for which two members of his security team were sentenced to death in 2009.

Najib's approval rating has climbed 16 percentage points from 45 percent in May 2009 shortly after he became prime minister, the Merdeka Center said in February. Some 56 percent of voters now think the country is heading in the right direction, compared with 42 percent four years ago, it said.

Najib declined to comment on a potential leadership challenge in an April 17 interview at his Putrajaya office outside of Kuala Lumpur, saying he was focused on winning as many seats as possible.

"A good election result settles everything," he said.

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