

Umno network key for Najib as 1MDB fuels flak

MalaysiaKini.com

July 21, 2015

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Malaysia Prime Minister Najib Abdul Razak's biggest source of support - his own party - could also be the most realistic threat to his leadership.

As the premier faces an investigation sparked by a *Wall Street Journal* report that US\$700 million (RM2.6 billion) may have wended its way into his personal bank accounts, the ruling coalition has swiftly closed ranks around him.

The probe has sparked a raid on the state investment company whose advisory board Najib chairs, and spurred calls to resign from opposition lawmakers and even former premier Mahathir Mohamad. But Najib continues his grip on power with the help of his United Malays National Organisation (Umno), which leads an alliance and has governed Malaysia since 1957.

Part of Najib's staying power reflects a lack of external threats, with the opposition bloc recently collapsing amid internal bickering. There are few signs of public discontent over the money trail claims.

Internally Najib has built a support network since coming to power in 2009 that ranges from government ministers to party division heads. He has rallied rank and file members with a variety of pro-Malay policies in the past 18 months. Najib doubles as finance minister and is also the party chief.

The biggest risk would be if party chiefs at some point decide he's become a potential liability to lead them into the next election, due to be held by 2018, especially as the coalition lost the popular vote for the first time in 2013 as non-Malay voters deserted it.

'Pockets of dissatisfaction'

"If you are asking me whether there are pockets of dissatisfaction within the party, then the honest answer is of course there is," said Syed Ali Alhabshee, an Umno division chief in Kuala Lumpur. "But is there a serious division within Umno, which is threatening to split the party? Of course not."

Ibrahim Suffian, an analyst at the Merdeka Center for Opinion Research, said Umno's chiefs may only move against Najib if discontent spills onto the streets.

“Umno division and branch leaders will have to see real public unhappiness with policies before they act,” he said.

The *Journal* reported July 3 that US\$700 million may have moved through agencies linked to debt-ridden 1MDB and ended up in Najib’s accounts. Najib says he has not taken money for personal gain.

Najib’s lawyers sent a letter to the *Journal* on July 8 asking for clarifications to its report. The paper said it stands by its coverage.

Audit report

Controversy over 1MDB’s finances has dogged Najib for months, though an initial audit report this month didn’t reveal any suspicious activity. The probes of 1MDB are now intersecting with the investigation into Najib.

“All these accusations against Najib, whether it is by the opposition, by Mahathir and by the foreign media, they are accusations against the party,” said Shahrir Samad, a lawmaker and Umno division leader for Johor Baru in southern Malaysia. “Everyone is united, defending the party.”

Najib’s office didn’t respond to requests for comment. Najib told Malaysians in a July 16 speech to be wary of internal and external threats, including interference from foreign powers that may undermine the country’s stability and sovereignty.

There are issues chipping away at the premier’s popularity. Economic growth is slowing and he’s still working to bed down an unpopular Goods and Services Tax. The most recent major opinion poll conducted in January showed his approval rating at 44 percent from 48 percent in October, near a record low of 42 percent at the start of last year.

Fading popularity

Najib’s predecessor Abdullah Ahmad Badawi stepped down in 2009 after the coalition lost its two-thirds majority in elections in 2008 - the worst performance since 1969. His popularity within Umno had faded, fueled in part by resignation urgings from Mahathir, whose influence then resonated among party members. But Najib has more support than Abdullah did.

“Najib is entrenched in this Umno-constructed Malay state,” said Clive Kessler, an emeritus professor at the University of New South Wales who has studied

Malaysian politics since 1969. "It is a fortress. He can't be budged from there."

He has also bought some insurance, postponing party elections scheduled for next year by 18 months. To be removed, more than half the division leaders in the party or two-thirds of the party's decision-making body must agree to call an extraordinary meeting. At the meeting, two-thirds of those who attend would need to vote for his ouster.

'Patronage system'

"Malaysia has a patronage system whereby the supreme leader has to take care of major honchos and so as long as he is able to satisfy their various demands and interests, they will rally around him," said Oh Ei Sun, an analyst at the S Rajaratnam School of International Studies in Singapore and Najib's political secretary from 2009 to 2011.

By law, donations to political parties are unlimited and parties aren't required to report how they spend funds. Umno's funds are highly disproportionate to other parties, according to Transparency International.

The government has made greater use of the Sedition Act and a new anti-terrorism law has elements of security measures repealed in 2012. Police have investigated or charged at least 78 people for sedition since the start of 2014, according to the office of the United Nations High Commissioner for Human Rights.

Website blocked

The *Sarawak Report* news website was this week blocked by the Malaysian Communications and Multimedia Commission, which said its content could destabilise the country. The site responded that the action was a "blatant attempt to censor" content related to 1MDB.

Najib has benefited from the implosion of the opposition bloc after the jailing of leader Anwar Ibrahim on sodomy charges Anwar said were false and politically motivated.

Umno's base is mostly ethnic Malay voters in rural areas where there is a heavy weighting of parliamentary seats. Roughly one in every 10 Malaysians are party members.

Najib's father, former premier Abdul Razak Hussein, crafted a system in the early 1970s to give preferential treatment to Malays and indigenous people, known collectively as bumiputeras. That system endures today.

Cash handouts have bolstered support among lower-income Malaysians representing about 40 percent of the population, according to National University of Malaysia professor Shamsul Amri Baharuddin. Annual handouts will rise to RM950 ringgit from RM650, Najib said in this year's budget.

Islamic credentials

Umno officials are also burnishing their Islamic credentials. Some lawmakers back the efforts of the opposition Parti Islam se-Malaysia to introduce sharia law in a PAS-held state.

While Najib enjoys the support of senior Umno officials, such as Home Minister Zahid Hamidi and Defence Minister Hishammuddin Hussein, some are more circumspect. Deputy Prime Minister Muhyiddin Yassin has urged Najib to give a convincing explanation or denial of the money transfer allegations, while saying the investigation should be allowed to run its course.

Musa Hitam, deputy prime minister from 1981 to 1986 under Mahathir, has urged Najib to step aside temporarily.

Some opposition figures say Najib's support may fade as the investigations roll on.

"Najib is comfortably ensconced in Umno for now," said Lim Kit Siang, a lawmaker and leader of the Democratic Action Party. Still, "there are people who are quietly questioning what he has allegedly done and how this economy is being handled. It is too ambitious to say that he will be around until the next general election."

- *Bloomberg*