

**Final fantasy: Abdullah's reform plans**  
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It took exactly seven months after a severe electoral setback for Prime Minister Abdullah Ahmad Badawi to announce that he will not defend the Umno presidency at the party polls next March.

abdullah ahmad badawi pm mahathir quits umno pc 190508 03The announcement, when it finally came on Wednesday, appears to pave the way for his deputy Najib Abdul Razak to take over both the party and the premiership. Umno had postponed its polls from December as part of the transition plan between Abdullah (right) and Najib.

It throws into doubt Abdullah's ability to implement the reforms he promised when he took over the reins in November 2003 from his authoritarian predecessor Dr Mahathir Mohamad, who has been sniping at his anointed successor ever since.

Voters rallied around the promise of change the following year, giving Abdullah a landslide victory, as his Barisan Nasional (BN) coalition swept over 90 percent of parliamentary seats with 64 percent of the popular vote.

Despite initial measures, Abdullah failed to deliver when it mattered most, especially in reforming the police and the judiciary and in stamping out widespread corruption.

Within four years, disillusioned voters deserted the ruling coalition in droves as the BN suffered its biggest electoral setback in the March 8 general election. It lost five states to the opposition as well as its coveted two-thirds parliamentary majority, winning just over half the popular vote. Abdullah's days were numbered, but still he clung on.

anwar pc permatang pauh 02 260808In August his administration suffered a further setback when former deputy premier Anwar Ibrahim (right) returned to Parliament as opposition leader after winning a by-election in Permatang Pauh.

The seat in Penang, Abdullah's home state, had been vacated by Anwar's wife Dr Wan Azizah Wan Ismail who heads PKR. Anwar's larger majority, coming just over four months after the general election, suggested that support for the BN may have waned even further.

By Sept 16, Anwar claimed he had secured the 31 defections that the opposition coalition Pakatan Rakyat needed to topple the federal government. But he said he was unable to take it further as Parliament was in recess.

Observers are now closely watching to see if those defections will materialise when Parliament reconvenes on Monday.

### **Alarming business data**

Abdullah's announcement five days ahead of that date suggests he has bowed to his party's demands for a change in leadership, perhaps to stave off the challenge not just from Anwar but from rivals camps within Umno.

But the clincher could have come from another source. His announcement came weeks after the business press in Malaysia reported alarming second-quarter figures indicating a substantial outflow of portfolio funds, offsetting gains in direct investment.

Although the surplus in the goods account in the second quarter was the largest since 2001 on the back of a 16 percent rise in exports, portfolio investments were leaving the country.

The tide turned as the first quarter's inflow of RM21 billion in portfolio investments swung to a net outflow of RM21 billion in the second quarter.

The outflow was driven "partly by unrelenting political tension since the ... general election and the broad sell-off of the stock market", reported business portal The Edge on Sept. 15.

The press - and crucially, the business community - also appeared to be warming up to Anwar, who believes in a 'market economy' balanced by 'humane' social policies. Pakatan state governments have also been touting their "pro-business" policies.

The writing was on the wall as Abdullah came under intense pressure from second echelon party leaders urging him to quit.

On Sept 17, the untested Najib (right) took over the powerful finance minister's portfolio from Abdullah, turning his defence portfolio over to Abdullah.

In another blow for Abdullah, de facto law minister Zaid Ibrahim, whom the premier had roped in to push forward his legal reforms, confirmed he was quitting in protest over the use of the Internal Security Act (ISA) on three people in September.

Abdullah has gamely vowed to carry through his reform programme for the rest of his premiership. He said he wanted to see through reforms to the judiciary, the police and anti-corruption agency.

But with Zaid gone and Najib - not known as a political liberal - breathing down the neck, few are betting that Abdullah, who could well become a lame-duck premier, will be able to rise to the challenge.

If Abdullah could not push through the reforms at the height of his popularity, how he is going to do it now, analysts wonder.

### **Permutations and alliances?**

Some suggest that Abdullah could have a trick or two up his sleeve. Asked who his successor would be, he replied: "I hope it is Najib. Why do I say hope? Najib has to stand for Umno elections first. Once he wins the elections and becomes party president then we will discuss it."

Cynics suggest this could leave some wriggle room for Abdullah or someone else to manoeuvre. Observers point out that Abdullah did not reach the nation's top post without being an astute, if colourless politician with staying power.

One dark horse is former finance minister Tengku Razaleigh Hamzah, (left) who had indicated he could contest for Umno's top post.

"I am confident I have a chance even if Abdullah does not contest as the people within and outside of Umno have accepted me," he said on Sept 27.

But that might be a tall order, as analysts believe he lacks grassroots support within the party.

Najib has been implicated in the murder of a Mongolian national - an allegation he has vehemently denied.

One of his biggest critics, blogger Raja Petra Kamarudin, who runs the hugely popular Malaysia Today website, has been detained under the ISA. He was also in court this week facing a charge of sedition for an article about the murder.

Significantly, Abdullah's reform agenda does not include a repeal of the ISA, which Pakatan has vowed to abolish if it seizes power at the centre. Civil society activists worry that Najib's ascendancy could mean a period of more authoritarian rule and a return of some of the old guard.

Mahathir himself has made it clear that the old guard did not take kindly to Zaid's ideas.

chedet mahathir blog 210508"Apparently without bothering to consult the cabinet or the prime minister he publicly proposed so-called legal and judicial reforms," wrote Mahathir in his blog.

"He proposed that judges should be appointed by a panel on which sit several members of the Bar Council. He did not think it odd that members of the Bar would in the course of their work be facing the judges they appointed."

Unsaid was the implication that an independent judiciary could threaten Umno's hegemony in the long run.

Meanwhile, all kinds of permutations and alliances are being talked about, including Razaleigh's suggestion for a 'unity government'.

For now, though, attention will shift to Parliament to gauge whether Anwar can push through a motion of no-confidence in Abdullah, either directly or indirectly.

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