

**Abu Dhabi-1MDB deal to help clear Najib's path for vote**  
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**Former aide to the prime minister says support base for Umno may have already moved past the 1MDB issue.**

KUALA LUMPUR: Barely two years after he was engulfed in a scandal over a state fund, Prime Minister Najib Razak is set to clear another hurdle to putting the furore behind him and calling an early election.

Malaysia is said to have agreed to pay Abu Dhabi US\$2.5 billion as a partial debt settlement for 1MDB, in a deal that's expected to be announced on Monday on the London Stock Exchange.

The initial resolution of the dispute with Abu Dhabi over the finances of 1MDB could help Najib move toward closure on a scandal that at one point raised questions about his ability to hold onto power.

Instead, with an election due by mid-2018 but potentially coming this year, Najib's grip on power is at an all-time high, said Oh Ei Sun, a senior fellow at the S Rajaratnam School of International Studies and former aide to the prime minister.

The rural Malay voters who form the support base of Najib's ruling Umno are very "forgetful and forgiving" and may have put the financial woes surrounding 1MDB behind them, Oh said. The prime minister already moved to consolidate his power in a party purge last year.

The brainchild of Najib to attract foreign investment, 1MDB accumulated billions of dollars in debt after its 2009 inception and is at the centre of multiple investigations from the US to Singapore in relation to alleged corruption and money laundering. A Malaysian parliamentary committee identified at least US\$4.2 billion in irregular transactions.

Najib and 1MDB have denied any wrongdoing.

Rural voters

"Urban Malaysians are frustrated because they are still angry, but they can do basically nothing about it," Oh said.

“All these years, Najib has assiduously built up Umno’s support base in rural areas. Rural constituencies will determine the next election” outcome, he said.

Under the deal with Abu Dhabi, Malaysia will also assume the coupon obligations for two dollar bonds issued by 1MDB and co-guaranteed by Middle Eastern sovereign wealth fund International Petroleum Investment Co, a person familiar with the matter said on Saturday.

1MDB and IPIC were locked in a tussle that spilled over to repayments on two sets of bonds issued by the Malaysian fund that led to a default in April 2016. The agreement will remove a key hurdle for Malaysia amid investigations from the US to Singapore, Hong Kong and Switzerland into alleged money laundering and embezzlement linked to 1MDB.

### Mahathir’s campaign

The furore over 1MDB, alongside hundreds of millions of dollars that appeared in Najib’s bank account before the 2013 election, set off the biggest crisis for Najib during his time in office. Former deputy prime minister Muhyiddin Yassin and Mukhriz Mahathir, the son of ex-prime minister Dr Mahathir Mohamad, were expelled from Umno last year.

Still, Mahathir, who has led a campaign to get Najib out of office, has struggled to lure Malay voters to a new party he has set up. Najib further bolstered his position this month by giving an extra role to his cousin, Defence Minister Hishammuddin Hussein, appointing him a minister with special functions under the prime minister’s office.

With the opposition group fractured by infighting over policies and how best to challenge Najib, the governing Barisan Nasional coalition led by Umno is predicted by analysts including Wan Saiful Wan Jan, head of the Institute for Democracy and Economic Affairs, to at least retain its parliamentary seats in the next election.

Still, lingering questions over 1MDB may come back after the vote, Wan Saiful said.

“Najib’s position as a prime minister going into the election is confirmed, it’s secured, there’s no question about that,” said Wan Saiful.

“The real problem with 1MDB is it raises the question what will happen to Najib after the election,” he said.

“After the election when the party is a bit more secure, they are more comfortable in their place, Umno is back in government – they will start thinking: now we have five years to deal with any problems that arise, maybe it’s time to think about whether Najib can continue to lead Umno or not.”

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