

With GE14 in mind, Najib keeps lid on FGV turmoil

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Malaysians are unhappy with recent scandals and the state of the economy, forcing the government to take measures to keep the situation, especially at FGV, under control, says report.

KUALA LUMPUR: The recent measures by the government to prop up troubled Felda Global Ventures has been done with the general election in mind, says a report.

With GE14 less than a year away, the government does not want problems at FGV to spiral out of control, according to the Nikkei Asian Review (NAR).

“(Prime Minister) Najib Razak’s intervention is also seen as a way to keep a lid on discontent among settlers who have seen their income shrink due to weak palm oil prices.

“Some who own shares in FGV have also been hurt by the sharp drop in share prices.”

FGV’s stock has fallen by two-thirds since it was listed in June 2012.

NAR quoted James Chin, a professor at the University of Tasmania in Australia, as saying Najib was worried about FGV becoming a political scandal before the election because about a quarter of all constituencies were in or near Felda settlements.

The NAR reported that expectations had been high when Zakaria Arshad was appointed president of FGV a year ago, as net profit at the state-backed plantation operator had slid from RM981 million in 2013 to RM117 million in 2015, largely due to lower crude palm oil prices.

However, FGV appears to be in more trouble than ever, with a tussle at the highest levels of the company, which led to Zakaria, and three other senior executives, being asked by the FGV board to go on forced leave pending an investigation into alleged irregularities involving subsidiary Delima Oil Products Sdn Bhd.

FGV is 34% owned by the Federal Land Development Authority or Felda, which was set up to distribute agricultural land to ethnic Malays under a poverty elimination programme, says the NAR report.

About 112,000 Felda settlers nationwide continue to benefit from state handouts in the form of subsidised fertiliser and low-interest loans and this has helped ensure the ruling party’s control in rural constituencies.

Najib's office reacted swiftly to the FGV boardroom tussle by removing chairman Isa Samad. The Malaysian Anti-Corruption Commission has begun a probe into mismanagement at FGV.

NAR noted, though, that Isa was immediately appointed to head the Land Public Transport Commission and that the transfer went ahead despite an ongoing corruption and abuse of power probe of Isa and his wife.

It said the turmoil at FGV came at a time when public sentiment towards state-backed companies was at a low ebb, particularly due to the bailout of loss-making Malaysia Airlines in 2014, and mismanagement at sovereign wealth fund 1Malaysia Development Berhad and, more recently, at Proton Holdings.

NAR reported that public support for the government's handling of the economy was at 24% in March, an improvement over the 17% recorded a year earlier, according to a poll conducted by the Merdeka Center for Opinion Research.

Even then, it shows that many Malaysians are not satisfied with the state of the economy, especially with rising prices.

S&P Global Ratings had said on June 22 that the political challenges stemming from the corruption allegations at 1MDB could pose problems for Malaysia's sovereign rating over the near to medium term.

However, NAR noted, pundits were still predicting a win for the ruling Barisan Nasional because the opposition coalition remains fragmented.

"For Najib, whose image has been tarnished by the scandal at 1MDB, the margin of victory must be large to be taken as a sign of a new popular mandate. If not, he risks being booted out by his own party," said the NAR report.

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