

Rift threatens Malaysia overhaul

By Hasan Jafri

KUALA LUMPUR—An escalating feud between Malaysia's prime minister and his outspoken predecessor is unlikely to unseat the government but could slow plans to overhaul the economy.

Nearly three years after he retired from politics, former Malaysian Prime Minister Mahathir Mohamad has emerged as a harsh critic of his hand-picked successor, Abdullah Ahmad Badawi. Dr. Mahathir has accused Mr. Abdullah of breaking unspecified promises and has claimed a coterie of unelected advisers—led by the current premier's son-in-law—are running the country.

While Malaysia seems unlikely to sink into a major political crisis like neighboring Thailand or Taiwan, the ruling United Malays National Organization, or UMNO, party is shaken, and financial markets are edgy. Some worry that a battle will weaken Mr. Abdullah and delay promised changes to the economy.

There could be "policy paralysis" in Malaysia if the Mahathir-Abdullah feud continues, says Bridget Welsh, an expert on Southeast Asian politics at Johns Hopkins University in the U.S.

Mr. Abdullah has staked his po-

AWST - 31712006
litical future on a 220 billion-ringgit (\$59.86 billion), five-year government spending plan, announced this year, to bolster the domestic economy and overhaul state-owned companies. He has moved to repair Malaysia's relations with Singapore. His government is also negotiating a free-trade pact with the U.S., which Dr. Mahathir opposes.

Mr. Abdullah has also promised to depoliticize the judiciary, shake up the police, and make changes to education and health care. So far he has made little progress on these fronts.

The Kuala Lumpur Composite Index is up just 1.8% this year, partly weighed down by concerns that if Mr. Abdullah remains preoccupied with defending his turf, crucial measures such as improving state-owned companies—many of which are listed—could stall.

Malaysian Airline System Chairman Munir Majid, the president of the Kuala Lumpur Business Club, said recently that the public should continue to support Mr. Abdullah. Dr. Mahathir's remarks, he said, were "very distressing for business."

"It must be hoped it does not develop into a destabilized political environment," Mr. Munir said in a statement. "When there are sharp interjections from a respected former prime minister, they could cause disunity, which is a serious threat to stability and certainty."

The rift comes as Mr. Abdullah appears vulnerable for the first time since he assumed office in October 2003, and six months later won an electoral mandate on a platform of transparency, good governance and reforms.

The rising cost of living, due largely to high petroleum and power

prices, has dented his popularity. Canceling some of Dr. Mahathir's costly planned infrastructure projects has also made enemies of some members of his party and elite businessmen.

But for now, Mr. Abdullah's hold on power remains intact. In recent weeks, UMNO has publicly endorsed his leadership, and potential successors, such as Deputy Prime Minister Najib Razak, have pledged support.



Mahathir
Mohamad