

# Umno troubles won't hit M'sian economy

BT-27-JUN-2006

THE war of words between former Malaysian premier Mahathir Mohamad and the administration of his successor Abdullah Ahmad Badawi has understandably attracted much attention. The former prime minister's persistent attacks on Mr Abdullah's decisions to reverse some key policies and projects, especially the proposed bridge to replace the Causeway linking Singapore, have raised the political temperature within Umno, the dominant partner in the ruling coalition.

Members of Umno's Supreme Council have rallied to voice their support for Mr Abdullah and his deputy Najib Razak. But there are signs that some others in the three-million strong ruling party may not share the same sentiment. In fact, there is even concern on whether Dr Mahathir's criticisms will split Umno.

But too much can be made of political wrangling within the party. In his time, Dr Mahathir too was roundly criticised by his predecessors for some of his policies, without creating too many problems. Certainly it may affect some government policies but, as in the past, it is not

likely to hit the economy as a whole.

Again, when the party was rocked by Dr Mahathir's sacking of his previous chosen successor Anwar Ibrahim during the financial crisis of 1998, Dr Mahathir did not lose grip of the economic machinery. In fact, the removal of Mr Anwar enabled Dr Mahathir to pursue a series of radical steps — capital controls, the pegging of the currency, halting the trading of Malaysian shares on Singapore's Clob International, massive pump-priming measures and the restructuring of government-linked companies — some

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of which may have helped the Malaysian economy ride out the storm.

Similarly, Mr Abdullah is not likely to lose sight of the economic agenda despite the views of his former boss. The country's economic institutions and policies are in place following the restructuring in the last eight years. Capital controls have been rolled back and the ringgit has been re-floated. The economy is expected to expand

at an average annual rate of 6 per cent over the next five years, compared with 4.5 per cent from 2001 to 2005. Despite the political drama, Mr Abdullah has repeatedly voiced his resolve to implement projects under the Ninth Malaysia Plan.

In any event, the premier's decision to step up spending under the latest five-year spending plan may help win support from people who depend on government patronage, and thus draw support away from Dr Mahathir. More importantly, the domestic political fight is not likely to result in a change of the political leadership in the immediate future. Umno elections are not due until the middle of next year, although there is increasing talk that they could be shelved to help avert a tussle. And the government has until 2009 to stage the next general elections.

Foreign investors, who have seen political paralysis in neighbouring Thailand and who may think Malaysia may be similarly hit, would do well to recall that none of the previous fallouts within the party have affected Malaysia's economic and political continuity.