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1MDB Crisis and Political Funding: Whither Malaysian Politics?

By Yang Razali Kassim

Synopsis

As the Malaysian political crisis deepens over the 1MDB controversy, Prime Minister Najib Razak fights for his political survival amid a landscape of uncertainty.

Commentary

MUHYIDDIN YASSIN, UMNO's deputy president, cuts a cool composure. He remains calm and resolute as party Number 2 despite his dismissal as deputy prime minister by Prime Minister Najib Razak, reportedly with the backing of a majority of UMNO's influential caucus of division chiefs.

The night after he was sacked on 28 July 2015, Muhyiddin's wife was gripped by intense rumour that her husband was about to be arrested. Muhyiddin called his successor, Ahmad Zahid Hamidi, to seek confirmation. When Zahid finally called back at two in the morning, Muhyiddin asked: "So is your first job as the new deputy prime minister to catch an old one?" Recounting his post-sacking experience to a gathering of party supporters in his home state, Johor, Muhyiddin said: "He (Zahid) told me not to believe rumours; 'you can sleep peacefully tonight'."

Political earthquake

Indeed, Muhyiddin has pledged to remain loyal to the party. But he let it be known that he was still UMNO's elected deputy president – second only to Prime Minister Najib who dropped him from cabinet for being openly critical over the deep controversy in 1MDB, a state investment fund advised by Najib. More tellingly, Muhyiddin made clear that he would not be silenced over 1MDB as it was "too big an issue" for him, as a loyal deputy leader, not to be concerned about. This is as good as laying the groundwork for an inevitable clash of wills down the road.

1MDB is the epicentre of Malaysia's latest political earthquake, shaking Najib's government to the core and splitting the political leadership. It was triggered by foreign media allegations of 1MDB funds going into Najib's personal account, which Najib contests. When the controversial articles by the Wall Street Journal and whistle-blower Sarawak Report broke out, Najib denied the funds were "for personal gain". A special inter-agency task force was immediately formed to investigate the allegations.

As the crisis gets more convoluted, two significant developments have emerged. The first is the growing split within Najib's dominant UMNO, with reports of a possible revolt by Muhyiddin loyalists from his home-state of Johor. This is also the proud birth place of UMNO – ruled traditionally by head-strong Sultans. By the third day after Najib sacked his deputy premier and the attorney-general, among others, a second shift emerged, this time in the 1MDB narrative.

There was a gradual admission of the existence of an UMNO political fund, which hitherto had never been openly talked about. Firstly, statements by top UMNO leaders conceded that there is such a thing as a trust fund held in the personal account of Najib, as allowed under UMNO's party constitution. Secondly, the fund is not from 1MDB but is a "political donation".

The anti-corruption commission, upon investigation, declared that the US\$700 million – equivalent to 2.6 billion Malaysian ringgit - was from a private Middle Eastern donor, not funds from 1MDB. Najib took the counter-narrative a step further when he said he would be tabling a transparency bill on political funding to parliament soon and challenged the opposition to declare their own funding sources. The opposition accused him of trying to turn the tables.

The emergence of the political funding, not surprisingly, has opened up a new hornet's nest. It was immediately criticised by many as a tactic to deflect attention from the 1MDB crisis. With the monies declared to be party donation funds, UMNO leaders felt justified to defend Najib as party president. His fiercest critic, former Prime Minister Mahathir Mohamad, however, disclosed that in his time, there was no such thing as a personal account for party funds, though there was a party trust account held by three trustees, with him being one.

Mahathir said if the political donation had funded UMNO's campaigns in the 2013 general election, then the huge amount could have been in breach of election rules on the limits of political funding. If true, there could also be wider implications on the legitimacy of the last elections.

Najib's manoeuvring amid leadership crisis

The new tussle over party political funding appears to be buying Najib some time as he manoeuvres to buttress his position and possibly even crush his critics. True enough, a warrant of arrest has been obtained for Claire Rewcastle-Brown, the founder of Sarawak Report which blew the whistle on the 1MDB controversy.

The high-powered Special Task Force set up in the immediate aftermath of the expose has now been disbanded. To add to the convulsion, the police have arrested investigators from the task force's anti-corruption team, provoking accusations of questionable interference by the police. The opposition and civil society have now rallied behind the anti-corruption commission amid what appeared to be an unprecedented inter-agency conflict. With some UMNO leaders also voicing alarm, the incipient clash between two law enforcement bodies has since died down.

Indicative of what is to come, a commentary in The New Straits Times on 2 August 2015 by its group editor, Jalil Hamid, hinted at more changes afoot, "including in key UMNO positions at the party headquarters and state liaison chiefs". Further, "Some top-level reshuffle involving key government entities and government-linked companies is also being planned".

Going by this commentary, Najib's next move appears to be a counter-offensive painting himself as the victim of an international "conspiracy" out to "criminalise" him. The opinion-page article headlined "Who are the conspirators?" quoted the police chief as not ruling out "the possibility of a conspiracy to topple the prime minister undemocratically".

While Najib appears to have strengthened his hand for now by acting tough, which he claims is to preserve cabinet cohesion, this is unlikely enough to fundamentally resolve one of Malaysia's most sensational political crises. Indeed, this imbroglio has only just begun.

Should Najib survive this, it is hard to imagine how he would emerge unscathed. Already, rumblings have emerged within UMNO calling for Najib to step down - echoing Mahathir. More critical for UMNO is whether the ruling Barisan Nasional coalition it leads will retain power in the next general election, having lost the popular vote at the 2013 polls despite winning more than half the parliamentary seats.

As Malaysian politics enters yet another explosive and unpredictable phase, a key question remains: Where will this all lead to?

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