

Malaysia's cabinet compromise: Allies rewarded, rivals kept at bay...for now

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Fundamentally, Muhyiddin Yassin's cabinet is a grand compromise designed to appease key factions and keep potential rivals at bay, with some "technocratic" appointments thrown in to generate some goodwill. Muhyiddin's highly anticipated Cabinet line-up is what one would expect from a leader tasked with returning some semblance of political normalcy while solidifying a volatile coalition (National Alliance—PN) made up of competing interests. Tellingly, no senior party leaders with corruption cases or 1MDB-related charges were included in the line-up.

Sources informed Vriens & Partners that faction leaders within PN (coup plotter Azmin Ali, UMNO President Zahid Hamidi and Najib's cousin and former Defense Minister Hishammuddin Hussein) actively lobbied for the deputy PM post. Keen to diffuse any power struggle in the near term, Muhyiddin removed the position entirely, putting in place instead four senior minister posts which he said would "ensure a functional Cabinet that will deliver service that is more focused."

Technocratic appointments for the Finance and Religious Affairs portfolios came as a surprise. Former CIMB Group CEO Tengku Zafrul Abdul Aziz for finance is good optics during the current economic crisis. His appointment also addresses the concern among Malays that the minority ethnic Chinese had outsized control under PH (the previous minister was Lim Guan Eng from PH's DAP party). However, Tengku Zafrul's familial ties (by marriage) to Muhyiddin have raised questions as to how much leeway he will have in exerting his own stamp on fiscal policy, while navigating the demands of Muhyiddin's direct political appointee.

Kuala Lumpur Mufti Zulkifli Mohamad Al-Bakri for Religious Affairs is a positive, as the presumption was for a senior cleric from Islamist party PAS to be rewarded with the post. Zulkifli is a progressive cleric, with strong credentials in interfaith dialogue. PAS leaders were instead rewarded with three posts (Law, Environment, and Plantation and Commodities) with its chief, cleric Hadi Awang, remaining as a senior backbencher. For now, a bloated cabinet with 70 ministers and deputy ministers—the second highest in history—should mean that all key players are sated.

However, there are already rumblings within UMNO that Muhyiddin was 'disrespectful' by not according party president Zahid the post of deputy prime minister which the latter actively lobbied for. Down the line, UMNO will revisit ways to assert its dominance by pressuring Muhyiddin to accede to some of its demands to maintain PN's cohesion.

The new PM's challenge is not just with UMNO, but more importantly within his own party, Bersatu. The timing for party elections for senior leadership posts could not be worse; they are scheduled to take place within the next month amidst deep schism between Muhyiddin's and Mahathir's factions. Should Muhyiddin and his party leaders emerge on top, as expected, this would mean a wipeout for Mahathir, his son Mukhriz and young protégé Syed Saddiq, the former youth minister. At that juncture, Mahathir's associates will have two options, either abandon their principle of not collaborating with UMNO *en bloc* and cross over to join the PN government, or leave the party and associate themselves with PH.

Political operatives Vriens & Partners spoke to say Muhyiddin has sent interlocutors to broker a 'peace treaty' with Mahathir to end Bersatu's schism and get the former PM to support the new government. If this works, PH will revert to being a coalition of its original constituents (Anwar's PKR, ethnic Chinese DAP and PAS-splinter Amanah). Sabah state's Warisan would likely shift support to PN, having previously made clear that its allegiance to PH is tied to Mahathir.

Azmin Ali, a key plotter in the recent coup, will present another challenge for Muhyiddin. Muhyiddin's decision to move Azmin to MITI — instead of Finance or even his previous Economic Affairs portfolio, two ministries with much larger development budgets — curtails his influence and strips him of ability to immediately gather the resources necessary for a rebellion against Muhyiddin. For now, Azmin will bide for time while building a name, presence and position for himself in his new party.

Vriens & Partners understands that PH has not decided on whether it will continue to challenge Muhyiddin's support when Parliament reconvenes in May or accept its role as a federal Opposition. Anwar's PKR is still insistent, but DAP is keeping an eye cast towards 2023. For PH, there is little option but to reflect and decide on next steps. For now, the only course of action the coalition has is to keep Mahathir and Sabah's Warisan in their camp to ensure that at the very least, they can emerge as the strongest federal opposition in history.

Incessant politicking has limited the new government's articulation of policy, and there is little incentive for the new government to depart significantly from PH's policies, at least in the near term. Muhyiddin's immediate priority will be on propping up the economy by ensuring that the USD 5 billion COVID-19 stimulus package (announced by Mahathir in his last days in office) is implemented smoothly. However, cuts to federal expenditure are inevitable if oil prices continue to tank. Maintaining whatever is left of foreign investors' confidence will also be crucial. The narrative will be that the government machinery, well-oiled by a professional civil service, continues to turn despite recent tumult.