

Najib may call early polls to stem party dissension

MalaysiaKini.com

January 10, 2012

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Prime Minister Najib Razak may call elections as early as March to stay ahead of a weakening economy and dissension within his own party made worse by Monday's acquittal of Opposition Leader Anwar Ibrahim.

It will pit Umno that has ruled since independence in 1957, against Anwar and his promise of sweeping reform, including scrapping a system that gives Malays preference over ethnic Chinese and Indians and which many contend is holding back the southeast Asian nation.

Najib at Pandan Umno AGM "The focus is not so much on Anwar now but on Najib. He has to move on and keep Umno loyal to him," said a senior Umno official who is involved in party leadership discussions and spoke on condition of anonymity because he is not authorised to speak to the media.

"I see the elections by March, April, before Umno party polls. Najib's biggest worry is not the general election but the Umno party polls because there is a sense among the hardline Umno grassroots that Najib has been too lenient and he needs to keep their support to survive," the official said.

A Malay-language newspaper affiliated with Umno echoed those concerns when it griped, a day before the verdict acquitting Anwar of sodomy charges, about a police decision to allow the opposition leader's supporters to protest outside the courthouse.

"It is easier to be bad and naughty boys so as to get attention and good treatment," it said.

National elections are not due until 2013, but Najib is widely expected to schedule them this year.

One key reason for calling them earlier would be to get in ahead of Umno's internal elections most likely starting in the second half of 2012.

Najib is also mindful that he would likely lose votes if he waits until a weakening global economy eventually takes its toll on Malaysia's export-led growth.

His ruling coalition suffered its worst election performance in 2008.

Anwar was charged with sodomy about three months after that election, bolstering his contention that the accusation was politically motivated. He was previously convicted of sodomy and jailed, but released in 2004 when the verdict was overturned.

Worsening economy

This week's Anwar acquittal may in fact help Najib.

"(It) could prompt a significant number of uncommitted voters, particularly among the urban middle class, to look more favourably on the course being steered by Najib," Barclays economist Rahul Bajoria said.

"More importantly, from a medium-term perspective we think the verdict eliminates a key source of political uncertainty, which has clouded previous elections and the general investment climate," Bajoria wrote in a note to clients.

Many Malaysia watchers said Anwar behind bars might have proved a more powerful unifying force for the opposition - a hodge-podge of social liberals, ethnic and religious minorities and a conservative

Islamic party.

NONE Prosecutors are still weighing whether to appeal the verdict, which means Anwar cannot put the case completely behind him.

"I do not see Anwar destabilising Umno in the general elections because there is still a mistrust of Anwar among the Malay voters," the Umno official said. "Like it or not, he is tarnished."

The economy may do more to cement opposition than Anwar can.

"It comes down to the economy," a senior government source said, when asked whether the Anwar verdict would have any bearing on the timing of the election. The source asked not to be identified because of the sensitive nature of the issue.

Malaysia's economy has so far weathered the global slowdown better than some neighbours. But it is widely forecast to slow in 2012 and stubbornly high inflation is already pushing down Najib's popularity.

Glow from 'goodies' may fade

Malaysia's exports are roughly as large as the country's entire annual output, leaving it vulnerable to swings in global demand. A 2011 deficit estimated at 5.4 percent of gross domestic product limits the government's ability to provide significant stimulus spending.

"The longer you wait, the greater the (economic) uncertainty," said Lim Kit Siang, a veteran lawmaker with the opposition DAP, who said elections would probably be held by June.

malaysia stock exchange market klse 141008 02Data released on Tuesday showed November industrial production slowed more sharply than economists had predicted, which bodes ill for fourth-quarter growth.

First-quarter figures will begin trickling out in April, but GDP is typically released about seven weeks after the quarter ends.

That means Najib's coalition could hold elections as late as mid-May without having to worry about the possibility of weak first-quarter growth numbers swaying voters.

The window of opportunity may close soon after then.

The government recently handed out cash payments of RM500 to households earning RM3,000 or less per month, and increased pay and pensions for civil servants.

The glow from those goodies will fade with time.

"Although I think it (the election) can be as early as March, it could be dragged till June or July," said Mohd Hatta Ramli, election director for the opposition PAS.

"But it cannot be too late because the effect of the handouts will disappear. Najib has to balance this."

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