

**Najib most likely to opt for early polls**  
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Malaysia's reluctance to upset its majority Malay population has led to reversal of government decisions and reform pullbacks that are fuelling talk Prime Minister Najib Razak may be readying for a snap election.

The government last week decided against issuing a gambling licence to quell mounting public anger in the mainly Muslim country. This followed postponements on a Goods and Services Tax in February and a scheduled fuel price hike in May.

Analysts say Najib's wariness of upsetting the country's critical voting bloc signals possible early polls that are not due until 2013, but which he could call as soon as next year amid a recovering in the economy, which shrank 1.7 percent in 2009.

"The stars really need to be aligned, but as soon as Najib feels he has delivered on at least some of his promises and the economy remains decent, he will call for elections," said political analyst Ong Kian Ming from UCSI university in Kuala Lumpur.

Following are scenarios on possible election timelines:

Early polls next year

Most likely. A strong win in an early election would give Najib, who took office in April last year, the political mandate to break through resistance to reform from sections of the Malay majority who fear their rights are under threat.

Najib has pledged pro-market economic reforms to lure lagging foreign investment and turn around his ailing coalition.

He has tried to woo alienated ethnic Chinese and Indian minorities who abandoned the ruling coalition in the last national election in 2008, leading to its unprecedented losses, but there are few signs that he can win them back by next year.

His BN coalition would thus need to rely on support largely from Malays, who make up 55 percent of the country's 28 million population and are favoured under a four-decades old race-based economic policy that critics say hurts foreign investment and fosters corruption.

This will mean that reforms enacted in the run-up to the polls will be selective and politically expedient, analysts say.

Najib holds back, polls in 2012 or 2013

Less likely, though the ideal option for Najib. Holding back would give him time to rebuild minority support and implement reforms such as the GST, fuel subsidy cuts and further market liberalisation while managing any potential backlash.

The economic reform measures, if enacted in full, would create a positive market impact, said Macquarie Research in a report.

"Private investment would be boosted by deregulation, government-linked company margins would rise with efficiency, consumption rises with income, and the ringgit would appreciate," said the report.

Delaying polls could bring greater political and economic pay-offs but also carries greater potential risk for Najib.

Waiting could give the opposition more time to consolidate its own support base and result in Najib failing to regain the ruling coalition's once iron-clad two-thirds majority in parliament that it lost in the 2008 polls.

Such an outcome would leave Najib's vulnerable to challenge from within his party, increasing political instability.

The Anwar effect

Opposition Leader Anwar Ibrahim is currently on trial for sodomy, and the reaction of his supporters in the event of a conviction in the case that is set to conclude at the end of August would have to be factored into the timing of an election.

Anwar says the case against him is a political conspiracy, while the government insists he will get a fair trial. It is hard to predict the depth of anger that a conviction would trigger.

Having Anwar out of the picture may jeopardise the opposition's momentum, but it could also galvanise the opposition further and lead to a repeat of demonstrations that shook the capital after his sacking as deputy prime minister in 1998.

Any marked increase in political tensions could see polls being delayed and cause a negative market reaction, with more foreign money pulled from stocks, bonds and the ringgit.

However, with limited foreign portfolio investment still in the country, the impact will be muted.

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