

Najibnomics under scrutiny
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ANALYSIS Malaysia's tame effort to trim its subsidy bill will be attacked by the country's opposition parties tomorrow as they seek to rally support for a planned protest in Kuala Lumpur.

Two weeks ago, Prime Minister Najib Abdul Razak announced petrol prices would be hiked by 2.8 percent, liquefied petroleum gas by 5.7 percent and sugar prices by 15.2 percent.

The petrol price hike was around half that recommended by a government think tank advising on subsidy reform, and there was no commitment to price hikes for gas, electricity and rice.

The cuts will save RM750 million this year. Subsidy spending was RM24.5 billion in 2009.

Disruptive mass protests are unlikely as Malaysians are only paying around an extra 94 US cents to fill up a family saloon.

Recent political protests here have been small and the police act quickly to break them up.

Even the sodomy trial of Anwar Ibrahim has failed to garner mass protests unlike at the time of his previous trial.

Those most hard-hit by the price hikes are rural Malays who are more likely to support the government than the opposition.

The opposition will most likely use protests to highlight what it says is continued corruption and waste in government. Anwar himself supports reform of subsidies.

Are investors buying Malaysian reforms?

There are few signs investors are making big bets on economic reforms pledged by Najib.

While the Indonesian stock market has surged 20 percent this year to record highs, Malaysia has risen just 5.7 percent. Foreign ownership of Malaysian stocks is 20.6 percent of market capitalisation, according to data from Bursa Malaysia; that figure has been static since Najib took office in April 2009.

Foreign direct investment (FDI) inflows were USD1.38 billion (RM4.43 billion) in 2009, less than a fifth of those in 2008, according to UN data.

Even though one year's data does not necessarily represent a trend, flows into neighbouring Thailand and Indonesia held up far better during the recent global economic crisis.

Malaysia has seen its share of FDI into Southeast Asia slide over the years.

That means market reaction to protests will be muted too.

Why were the subsidy changes so cautious?

Najib doesn't want a repeat of the 2008 polls when the BN government suffered record losses in national and state polls, losing its cast-iron two-thirds parliamentary majority.

Najib cannot afford to alienate rural Malay voters who are being wooed by an opposition Islamist party.

The government won the support of 58 percent of Malays in the 2008 polls, down from 63 percent in 2004.

Najib faces state polls in Sarawak, known as the BN's "fixed deposit", before mid-2011. Sarawak provides a fifth of the government's Mps.

If the Sarawak polls go well, they could tempt Najib into an early national election, some political analysts say.

azlanAn early election would be before 2013, although Najib has emerged as a cautious leader rather than a risk taker.

With oil prices around half their recent peak, Najib faces fewer pressures to take drastic action to cut the budget deficit, which will likely come in smaller than the 5.6 percent forecast this year thanks to stronger than expected economic growth.

Does Najib face an internal political challenger?

While Najib's electoral performance in recent by-elections, with one parliamentary seat win and one state seat win, has been little better than his predecessor's, he does not face any serious challenge to his power at the moment.

Some press reports have identified potential rival power bases emerging in Umno, the largest coalition party.

These centre on Najib and his deputy, Muhyiddin Yassin, a conservative. So far no split has appeared and Muhyiddin, whose call to oust Najib's predecessor propelled Najib into power, has been loyal.

However, Umno does face serious problems.

In Selangor state, Malaysia's richest that abuts the capital of Kuala Lumpur, splits are appearing in the party.

Najib's key performance indicator is to win back Selangor which The government lost for the first time in 2008.

Internal Umno battles over power and money are also playing out in some of Malaysia's other 13 states.

- Reuters

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