

Najib to rally party to change ahead of polls
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Prime Minister Najib Razak is expected to seek his party's backing at its annual meeting from Thursday to push through key changes to convince increasingly impatient investors he is committed to reforms.

Resistance to change within Najib's (Umno) has cast doubt on his resolve to effect promised policy changes as the government gears up for a national election expected next year.

"Najib's biggest challenge is to reform Umno consistent with his vision yet carrying the party ground fully with him," said Yang Razali Kassim from the S Rajaratnam School of International Studies at Singapore's Nanyang Technological University.

Najib took office last year pledging to liberalise the economy to draw in investment, revise a decades-old race-based policy and clean up a political patronage system that critics say breeds corruption.

But his reforms so far have yet to win over critics who say he has avoided crucial changes craved by foreign investors.

A key point would be altering an economic policy that favours the country's ethnic Malay majority, a prickly issue that Najib has struggled to address without upsetting his core voter base.

The government has also appeared slow to overhaul a subsidies system which economists say undermines Malaysia's competitiveness and has twice delayed a goods and services tax that would help tackle a budget deficit.

Election losses

The prime minister's coalition has suffered a string of by-election losses and faces two similar contests next month followed by a state election in Sarawak.

He needs to score well in all three races to signal a turnaround in the coalition's fortunes.

Since he took over in April 2009, Najib has relaxed rules that require Malays, Umno's voter base, to own 30 percent of listed companies. He has also freed up the banking and fund management industries to more competition.

While hot money has flowed into the Malaysian bond market this year reversing outflows in 2008 and 2009 and pushing the ringgit currency to 13-year highs against the dollar, Malaysia has slid off the investment map for many.

Foreign ownership of listed firms stood at 21.2 percent of market capitalisation last month, down from 26.2 percent in 2007.

Najib has warned Umno to "change or be changed" but there has been little enthusiasm for reform in the party of 3.4 million, the mainstay of the ruling coalition.

The party endorsed proposed changes last year to open internal party elections to stem

vote buying, but there has been little progress in cleaning up an entrenched patronage system.

"Many in Umno are still not taking up the call for change. They're still mostly talking about how to get access to government contracts," said Ramli Yunus, an Umno grassroots official from Kedah.

- Reuters

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