

PM failing to win back voters
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Prime Minister Najib Razak heads into his party's annual meeting next week promising reforms to stem corruption in a bid to reignite the waning appeal of a government that has ruled for 52 years.

Najib is also hoping for victory on Sunday in the safe state seat of Bagan Pinang in Negri Sembilan to stem a series of by-election losses his governing coalition has suffered since last year's poll debacle.

Umno will applaud Najib if former cabinet minister Mohd Isa Samad, sacked in 2004 for buying votes, wins the seat - before they turn their attention to party reforms aimed at eliminating the kind of "money politics" and corruption that has long tainted Umno's image.

Corruption has seen a generation of young Malays desert Umno, the party of their parents, in favour of PAS, which promotes both an Islamic state and a strong anti-graft stance.

Although Najib, who has enacted economic reforms to boost foreign investment, initially saw a spike in his approval ratings to 65 percent in July from 42 percent before he took office in April, those numbers haven't held up.

A poll by the independent Merdeka Center published today showed Najib's rating had fallen to 56 percent in September and there are few signs younger voters are now embracing Umno.

"Now that another Malay party (PAS) is in power, they (Umno) seem to be sabotaging them, creating all sort of problems," said Yusuff Ismail, a 35-year old sales clerk in Kedah, one of the four states to fall to the opposition in 2008.

"This divides the Malays more," Yusuff said. "More people will vote for PAS because at least we know they are cleaner."

While Najib's economic reforms have chipped away at a three-decade old affirmative action programme that gives Malays, 55 percent of the population, preferences in company ownership, government contracts, education and housing, tough areas have not yet been touched.

The government has recently been hit by a multi-billion dollar corruption scandal over the construction of a free trade zone in Port Klang - the country's biggest port.

Critics have charged it has been covered up.

"What worries me is that Najib worries there could be more (corruption) incidents in Umno. Then it will be a problem he can't control," said a senior Umno official who leads one of the party's 191 divisions.

Money has not follow reforms

Najib, who has pledged to return Malaysia to six percent annual economic growth and to draw in more foreign investment, has won plaudits from investment banks for the economic

reforms

he has announced so far.

These reforms include reducing requirements that Malays own 30 percent of listed companies, opening up the insurance and fund management industry and other service sectors.

While praise has flowed, money has not and foreign ownership of the equity market remains mired at a touch over 20 percent, according to stock market data, its lowest level since the 1997 Asian financial crisis.

An Oct 4 report from Deutsche Bank noted that despite what it termed "bold" reforms from Najib, some investors had reduced Malaysia's equity market, once a regional leader, to a "rounding error" when making their portfolio allocations.

"Politics matters more than ever for this market, especially when investors' confidence in Indonesia's political system has improved significantly over the last month," the report said.

Indonesia's stock market is Asia's best performing this year and has gained 86 percent thanks to the re-election of reformist President Susilo Bambang Yudhoyono while Malaysia's market is Asia's worst performing.

According to the Deutsche Bank report, government-related entities own 39.4 percent of Malaysia's equity market and that reduces the country's attractiveness to fund managers.

Bolder reforms, such as moves to reduce the ownership of the state and state-linked pension funds in major companies, and slashing an overmanned civil service, will be much harder as they will have a direct impact on jobs for Malays, Umno's voter base.

Bridget Welsh, a Malaysia expert at Singapore Management University, said bolder reforms risk alienating Umno's core voters. "The reason for the failure to bring about reform is Umno's dependence on race and goodies for its survival."

BN may not fare any better in 2013 polls

Najib also faces huge problems rebuilding Umno's coalition allies who also lost heavily in the 2008 elections.

MCA, the second biggest government party, is mired in a leadership battle that will climax at a special party meeting this weekend.

MIC has just been through a leadership fight and shows few signs it is reconnecting with its voters after being annihilated in the 2008 elections.

Najib has sought to defuse racial tensions by launching a racially inclusive campaign called "1Malaysia", dismissed by critics as little more than a branding exercise.

"The strategy is to pledge a yet unsubstantiated programme of '1Malaysia' while on the ground running campaigns based on the outdated model of race and money," Welsh said.

The Umno division leader does not see much chance BN will fare any better at the 2013 general election than it did in 2008, raising the prospect of a prolonged period of political uncertainty that will further unnerve investors.

"I foresee there will not be a change of government, but it will not be a strong vote for both sides and that is bad for the country," he said.

- *Reuters*

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