

Is Malaysia heading towards early polls?

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Malaysia's recent pullback on fiscal reforms has fuelled talk that the government of Prime Minister Najib Razak is gearing up for snap polls even though the next general elections are not due until 2013.

Following are questions and answers on the possible timing and the political and economic implications of an early general election in this southeast Asian country.

The end of fuel subsidy reforms as well as a delay in tabling a Goods and Services Tax bill in parliament indicate a reluctance by the government to impose measures that would have an impact on poorer Malay voters, a critical vote bank for the United Malays National Organisation, backbone of the ruling coalition. This in turn signals a government that may be making preparations for early polls.

SHOULD INVESTORS WORRY?

To some extent. Elections in Malaysia turned unpredictable in 2008, when a three-party opposition alliance, now led by former Deputy Prime Minister Anwar Ibrahim, scored the country's biggest-ever election upset.

It ended the government's two-thirds parliamentary majority, and the opposition wound up controlling five of 13 states. That election result triggered a stock market sell-off.

Recent moves to halt fiscal consolidation imply Malaysia thinks it can narrow its budget gap, which stood at a 20-year high of 7.4 percent of GDP in 2009, purely on the back of increased economic activity and higher oil prices.

Longer term, failure to implement fiscal reform leaves Malaysia, Asia's third-most trade dependent economy, vulnerable to external economic and commodity price shocks. State oil company Petronas provides almost half of all government revenues.

WHEN COULD THE POLLS BE HELD?

The most probable timing now seems to be during 2011, for several reasons:

* The government normally calls for polls only when economic growth is in positive territory. Najib is aiming for GDP growth of at least five percent this year after the economy contracted 1.7 percent in 2009. The government would need at least until the first quarter of next year for the recovery to reach ordinary voters.

* Many of the reform pledges that Najib has made, covering six core areas from fighting graft to improving urban transportation, have deadlines at the end of this year.

* Elections in Sarawak. The state on Borneo island is a National Front stronghold that provides the government with 30 of its 137 parliament seats. Sarawak is the sole state in the country that holds state elections separately from national polls. It must hold polls by June 2011.

* If the government held the next Sarawak state election concurrently with federal polls it would stretch the opposition's meagre campaign resources even more thinly.

* Alternatively, the government could call for state elections in Sarawak either late this year or early next year, in the hope that a strong showing would bolster confidence ahead of national polls that would follow soon after.

But even if the government scores a landslide win in Sarawak, it may not be willing to take a risk in far more politicised mainland Malaysia where the Pan Malaysian Islamic Party (PAS) is making inroads into its Malay voter base.

Petrol price hikes in 2006 helped the opposition Democratic Action Party to an unprecedented six state seats in Sarawak polls that year.

"I believe the Sarawak polls will be held separately before the next general election because Sarawak is usually taken as a rough barometer before the national polls are held," said Shaharuddin Badaruddin, associate professor at Universiti Teknologi Mara in Kuala Lumpur.

* Calling for an election later than next year also poses a risk for the government due to the possibility of a rise in religious and racial tensions. Ethnic Chinese and Indian voters have shown no sign of returning to the National Front since 2008.

WHAT ARE THE INDICATIONS OF IMMINENT POLLS?

The following indicators will provide a rough early warning that polls are coming in the next three to six months. None have taken place so far:

* National Front component party leaders and state leaders from the United Malays National Organisation (UMNO), the lynchpin of the 12-party ruling coalition, will be summoned by Najib to finalise their proposed list of election candidates.

* The country's Election Commission will also indicate looming polls with a step up in its own logistical preparations and a finalising of the electoral rolls.

* A run-up in the stock market. In the past, government linked funds were asked to prop up the stock market several months ahead of elections to create a feel-good factor for the economy, though the extent of such rallies varies.

WHAT WOULD BE THE OUTCOME OF POLLS?

* While Malaysia's opposition has never been stronger in the wake of what locals dubbed the 2008 "political tsunami", the odds are still loaded in favour of the National Front.

The Anwar-led opposition has won seven out of nine by-elections held since the 2008 elections and most of UMNO's partners in the National Front are either paralysed following the drubbing they received in 2008 or plagued by infighting.

Anwar is battling charges of sodomy in court, in what he says is a repeat of a political conspiracy that saw him jailed for six years after his sacking as deputy prime minister in 1998.

The government insists he will get a fair trial. One risk is that a guilty verdict could energise and embolden the opposition. Alternatively it could drive a wedge between the reformers,

ethnic Chinese and Islamists that comprise his alliance.

UMNO has 78 parliamentary seats. Adding in allied MPs from its Borneo stronghold states of Sabah and Sarawak, its total rises to 117 seats, enough for a simple majority in the 222-seat parliament even if all the coalition's ethnic Chinese and Indian parties fail to win anything.

Najib however needs a two-thirds majority if he is to legitimise his rule and avoid a leadership challenge, a fate that befell his predecessor Abdullah Ahmad Badawi, who presided over the 2008 election losses.

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