

Is a general election looming?
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KUALA LUMPUR, Sept 15 — A recent slew of populist measures has strengthened expectations that Malaysian Prime Minister Datuk Seri Najib Razak could call a snap election within the next 6 months, as he seeks a mandate to execute economic reforms and strengthen his grip on power.

Bonus payments for civil servants, a cash payout for farmers and affordable housing for low-income earners are among the steps the government has taken to cushion the impact of higher prices and address a major gripe among voters.

Najib is also expected to announce several political reforms today, including amending a controversial security law to make good on promises to allow increased freedom of speech.

The government's popularity has taken a dip over the past year because of anger over the rising cost of living, the slow pace of political reforms and widening religious discontent.

Analysts say Najib has two options: hold snap polls to cut his losses or delay elections, which would buy him time to appease disgruntled ethnic minorities.

The following are possible scenarios on the timing of the next general election, which is not due until 2013, and the implications for reforms.

Sooner or later

Najib may opt for an early election for fear that economic growth could take a sharp dive if the global economy slipped into recession.

"With signs of global growth moderating, and the global economy showing signs of weakness, it would make sense for PM Najib to call an election soon, rather than risk the economic climate turning much worse," Barclay's Capital said in a note on Sept. 1.

Analysts say the ruling Barisan Nasional (BN) coalition could also press ahead with early polls as it discounts the support of non-Muslim ethnic minorities who appear steadfast in their opposition towards the government.

Najib could also be persuaded to call for an early election with former deputy prime minister Datuk Seri Anwar Ibrahim's opposition struggling to build on its strong victory in a Sarawak state election.

The three-party opposition grouping has been plagued by infighting and distracted by Anwar's protracted trial on sodomy charges, which he denies.

Najib's popularity rating is also still relatively strong at 56 percent in August, although it has declined steadily since hitting a high of 72 percent in May 2010.

Buy some time

On the flip side, Najib could hold out beyond the next 6 months to give himself more time to

execute reforms.

Since taking office in 2009, the premier has taken modest steps to cut fuel subsidies and liberalise the economy. Critics say he must move a lot faster if he wants to make good on a pledge to put Malaysia back on the radar of foreign investors.

The government may also want more time to placate unhappy ethnic minority Chinese and Indians who complain of marginalisation. Loss of support among the two ethnic groups contributed to the ruling coalition's disastrous showing in the 2008 general election when it lost its once iron-clad, two-thirds majority.

Najib could also take a bet that holding polls later rather than earlier would see the opposition further weakened by internal squabbles and the lack of clear leadership if Anwar were jailed for sodomy.

Reform outlook?

A strong win by either Najib's coalition or the opposition Pakatan Rakyat grouping is expected to be positive for financial markets as it would provide certainty in government and economic policy.

If the ruling coalition wins big, it could give Najib the mandate to push through delayed reforms such as the introduction of a goods and services tax as well as accelerating subsidy cuts.

Similarly, a clear win by the opposition would give it the will to push through pledges to cut government corruption and scrap a pro-ethnic Malay economic policy, which investors say has spawned a patronage-ridden economy.

A worst-case scenario for the markets would be an unconvincing win by either side, which would lead to more political tension and policy uncertainty. In 2008, BN's poor showing triggered a 9.5 per cent slide in the stock market.

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