

**Reform or lose next elections, Bloomberg tells Najib and BN  
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KUALA LUMPUR, May 7 – Datuk Seri Najib Razak’s Barisan Nasional (BN) must continue economic reforms and dismantle racial preferences or risk losing the next elections, international business news wire Bloomberg said in an editorial published today.

In the editorial, Bloomberg said that “if Najib (picture) begins to institute reforms, including providing a timetable for dismantling racial preferences, he can still lead Malaysia to better days.”

“If he doesn’t, he is almost certain to lose next time,” said the editorial.

Bloomberg commented that Malaysia’s economy had been rosy for the past decade and posted a healthy 5.6 per cent last year, but added that cracks were starting to show in its engine that has been reliant on the export of commodities like oil, palm oil and rubber.

Its position as one of Southeast Asia’s largest economy was also under threat from increasingly dynamic and competitive neighbours such as the Philippines, a former also-ran.

But the widespread dissatisfaction exposed through the election results poses an opportunity for the prime minister, Bloomberg said.

“Freeing up the state-owned press, lifting curbs on public demonstrations and increasing government transparency would generate goodwill and signal to both internal opponents and the markets that the reform impulse is genuine,” the editorial said.

Bloomberg said that facing declining Western demand for Malaysian-produced-electronics, the country has grown more dependent on exports of commodities such as oil, palm oil and rubber.

More dynamic neighbours are attracting investors, with even the Philippines, a perennial also-ran, mounting a competitive threat, it said.

A fragmented Malaysia emerged yesterday in the wake of Barisan Nasional’s (BN) slim victory in Election 2013, Datuk Seri Najib Razak identified the biggest challenge he faces — national reconciliation in a country divided.

But an analysis of how the vote went shows a country with rural-urban and class divisions that will make any reconciliation and necessary reforms even more difficult to implement.

The need to continue dismantling the Bumiputera policies and to introduce the controversial bitter pill of a Goods and Services Tax (GST) — steps necessary to make Malaysia more competitive and lift it out of a middle-income trap — appears to be even more daunting because of the conflicting tug-of-war between the two Malaysias that have emerged.

Najib is now faced with a public seemingly addicted to easy money and handouts, and in winning GE13 he may have committed his government to a continuation of such policies.

Corruption also remains a major challenge for Najib, with BN’s popular vote loss presenting

him with a tricky path to negotiate.

Initial analysis of this morning's election results shows BN had won the polls on the back of votes from a largely conservative rural Malaysia as well as Umno voters with an interest in the continuation of affirmative action policies that critics say benefit an elite associated with the party.

But Pakatan Rakyat (PR) appears to have won the consolation prize of a popular vote secured on its campaign to push the message that graft and the government's tendency to award lucrative contracts to Umno interests were squeezing out the middle class and the Malay working class.

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