

# Malaysia to go to polls one year early

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Malaysian Prime Minister Abdullah Badawi dissolved parliament on February 13 and called new elections for March 8—more than 12 months before they were due.

The Barisan Nasional (BN) coalition government, led by Badawi's United Malays National Organisation (UMNO), held 198 of the 219 seats in the previous parliament. UMNO alone held 109 seats. Along with its coalition partners, the most important of which are the Malaysian Chinese Association (MCA) and the Malaysian Indian Congress (MIC), it easily controlled the two-thirds majority needed to change the constitution and ensure that the government held a firm grip on state power. This is a position that UMNO has held since independence from Britain in 1957.

The decision to call the poll early is bound up with economic and political developments that have unnerved the government despite its apparently unassailable parliamentary majority.

On February 19, Trade Minister Rafidah Aziz reported that foreign investment in Malaysian manufacturing and service industries grew by \$US13.7 billion. She immediately warned, however, that global economic uncertainties made it unlikely that the rate of investment would continue. Of particular concern to the regime is the prospect of a recession in the United States and the rise in oil prices to historic highs.

Malaysia would be particularly affected by a US slump. Nearly 75 percent of Malaysia's exports are manufactured goods. The US is not only a major customer for its electronic and electrical products, but US demand also lies behind much of the export market for Malaysian goods in Asia as a whole. Overall exports increased by just 2.7 percent in 2007, while exports to the US fell sharply by 14.5 percent. Malaysia's export growth was maintained only by increased sales to Asia, which grew by 6.2 percent and now comprise 63 percent of the total.

Despite increased foreign investment last year, Malaysia faces fierce competition for funds from China, Vietnam, Singapore and Thailand. The 2007 UN Conference on Trade and Development World Investment Report provided some gauge of Malaysia's fall from grace in international financial circles. The report shows that Malaysia has slipped

to 64th place on the Inward Foreign Direct Investment Performance Index, compared with fourth place in 1990.

A major factor in investor attitudes is the refusal of successive administrations, and Badawi's in particular, to significantly modify the Malaysian government's New Economic Policy (NEP), which was adopted by UMNO in 1971. The NEP provides preferential treatment to ethnic Malay-owned business, at the expense of Chinese and Indian minorities and foreign capital. This has resulted in the domination of large parts of the economy by politically protected firms, generally owned by a section of the Malay ruling elite close to UMNO. The nepotistic arrangements are considered an obstacle to profitability by transnational investors.

Added to government concerns over the rates of export growth and investment, rising inflation is fueling social discontent within the country. The rise in world oil prices to between \$US90 and \$100 a barrel is expected to force Badawi to announce a reduction in fuel subsidies some time this year, pushing petrol and other fuel prices up sharply. Fuel and gas subsidies currently cost the state budget an unsustainable \$US12 billion a year, according to a report published by the *Asia Times*.

Even without a rise in fuel prices, inflation was expected to rise in 2008 to 2.9 percent, up from the 2 percent last year. If the fuel and gas prices are raised, analysts predict inflation will reach 3.8 percent, preventing the government from lowering interest rates to counter any impact of falling economic growth.

There were widespread protests following an earlier fuel price hike rise in 2006. Under conditions of general economic uncertainty, further rises will aggravate anti-government sentiment.

A demonstration in the capital Kuala Lumpur on November 10 last year was the largest protest march in Malaysia in nearly a decade. More than 30,000 people rallied in defiance of massive police intimidation to demand reforms to the electoral system and equal access to the country's tightly controlled media for non-BN political parties.

The demonstration included representatives of the main

opposition parties—the National Justice Party (Keadilan), the Islamist Parti Islam se-Malaysia (PAS) and the ethnic Chinese-based Democratic Action Party (DAP). The presence of large numbers of young urban and working class Malays in this rally rang the alarm bells within UMNO.

Two weeks later, a protest by at least 10,000 ethnic Indians clashed with police. The demonstrators demanded an end to economic and political discrimination against the Indian minority, who make up about 7 percent of the country's 27 million population and are among the most economically disadvantaged layers.

The nervousness in the BN regime has been reflected this year in its use of brutal state repression to shut down any new signs of social discontent.

A protest on January 26 by several hundred people in the centre of Kuala Lumpur against rising prices was set upon by police. In a vicious crackdown, 56 people were detained.

On February 16 police again broke up a small demonstration of around 300 ethnic Indians in the city demanding the release of leaders who were detained during the November 10 protest. At least 160 people were detained. Justifying the crackdown, Badawi told the official news agency Bernama: "People who disrupt the elections do not respect the democratic process."

The calling of early elections is the means by which the BN leadership hopes to prevent the opposition parties from increasing their support by appeals to the broad political, social and economic grievances among the population.

One factor in Badawi setting the election for March is to prevent former deputy prime minister and UMNO leader Anwar Ibrahim from standing as a candidate for Keadilan and potentially becoming the opposition leader in the new parliament.

Anwar is banned from standing for public office until April due to a 1999 corruption conviction. Anwar was framed up on charges of sexual misconduct and corruption following a bitter falling out with then Prime Minister Mahathir Mohamad over how to respond to the 1997 Asian economic crisis. In opposition to Mahathir's insistence of maintaining the NEP, Anwar advocated economic restructuring, as demanded by the International Monetary Fund (IMF) and international investors.

Anwar's policies would have meant opening the economy to greater foreign competition and domination by removing the patronage enjoyed by UMNO-protected businesses. After a brief internal power struggle, Anwar was expelled from UMNO and the government. He became the target of false politically motivated charges after he organised mass rallies demanding political reforms and calling for the removal of the BN coalition.

Badawi denied that the question of Anwar was involved in

the decision to call the snap poll. Anwar's party, Keadilan, only held one seat in the former parliament. Anwar, however, speaks for a substantial layer of the Malay, Chinese and Indian business elite who believe their interests are being compromised by the continuation of UMNO's economic policies. Last September, during the Asia Pacific Economic Cooperation forum in Australia, Anwar denounced UMNO and its NEP as "protectionist" and as representatives "of the past, totally corrupt and irrelevant" who risked turning Malaysia into an economic "basket case".

After Badawi replaced Mahathir in 2003, he promised economic and political reforms. Five years on, his administration is accused in both Malaysian and international financial circles of having squandered the chance for substantial change following Mahathir's departure.

Given its overwhelming parliamentary majority, the BN coalition is confident that it will be able to retain government despite the growing resentments to its rule from a variety of quarters.

Anwar's association with IMF pro-market reforms enables UMNO to accuse the opposition of being fronts for foreign interests. Further assisting the BN coalition are sharp internal divisions amongst the various opposition parties. The Chinese-based DAP will not enter into a formal alliance with PAS due to its reactionary demand for Islamic *sharia* laws.

The UMNO leadership is also calculating that it will benefit from the electoral gerrymander that gives rural electorates greater weight. Rural ethnic Malay areas are expected to vote solidly in support of UMNO rather than the Islamist PAS. Rising world rubber and palm oil prices have led, according to government figures, to an increase in the incomes of small landowners of 300 percent from 2004 to 2007.

Nevertheless, the decision to call the snap poll demonstrates that the governing elite fear that long-term trends pose a real danger to their rule. Badawi and UMNO are sending a clear signal that they want to take elections off the agenda for another five years so that they can suppress any political and social unrest produced by international economic upheavals.



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