

Lee Kuan Yew Ends Five-Decade Role in Singapore Cabinet After Poll Setback

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The political party that has ruled Singapore since independence in 1965 is seeking to overhaul its image with voters after the narrowest election victory on record signaled a shortfall in support among younger voters.

Lee Kuan Yew, 87, who led the island from U.K. rule and was premier until 1990, resigned from the cabinet May 14, saying it was time for a younger generation to “carry Singapore forward in a more difficult and complex situation.” The move ended his five-decade presence in government leadership, when he crafted a legacy of encouraging foreign investment, averting corruption and emphasizing discipline, efficiency and interracial harmony.

The decision may increase political dialogue in a nation where opposition parties didn't contest Lee's constituency this month, in a sign of his continued sway. Investors may next look for signs of policy change after opposition leaders urged more steps to rein in property-price inflation and temper immigration they said damped wage gains among lower-skilled workers.

“They are making a tangible statement on how the government will be going forward,” said Eugene Tan, assistant professor of law at the Singapore Management University. “The soul-searching and transformation that the prime minister was talking about has begun,” he said.

‘Soul-Searching’

Prime Minister Lee Hsien Loong, Lee Kuan Yew's son, pledged after the election that the ruling People's Action Party will change the way it governs and will undergo “soul-searching” to find better ways to serve the electorate. The PAP returned to power with 81 parliamentary seats out of 87, while losing 39.9 percent of the popular vote.

Goh Chok Tong, 69, who succeeded Lee Kuan Yew in 1990 and led Singapore until 2004, also stepped down from the cabinet over the weekend, as senior minister. Lee Kuan Yew had served as minister mentor.

“With Singapore's founding father and second prime minister stepping down at the same time, it's a vote of confidence in Prime Minister Lee and his team,” said Ong Keng Yong, director of the Institute of Policy Studies in Singapore and a former press secretary to Goh. “They are signaling that after this election, it isn't business as usual for the PAP.”

Opposition politicians have described the PAP leadership as out of touch with ordinary Singaporeans, with the Singapore Democratic Party saying little room has been left for views of citizens to shape policymaking.

Investors Unconcerned

Investors so far have signaled little concern at prospects for a loosening in PAP political control over Singapore, with the benchmark Straits Times Index (FSSTI) rising 1.2 percent on May 9, the first trading day after the elections. The Singapore dollar is near a record high after gaining 11 percent against the U.S. currency in the past year.

Even with the resignations, both the senior Lee and Goh will remain in parliament, giving them a continued role in policymaking.

"It may have finally dawned on the PAP that when they are talking about renewal, the presence of two senior statesmen is at odds with that call," said Song Seng Wun, an economist at CIMB Research Pte. in Singapore. "However, as long as they are still around, they will always be asked for their valued opinions and experience. They may not be part of the policy formulation process, but their views will still be heard."

Lee lost his wife of 63 years in October. Kwa Geok Choo, who was 89, had suffered a stroke two years earlier.

Malaysia Union

Lee co-founded the PAP in 1954 and ran the city state for 31 years from 1959. He was elected prime minister in May 1959, four years after the British granted the island limited self- government. After more than 140 years under British rule, Singapore joined the Federation of Malaysia in September 1963 as Lee and his colleagues sought a bigger common market to cut unemployment and fight communism.

The merger survived less than two years amid ideological differences and worsening relations between the United Malays National Organisation, which dominated the ruling Barisan Nasional coalition, and Lee's People's Action Party.

The PAP has overseen a 41-fold jump in gross domestic product, combining a focus on education, homeownership, business friendliness and strict laws to boost citizens' wealth. Singapore, once a low-cost manufacturing center for companies such as Texas Instruments Inc., has become the world's fourth- largest foreign-exchange center and had a S\$1.4 trillion asset- management industry as of 2010.

"We laid the foundations for long-term stability and growth," Lee said in an editorial last month. "We set aside short-term problems and undertook several unpopular policies."

Export Investment

The Singapore government sought to boost growth by investing in export-based industries. It built new container terminals for Singapore's port, reclaimed land offshore to attract companies such as Exxon Mobil Corp. (XOM) and Royal Dutch/Shell Group for an oil refining complex and moved into high-tech industries such as electronics and drugs.

"This needs more than an autopilot -- you run into storms, you run into air pockets and the pilot and his copilot and the spare pilot must be on board and passengers must be alive and awake and alert," Lee said in an interview with "Charlie Rose" program on PBS in March. "I'm worried because if the new leaders, and the population as a whole, do not realize the small base on which this is built and they take liberties with it we could go down quickly, spiral down a vicious circle down."

Voter Dissatisfaction

A further increase in Singapore voter dissatisfaction with the ruling party may result in added pressure for social policies that could erode competitiveness, Moody's Investors Service said May 12. Singapore is the only Asian country with AAA ratings from Moody's, Standard & Poor's and Fitch Ratings.

While the People's Action Party won 60.1 of the popular vote in the elections, it was the smallest percentage of victory. Two ministers lost their seats in the May 7 polls.

The PAP says that it is preparing for the next generation of leaders to take over, while signaling that transition will still take time -- Prime Minister Lee has said a new team may be ready to be at the helm by 2020. Among the new faces in this month's election is former central bank Managing Director Heng Swee Keat, and officials from the army and the national trade union, where ministers have served before entering politics.

Lee said he may be ready to announce his new cabinet early this week, the Sunday Times newspaper reported yesterday.

'Legendary' Figure

President Barack Obama, who met Lee Kuan Yew at the White House in 2009, called him one of the "legendary figures of Asia in the 20th and 21st centuries," who helped trigger Asia's economic rise. Even after he had a pacemaker implanted in 2008, Lee hasn't stopped traveling overseas to meet global leaders and promote the island that is ranked by the World Bank as the easiest place to do business. He has visited China more than 30 times.

"I want to make sure this place always commands confidence," the elder Lee said on the "Charlie Rose" show. "Confidence brings in investment and brings in talent. With investment and talent we will prosper."

Even so, younger voters are less attached to Lee's legacy and his role in the country's early struggle, and the party needs to rebrand itself to attract new voters, Singapore Management University's Tan said.

"Younger Singaporeans, especially those born after 1980, don't have the same respect and awe of Lee Kuan Yew as the older generations of Singapore," Tan said. "The party will have to demonstrate that it remains a mass movement, and not Lee's alter ego."