Wealth Gap Weighs on Lee’s Ruling Party Before Singapore Vote

By Stephanie Phang and Shamim Adam - May 6, 2011 11:30 AM GMT+0800

A view shows buildings standing in the skyline of Singapore. Photographer: Munshi Ahmed/Bloomberg

Campaign posters for the ruling People’s Action Party, top, and the opposition Workers’ Party, bottom, are displayed in the Aljunied district of Singapore. Photographer: Munshi Ahmed/Bloomberg

Lee Hsien Loong, Singapore’s prime minister, addresses a crowd at a lunchtime election rally in Singapore. Photographer: Roslan Rahman/AFP/Getty Images
Construction workers labor on a building site in Singapore. Opposition groups have called for more limits on the influx of foreign workers that make up the majority of construction and shipyard employees, and urged further steps to contain home prices. Photographer: Munshi Ahmed/Bloomberg

Traffic travels along the Benjamin Sheares Bridge, past a condominium development, in Singapore. Property stocks have fallen in the run-up to tomorrow's vote amid concern there will be increased pressure to rein in home prices. Photographer: Munshi Ahmed/Bloomberg

Singapore’s Prime Minister Lee Hsien Loong, whose party's five-decade rule oversaw a 41-fold jump in gross domestic product, may find past success doesn’t sell as well to younger voters in tomorrow’s election.

The People’s Action Party is facing the most contests for parliamentary seats since independence in 1965. PAP members will likely keep a majority at a time of record economic growth, according to Pearlyn Wong, an investment analyst in Singapore at Bank Julius Baer & Co., which manages about $262 billion. At the same time, a decline in the share of the popular vote may spur the next PAP government to lean toward opposition concerns.
Singapore’s success has fueled wider income inequality, with the world’s highest share of dollar-millionaire households contributing to pressure on property and consumer prices. The opposition has called for more limits on the influx of foreign workers that make up the majority of construction and shipyard employees, and urged further steps to contain home prices.

“The PAP has to be mindful of and adapt to the new generation of voters who demonstrate a ‘papa don’t preach’ mentality,” said Eugene Tan, assistant professor of law at the Singapore Management University. “A relatively poor showing at the general election would certainly get the PAP back to the drawing board not just to re-examine the policy but also how to better communicate the policies.”

Parliament Makeup

Polls close at 8 p.m. tomorrow. The parliament dissolved last month was made up of 82 PAP lawmakers, two elected opposition politicians and 10 non-elected members. Tan said a loss of more than seven seats by the PAP or their share of the popular vote dipping below 60 percent would be a poor showing.

In a nation where 82 percent of households have Internet access, the PAP’s Facebook page is “liked” by 25,004 people, less than the 32,332 who favor the rival Workers’ Party. Voter polls and approval ratings aren’t published in Singapore.

Opposition groups including the Workers’ Party and Singapore Democratic Party are contesting the PAP for 82 of 87 parliamentary seats on May 7. The constituency of Lee Kuan Yew, 87, the Cambridge University-trained lawyer who led the island from British rule and became its first premier, is the only one going uncontested.

“This is really shaping up to be an exciting election,” said Samantha Lee, 23, an undergraduate and first-time voter. “The PAP has done a great job bringing us so far but maybe it’s time to have more voices representing the people. The record number of opposition candidates this time must surely say something about citizens wanting more alternatives.”
Stock Reaction

Property stocks including CapitaLand Ltd. (CAPL) and Keppel Land Ltd. (KPLD) have fallen in the run-up to tomorrow’s vote amid concern there will be increased pressure to rein in home prices. CapitaLand has dropped 4.4 percent in the past month, exceeding the 1.6 percent decline in the Straits Times Index (FSSTI), while Keppel Land has retreated 11 percent.

“If there is a result that’s a lot less than expected for the ruling party, such as if they lose 20-30 percent of the number of seats in the parliament,” stocks would drop, said Wong of Bank Julius Baer. “There might be some concern in the market that some of the policies that they’ve been very aggressive on might be scaled back or modified, such as on casinos, tourism, commercial properties and immigration.”

Opposition parties may win 10 to 17 parliamentary seats, meaning the PAP will still have more than 80 percent of seats and “be in complete control of policy-making and implementation,” Prasenjit Basu, an economist at Daiwa Capital in Singapore, wrote in a report dated yesterday.

Growth Recipe

In recent years, Singapore’s drive for growth has included the opening of two casino-resorts and bringing the Formula One race to the island to boost tourism. More than a third of Singapore’s 5.1 million population is made up of foreigners and permanent residents, whose growing numbers have led to increased competition for housing, jobs and education.

Smaller than New York City and without natural resources, Singapore’s gross domestic product was about S$285 billion ($231 billion) last year, compared with S$6.9 billion in 1960, while GDP per capita surged to S$59,813 from S$1,310. GDP surged 14.5 percent last year, the most in Asia. Singapore is the only Asian country with AAA ratings from Moody’s Investors Service, Standard & Poor’s and Fitch Ratings.
“Do not rock this foundation,” Lee Kuan Yew said in an editorial in the Today newspaper last week. “Do not risk your assets, property values, job opportunities. Vote for men and women of proven character and track records of high performance.”

Paying Dividends

The administration of Lee’s son, Prime Minister Lee Hsien Loong, 59, says it hasn’t neglected its citizens for the sake of growth. In this year’s budget, the government plans to spend S$6.6 billion on benefits to ease the burden of inflation.

The government is distributing cash to all adult citizens as a “dividend” from record growth, supplementing the wages of low-income workers, upgrading homes and requiring companies to increase contributions into employees’ pension fund.

The PAP’s message still resounds among some voters.

“The current party works for me,” said Tan Sze Theng, 31, a tutor who lives in the affluent Bukit Timah neighborhood in Singapore. “I have my job, the country is stable, there are worse-off places to be in. There is complacency in the government, but it’s not big enough a reason for me to vote for the opposition.”

Lee Apologizes

Opposition groups are seeking to create a more diverse political structure. The Singapore Democratic Party said on its website April 18 that “little room has been left for the views of citizens to shape the policy-making process. This has led to a situation where local and national government is very far removed from the day-to-day concerns of the people.”
Prime Minister Lee apologized at a PAP rally for not moving faster to address shortfalls in housing, the Straits Times reported. “If we didn’t quite get it right, I am sorry but we will try and do better the next time,” the paper quoted him as saying May 3.

Dissent is growing among Singaporeans who may feel less beholden to a ruling party that led the island out of colonial rule than past voters. The shift mirrors that in nations from Malaysia to India, where the hold of independence-era parties has weakened. The last polls, in May 2006, returned the PAP to power with about 67 percent of the votes cast, down from 75 percent in the 2001 elections.

‘Very Complacent’

“They keep telling us how they built Singapore,” said Alvin Lee, a 25-year-old economics and finance student at Singapore Institute of Management who plans to vote for the opposition. “They are really very complacent.”

Singapore’s Gini coefficient, a gauge of income inequality, rose to 0.48 last year from 0.444 in 2000, according to the statistics department. A reading of zero means income equality, while a reading of one means complete inequality. Inflation accelerated to a two-year high of 5.5 percent in January.

“It’s very pressurizing living in Singapore,” said housewife Low Bee Kian, 39, who has three children aged 10 to 16. “Everything is so expensive. The government says the economy is doing well but why am I not feeling it?”

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