

NEWS COMMENT

A REPUBLICAN GAMBLE

CHARLES BABINGTON AND LIZ SIDOTI

EIGHT days after Democrat Barack Obama took office as a "change" President, House Republicans have taken a huge political gamble that could set the tone for the next senate, congress and gubernatorial election cycle in 2010.

In unanimously opposing the massive spending bill that Mr Obama says is crucial to reviving the economy, they signalled they are not cowed by his November win or his calls for a new era of bipartisanship. Mr Obama's popularity will slacken, they say, and even if it does not, voters will reward a party that makes principled stands for restrained spending and bigger tax cuts. Democrats think Republicans are misreading Americans' hunger for action.

If they are right, the opposition party could face election setbacks next year.

Eyebrows were raised by Wednesday's 244-188 House vote, in which not a single Republican supported the stimulus package.

Passage was never in doubt, even after 11 Democrats voted nay. The Democratic-controlled Congress is almost certain to enact some version of the measure soon, after senators make changes and work out the differences with the House of Representatives.

Many congressional insiders, however, thought a dozen or more Republican House members would support the Bill this week, especially after Mr Obama met separately with House and Senate Republicans on Tuesday. The House vote makes it easier for Democrats to portray the entire Republican Party as

a do-nothing, head-in-the-sand group.

"I think the Republicans have painted themselves into a box," said Mr David DiMartino, a former Senate Democrat. "If the stimulus package works, they were wrong. For them to be right, the economy has to tank. They seem to be rooting for a bad economy."

Democratic strategists also think Republicans blundered by unanimously opposing Mr Obama just after he made a high-profile show of bipartisanship. After all, he agreed to drop two items from the Bill that drew particular fire from the Republicans: Money to re-sod the National Mall in Washington and to expand family planning programmes.

Republicans began pushing back on Thursday. The two concessions were small, they said, and Democrats ignored the party's

alternative package that included more tax cuts and less spending.

For now, at least, White House aides see Mr Obama's outreach to Republicans as a win-win for him, no matter where the House and Senate votes end up. They calculate that Americans will give him credit for trying to win Republicans over, even if he should fail.

White House press secretary Robert Gibbs said Mr Obama will continue to meet with Republicans and make changes to the Bill. However, Mr Gibbs believes Republican lawmakers will pay a political price if they ultimately stand in the Bill's way.

"There will be people in districts all over the country who will wonder why, when there's a good Bill to get the economy moving, we are still playing gotcha," he said. AP



ENGAGE CHINA — DON'T ENRAGE CHINA

GLOBAL CITIZEN

No one will benefit if the Obama administration takes a hard line with the Asian dragon

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ON THE day President Barack Obama was inaugurated, I went on American television and suggested that he needs to engage Asia if the United States is to tackle global problems successfully.

This seemed a hard message to digest given the economic crisis and so many hotspots in the world. There is Afghanistan, where Mr Obama has promised attention since he hit the campaign trail, and the Middle East, which boiled over in the weeks before he took office.

By contrast, in Asia, while not without problems, nothing seems to be as urgent.

But maybe someone was listening. The new administration has begun to engage Asia, but in a way I never intended. It's also in a way that may be the start of more bad things. Rather than engaging Asia and China, which is a vital part of the region, the new administration may be enraging it.

In this past week, the new Treasury Secretary Tim Geithner grabbed headlines with his statement that China is manipulating its currency.

The accusation suggests a deliberate and unfair policy to keep the Chinese yuan low, thus making US imports into China more expensive to lessen demand while a low yuan keep its goods cheap and attractive to US buyers. This theory, by no means new, helps explain the huge deficit between the two countries simply: It's China's fault.

Such an accusation could not pass unnoticed. China replied, quickly and strongly denying manipulation.

This early and testy exchange adds to speculation that the Obama presidency will see a rise in protectionism and China-bashing. Some in the US in business and unions precisely hope that the Obama administration will toughen its stance against "unfair" competition from China. Such sentiments are easy



FAIZAL

to fan, given the current pain and job losses across America. It's easier to blame someone else than admit to one's own faults.

And who better to blame than China?

Indeed, many suggest that it is inevitable that China as a rising power will contest against the incumbent big dog, the US. So what we see now may be the first skirmishes in a growing contest.

I hope not. I think such a contest is neither inevitable nor best for both countries and indeed the world.

YOU SCRATCH MY BACK ...

There are those in the new administration who know China well, including Mr Geithner, who lived there as a child and speaks Chinese. They ought to know the chill that China itself has felt since the turmoil started. The fall in trade figures and the rise in the loss of jobs across the mainland have been deeper and sharper than anticipated.

There are concerns that slower growth

can trigger wider problems across the Chinese financial system, which has been going through a transition, despite the country having trillions in reserves. And there are fears that such a scenario of slow growth and turmoil will trigger social unrest.

The new Obama administration will hopefully understand that they are not the only ones with domestic concerns in this time of turmoil. Even if China is not a democracy, the voice of the people gets loud. Indeed, precisely because their leaders are not popularly elected, they may be more anxious to deliver results or risk undermining their legitimacy.

Despite their own domestic dislocations, we must hope US policy-makers can see that China and other Asian states are not gaining at their expense. All are feeling the ill-effects of this crisis.

If so, we can hope that this exchange is not the start of rancour but rather a kind of ritual. Mr Geithner was, after all, answering

questions in Congress, where quite a few want a tough line on China. His was a statement for a domestic audience.

On the Chinese side, we can hope that theirs was a pro forma reply, stock responses used whenever the last US Treasury Secretary Henry Paulson raised the same issue. Their statement moreover masks the appreciation that the yuan has shown against the greenback over time.

Just as former Presidents Bill Clinton and George W Bush started bashing China and then circled back to a positive engagement, so too might the Obama administration. We can hope that, despite some turbulence, both sides know how much is at stake.

The interdependence between the two economies is deeper and broader than ever. And as China is an aggregator for much of Asia's manufactures, this is a key relationship across the entire Asia-Pacific.

The fact that the Chinese government is the largest holder of US Treasury Bills is much remarked upon. But it must not be taken to mean, as some Americans seem to colour it, that China holds the US hostage. Rather, it underscores their interdependence.

This requires global thinking, not knee-jerk reactions that play solely to domestic audiences in either country. Engaging Asia and especially China will be an essential policy to deal with the economic malaise.

It used to be that if the US sniffled, Asia caught the cold. Then, for a while, some people posited that Asia and China's growth was irresistible and that the economies were decoupled. The emerging truth is something in between. The financial contagion — like the flu — can flow both ways. And both sides have to keep their body politic healthy, and avoid passing more bugs to each other. **WEEKEND** **TRA**

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