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## POLLS OVER, IT'S TIME FOR OBAMA TO RE-ENGAGE ASIA

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US PRESIDENT Barack Obama survived Tuesday's contest and, for Singapore, that is no cause for regret.

Analysts are unusually forthright in saying that a second Obama term is a wholesome deal for Asia, including Singapore. One veteran US watcher here describes him as the best-ever US president for Asean.

#### At home...

FOR folks in Singapore, a collateral benefit of having Mr Obama continue in the White House is a wealth effect - the values of property, equities and other assets are forecast to stay firm. Economists infer this from a presumption that there will be continuity in US policies. Although analysts caution that long-term debt and deficit problems will hobble the US economy.

With Mr Obama in the White House, Federal Reserve chairman Ben Bernanke will get to keep his job and his preferred weapon - igniting the economy by pumping in vast amounts of cash or quantitative easing (QE) - will continue to send money lapping on Asian shores. This will keep asset prices buoyant and tends to soften interest rates. But this hot money is capable of spawning inflation, asset bubbles and turbulence that policymakers have to intervene to correct.

The same forces act on the US dollar. The QE keeps the US dollar weak and allows room for Asian currencies, including the Sing dollar, to strengthen further. That is great for those sending a child to college in the US but it means tough times for exporters because their goods get pricier.

As Mr Alvin Liew, an economist at United Overseas Bank, sees it: "With Obama re-elected, impact on Asia is expected to be minimal compared to the case of an unknown and untested person in the White House.

"This is a good outcome because this will ensure continuity of current US monetary and foreign policies. Asset prices in Asia could stay supported, with capital inflows from QE programmes going towards higher-yielding assets

and countries. Likewise, Sing dollar could stay supported."

During the Obama years, Singapore's trade with the US touched a record US\$65 billion (S\$80 billion). American investments in Singapore reached a high of US\$116 billion.

The post-election drop in the Dow says that Wall Street would have been happier with Republican Mitt Romney. But forecasters like Moody's Analytics, for instance, expect the US economy with Mr Obama at the helm to create between 10 million and 12 million new jobs in the next four years and the jobless rate to be under 6 per cent.

That is, if there is no hurtle down the so-called fiscal cliff, the looming harsh fiscal constraints, with US\$600 billion worth of automatic spending cuts and expiring tax breaks set to kick in at the end of the year. If the politicians fail to reach an agreement to avert the cliff, all the bullish forecasts are off and shockwaves will travel across the planet.

This is where Mr Obama can make a difference, analysts say. The re-election has freed him to roll out the right - not necessarily popular - policies to revive the US economy. For Singapore's manufacturers and exporters that can only be good news.

"A re-elected Obama will not be spending the next four years running for re-election," says Mr Manu Bhaskaran, a partner and head of economic research at The Centennial Group, a policy advisory group. "He is, therefore, more likely to be willing to take the hard decisions on domestic policy - fiscal consolidation, including sensible tax reforms, efforts to tackle the woeful US record on education and infrastructure, improvements to a flawed health-care reform - which will make the US a stronger economy and a better partner for Singapore and Asean."

To avert the cliff, Mr Obama has to cut a deal with Congress, which is tricky because the Republicans have retained control of the House of Representatives. The President is to make a statement early this morning Singapore time indicating how he would approach the problem.

But Mr Bhaskaran is optimistic, noting that the GOP has failed to replace a president labouring under the burden of a weak economy. The Republicans, he says, "will have to ask themselves whether their aggressive policies turned off the electorate". "If Mr Obama and his Democrat colleagues in the Senate and House reach out to the Republican leaders, a compromise on the fiscal cliff is more likely."

Some observers, noting Mr Obama's shaky economic start in the first term, are less sure of his prowess. On the other hand, he did keep the economy going when it was mired in the worst financial crisis since the Great Depression of the 1930s. Ambassador Chan Heng Chee, Singapore's envoy to the US for 16 years until July and now Ambassador-At-Large at the Ministry of Foreign Affairs, says: "It is not often recognised that his policies did stop the US from falling into depression. In January 2009, it was not at all clear that it would not happen. He and his economic team should get some credit for that." Still, she faults his policy on trade, a test that Singapore expects American presidents to ace. "One area President Obama did not do well on in his first term was trade. He was not strong on trade notwithstanding taking up TPP, or passing Korus, and the FTAs with Colombia and Panama," says

Ambassador Chan.

His predecessor, Mr George W. Bush, initiated the free trade pacts with Korea (abbreviated as Korus) and the two Latin American nations. He also laid the ground for the more ambitious Trans-Pacific Partnership (TPP), which the Obama administration took further. By some estimates, this pact could yield global income gains of over US\$300 billion and segue into an enormous FTA in the Asia-Pacific.

But progress on trade has been slow.

"My best hope is that he focuses on the No. 1 thing, the economy," says Professor Kishore Mahbubani, dean of the Lee Kuan School of Public Policy. "And No. 2, the completion of Doha."

Mr Obama, giving in to the farm lobby, let the Doha Round of world trade talks die, despite countless studies establishing that the US itself benefits greatly from trade liberalisation.

### **... and beyond**

UNDER Mr Obama, the security high-water mark has appreciably risen. His vision for a lean and mean US military, outlined late last year, included a "pivot to the Pacific", an extension of his conviction that the centre of gravity for US foreign policy, national security and economic interests is shifting towards Asia. Delighting many anxious diplomats, he announced he would expand US role in the Asia-Pacific at a time when China is emerging as an ever more influential regional power.

A part of the rebalancing allows the rotational deployment of US Navy littoral combat ships in Singapore. For the Singapore Armed Forces, this means enhanced joint exercises and training.

If Asia needed further proof of Mr Obama's commitment to this part of the world, it arrives next week. The newly elected leader's first trip abroad will take him to Thailand, a major non-Nato ally; Cambodia for the East Asia Summit; and Myanmar, a first-ever visit by an American president.

Observers see Mr Obama's biography as the reason. It partly stems from who he is, the son of a development worker who spent years in Java and retains at least a smattering of Bahasa Indonesia learnt in his childhood.

Prof Mahbubani describes it as an "emotional connection that no other American president has had".

For Singapore, like the rest of the region, a key test ahead is how Mr Obama relates to China, given the rising superpower rivalry, the Beijing-baiting of the presidential campaign and China's own power transition.

Says Ambassador Chan: "President Obama has toughened its position on China in the last year and more. He seems determined to seek in American terms 'fair trade' from China. He has brought China to the WTO a couple of times. I think he will continue to do it if he thinks he needs to.

"It will be a difficult period ahead for the two great powers and countries in the region, including Singapore, will find themselves pressured."

Prof Mahbubani notes that the geopolitical rivalry, if it does not get out of hand, is worth it for the attention it forces both to pay to the region.

And it helps to know that both face the compulsion to work things out, he adds. "Economic growth is a legacy that both Mr Obama and his incoming Chinese counterpart, Xi Jinping, want to leave behind."

A re-elected US president is often a mixed blessing. Historians lament that the presidents are at their most productive in their first terms.

But these are unusual times and Mr Obama, by most counts, is an unusual man.

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