

Don't expect humbler US to take orders

Economic woes will curtail the next US president's capacity to deliver global leadership, writes **Geoffrey Garrett**.

America's president-elect will wake up on November 5 to a country in disarray, anxious about the future and desperately looking for solutions. Ten days later, leaders of the Group of 20 industrialised and developing economies will be in Washington wanting leadership in righting the global economic ship. But while George Bush will be the host, all eyes will be on his successor.

A last-minute gaffe, revelation or international crisis could keep Barack Obama from the White House. The opinion polls may underestimate the effects of lingering racism or overestimate the number of young people who will actually vote, both of which would hurt Obama.

But whoever wins the White House will barely have the chance to celebrate before confronting the challenges in front of him: digging America out of what may be the deepest economic downturn in a generation and figuring out how to

get out of Iraq, win in Afghanistan and deal with Iran.

What's worse, the next US president will have one arm tied behind his back. The budget deficit for the past year approached half a trillion US dollars. This doesn't include the more than \$US10 billion (\$16 billion) a month spent on the wars in Afghanistan and Iraq or the \$US700 billion Wall Street bail-out.

Both presidential candidates are committed to adding to the red ink. The pre-financial crisis bill weighed in at \$US100 billion a year each — tax credits and cheaper health care for Obama, capital gains and other tax cuts for John McCain. The candidates' new Main Street stimulus proposals would add another \$US50 billion.

With the inevitable Democratic sweep of both Houses of Congress, including the real possibility of a filibuster-proof majority in the Senate, a president Obama would have no excuse not to deliver on his big government domestic agenda. A president McCain would have his wings clipped at home by congressional Democrats hell-bent on righting the wrongs of the Bush administration.

All up, the US will soon be staring at a budget deficit approaching \$US1 trillion a year, with a public debt mountain as big

as the whole US economy, and with rising unemployment, foreclosures and bankruptcies crying out for more government intervention.

Not surprisingly, neither candidate took the bait when asked during the presidential debates how he would trim America's sails in the face of this brave new world. Given the need to feel America's pain at home, the main effects of the financial crisis on US policy will likely be felt abroad, including Australia.

Don't expect a humbler America to be willing to be told what to do by France or China regarding the

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creation of a post-market Bretton Woods for the 21st century. Co-ordinated national regulation among a small number of like-minded countries seems about the most to hope for.

America is in no mood to champion free trade either. Before the crisis hit, free trade was already deeply unpopular among average Americans — and Democrats in Congress. Things will only get worse in 2009. The Australia-US free-trade agreement is safe. But don't expect

the US to push for any new free-trade agreements, and certainly not APEC (Asia-Pacific Economic Cooperation forum)-wide or globally.

Climate change won't be immune from the US slowdown and insularity. McCain and Obama are greener than Bush. But it is energy independence, not climate change, that moves the political needle in America. Finally, the war on terrorism will be the last casualty. There is growing consensus in the US that less Iraq and more Afghanistan is the right policy. But the US, exhausted and broke, won't be able to throw itself into Afghanistan in 2009 the same way it jumped with both feet into Iraq in 2003.

Afghanistan was always the right war for America's critics. The next US president will call on its allies to do more there. How to respond will pose challenges for Kevin Rudd in 2009.

Australia and the world have been desperately waiting to turn the page on the Bush administration. The economic crisis, not Iraq, looks like being the final nail in the Republicans' coffin. The problem is that America's economic woes are going to make it very hard for the next US president to deliver the global leadership the world is clamouring for.

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