

The Diplomatic Fallout of Obama’s U.S. Midterm Election Debacle

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In midterm elections in early November the Democratic Party of U.S. President Barack Obama suffered a devastating defeat. Not only did the party lose its majority in the House of Representatives, its lead over the Republicans in the Senate also narrowed. Moreover a number of governorship changed hands. On top of that the midterm election outcome has caused a climate change in the U.S. Congress. During the campaign the ultra-conservative Tea Party movement rose to prominence and some candidates played an “anti-China card.” The question is whether these developments will affect the foreign policy and international trade policy of Obama.

China Card of Little Effect

During the election campaign candidates of

both parties used the “China card” to attack their respective rivals. From California to states in the Midwest and New Hampshire on the East coast, Democratic Party candidates blamed climbing U.S. unemployment on currency manipulation by China. Ironically in some constituencies the Democratic Party’s strategy to loudly play the “China card” was not successful. The two Republican candidates Pat Toomey (R-PA) and Mark Kirk (R-IL), who advocate free trade and are said to enjoy the support of American investors in China, were nonetheless elected.

Another view holds that the Republicans traditionally oppose protectionism more vocally than the Democrats. Since they oppose that the governments of other nations interfere with foreign exchange rates to favor their exports, pressure will build on the Obama

Table 1 Change in Seat Distribution After U.S. Midterm Elections

Senate		House of Representatives		Governorships	
Democratic Party	Republican Party	Democratic Party	Republican Party	Democratic Party	Republican Party
53 (-6)	46 (+6)	186 (-61)	240 (+61)	18 (-8)	29 (+7)

administration, now that the Republicans control the House, to demand an appreciation of the renminbi. Before the election, when the Democrats controlled the House, the currency reform bill was adopted that would allow the U.S. government to slap China with symbolic punishment for undervaluing the renminbi. The Senate, including a large number of incumbent senators whose seats were not up for grabs in the midterm elections, is scheduled to vote on the bill this month. It remains to be seen how the election outcome will affect the fate of that bill.

The majority of political observers believe that the Democrats made such heavy use of the “anti-China card” during the campaign because of electoral considerations. Therefore much of it was election rhetoric that will vanish into thin air as soon as the election was over. The administration still plays the leading role in addressing bilateral trade disputes and the renminbi controversy. But we must not underestimate the effects of China’s intensified, across the board, lobbying in the U.S. Congress in recent years and congressmen’s collusion with the electoral interests. This became also apparent in the mixed results that the “China card” yielded during the election campaign. Working to the

advantage of Obama’s China policy is that he can use the new situation in Congress as a bargaining chip to exert stronger pressure on China on trade issues. He could also make it an important topic when seeking coordination or even cooperation with the Republicans in the future.

Other Foreign Policy, Security, and Trade Issues

The newly elected Republican-led House of Representatives controls the budget for the Democratic government’s national security and foreign intelligence agencies. Moreover the newly elected House Republicans will use their public mandate to state their views in a vocal manner. Obama will inevitably have to tone down his stance to gain Republican support, if he is to push his foreign policy agenda without a hitch. It is foreseeable that Washington will adopt a more hard-line stance than previously toward North Korea, Iran and the anti-Israel camp in the Middle East. Most likely to be affected among Obama’s foreign policy goals is the pledged gradual withdrawal of troops from Afghanistan starting from July next year. There we might see changes given the political reality of a Republican-controlled

House. Whether Afghanistan will become an Iraq-like “foreign policy quagmire” for Obama deserves further observation.

The U.S. and South Korea signed a free trade agreement in 2007, but the pact has yet to be approved by the U.S. Congress. Since the new House Budget Committee will be led by the Republican Party, which has always advocated free trade, and because of the new political landscape in the U.S. Congress, Obama will be forced to demand greater concessions from South Korea before the FTA is ratified.

Implications for Washington's Taiwan Policy

Generally speaking the Republicans take a more proactive attitude toward U.S. arms sales to Taiwan. Whether the nearly aborted deal for the sale of F-16 C/D fighter jets to Taiwan can be revived depends on how strongly Beijing will lash out against the deal. Should Obama seek a harmonious relationship between the White House and Congress, should the military industry successfully lobby the Republican-controlled House, or should U.S.-China relations take another downturn, it is not completely out of the question that

the F-16 C/D deal will see a comeback. Its announcement could even be postponed until after Democratic Progressive Party (DPP) reclaims government power in the presidential election in 2012.

Another plus for Taiwan is that Ileana Ros-Lehtinen (R-FL) is very likely to take over as head of the House Foreign Affairs Committee. Born in Cuba and once suffering persecution under Cuban leader Fidel Castro, Ros-Lehtinen is a supporter of human rights and democracy, a staunch anti-Communist and a friend of Taiwan. A few months ago she publicly warned that the Economic Cooperation Framework Agreement (ECFA) between Taiwan and China amounts to a “Trojan horse” for Taiwan, clearly disagreeing with the overly “China friendly” course of the Ma government. She is also favoring stricter sanctions against Iran, China and North Korea.

Ros-Lehtinen is one of the co-chairs of the bipartisan Congressional Taiwan Caucus. She can be expected to actively push for the sale of F-16C/D fighters or other advanced weaponry to Taiwan. More importantly Ros-Lehtinen maintains good relations with Howard “Buck” McKeon (R-CA), who will very likely become chairman of the House Armed Services

Committee. McKeon's expertise is in missile defense. Should Ros-Lehtinen and McKeon be able to join hands as chairs of these two important committees, they could play a crucial role in U.S. arms sales to Taiwan.

Nevertheless Taiwan must not one-sidedly interpret that the future Republican-led House will adopt an "anti-China" policy. China policy is after all still formulated by the administration, while Congress can at most launch public criticism and control the budget. Needless to say, that the Republican Party traditionally tends to side with U.S. corporate interests and that China will mobilize business lobbyists to influence members of Congress. Therefore Taiwan should not be too optimistic yet. **B**