

Clinton's Asian hosts need economic diplomacy

Fri Feb 13, 2009 6:07am GMT

By Paul Eckert, Asia Correspondent - Analysis

WASHINGTON (Reuters) - Secretary of State Hillary Clinton's first overseas trip, a four-nation tour of Asia, will require her to offer comfort to Asian countries reeling from economic distress and worried about America's ability to deal with the crisis.

The visit next week to Japan, South Korea, Indonesia and China will cover traditional diplomatic and security issues, including the North Korean nuclear threat and U.S. military alliances.

But as Clinton's husband, former President Bill Clinton, famously understood in his 1992 White House run, "It's the economy, stupid."

The mission of the top U.S. diplomat "probably starts with the number one security issue for all of us right now, which is global economic security," said Wendy Sherman, who served at the State Department in the Clinton administration.

"Without it, it's hard to do any of the things that we are talking about" in terms of diplomacy and security, she said.

Each of the four export-dependent countries Clinton will visit has been hit hard by the global economic turmoil that started in the United States, which has remained the market of last resort for Asian goods.

Leaders of those countries have complained about the U.S. financial policies that helped bring about the worst economic downturn in decades and many there worry about protectionism in a country that has preached loudly to them about open markets.

"It is a challenging time for Clinton to travel to Asia, because there is the sense that the world economic order has been upended by the financial crisis that emanated from the U.S.," said Eswar Prasad, a former International Monetary Fund economist, now at Cornell University.

COMPETENCE, PROTECTIONISM

Asian unease has been compounded by the unhappy realization their countries are not in good enough fiscal and financial shape to withstand the U.S. meltdown. Many are hurting just as badly, if not worse, than the United States.

"The tsunami has eventually sucked up the Asian economies in its wake and they have turned out to be much less resilient than they had anticipated," said Prasad.

As the first face of President Barack Obama's team her hosts will see, Clinton needs to give assurances an administration that has yet to fill such

important Cabinet slots as commerce and trade can competently weather the crisis and not make things worse, analysts said.

"She's not the economic spokesman, but what is paramount now is go out there and start talking about some of the policies that are designed not just to pull the U.S. out of slump but to get back to global growth," said Michael Auslin of the American Enterprise Institute.

"Countries in the region are nervous both about the U.S. ability to pull out of this slump in a timely manner and about protectionism that would hurt them," he said.

Sparking protectionist concerns are the "Buy American" provisions of the U.S. economic stimulus package.

Final details of the provision were still not available late on Thursday, but the executive director of a U.S. manufacturing alliance said he was told by congressional aides that House and Senate negotiators agreed on a provision that requires public works projects funded by the plan to use only U.S.-made goods.

The final provision also includes language that requires the United States to implement the provision consistent with its trade commitments, the manufacturing group official said.

White House spokesman Robert Gibbs said negotiators had struck the right balance, after Obama urged them last week not to include any provision that could trigger a trade war.

Analysts said Clinton could provide a big service by explaining Obama's thinking on the issue to anxious trade partners.

"I hope that the secretary of state knows the president's exact mind and can take that to all of our trade partners, all of whom are concerned about Buy American, and say this is the administration's exact position," said Derek Scissors, a trade expert at the Heritage Foundation in Washington.

(Editing by Peter Cooney)

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