Biden says huge spending plan can redefine US ‘trajectory’

Rebuilding US economy in the wake of COVID-19 shutdowns is ‘an opportunity’

WASHINGTON: President Joe Biden said he is confident Congress will pass a mammoth middle class spending plan that can “change the trajectory” of the United States. In a speech at the White House, Biden said rebuilding the US economy in the wake of COVID-19 shutdowns is “an opportunity to be the nation we know we can be.”

$3.5 trillion in spending proposed

Making the case for some $3.5 trillion in spending on social services, like education, child care and climate crisis issues, Biden said “we're at an inflection point in this country-one of those moments where the decisions we make can change the trajectory of our country for years or decades to come.”

Biden also argued for a series of tax increases aimed at corporations and the very wealthy, saying that loopholes allow America's richest entities and individuals to end up paying almost no income tax. “It's long overdue. I'm not out to punish anyone. I'm a capitalist... All I'm asking is you pay your fair share,” he said. “It's about the super wealthy finally beginning to pay what they owe.”

The Democrat is banking on this message of fairness to get him across the finish line in Congress, where his party holds a razor thin majority over a Republican opposition showing no desire to compromise. The $3.5 trillion social spending package would come on top of an approximately $1 trillion infrastructure plan for things like roads and bridges.

Republicans have agreed to support that smaller bill-an extremely rare case of bipartisanship that Biden also hopes to use as proof of his claims to have tried to unite the country.

Hammered at home and abroad over the messy withdrawal from Afghanistan, where he ended America's lost 20-year war against the Taleban, Biden is keen to pivot to domestic issues and secure Democrats a major victory ahead of next year's congressional elections. A big domestic win would also help resuscitate his presidency, which after a strong start looks bogged down by the Afghanistan fallout, a complicated economic recovery after COVID shutdowns, and a resurgence of the pandemic thanks to the Delta variant of the coronavirus.

With an average approval rating of 46 percent, according to FiveThirtyEight, Biden is one of the most unpopular presidents at this point in the first term in modern history-even if he is way ahead of where Donald Trump was at the same mark with 38.8 percent approval.

Hard bargaining

Biden says his “Build Back Better” plan will tilt the economy in favor of ordinary Americans after years of growing wealth gaps and a fraying of basic social services like education. It's a message with broad appeal, but Democrats are squabbling over how far to push it, with many content with the $3.5 trillion price tag, leftist leaders wanting even more, and some moderates insisting on less than half.

With Democrats unable to afford losing a single vote in the 50-50 Senate and little more than that in the almost equally tight House of Representatives, Biden's entire agenda hangs in the balance.

The key Senate votes are Democratic moderates Joe Manchin and Kyrsten Sinema, who have cold feet about the higher price. Under pressure from his party to become more personally involved, Biden met privately with both Sinema and Manchin at the White House on Wednesday.

The administration also touted a letter of support signed by 15 Nobel economics prize winners who say his social spending plan will promote “success in the 21st century.”

However, Republicans are playing hardball. They not only refuse to countenance the multi-trillion-dollar package but sense a chance to deal the Biden presidency a severe blow ahead of next year's polls, when they hope to take control of Congress. In addition to trying to block the big spending package-while agreeing to the smaller, hugely popular infrastructure bill-Republicans are threatening to cause havoc by blocking approval of an increase to the national debt. For years this has been largely a technicality and Republicans agreed to relax borrowing restrictions repeatedly when Trump was president. Refusing to vote for it in the coming weeks will force the Democrats to scramble to find ways to avoid a funding crisis that could trigger a US default and plunge the economy into turmoil. —AFP

WASHINGTON: US President Joe Biden speaks about the economy and the middle class, in the East Room of the White House in Washington, DC. — AFP

China losing battle to sell its ‘win-win’ deals to Congolese

KINSHASA: Much has ground to a halt during the coronavirus pandemic, but not the march of Sino-Congolese friendship. Or so the Chinese embassy in Kinshasha is keen to show, amid growing scrutiny of Beijing's activities in the mineral-rich nation.

On the Boulevard Triomphal in Kinshasa, opposite the People's Palace, work is still under way on the gigantic future Central African Cultural and Arts Centre-a fact that the Chinese embassy took to social media to highlight. “The COVID-19 pandemic has stopped many things, but not the construction” of this China-funded center, “a new symbol of Chinese-Congolese cooperation”, the embassy tweeted on Thursday, with photos to back it up. For several weeks, China's diplomats have been responding to the wave of government decisions and positions seen as hostile to China's very visible presence in the DRC, to negative publicity about its operations in the crucial mining sector, as well as to criticism about failure to follow through on its commitments.

The marked change in tone was set in May when Tshisekedi announced his intention to review what he says are badly negotiated mining contracts agreed by Kabila. Kabila was in power from 2001 to early 2019, but his influence only really disappeared two years later, when Tshisekedi ended a cumbersome coalition agreement. “It is not normal that those with whom the country has signed exploitation contracts get rich while our people remain poor,” he said in May.

Showdown or negotiating tactic?

The DRC's enormous mineral reserves are critical to global supplies of lithium and cobalt, used in cell batteries and electric vehicles, tantalum, tin and gold in electronic devices, and copper for power lines and uranium. Yet despite the huge trove of wealth, 73 percent of the nation's 80 million people lived on less than $1.90 a day, the World Bank estimated in 2018. The impact of the coronavirus is believed to have made the situation even worse. With Chinese companies the dominant players in DR Congo's resources sector, many saw Tshisekedi's remarks as heralding a showdown with Beijing, just as Kinshasa was drawing closer to Washington.

Others, however, see the move as more of a negotiating tactic. In August, the US agreed a $1.6 billion package of aid for the DRC aimed at strengthening public institutions, improving access to water and electricity, and promoting small businesses and agriculture.

China, on the other hand, has long been criticized for attaching strings to its aid for developing nations.

In the wake of the presidential speech, announcements have accelerated since early August. In particular, Tshisekedi ordered a review of the shareholding of state-owned mining company Gecamines in a major copper and cobalt deposit majority owned by Hong Kong-listed China Molybdenum. A commission will assess the extent of Tenke Fungurume Mining's reserves to allow the state to regain a fair share of its rights, the government has said.

Even more dramatically, Tshisekedi called for a review of the 2008 deal under which China secured rights to crucial minerals including cobalt and copper in return for building infrastructure.

‘Strategic partnership’

After years of delays, complaints over poor quality and environmental and rights impacts, it seems the Congolese government believes the deal hasn't lived up to its promise. Chinese Ministry of Foreign Affairs spokesman Zhao Lijian has defended the “strategic partnership”, which he said has made it possible to promote “the development of the local mining industry, contribute to the financing of local communities and develop employment”.

But China's words appear to hold little sway with Congolese public opinion, which seems increasingly inclined to listen to criticism from on the ground where Chinese firms are operating.

The governor of South Kivu has suspended the gold mining activities of Chinese companies which, he said, do not respect the rules of the mining code, the environment or human rights-China's embassy has vowed to crack down on such abuses. A documentary accusing China of colonizing the DRC has also added to the problem. —AFP

The vital resources sector is a source of growing tension between Kinshasa and Beijing. — AFP

OECD: Rich nations make dismal progress in climate finance

PARIS: Rich countries are making little progress towards meeting their pledge to provide $100 billion a year to poorer nations to combat climate change, the OECD said Friday. Developing countries, which bear the greatest impact from climate change, received $79.6 billion in 2019, the Organization for Economic Co-operation and Development (OECD) said in its latest report on the issue. That is more than $20 billion below what wealthy nations promised to give every year starting from 2020 to help poorer countries curb their carbon footprint and cope with future climate impacts.

The 2019 figure is the most recent available and marked a two percent increase from the year earlier, a sharp slowdown from the rates of earlier years. And watchdog groups have warned that even those numbers may be inflated. “The limited progress in overall climate finance volumes between 2018 and 2019 is disappointing, particularly ahead of COP26 (the UN climate summit in November),” OECD Secretary-General Mathias Cormann said in a statement.

“While appropriately verified data for 2020 will not be available until early next year it is clear that that climate finance will remain well short of its target,” he said. “More needs to be done. We know that donor countries recognize this,” he said, adding that Canada and Germany are moving forward a plan to mobilize the additional finance required to reach the $100 billion annual goal. Meanwhile, the impact of the coronavirus pandemic is still unknown. Low income countries have been hit particularly hard by the COVID-19 crisis, with waves of disease and lockdowns wreaking economic havoc, even as climate change-driven disasters and threats continue to mount.

Public climate finance from developed countries accounted for the lion's share of the 2019 figure, some $62.9 billion, with another $2.6 billion in government-backed export credits. The rest, some $14 billion, came from private investment mobilized by public mechanisms. The 2009 UN climate summit in Copenhagen mandated that poorer nations were to receive the $100 billion and the pledge was renewed in the 2015 Paris Agreement. But where the money was to come from and how it would be allocated were not spelt out, which has made tracking progress toward that goal both difficult and disputed. —AFP

Regulators frown as crypto players move into banking

WASHINGTON: With offers of loans and interest-earning accounts, more new cryptocurrency firms are straying into the world of traditional banks, to the consternation of US financial regulators. Government agencies have been cracking down recently, trying to regain control of the largely unregulated sector.

Digital currency exchange Coinbase in early September went public with a complaint about a threat from top US markets cop the Securities and Exchange Commission (SEC) to sue the company if it goes ahead with its lending platform. Coinbase Lend would allow individuals to earn interest when they loan out their digital currencies, a service offered by several other crypto players for several years.

In July, prosecutors in several US states went after another platform, BlockFi, demanding it put an end to its interest-bearing accounts, which the company says can earn up to eight percent annually at a time when most traditional banks offer just 0.01 percent for savings. “Crypto is the new shadow bank,” Senator Elizabeth Warren told The New York Times.

“It provides many of the same services, but without the consumer protections or financial stability that back up the traditional system,” said the senator, a long-time crusader for tougher financial regulations to safeguard individuals.

These platforms fall into somewhat of a gray area. Since they are not classified as banks or lending institutions, they are outside the reach of the Federal Reserve or the Office of the Comptroller of the Currency, the main US bank regulators. “They are offering banking products. But as a matter of US law, banking law doesn't apply to Coinbase,” said Dan Awrey, professor of law and financial regulation at Cornell University.

However, he said securities law can apply to cryptocurrency platforms, something SEC Chair Gary Gensler agrees with. While elected officials in Congress are only just drafting bills to deal with these firms, and central bankers are debating their role, the former Goldman Sachs investment banker is taking action. “I think it's more like the Wild West,” Gensler said of the industry at a Senate Banking Committee hearing on Tuesday, noting he was interested particularly in its lending features.

‘Ill-fitting law’

Antoni Trenchev, co-founder of the England-based Nexo platform, said “it's a matter of time” before the SEC “reaches all companies operating in crypto.” Nexo says its customers can earn up to 12 percent annually for term deposits, or borrow using their cryptocurrency holdings as collateral.

But the push from regulators is a sign “our industry is becoming mainstream” and poised for more growth, he told AFP. Good regulation “will drastically increase people's faith and sense of security in crypto,” which will bring in more potential customers. “I also don't see it as a bid to control our industry. It's simply a means of protecting consumers which is ultimately what regulators are designed to do,” Trenchev said.

Nevertheless, there is concern that the SEC is quick to prohibit certain products. The agency has gone after many crypto sales, saying they are actually securities which must be approved. “Unfortunately, it is not uncommon for companies to find themselves in a position where a regulator says ‘no’ without explaining the rationale behind its decision,” said Hailey Lennon, attorney at Anderson Kill and former legal officer in charge of regulatory issues at Coinbase.—AFP

WASHINGTON: Securities and Exchange Commission Chair Gary Gensler has described the cryptocurrency industry as “the Wild West.” —AFP

Moody's upgrades Portugal's debt rating

LISBON: Moody's Investors Service on Friday upgraded Portugal's debt ratings a notch to Baa2 from Baa3 citing the country's “robust recovery” boosted by support from the European Union. “Looking beyond 2021, the Next Generation EU (NGEU) funds will provide important support to medium-term growth,” the ratings agency said.

The EU in June approved Lisbon's reform plan, which unlocked 16 billion euros in funding.

“The Portuguese economy is experiencing a robust rebound from the pandemic recession in spite of ongoing challenges in the tourism sector,” the statement said. The report noted that employment has normalized and aided consumption, while “stronger rebounds in key export markets are supporting a recovery in goods exports.” Moody's shifted the debt outlook to stable from positive. — AFP