

TUESDAY, MAY 30, 2023

US debt deal faces tough sell in Congress to avoid default

Default would likely trigger recession - risking global meltdown



WASHINGTON: Speaker of the House Kevin McCarthy (R-CA) (left) and Senate Minority Leader Mitch McConnell (R-KY) talk to reporters outside the West Wing after meeting with US President Joe Biden and Vice President Kamala Harris about raising the debt limit. — AFP

WASHINGTON: A day after securing a tentative deal to prevent a cataclysmic US debt default, Republican and Democrat leaders began the hard task of winning over skeptics in both their parties in order to shepherd the legislation through Congress before the government runs out of money. The agreement announced by President Joe Biden and Republican leader Kevin McCarthy after weeks of crisis talks offers a path back from the default precipice, but it is far from certain that the compromises it contains can garner the support it requires from both sides of the aisle.

And all the while the clock is still ticking down to the June 5 "X-date" when the Treasury estimates the government will start to run out of cash to pay its bills and debts. A default would likely have catastrophic consequences, triggering a US recession and risking a global economic meltdown. The basic framework of the deal suspends the federal debt ceiling, which is currently \$31.4 trillion, for two years - enough to get past the next presidential election in 2024 and allow the government to keep borrowing money and remain solvent. In return, the Republicans secured some limits on federal spending over the same period.

Unhappy right, and left

Congressional opposition to the bill comes from an unlikely union of hard-right Republicans who wanted deeper spending cuts and progressive Democrats who wanted no reductions at all. McCarthy has called for a vote Wednesday in the House where his party's wafer thin majority means passing the bill will require significant Democrat

backing to balance out Republican dissent.

The speaker was on Fox News Sunday in the morning, arguing that the spending limits were a significant victory and insisting that 95 percent of House Republicans were "very excited." "Maybe it doesn't do everything for everyone, but this is a step in the right direction no one thought we would be at today," McCarthy said. But the strident tone of the Republican opposition was set by Representative Dan Bishop - a member of the ultra-conservative House Freedom Caucus - who tweeted a vomit emoji and slammed McCarthy for securing "almost zippo."

'Scorched Earth'

Nicholas Creel, a political analyst and business law professor at Georgia College and State University said the deal was "ultimately likely" to pass through Congress, but he warned that "Freedom Caucus Republicans have the potential to play spoiler if they decide to go scorched Earth on McCarthy." McCarthy and Biden were scheduled to speak Sunday to finalize the deal, after which a text of the bill will be released and party whips will go into overdrive to ensure it has enough votes.

The tentative agreement represents a climb down of sorts by both sides. Biden had initially refused to negotiate over spending issues as a condition for raising the debt ceiling, accusing the Republicans of taking the economy hostage. And the big cuts that Republicans wanted are not there, although non-defense spending will remain effectively flat next year, and only rise nominally in 2025.

Biden said "the agreement represents a compromise, which means not everyone gets what they want. That's the responsibility of governing." "Overall, the deal is probably best viewed as a win for Biden and Democrats given that it contains fairly modest spending cuts and would prevent another debt ceiling showdown or a government shutdown during the remainder of Biden's presidency," Creel said. "Nobody has enough power to get too much of what they want right now, so a compromise like this that makes everyone a little unhappy is probably the best anyone could have hoped for," he added.

Speed of the essence

The countdown to the June 5 "X-date" means the legislation will still have to clear Congress much more quickly than the normal timetable for even the most uncontroversial bills. McCarthy is hoping to bring the narrow House majority of 222 Republicans with him, but opposition will come from 35 far-right lawmakers who told him to "hold the line" for more sweeping spending cuts.

That means a large number of Democrats will have to be persuaded to vote with a reduced number of Republicans - something that rarely happens on big bills. If a default still occurs, the government would not miss loan repayments until mid-June but in the meantime it would likely have to halt \$25 billion in social security checks and federal salaries. The battle has been monitored closely by the major ratings agencies, with Morningstar and Fitch both warning that they could opt for a downgrade, even if the crisis is averted. — AFP

US debt ceiling deal: The key takeaways

NEW YORK: President Joe Biden and House Republicans have reached a deal to raise the government's debt ceiling and avert a devastating default. Here, AFP details the key takeaways from the agreement, which still needs to be approved by a divided Congress in a vote on Wednesday.

Did either side win?

After days of long, difficult talks, the deal allows both sides to claim a victory of sorts. Biden called it a "compromise" while Republican House speaker Kevin McCarthy described it as "worthy of the American people." The 99-page text was released Sunday night and the agreement will be subject to scrutiny and debate in the coming days. Some demands from both camps were not accepted, such as the elimination of certain tax loopholes requested by Democrats, and the repeal of clean energy tax credits sought by Republicans.

The crux of it

Formally known as the Fiscal Responsibility Act of 2023, the bill provides for an increase to the debt ceiling of \$31.4 trillion for two years, meaning Biden will crucially not need to negotiate it again before the November 2024 presidential election. The deal also places limited curbs on federal spending that will please some Republicans, but it does not deliver the big cuts that right-wingers wanted and which progressive Democrats would have balked at.

Spending

The deal holds nonmilitary spending roughly flat for the 2024 fiscal year from this year. It also limits the increase by one percent for 2025, according to the proposed bill. The agreement preserves plans by the Biden administration to increase spending for the military and veterans in line with inflation as well.

IRS clawback

The deal also pares back funds allocated for the expansion of the Internal Revenue Service (IRS). Last year, Congress approved \$80 billion for the IRS to boost tax enforcement. The debt ceiling agreement pulls back \$10 billion to spend in other areas.

Unspent COVID money

The deal would also take back some funding that Congress allocated for the coronavirus pandemic but did not spend. A statement from McCarthy's office said the deal would rescind "billions in unspent Covid funds" but offered no further specificity. No changes will be made to Medicaid, the government's health insurance program for the most disadvantaged Americans.

Work requirements

The deal establishes work requirements for people who are receiving federal food assistance or on family welfare, in a victory for the Republican side. It is set to raise the age at which childless adults will be required to work to receive food stamps from 49 to 54. As a concession to Democrats, the deal relaxes the requirements for veterans and the homeless. — AFP

In Sudan capital, risking death in search of water

KHARTOUM: Fighting in Sudan has left hundreds of thousands of Khartoum residents without running water, with some forced to risk their lives and seek it out during brief lulls in violence. After nearly six weeks of street battles between forces loyal to rival generals and with temperatures regularly topping 40 degrees Celsius (104 degrees Fahrenheit), many inhabitants of the capital's northern suburbs are in desperate need of drinking water.

On April 15, when fighting broke out between Sudan's army and the paramilitary Rapid Support Forces (RSF), the station supplying several districts of North Khartoum with running water was damaged. Since then, about 300,000 of its inhabitants have not seen a drop of water run from their taps. Some have reopened wells or used pots to draw water from the Nile River.

"At the start of the war, we took water from the wells of the factories in the industrial zone, but after a week, the paramilitaries captured it," resident Adel Mohammed told AFP. As clashes engulfed the area and battles were taking place in residential buildings and hospitals, Mohammed had to wait days before being able to venture out and fetch water. Now, he and his neighbors wait for the clashes to momentarily subside to take an assortment of pots, basins and jugs to the banks of the Nile, which winds through Khartoum's suburbs.

Together, they fill a van and return to distribute a few liters each to families remaining in the neighborhood. But many others have left. "It was the lack of water and not the bombardments and the fighting that forced me to abandon my house," said Rashed



KHARTOUM: People fill barrels with water in southern Khartoum amid water shortages caused by ongoing battles between the forces of two rival Sudanese generals. — AFP

Hussein, who fled with his family to Madani, some 200 kilometers south of Khartoum. Hussein, one of more than a million Sudanese displaced during the conflict, said he could not bear seeing his children without clean water to drink or shower.

Even before the war, 17.3 million Sudanese lacked access to safe drinking water, according to the United Nations children's agency UNICEF. Waterborne diseases and poor hygiene are leading causes of death in children under five, the agency said.

Salah Mohammed, another resident of North Khartoum, stayed despite the fighting and found access to water by using a well at a nearby hospital, which treated its water for patients on dialysis. But after a week RSF paramilitaries took over the hospital, and he was no longer able to access the facility. Rashida Al-Tijani lives near another hospital, where she is able to find water. She waits "for the shooting to stop to go to the hospital... as quickly as possible", she said, taking as much water as she can for her family.

"I haven't been able to wash a single item of clothing since the start of the war." Daily life and the economy have ground to a standstill since the conflict erupted, depleting Sudan's already inadequate infrastructure and public services. Civil servants are on indefinite leave and fighters occupy hospitals, factories and public buildings. Informal networks of neighborhood groups, known as resistance committees, have mobilized to set up field hospitals and food distribution stations, and deliver water.

These committees had organized before the war to oppose the military's grip on political life. "Since the beginning of the war, we have been providing the inhabitants with water," said one committee member, requesting anonymity for fear of repercussions from the army or RSF. On one journey to find water, "our friend Yassine was killed by a bullet", he said. Even in death, the lack of water pervaded. "We were forced to bury him without being able to wash his body," the committee member said. — AFP