

## **Obama's colossal challenges on all fronts**

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President Barack Obama's inaugural address was sombre, even grim, with few of the uplifting phrases and little of the sunny optimism that tend to characterise such speeches. He highlighted that the United States was in the midst of multiple crises - two wars, a badly weakened economy, a nagging sense that America's decline was inevitable. Mr Obama spoke of overcoming 'common dangers, in this winter of our hardship...(and enduring) what storms may come'.

His speech was a reminder that the unipolar moment is over. The US will be the world's most powerful state but it will be less dominant than it is now. This will reflect both the instinctive attitudes of those taking over in Washington as well as the realities of a multilateral world. Over the next four years, the Obama administration will be guided by the maxim that 'our power grows through its prudent use' as the US seeks to rebuild its alliances and come to terms with the fact that it is an over-extended hegemon.

Withdrawal from Iraq after a decent interval will occur. Afghanistan and Pakistan will take centre stage in the US 'war on terror'. As the new Secretary of State, Mrs Hillary Clinton, noted in her congressional testimony, US military aid to Pakistan will be conditional on Pakistani efforts to close down training camps, evict foreign fighters and prevent the Taliban and Al-Qaeda from using the country as a sanctuary. There will be pressure on Kabul to crack down on the opium trade, corruption within the Karzai administration and growing Taliban influence within the country.

But President Obama's biggest challenges will be on the economic front. He gave us an indication of the policy directions of his administration: 'The question we ask today is not whether government is too big or too small but whether it works.' That indicates the era of deregulation is over. A more interventionist administration is on the cards driven by the startling spectre of markets spinning out of control and a sharp erosion of public confidence.

We may expect the Obama administration, unlike the preceding Bush administration, to spend on infrastructure, 'to restore science to its rightful place...to raise health care's quality and lower its cost' and to transform schools and universities to meet the demands of a new age. But Mr Obama needs to maintain his predecessor's commitment to open markets and avoid the lure of beggar-thy-neighbour policies.

Turning to foreign policy, Mr Obama's clearest message was addressed to the Muslim world. He took his oath as Barack Hussein Obama. He sought 'a new way forward based on mutual interest and mutual respect'.

However, for Muslims, the test of the new administration will be in its handling of Israeli/Palestinian relations. While Mr George W. Bush was seen as a solid supporter of Israel, the recent United Nations Security Council resolution calling for a ceasefire was not opposed by his administration. Israelis see this as a harbinger of future US official attitudes.

In a reversal of roles, recent Republican administrations have tended to be more supportive of Israel than Democratic ones. Mr Obama is likely to pressure Israel to reach an accommodation with the Palestinian Authority.

In addition, US relations with Iran will receive greater attention. Unlike the Bush

administration, which generally pursued a policy of isolation and sanctions, the Obama administration will pursue a policy of engagement with Teheran, intended to persuade it to give up its uranium enrichment activities.

Asia has not received much attention in news coverage of Mr Obama's policies. At a time of sharp criticism of the Bush legacy, it is important to recall that Asia is one area where his foreign policy did succeed. After initial hiccups, an effective cooperative relationship was established with China. Similarly, a rising India has moved from alienated critic to strategic partner of the US. While building its ties with China, the US reassured Japan of their continuing security relationship.

As China becomes more powerful and influential in regional and global affairs, the management of US-China relations should be the critical concern of the makers of US foreign policy. If the new administration builds on the Bush legacy, it will have laid the groundwork for a stable Asia-Pacific security architecture.

Mr Obama is uniquely well-placed to undertake this task as he is the first American president more familiar with Asia than with Europe. He spent four years in Indonesia as a youth, attending Indonesian schools. He retains fond memories of his experiences in Indonesia. His mother was a South-east Asia specialist interested in rural development and micro-finance.

The deepening economic crisis and the need to extricate the US from its wars in Iraq and Afghanistan will be the focus of Mr Obama's attention. The danger is that the new administration will conclude that its present economic predicament is caused in part by economies such as China with high rates of savings and investment, managed exchange rates and huge foreign exchange reserves.

The US needs to look at its own practices: high rates of consumption, a stock market and housing bubble which has now burst and easy credit policies. President Obama's biggest challenge on the economic front will be to avoid a trade war. He has to persuade Congress that global cooperation is needed to meet the most dire economic environment that the US and the world have faced since the conclusion of World War II.

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