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PRIORITIES FOR THE OBAMA ADMINISTRATION

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23 January 2009

Now that he is President of the United States, Barack Obama has his work cut out for him. His priorities will revolve around reclaiming US global leadership and rebuilding alliances in the face of America's new position as an over-extended hegemon.

PRESIDENT BARACK Obama's inaugural address on 20 January 2009 was sombre, even grim, with few of the uplifting phrases and a lack of the sunny optimism that tends to characterise such speeches in Washington. He highlighted that the United States was in the midst of crisis – at war, with a badly weakened economy but also with a nagging fear that America's decline was inevitable. The vision was one of overcoming “common dangers, in this winter of our hardship.....[enduring] what storms may come”.

The over-extended hegemon

It is a reminder that the unipolar moment is over. The US will be the most powerful state but it will be less dominant and a more multilateral world can be anticipated. This reflects both the instinctive attitudes of those taking over in Washington as well as the realities of power. 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 re-build alliances and recognises that it is an over-extended hegemon.

Withdrawal from Iraq after a decent interval will occur. Afghanistan will be a test of wills. The war in and around Afghanistan will pose a challenge as the US and its allies are sucked into a widening conflict. Afghanistan and Pakistan will take centre stage in the US ‘war on terror’. As incoming Secretary of State Hillary Clinton noted in her congressional testimony, US military aid to Pakistan will be conditional on Pakistan's efforts to close down training camps, evict foreign fighters and preventing the Taliban and al-Qaeda from using Pakistan as a sanctuary. There will be increasing pressure on Afghanistan to crack down on the opium trade, corruption within the Karzai administration and growing Taliban influence within the country.

But President Obama's biggest challenge will be on the economic front. The worsening financial crisis

heralds a spreading global recession. There is a risk of greater trade and investment protectionism, the declining influence of global financial institutions, a reduced international role for the US dollar and an end to uncritical acceptance of US pressures for global financial deregulation. Economies which had regarded themselves as immune from financial contagion such as India, China, Russia and Brazil now worry that the sharp slowdown in their growth will result in domestic unrest. This will occur as migrant workers from the countryside are thrown out of jobs in the cities and graduates join the ranks of the unemployed. In the US, the travails of Citibank and Bank of America, the Detroit car manufacturers and house owners with sub-prime mortgages sitting on negative equity make this a dismal time to ascend to the presidency.

Policy Directions

Obama's radical response to his bleak analysis gives us an indication of the policy directions of the new administration: "The question we ask today is not whether government is too big or too small but whether it works." The era of deregulation as a policy mantra 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. But Obama needs to maintain the Bush commitment to open markets and to avoid the lure of beggar thy neighbour policies. On the other hand, a clear break with the George W. Bush administration is expected on domestic policy with a commitment to spend on infrastructure, "to restore science to its rightful place... to raise healthcare's quality and lower its cost" and to transform schools and universities to meet the demands of a new age.

Turning to foreign policy, 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 Bush was seen as a solid supporter of Israel, the recent UN Security Council resolution on Gaza was not opposed by his administration. Israelis see this as a harbinger of future US government attitudes.

In a reversal of traditional roles, recent Republican administrations have tended to be more supportive of Israel than Democratic administrations. Obama is likely to increase pressures on Israel to reach an accommodation with the Palestinian Authority. Relations with Iran will receive greater attention, with a policy of engagement intended to persuade Iran to give up its uranium enrichment activities, unlike the Bush strategy of isolation and sanctions.

By contrast, Asia has not received much attention in news coverage of Obama's policies. At a time of sharp criticism of the Bush legacy, it is important to recall that Asia is one area of foreign policy success for his administration. 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 re-assured Japan of their continuing security relationship.

As China becomes more powerful and increasingly influential in regional and global institutions, the management of US/China relations should be the critical concern of US foreign policy makers. If the new administration builds on the Bush legacy, it will have laid the groundwork for a stable Asia-Pacific security architecture. 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 who attended Indonesian schools and retains fond memories of his experiences in Indonesia. His mother was a Southeast Asia specialist interested in rural development and micro-finance issues in Javanese villages.

Need for Global Cooperation

The deepening economic crisis and the need to extricate the US from its wars in Iraq and Afghanistan

will be the focus of Obama's attention. The danger is that the new administration will conclude that its present predicament is caused by economies such as China with high rates of savings and investment, managed exchange rates and huge foreign exchange reserves. Instead, 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. The challenge will be to avoid a trade war. President Obama has to persuade Congress that global cooperation is needed to meet the most dire economic environment facing the US and the global economy since the end of the Second World War.

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