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Special Report

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US

Special Report: Inauguration of President Obama and his likely policy direction

On 20 January 2009, before noon local time, Barack Obama will be sworn in as the 44th president of the United States.

Introducing President-elect Barack Obama and his cabinet

President-elect Barack Obama is not the youngest man elected to the presidency (that title goes to the 35th President John F. Kennedy who beat Obama by about four years), but he is cast as a thoroughly modern representative of a new generation of leaders (the secret service even dubbed him 'renegade' during his candidacy). Obama grew up in the post-Vietnam era, loving the conscience-laden television programme 'M.A.S.H.' as a kid, and as a man has declared 'The Wire', the gritty, multi-perspective crime drama, as one of his favourite shows. He appeals to the youth with his ipod selections including Jay-Z and candid revelations of drug use in his past and to the post-millennium model American white-collar workingman with his blackberry obsession and love of ESPN. Yet, he still pays homage to the tradition of the American presidency, with great respect for the precedent set by past leaders.

Obama has moved to model himself and his presidency on the legacy of his hero President Abraham Lincoln.

Most notably, like President Lincoln, Obama has selected a cabinet of rivals for the presidency and individuals with a

variety of political views. Obama's cabinet includes both Democrats (from the liberal end with pro-union Labor Department nominee Hilda Solis to the more conservative, hawkish Senator Clinton for State) and moderate Republicans (from Ray LaHood for Transportation and Robert Gates as Defense Secretary). Under President Lincoln this format led to friction and several resignations; however, Obama is determined to follow this model and is known to lead by consensus, as he did while president of the Harvard Law Review.

In key departments the Obama administration will make a clear break from the policies of the Bush administration. In the Environmental Protection Agency (EPA) there will be stricter enforcement of environmental regulation of industry (Obama's nominee for head, Lisa Jackson, has declared that the EPA will immediately investigate the disposal of ash from power plants, an EPA recommendation not pursued by the Bush administration). In social programmes, the Obama administration will increase spending on healthcare, education and entitlements. The focus of ending energy dependence will shift to renewables, especially bio-fuels and solar and wind power.

Specific forecasts

Foreign Policy

Although Obama is likely to pursue diplomacy as a main foreign policy tool, his administration is likely to become more hawkish over time.

The Obama administration will begin its reign with a focus on diplomacy and multi-lateral negotiations, as Senator Clinton called 'smart diplomacy'. Already, Obama has declared his intention to have high-level direct talks with Iran and Syria and has criticised the Bush administration's policy of isolating its enemies. However, as his presidency ages and he experiences some inevitable failures on the diplomatic front, we assess his policies are likely to turn more hawkish.

Iraq: Although troop withdrawal is likely to

be accelerated under Obama it is unlikely to be completed before 2010 and will be attached to conditions on Iraqi stability.

During the election, Obama said his target was to remove most US troops from Iraq within sixteen months of becoming president. As the transition continued, Vice President-elect Joe Biden hinted that the withdrawal would take longer than anticipated, but would still comply with the Status of Armed Forces Agreement. Currently there are about 140,000 US troops in Iraq. By the end of 2010, there is likely to be at least 10,000 'residual troops' remaining that are reclassified as training and support troops (some suggest there will be as many as 30-50,000). The pull out will not be unconditional. The level of stability in Iraq is key to the withdrawal timeline, as Obama has stated that he will not have an unconditional pull out of Iraq, and that US troops must leave a stable and democratic Iraq behind.

Afghanistan: Obama will almost certainly increase the US military engagement in Afghanistan in 2009.

Barack Obama, along with Secretary of Defence Robert Gates, new National Security Adviser General James Jones and General Petraeus, has declared his intention to focus military efforts on Afghanistan in the next year. Obama has pledged to send two to three brigades to Afghanistan and President Bush already set the cogs going for an additional 20-30,000 troops by the end of 2009. Also, Gates and General Jones (former Supreme Allied Commander in Europe) have been pushing for greater NATO contributions. All men agree that the war in Iraq has led to the US taking its collective eye off Afghanistan, and is in part to blame for the setbacks in that war. With General Petraeus in charge, it is very likely that some of the same principles in the Iraq surge will be implemented in Afghanistan, including protecting civilians before killing the enemy, assuming greater risk with soldiers in the field and using minimum force. However, Afghanistan is a very different environment than Iraq due to its primarily rural and tribal make up, so the surge cannot be directly transplanted. Petraeus has said he will focus on the 'long war' in Afghanistan and looks to work on development and

infrastructure (e.g. road) building, as well as negotiations with tribal leaders, shura councils and Pakistan, in order to improve security in the country. One further obstacle in Afghanistan is the difficulty in moving supplies, making the support for a soldier in Afghanistan cost much more than in Iraq.

Pakistan: Obama is likely to seek Pakistan's support to assist the US' effort in Afghanistan through economic and diplomatic aid.

Pakistan is a key player in Obama's redirection for the US to the war in Afghanistan. As a result, the Obama administration is likely to engage with President Zardari in order to coax a more robust response to the militants operating on the Pakistan side of the border. Such packages are likely to include greater economic aid. It also increases the likelihood that the US will apply pressure on India over Kashmir to keep Pakistan on-side. Already, Vice President Biden has said he is looking to a long-term US-Pakistan alliance. However, the US under Obama is likely to adopt a more aggressive rhetoric against Pakistan for perceived inaction, and the US military will most certainly defy Pakistani objections to missions crossing into Pakistani territory.

Humanitarian intervention and Aid: The Obama administration is likely to take a more proactive approach to foreign aid although the risk that the aid budget will be cut somewhat as a result of the financial crisis has increased; key aid programmes, such as for Colombia, are unlikely to be affected.

Obama is likely to push for increased humanitarian aid and intervention during his term. His focus on Africa is evident with his appointment of Susan Rice as US representative to the UN. Rice has a specialty in African affairs and has previously served as Assistant Secretary of State for African Affairs; she has also articulated support for a proactive US response to humanitarian crises. In her confirmation hearing to become secretary of state, Clinton talked at length about the world's poor and the need for US action - an unprecedented move for someone

in her position. While this speaks for increased engagement, the current financial crisis is likely to introduce some constraints. Although key aid programmes are unlikely to be reduced, some cuts to the overall aid budget will be likely if Congress adopts an isolationist stance in the economic downturn (Congress approves aid spending). A large amount of aid currently goes to Colombia and will probably not be greatly reduced, but a recalibration of allocations towards more social justice programmes and fewer military programmes is likely in response to accusations of Colombian human rights abuses.

Domestic policy

Trade and Industry: Obama will start limited and most likely multi-lateral trade negotiations in his first year in office; however, no major changes are expected due to the global financial crisis and the perceived impact of trade agreements on the US worker.

Similarly, while Obama has spoken of his desire to renegotiate NAFTA it looks unlikely that he will reopen the agreement within the year due to concerns about further job losses. Obama will most certainly not support free trade agreements with Colombia or South Korea due to concerns over labour and environmental standards in these countries.

Additional US industries are likely to seek government bail-outs; the Obama administration will be most supportive towards labour intensive industries, albeit with strict conditions on financial assistance.

This has become a probable high impact scenario as the financial crisis progresses. Obama would most likely support a bail-out for a US industry that is labour intensive in order to hold off another leap in unemployment rates. For example, the US steel industry would most likely receive a bailout because of concern over further job losses and because Pennsylvania, a major steel manufacturer, is also an important election state. However, he would impose strict conditions

on how the money was to be used, restructuring and support a government stake position. Troubled industries that are not labour intensive and not tied to America's perception of its own health, such as commercial real estate, are unlikely to receive bailouts if requested, though they would likely receive some favourable bankruptcy protection conditions.

Jobs and the Economy: Obama will seek to encourage job creation and spending through his economic stimulus plan.

Obama's economic stimulus plan (the \$825 billion plan already introduced in the House on 15 January) will be his first act as president. The goal is to stimulate job creation with a public works programme, including spending on infrastructure development (\$106 billion) such as building bridges, roads, mass transit, water and environment projects and making improvements to schools and hospitals. This will include 'green' jobs such as building windmills and solar panels, creating alternative fuels and installing energy-saving heating and cooling systems. Also, \$106 billion in aid for the unemployed (unemployment reached a 15-year high at 7.2% in early January), including benefits and retraining, health care policy extensions, food stamps and social security payments. The plan includes a middle class tax cut (\$275 billion) to encourage people to spend their money in an effort to kick-start the economy. His pick for Commerce, Timothy Geithner, who was until recently the president of New York's Federal Reserve Bank, has a reputation for being able to work with both Democrats and Republicans and is likely to push forward future Obama economic plans (especially when some concessions to Republicans, like the tax cut, are included).

Energy: The Obama administration is likely to increase funding for energy technology development.

Obama has expressed his intention to invest heavily in energy technology improvements during his term. As part of the \$825 billion economic recovery plan, \$54 billion was allocated to energy investments; \$32 billion for a new electricity transmission grid to distribute

renewable energy much further than is currently possible and new renewable energy technology and \$22 billion for making federal buildings energy efficient and other programmes for home improvements. Also included in the overall plan is \$16 billion for new scientific research. As a senator from an agricultural state, we also assess that emphasis will be placed on bio-fuel development. Obama chose Dr. Steven Chu, Nobel Prize winner and director of the Lawrence Berkeley National Laboratory, as secretary of energy. Dr. Chu has been an outspoken advocate of limiting greenhouse gas emissions and making energy efficiency a priority for American homes. Already at the Lawrence Lab, Dr. Chu refocused attention to advanced bio-fuels and solar energy research.

Social Programmes: The Obama administration will look to expand social programmes, including healthcare and education, during the economic downturn in order lay down a minimum safety net as part of his recovery plan (and to help debt-ridden states fulfil their public obligations).

Already, in the \$825 billion economic stimulus plan, there is \$119 billion designated for states for health care costs and critical services (e.g. public safety) and \$117 billion for education. On 14 January, the House passed the SCHIP programme expansion for government health care coverage for uninsured children, which Obama will certainly sign as soon as possible. However, Obama has also said he will address reform of entitlements, such as of Social Security and Medicare, in order to streamline the organisations, cut growth and reduce federal spending. Entitlement reform has always been a very contentious issue in US politics, and it is unlikely Obama will push through major reforms early in his presidency, instead focusing on programmes that have wide congressional support.

Homeland Defence: Obama is likely to retain the Bush administration's Homeland Defense policies, but move away from controversial policies like extreme interrogation and rendition; a new focus on white supremacist groups is likely to

emerge over his term.

The fundamental structure of the department will continue as will the funding levels. One area of defence Obama indicated would receive a lot of early attention will be the enforcement of the port security screening programme. However, the Obama administration will sharply move away from the counterterrorism policies of extreme interrogation (i.e. waterboarding), rendition and warrantless domestic surveillance under the lead of likely Attorney General Eric Holder. Obama will continue with his stated plan of closing the prison at Guantánamo Bay; however, this will take much longer than his first 100 days in office (most likely at least one year) as about 250 prisoners need to be processed, tried or transferred to other countries. A rise in hate crime - arsons on churches, community centres and homes and attacks on individuals - will probably accompany Obama's presidency, so a focussing of effort on domestic white supremacist terrorist groups is likely.

High impact, low probability scenarios that Obama could face, and his likely response:

1. A 9/11 sized (or larger) attack is committed on US soil and the evidence points to an Islamic terrorist cell operating from a country somewhere in the Middle-East. In this case it is most probable that Obama would order strategic military strikes on the likely locations where the terrorist cells are based and other such groups are thought to be operating. Critics would likely point to Obama's management of the Homeland Defence department, and a reform of DHS and the intelligence sectors would likely follow, though it is unlikely that Obama will allow a return to extreme interrogation techniques, such as waterboarding, and rendition.

2. The conflict in Gaza between Israel and Hamas widens into a regional conflict.

Obama is most likely to move to turn over a diplomatic new leaf in the US' approach to the Middle East. In this situation he would likely seek a UN resolution to restore peace to the region. However, time constraints and the likelihood of Israeli reluctance to accept UN conditions, as

they already have done, would lead to the US acting as the main negotiator. The US will seek to involve regional countries in negotiations (by listening to their requests and extending aid) and its regional allies in helping to restore stability by inviting them to offer incentives, such as humanitarian aid to Hamas, whilst the US can work to seek a security agreement that will satisfy Israel. In the agreement, the US would likely offer Israel military assistance, weapons and some movement on Iran.

3. President Obama is assassinated by a white supremacist. There would be large-scale race rioting in all major urban areas across the US in response to such an event. Big cities with large African-American populations, such as Los Angeles, Atlanta and Chicago, would be worst affected, in terms of property damage caused by violence. Due to the broad and numerous incidents that would be likely to follow an assassination, it is probable that there would be billions of pounds worth of damage due to looting, vandalism and arson attacks. Vice President Joe Biden would likely take drastic action to quell the violence, including the mobilisation of the US National Guard, which would limit violence to no more than one week. As President Johnson did in the aftermath of President Kennedy's assassination, Biden would be likely to carry on Obama's policies in his name.

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