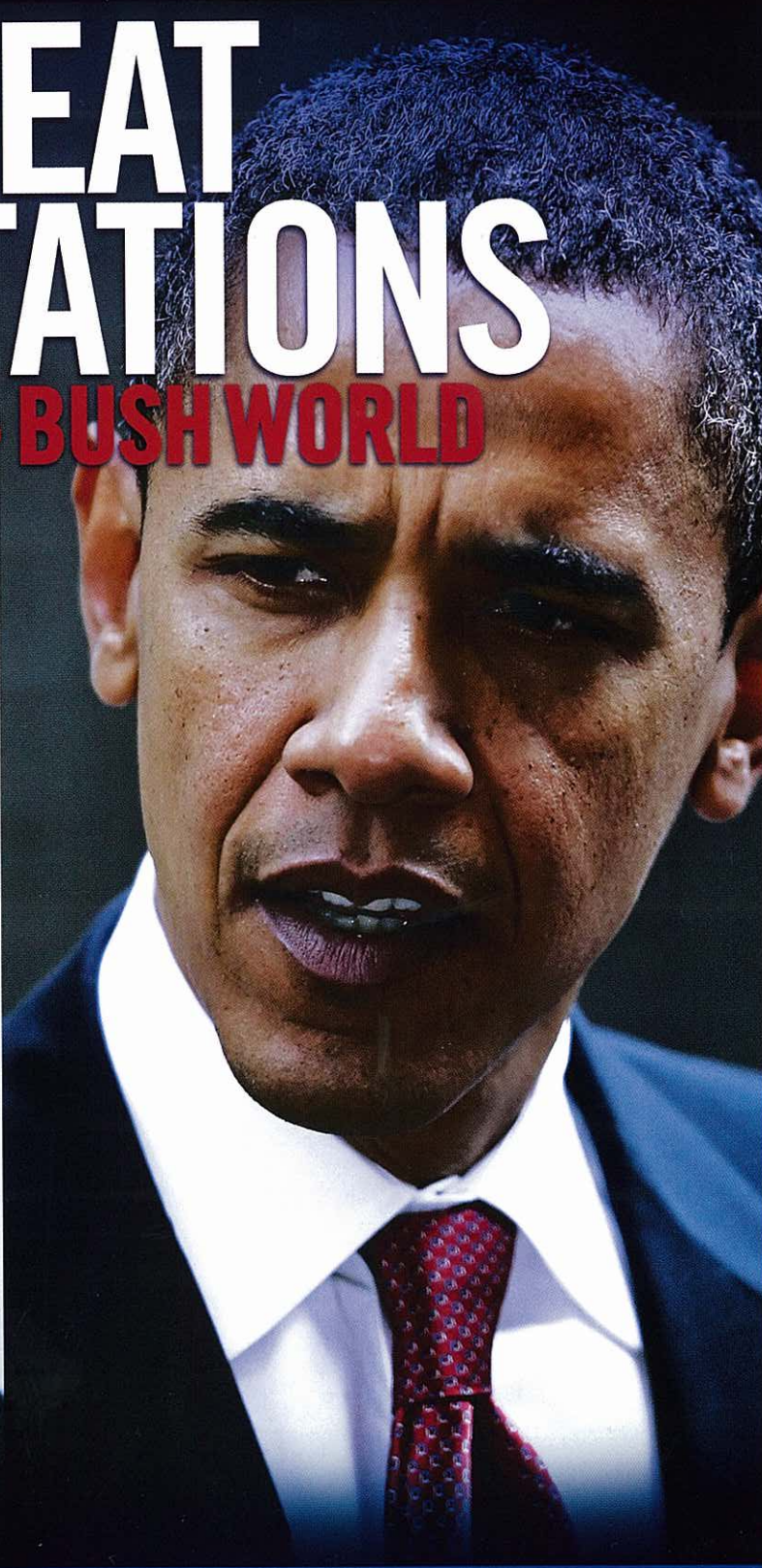
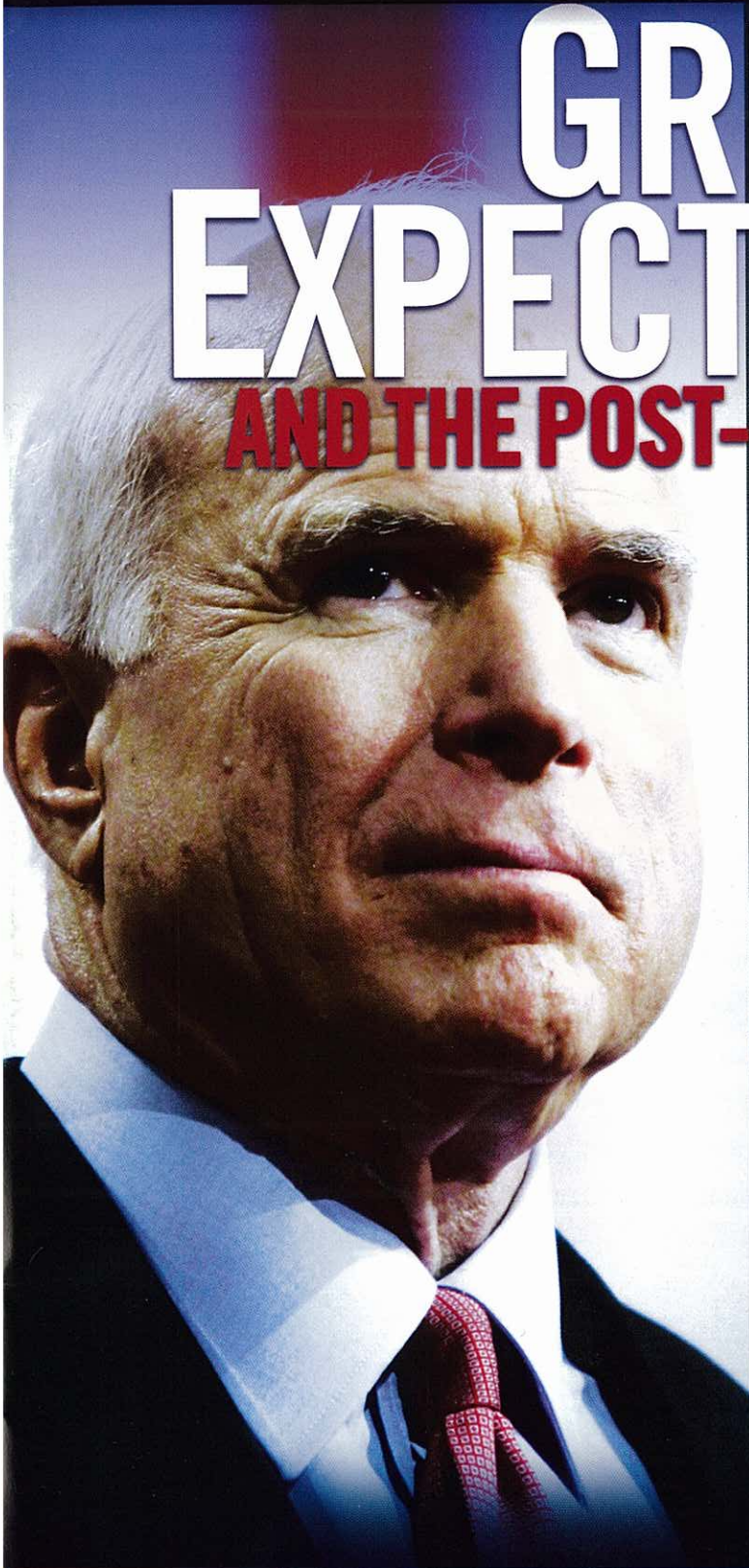


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GREAT EXPECTATIONS AND THE POST-BUSH WORLD



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GREAT EXPECTATIONS

WHAT A POST-BUSH WORLD WILL MEAN FOR AUSTRALIA

CHANGE IS COMING BUT THE NEXT US PRESIDENT WILL BE FAR LESS TRANSFORMATIVE THAN WHAT THE PAGEANT OF EXPECTATIONS WOULD HAVE US BELIEVE. **GEOFFREY GARRETT**

IN JULY this year, two hundred thousand adoring Berliners went wild for Barack Obama's vision of a new American age. The scene would have been similar had the world's president-in-waiting picked the Opera House instead of the Brandenburg Gate for his global coming out party.

But the global Obama love-fest overlooks three prosaic facts. First, the foreign policy of the Bush administration today is much closer to the global mainstream than its incessant stay-the-course puffery suggests. Second, whoever is the next president will have no choice but to make digging America out of its economic hole and fighting Islamic extremism from Iraq to Pakistan his two highest priorities. Third, November's election remains stubbornly close because Americans are still worried by the risks of putting the neophyte Obama in the Oval Office.

These sober realities will bring unwanted news for Australians a little too giddy on Obama hype: more pressure for Australia to be a bigger player in Afghanistan than it wants; less leadership on climate change than Australia covets; less interest in Asia than Australia expects; and, the rising protectionism that Australia fears.

AFGHANISTAN AND THE WAR ON TERRORISM

The public mudslinging and vitriol over the invasion of Iraq goes on, but just below the surface an elite American consensus is emerging on Iraq. The US will draw down the majority of its 150,000 troops in Iraq over the next four years, perhaps on the 2010 Obama timeline. But

assuming Iraq allows it, a sizeable US "residual" force (at least several tens of thousands of troops) will stay on indefinitely. A Vietnam-style exit is just not on the cards. But a South Korea-style garrisoning certainly is.

The next president will pay more attention to Afghanistan, sending at least 20,000 more troops there. Right now the American public is blissfully ignorant of the enormous commitment required to win in Afghanistan, especially as the conflict increasingly bleeds into an unstable and already nuclear Pakistan. As the grim realities become clearer, Americans won't tolerate another war based on an indefinite commitment and no exit strategy on top of the trillions spent, thousands of lives lost and relentless troop rotations in Iraq.

The US will again come calling on its allies to do more in Afghanistan. After Bush's failures, will the next president do better? Continental Europe's knee-jerk pacifist predilections run deep. Canada has been at war with itself over Afghanistan for years. And the political instability in Britain leaves it in no position to stand up as it did in Iraq.

That leaves Australia. Kevin Rudd artfully won US support for Australia's withdrawal from Iraq. But he did so by committing Australia to Afghanistan for the long haul. Sooner rather than later, America's next president will want to cash in the ticket. How to honour it looms as large for Rudd as entering Iraq did for John Howard.

Executing the "less Iraq, more Afghanistan" pivot is not the only major Islamic extremism challenge facing the next US president. The trajectory of Iran's nuclear program is not sustainable, if for no other reason than

because Israel insists it must respond to an escalating Iranian nuclear program with force if the world does not. Add to the mix the Tehran-controlled Shiite crescent stretching as far as Gaza and Lebanon, and the possibility of a US-Iran war cannot be discounted even after Dick Cheney leaves the stage.

It is hard to imagine that the Rudd government will do anything other than support the US over Iran. But if the rockets start firing, Australia's fidelity will be sorely tested.

Two conclusions seem clear about the fight against Islamic extremism. First, the war on terrorism will be no less a priority for the US in 2009 than it is today. Second, Australia will be under at least as much pressure to remain committed to US military adventures as it was during the Howard-Bush years.

GLOBALISATION IN REVERSE

A strange thing has happened on the long road to the US presidency. After almost five years of constant and blanket coverage of Iraq, the economy is now the voters' number one concern. The sub-prime meltdown and the doubling of oil prices have been a devastating one-two punch in the guts of Middle America.

The financial sector has incurred half a trillion dollars in credit losses and asset write-downs over the past year. Fannie Mae and Freddie Mac, guaranteeing half the country's mortgages, have been given a blank cheque bail-out. The once mighty greenback has lost 15 per cent of its value. At the same time, the prices Americans pay to feed their families, drive their cars and run their

businesses are all rising alarmingly quickly.

Cool heads say the US economy will bounce back as it has many times before, and that the worst thing government can do is overreact. But the presidential candidates must ignore this advice and propose to do something, anything, to salve middle class economic anxiety and insecurity.

Home ownership and housing appreciation, pillars of the American dream, lie in ruins. House prices are down more than 15 per cent from last year. Twenty million homes stand empty, with another 25 million in negative equity. Foreclosures exceed sales in many states.

This body blow to Middle America could not come at a worse time. Inequality is at its highest level in nearly a century. Job security is eroding. Wages are stagnant. The twin crises of health care and retirement benefits loom. Voters think their lives are getting worse, not better.

The next President will have to feel the electorate's pain. US support for further globalisation will be a primary casualty. Almost two-thirds of Americans believe that free trade has been bad for the country. A decade ago, globalisation's opponents were limited to Americans without a tertiary education. Today, globalisation's supporters are limited to America's globetrotting elite with postgraduate degrees.

George Bush has a surprisingly feeble record of furthering globalisation. Notwithstanding the protectionist and populist grandstanding of the Democratic primaries, there is no reason to expect the next US president to do any better.

The North American Free Trade Agreement won't be undone, much less the FTA with Australia. But even if the US can't or won't roll back globalisation, it is in no position to push for more of it. Victims of faltering US leadership will range from mega deals like Doha to agreements with tiny Colombia and Panama. Ambitious regional goals like an APEC free trade area seem at best fanciful.

This can only be bad news for an Australia whose future is so tightly tied to an open and dynamic Asia-Pacific economy. Predictions of a global "decoupling", with the Chinese growth

engine unaffected by problems in America, seem at best premature. If America's downturn ends up curbing China's insatiable appetite for raw materials, the impact on Australia could be devastating.

ENERGY INDEPENDENCE, NOT CLIMATE CHANGE

The climate change cause is another likely victim of America's economic blues. The next US president will certainly talk a greener game than George W Bush, but whether he will be able to move the policy needle is entirely another matter.

Even Bush now concedes that climate change is probably real, human action contributes to it, and America must do something about it. Both presidential candidates have gone much further, not only announcing reductions targets but also proposing emissions trading schemes to reach them.

But economics unconditionally dominates environmentalism in the US. The challenge of climate change just does not touch Americans in the visceral way it has Australians, whose sunburnt country is confronted every day by drought. Energy independence, not climate change, is the rallying cry when it comes to sustainability. First John McCain, and now Obama, have said that renewing American offshore oil drilling should be part of any comprehensive energy policy.

The Rudd Government is now saying that getting global agreement on a post-Kyoto regime by the end of next year may be a bridge too far. But coordinated national action is now the mantra, and Australia is clearly hoping that the US will enact a serious emissions reduction scheme very soon.

Don't hold your breath. Less reliance on Middle Eastern oil is considered an unequivocal good in the US. But the winning political move is squeezing more oil out of America's soil and waters, not punishing companies and consumers for their carbon emissions. When it comes to the global climate change game, all the indications are that the standoff between the two largest emitters, the US and China, over who moves first, will continue.

POWER BALANCING, NOT INSTITUTION BUILDING IN ASIA

Scapegoating China is easy political sport in the US. But the Bush Administration's implicit leitmotif has been old style China power balancing. Its China-specific policies have been remarkably even-handed. The Bush team has ignored the protectionist catcalls of Congress and engaged Beijing's leaders behind closed doors. Pentagon bureaucrats obsess over China's military aspirations.

At the same time, the Administration went way out on a limb to support India's admission to the global nuclear club, knowing full well that this would open it to damaging double standard critiques at home and abroad. But Bush pressed on, clearly believing that such

they have spoken, their words have had all the trappings of dutiful foreign policy wonks, not top of mind enthusiasm. The contrast with Australia could not be starker.

McCain is more hawkish than Obama on China's military aspirations. Obama is more likely to take China to task over its trade practices and human rights record. Both will voice concern over China's efforts to corner the global market on natural resources. But the broad framework of peaceful but wary coexistence with China will most likely continue.

Broader Asian issues will likely stay off the political radar in Washington. The US will probably still want Canberra as its deputy sheriff and eyes and ears in South-East Asia.

that will ultimately help weaken the foundations of Islamic extremism. The next generation of American innovations in clean, alternative and efficient energy may end up doing more for climate change than any carbon policies the next US administration might adopt – just as the efforts of the Gates Foundation have arguably done more for HIV/Aids than the World Bank and the World Health Organisation.

The US Government may not sign any new free trade agreements, and it may stay on the sidelines of Asian institution building, but this will not stop American-headquartered multinational firms designing, financing, producing and selling products around the world. Building deep roots in China, India and the rest of emerging Asia is at the very

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a landmark agreement between the world's largest democracies is the best way to balance China's growing power in Asia.

If the Indian civilian nuclear deal finally comes into force, neither candidate will have much incentive to overturn it. The non-proliferation regime costs have been borne by the Bush Administration while the next president will simply inherit any benefits from the US-India agreement.

There has been no room in this geopolitical chess game to embrace Asian institution building. Kevin Rudd may want an Asia-Pacific Community to grow out of APEC, but most Americans are happy to let this Clinton legacy wither into insignificance. They haven't noticed, much less cared, that the US has been conspicuously not invited to Asia's flagship political forums.

How much will all this change in 2009? Probably not much. McCain and Obama have been close to silent on the subject of Asia. When

But don't expect the US to reciprocate by stepping up as co-conspirator in Kevin Rudd's Asia-Pacific ambitions.

BUSINESS AS USUAL ISN'T SO BAD

It makes perfect sense after the last eight years that expectations for the next US president are high. That these expectations will likely go unsatisfied is less newsworthy but no less important.

This does not mean, however, that the US's global impact will be any smaller. There is much more to America's worldwide impact than Washington's foreign policy, and the dynamism of America's globalised private and not-for-profit sectors shows no signs of slowing down.

Silicon Valley innovations in information and communications technology have not only made for a smaller, more efficient, more connected and more interesting world. They also empower the people-to-people connections

top of their must-do lists. Though poverty reduction and political empowerment are not their proximate objectives, they will likely be the lasting consequences of the quest for new markets.

The new president will enter the Oval Office in January squarely focused on the great challenges he will inherit and conscious of his equally significant limitations in meeting them. As a result, America will look and act more like a normal country in 2009 than it did during the more imperious and impetuous days of the Bush Administration – far from a bad thing. But this humbler and more inward looking America will be in no position to offer the inspiring global leadership the world is looking for.

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