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**Setting the Stage for the Obama Administration: The
Players, the Program, and the Opportunities for
Canada**

A Policy Update Paper

By

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The Anglo-American chronicler of America and American life, Alistair Cooke, observed that a presidential performance is a trilogy of plays. The first play is the election campaign. Cooke called it 'Promises, Promises.' Long and exhausting, the candidate criss-crosses the country, telling each and every group, what they wanted or expected to hear.

The second play begins on election night and lasts until the inauguration. Cooke called it 'The Honeymoon,' that time in the life of the president-elect when, while he is powerless, he is very popular. Not a day goes by without another flattering profile of him, his family and the team that he is assembling about him. A new president always suggests the prospect of change and movement, the rebirth of the American promise, and into him Americans invest their hopes and aspirations for the future. Three out of four Americans, including a majority of Republicans, approve of how Obama has handled the transition.

This happy state of affairs will reach a crescendo shortly before noon on Tuesday, January 20th, on the West Front of the Capitol Building - "democracy's front porch," as President George H.W. Bush called it. With one hand on the Bible used by Abraham Lincoln at his 1861 inaugural, Barack Hussein Obama will raise his right hand before Chief Justice John Roberts, and take the oath of office making him the 44th president of the United States.

Obama's inaugural address is expected to be relatively short, about fifteen minutes. His speechwriter says it will reflect "this moment that we're in, and the idea that America was founded on certain ideals that we need to take back." Expect references to Martin Luther King, Jr., whose January 19th birthdate is now celebrated with a national holiday, and to Abraham Lincoln, whom Obama venerates. This year is the 200th anniversary of Lincoln's birth. After the afternoon parade and evening balls, the new Administration will get down to work and the third and longest play in Cooke's presidential cycle, 'Facts of Life,' begins in earnest.

The Obama Team

Many are the considerations that go into making an Administration – politics, region, gender. Ultimately the administration reflects the temperament, the personality, the preferences, and the character of the man at the top. If ideology was a determinate factor for the George W. Bush cabinet, and one that 'looks like America' for Bill Clinton, for Barack Obama it is pragmatism and experience.

Throughout the campaign, Obama spoke consistently about changing the tone in Washington, reaching across the aisle and moving beyond the cultural and social divide of 'red state versus blue state' that has characterized much of American politics in the last quarter century.

Moving with 'deliberate haste,' the Obama team is now almost complete. Most were introduced, usually after a series of strategic leaks, before Christmas. Reflecting his priorities and underlining the collegiality he expects of them, members of both the cabinet and senior White House staff were rolled out together, like different lines on a basketball team, with 'Coach' Obama providing the colour commentary. Basketball is the new president's favourite sport.

First came the teams responsible for management of the economy, then national security, health and housing, energy and the environment, labor, and, most recently, intelligence. There remains the selection of a new Commerce Secretary, following the withdrawal of New Mexico Governor Bill Richardson. His hopes for another national office (he served as both UN Ambassador and Energy Secretary in the Clinton Administration) were dashed by a Grand Jury investigation into 'pay-to-play' dealings in New Mexico, an early reminder of the importance of due diligence before the inevitable scrutiny by Congress and the media.

Governor Richardson was one of the eight Democrats who also ran for the nomination and from that 'team of rivals,' Obama selected Delaware senator Joe Biden (as Vice President), New York senator Hillary Clinton (as Secretary of State), and Iowa governor Tom Vilsack (as Agriculture Secretary).

Elected experience counts. Amidst all the accolades around the cabinet of John F. Kennedy's cabinet of the 'best and brightest,' Speaker Sam Rayburn mournfully observed to Vice President Lyndon Johnson that he'd wished some of them 'had run for sheriff or something.'

The Obama cabinet would pass the Rayburn test. Most have run for office Congress, state and city or county government, including Illinois Congressman Rahm Emmanuel (Chief of Staff), former South Dakota Senator Tom Daschle (Health and Human Services and director of the White House Office of Health Reform), Arizona Governor Janet Napolitano (Homeland Security), Colorado Senator Ken Salazar (Interior), California Congresswoman Hilda Solis (Labor), Illinois Congressman Ray La Hood (Transportation), former Dallas Mayor Ron Kirk (USTR), Phil Schiliro (Assistant for Legislative Affairs), former California Congressman Leon Panetta (CIA Director).

The United States Government is the biggest 'business' in America and the cabinet table will also reflect an abundance of executive experience, including Defense Secretary Robert Gates, New York Federal Reserve president Timothy Geithner (Treasury), former Treasury Secretary and Harvard president Lawrence Summers (Director of National Economic Council), former Federal Reserve Board chair Paul Volcker (chairman of the Economic Recovery Advisory Board), Congressional Budget Office Director Peter Orszag (OMB Director), and former Deputy Attorney General Eric Holder (Attorney General). Arne Duncan (Education) has run Chicago's schools, Lisa Jackson (EPA Administrator) was chief of staff to New Jersey Governor Corzine, Shaun Donovan (Housing and Urban Development) is New York City's Housing Commissioner. Mary Schapiro (Securities and Exchange Commission) is president of the Financial Industry Regulatory Authority, Wall Street's self-regulator.

Military and national security experience has been a part of any administration since George Washington. Obama has chosen retired former Army Chief of Staff General Eric Shinseki (Veterans Affairs), retired Marine General James Jones (National Security Advisor), retired Admiral Dennis Blair (Director of National Intelligence), and former CIA counterterrorism officer, John Brennan (Homeland Security Advisor) .

The Academy and the think tanks in the U.S. are 'governments in waiting.' This time they have provided Lawrence Berkeley Laboratory Director Steven Chu (Energy), Brookings scholar Susan Rice (UN Ambassador), Harvard Law School Dean Elena Kagan (Solicitor General), University of Chicago law scholar Cass Sunstein (Office of Information and Regulatory Affairs). And from the media comes CNN chief medical correspondent, Dr. Sanjay Gupta (Surgeon General).

It's easy to see why *New York Times* columnist David Brooks described it as a 'valedictocracy' of overeducated 'Achievetrons,' including the "best of the Washington insiders." It is also, observed Karl Rove, "a strong and intelligent team of people with muscular views and large personalities." Managing those views and personalities will test the president's managerial capacity. The lines of authority, especially between the czars and cabinet members, are not clear. Leon Panetta, who as chief of staff to Bill Clinton brought order and discipline after a bumpy first year, argues the appointment of 'czars' reflects reality: "in a very complex

bureaucracy that makes up the federal government, the simplest way to cut through it is to do it at the White House level."

There is inevitable tension between the White House advisors and cabinet secretaries, but with the appointment of the 'czars,' the risk of frustration and conflict is likely to be increased in a town that lives for intrigue and controversy. Such was the fate of Clinton's Health and Human Services Secretary Donna Shalala, relegated to the sidelines by Hilary Clinton and Ira Magaziner, during the 1993-4 health-care reform debate. And the Beltway "system of leak and innuendo," observed Henry Kissinger, "will mercilessly seek to widen any even barely visible split."

Management of his cabinet and senior advisors will be a challenge for President Obama but the relationship with Congress, the nerve system of the American democratic process, will be critical. Notwithstanding the hefty Democratic majorities in both the House and Senate, the new president and his team are already working Capitol Hill.

The Congress

The spirit of the Founding Fathers who wrote the Constitution was bred by their memory of the tyranny of kings and kings' ministers. They wanted, and got, not a parliamentary system, but a system designed to block a dictatorship. "Healthy government," observed James Madison was about "faction opposing faction," a Congress as a strong opposition to the president and, inside the Congress, lots of competing interests.

While they may agree on the challenges facing America, the Democratic leadership has their own ideas on both the priorities and power-sharing with the new Administration. In asserting his belief in "three separate but equal branches of government," Senate Majority Leader Harry Reid declared: "I do not work for Barack Obama. I work with him." Notwithstanding his constitutional role as president of the Senate and his 36 year membership in the Senate, Majority Leader Reid has told Joe Biden that, after he is sworn as vice president, he won't be invited to the weekly meetings of the Democratic caucus.

In a similar vein, House Speaker Nancy Pelosi has told the new Administration that her expectation is one of "no surprises, and no backdoor efforts to go around her and other Democratic leaders by cutting deals with moderate New Democrats or conservative Blue Dogs." The chairmen of the Senate and House committees, the 'old bulls,' expect similar courtesy and deference. They will consider each piece of legislation and decide the appropriations. Party loyalty to their leadership and the president is only one of many factors for members of Congress. Considerations of local interests, regional and sectoral benefits, matter as much, if not more, in their voting equation. And always on the minds of every House member and those senators facing re-election, are the next set of biennial elections. It is estimated that each member of the House must raise an average of \$5,000 a day and each member of the Senate nearly ten times that amount in order to fund their campaigns. The 'money' politics of Washington expands exponentially and accounts for the over 35,000 Washington lobbyists and lawyers (their numbers more than doubled during the Bush years) who also work Capitol Hill.

When I was on Capitol Hill, old hands would consistently use the analogy of 'sausage making' to describe the American legislative process, noting "there is lots of pork – what we call earmarks" and that "you don't really want to know what goes into the process." Writing in the *New Yorker*, Joe Klein observed: "The counting of noses and the winning of votes is one of the more elusive political arts. It happens one on one, in private. It requires skills too subtle for most politicians – notably, the divining of individual temperaments." In his selection of his cabinet and senior

advisors, and in his early and visible outreach to Capitol Hill and its Leadership, Obama demonstrates his understanding of the importance of this process. The pledges of cooperation from the Democratic leadership in both Houses that followed the swearing in of the 111th Congress on January 6, are a compulsory ritual, a gentle genuflection. They do not change the separation of powers and the constitutional provisions that set up the legislative branch as the watchdog on the White House. Jimmy Carter failed to win passage of any signature programs in his first year and Bill Clinton became so unpopular that, two year after his election in 1992, his party was swept from power in Congress in the 1994 Gingrich 'common sense revolution.'

Nor is passing legislation easy; through a series of practices, including the ability to filibuster and conventions on appointments, it is much easier to prevent than to achieve passage of legislation. In the last Congress (2006-8) nearly 14,000 pieces of legislation were introduced, but only about 3.3% were signed into law.

In the shifting nature of building support on any issue, Obama, inevitably, will have need of Republican support. His election was more a rejection of George Bush and his handling of war and the economy, than a triumph for liberalism. The Democratic party, especially in Congress, remains to the left of the electorate. The number of Americans who self-identify as liberals continues to fall, to 21% in 2008 from 22% in 2004, according to CNN, while the number of self-identified conservatives held steady at 34%.

Obama has promised to pursue bipartisanship but the kind of triangulation with Republicans that Bill Clinton practiced on NAFTA, for example, will be difficult. His strongly interventionist policies are anathema to the Republican minority. In the wake of continuing polarization, 'liberal' Republicans are nearly extinct and the party is increasingly southern, conservative and views 'government as the problem.' Inaugural civility aside, there is a divide in American politics that is more than just the distance between the two political parties and this will be part of the Obama challenge. Washington Post pundit E. J. Dionne writes:

Consider the portraits that Republicans and Democrats paint of each other. They explain much of the loathing in our politics. Democrats see Republicans as a collection of pampered rich people who selfishly seek to cut their own taxes, allied with religious fundamentalists who want to use government power to impose a narrow brand of Christianity on everyone else. Republicans see Democrats as godless, overeducated elitists who sip lattes as they look down their noses at the moral values of "real Americans" in "the heartland" and ally themselves with "special interest groups" that benefit from "big government.... red-staters and blue-staters live in two different political universes. It's no wonder that political moderation is out of fashion.

The sense of crisis and public concern helped elect Obama – promising to bridge the cultural and political gulf in America was the core message of his 2004 speech and throughout the campaign, but it will be difficult.

Promises, promises

Many were the promises made on the campaign trail, including the renegotiation of NAFTA. As a young officer in the New York Consulate charged with coverage of the 1980 election, I diligently sifted through the daily papers to enumerate the promises and attended the Democratic National Convention to watch the policy sessions. They were lively and robust. The interests that make up the Democratic coalition – the unions, the feminists and gay community, the farmers, the minorities – are passionate and committed and the sessions were accentuated

by the fact that the nomination was being contested by Senator Teddy Kennedy. I kept copious notes.

Then I met Senator Daniel Patrick Moynihan. With his bow tie, shock of white hair and florid complexion, the 'gentleman from New York' was a figure of consequence: author, ambassador and raconteur. I asked him about a particular aspect of a contentious platform debate. He looked at me quizzically through his half-moon glasses saying he would give me some useful advice: 'platforms and campaign speeches were like editorials in the *Daily News* – filled with bombast but, like the paper itself, just as quickly discarded.' The promises and declarations should be seen expressions of empathy rather than commitments to action.

To understand what would really happen in the next Administration, or any administration, my time would be better spent studying the congressional appropriations process. "It is there," he told me, "where serious initiatives are hammered out and, more critically, financed." Moynihan, who would later chair the Finance Committee during the Free Trade Agreement hearings, spoke from experience. His 1972 book, *The Politics of a Guaranteed Income*, describing the failure of the family assistance plan during the Nixon Administration, is still useful reading for anyone wanting to understand the reality of the American legislative system.

In his cultivation and outreach to Congress, Obama brings a talent for the 'bully pulpit.' His address to the 2004 Democratic National Convention brought him to national attention. His subsequent speeches during the campaign and election night were critical to making Americans comfortable with his leadership. He has married his communications skills to technology to create a unique network. I first listened to Obama through his weekly senatorial podcasts. He now makes his weekly presidential radio broadcasts also available on Youtube.

During the campaign he developed a personalized outreach list of 2 million active volunteers and 4 million cellphone contacts. His list of 13 million names and email addresses represents the equivalent of 10% of those who went to the polls in November. To put it another way, the list dwarfs the audience of all the nightly cable news shows combined. It gives him a grassroots organization rivaling any competing interest group, a potentially powerful tool of social change to pressure Congress that no other president has had, and he has put campaign manager David Plouffe in charge of the ongoing operation. He will need this network when he deals with Congress and with interest groups, especially those in the Democratic constituency – the unions, teachers, and health-care groups who are expecting satisfaction from an Administration and Congress they believe they elected.

The Legislative Agenda

The first test with Congress occurs in the confirmation hearings of the 15 cabinet members and four other cabinet-level officers (UN ambassador, EPA administrator, budget chief and trade representative). As we are witnessing with the Finance Committee's consideration of Timothy Geithner as Treasury Secretary, the process can become a grilling that includes all aspects of personal lives including tax payments and nannies. Just over a thousand of the Administration's 3300 appointees will require Senate approval in hearings that will stretch out for months.

The substantive test will come on the legislation giving effect to the Obama agenda:

- the stimulus package and regulatory reform;
- the reform of health care and preservation of Medicare;
- a greener energy policy to make the U.S. less dependent on foreign oil; and

- how to raise the standard of public education for a nation where each of the 50 states handles its own educational system.

In an interview with *New York Magazine*, Chief of Staff Rahm Emanuel suggested the timing: “Regulatory will kinda come down the chute fast. Tax reform will take a little longer, because it’s not until 2010 that Bush’s tax cuts expire. Energy, you can do some things immediately. And with health care, you’ve got the children’s health insurance as the first piece of a series of things you gotta do.” The House of Representatives has already voted to expand the children’s health insurance and, if passed in the Senate, it could be among the first bills signed into law by President Obama.

Economic Program

The first task is to begin the recovery, forestall further decline, and create a promised 3-4 million new jobs. The U.S. suffered a net loss of 2.6 million jobs in 2008, the most since 1945. Health insurance is tied to employment and many of those have also exhausted their unemployment insurance benefits. Almost 4 million homes are under foreclosure and states are facing massive revenue shortfalls. The unemployment rate (7.2%) is expected to hit double digits this year and risks staying high into 2011. Then there is the unfinished business of the car industry bailout.

Events have created an environment accepting of multi-billion dollar programs and budget deficits that will hit 10% of GDP. The economic crisis is the opportunity to push through a reformist domestic agenda that in scope and size will rival that of Franklin Roosevelt in its extension of federal government reach. The economic package is also integral to the ‘yardstick’ for the Administration, set by Vice President Biden “to measure how they are impacting the working and middle-class families...is the number of these families growing? Are they prospering?” Obama originally hoped to have it on his desk by Inauguration Day but the size and scope of this legislation brings new meaning to legislation as ‘sausage-making’. The expected delivery date is now President’s Day (February 19). Perhaps. In 1993 Bill Clinton sought a much smaller economic package from Congress; even with similar Democratic numbers in both the House and Senate, it took seven months.

The first part of the Obama package is the American Recovery and Reinvestment plan, a stimulus to ‘shovel-ready’ projects designed to expand and rebuild America’s roads, bridges, schools, laboratories, libraries, and provide job retraining for those out of work. The package will also likely include funds to help states cover rising Medicaid costs, food assistance, extended unemployment benefits, and money for job training as well as tax relief for retirees, tuition credits for lower-income families, a direct cheque to working families and investments in renewable energy – ‘green collar’ jobs, in a way, “that will leave a lasting footprint.” Each of these sectors has powerful advocates in state and local government, business and labor. Notwithstanding Obama’s direction that the stimulus package contains no ‘earmarks,’ the package will inevitably include ‘considered’ projects for each congressional district and state.

The tougher piece will be the second part of the stimulus package – the new regulatory regime that Congress will impose over stocks and derivatives, over tax policy, and over bailouts. The challenge will be to avoid an over-regulation that will do little to thaw the credit markets or increase business confidence to hire or invest in equipment in an economy that is 85% service-oriented.

Health Care Reform

Shortly before Christmas, Obama declared, “The time has come – this year, in this new Administration – to modernize our healthcare system...to finally provide affordable, accessible health care for every American.”

Health care drained the federal budget of more than \$1 trillion in 2008. At 17% of gross domestic product (in Canada the figure is about 12%), health care is the biggest single sector of the economy, and it is consuming a larger and larger proportion every year. The Congressional Budget Office projects health care will account for 25% of GDP by 2025; the Medicare Trust Fund risks exhaustion within the decade. The problems are compounded by those that also face social security: longevity – we live longer; and demography – the ratio of workers to seniors is steadily declining, despite immigration.

There have been many efforts at reform, most recently the Clinton effort in 1993-4. Tom Daschle, who will champion the Administration effort this time round, writes of the lessons learned from the Clinton experience in his new book, *Critical: What We can Do About the Healthcare Crisis*:

... the Clinton administration should have turned to the Department of Health and Human Services, where political appointees and career bureaucrats could have worked together to draft a plan. As they proceeded, the HHS officials might have solicited the views of academics, congressional staffers and interest groups. Political veterans in the White House could have assessed the plan’s political feasibility. Then, before anything was finalised, HHS would have run it by congressional leaders and powerful interest groups to identify potential problems.

Congress will determine the success of health reform and the Administration has two formidable allies in Senate Health, Education, Labor and Pensions Committee Chair, Ted Kennedy, and John Dingell, Chair Emeritus of the House Energy and Commerce Committee, and longest serving member in the House. Dingell’s father first introduced legislation for national health care in 1943 and Dingell played a key role in the 1993-4 effort. For Kennedy, national health care has become a legacy project capping his nearly 50 year Senate career. Capitol Hill veterans believe that this time, the conditions are right for health reform.

Universal health care is the Holy Grail of the New Deal. Every president since Roosevelt has considered change but, as was once the case with free trade in Canada, change has either been shelved or failed. This effort is different for several reasons. First, the sense of crisis around escalating costs and growing numbers who are now without coverage, as a result of the economic crisis. Second, the line-up of supporting players within the Administration and Congress, within the states, and amongst the public. Third, and building on the failures of the past, there is the semblance of a doable plan.

Energy and the Environment

At least as daunting is the Obama promise to prepare and implement a long-term energy and environmental policy that would shift the economy away from carbon-intensive fuels.

Obama has promised that the U.S. will slash carbon emissions to 1990 levels by the year 2020 and an economy-wide, cap-in-trade program by 80% by mid-century. “Now is the time to confront this challenge once and for all,” observed Obama, “delay is no longer an option. Denial is no longer an acceptable response.”

For a sense of what might come, look to California, where there are more cars than people. With strong encouragement from Governor Schwarzenegger, the state legislature enacted a climate bill in 2007 that would have, among other things, imposed strict mileage and emissions standards on all cars and trucks sold in the state. Obama said the legislation 'hit the bar' in becoming an "engine of economic growth." More than a dozen other states adopted the California standards, but they were all struck down by the Bush administration on the ground that the states did not have the legal authority to regulate greenhouse gases.

Californians in Congress will play a lead role in climate change legislation with Senator Barbara Boxer heading the Environment and Public Works Committee and Henry Waxman, whose earlier efforts helped strengthen the Clean Air Act, now heading the House Energy and Commerce Committee. Boxer has readied two environmental bills: the first would create a \$15 billion-a-year grant program to reduce global warming emissions, an attempt to spur innovations in clean energy, including biofuels. The second would order the EPA to set up a 'cap-and-trade system' for reducing greenhouse-gas emissions. Cap-and-trade worked efficiently to reduce acid rain emissions in the 1990s, and the European Union has operated their own system since 2005.

Energy Secretary Stephen Chu, another Californian and Nobel-prize winning physicist, has talked about gradually boosting the price of gasoline to coax consumers into buying more energy-efficient cars. This approach would also include incentives to encourage industry to innovate and strong regulations to force attention and make reductions. Meanwhile, energy industries and environmental groups are lobbying on issues such as nuclear reactor permits and loan guarantees, tax breaks for renewable energy offshore drilling restrictions, and permits for coal plant construction and expansion. Coal still provides about half of U.S. electricity, even as it creates about a third of all CO₂ emissions.

States are already taking the lead on cap-and-trade policies setting targets of cutting emissions by as much as 75% by 2050. In the Northeast, the Regional Greenhouse Gas Initiative (RGGI) aims to stabilize emissions immediately and effect a 10% reduction by 2018. The Midwest Greenhouse Gas Reduction Accord (MGGRA) has similar goals. The largest agreement is the Western Climate Initiative (WCI), led by Governor Schwarzenegger. The WCI also includes British Columbia, Manitoba, Ontario and Quebec. The WCI goal is to reduce overall emissions to 15% below 2005 levels by 2020. These three regional cap-and-trade agreements encompass more than half the people in Canada and the United States and are a starting point for a Canada-U.S. agreement.

While there is an expectation that something will happen on climate change, it is hard to see an emerging consensus on the what and the when and around the complexity and costs. While there is a sense that the United States should lead, the 1997 Senate resolution rejecting any protocol that did not bind developing as well as developed nations, is a reminder of the challenges that the Obama will face.

Education Reform

It is to Arne Duncan, the CEO of the Chicago public schools, that Obama has entrusted leadership on education. For Duncan, "whether it's fighting poverty, strengthening our economy, or promoting opportunity, education is the common thread. It is the civil rights issue of our generation, and it is the one sure path to a more equal, fair, and just society."

Duncan's first task will be to revamp the No Child Left Behind legislation that is up for congressional renewal. At the post-secondary level Obama has promised to expand the use of

community colleges and tuition tax credits but these alone won't solve the problems with American education. Nor can the federal government solve the problem when it is at least four steps removed from the public classroom with the states, counties and, most formidably, teachers' unions who are resistant to any change. Rebuilding run-down schools is a part of the Obama stimulus package but a one-time construction boom won't solve the problems caused by the structure of American school finance. Nor will it fix the problem of poor teachers.

In their recent book, *The Race Between Education and Technology*, Harvard economists Claudia Goldin and Lawrence Katz argue that the distinguishing feature of America has been its global lead in education. It constituted a competitive advantage that allowed the United States to build wealth while reducing income inequality. Restoring that competitive advantage is the real challenge around educational reform for Obama.

National Security and Foreign Policy

In his speech to the Chicago Council on Global Affairs (April, 2007), *Foreign Affairs* article (July/August 2007) and Berlin speech (July, 2008), Obama outlined the elements of a global foreign policy that, in its pragmatic realism, looks closer to the approach of George H. W. Bush than that of either Bill Clinton or George W. Bush.

The tone, tenor and language of the 'war on terror' are expected to change – less Manichean, with more emphasis on reconstruction and development. In the short term, actions like closing Guantanamo, ending controversial practices like extraordinary rendition and actions deemed torture, and a more consensual approach on climate change will earn goodwill. Former Clinton secretaries Madeleine Albright and Bill Cohen have called on him to “demonstrate at the outset of his presidency that preventing genocide is a national priority.” Giving practical effect will be difficult.

In her Senate confirmation hearings, Hillary Clinton declared that she is determined to create a robust State Department, with a foreign policy “based on a marriage of principles and pragmatism, not rigid ideology, on facts and evidence, not emotion or prejudice. Our security, our vitality, and our ability to lead in today's world oblige us to recognize the overwhelming fact of our interdependence.” Diplomacy, she declared, “will be the vanguard of our foreign policy.” It will use, she declared, “what has been called smart power, the full range of tools at our disposal – diplomatic, economic, military, political, legal, and cultural.” Her language echoed the recommendations of a 'smart power' commission chaired last year by Harvard's Joe Nye and Richard Armitage, former deputy secretary in the Bush administration, that argues for a better balance in America's application of 'hard' and 'soft' power.

Henry Kissinger has argued that Clinton's immediate challenge is “to reorganize the department so that its implementing capacity matches its extraordinary reporting skill.” She intends it to have a bigger role in economic affairs and to revive the practise of 'special envoys' like Richard Holbrooke and Dennis Ross who shuttled about the Balkans and Middle East mediating disputes during Bill Clinton's administration.

There are also likely to be changes affecting the structures of national security. A bipartisan panel of foreign policy experts including the new National Security Advisor, Jim Jones, Director Designate of National Intelligence, Dennis Blair, and likely Deputy Secretary of State for Policy, James Steinberg, recommends merging the National Security and Homeland Security Councils and creating a Director of National Security who would manage implementation of policy rather than just coordinate it. They observed that “after more than seven years, the U.S. government has proved unable to integrate adequately the military and nonmilitary dimensions of the

complex war on terror” and concluded that “the basic deficiency of the current national security system is that parochial departmental and agency interests, reinforced by Congress, paralyze interagency cooperation even as the variety, speed and complexity of emerging security issues prevents the White House from effectively controlling the system.”

Renewed, activist engagement, especially with China and Russia, is required to recalibrate relationships and convince them they have a stake in the system and can be helpful – the Chinese with North Korea and the Russians with Iran. Always there is the Middle East. Israel’s incursion into the Gaza is a reminder that a two-state solution with the Palestinians is still a long way off. In his *Foreign Affairs* article, Obama called for a shift away from Iraq and back to the greater Middle East. Putting Syria on a Libya-like path, suggested by the Iraq Study Group, is likely to be reconsidered.

Obama has said that nuclear proliferation is ‘one of those things’ that keeps him awake at night. North Korean missiles have not gone away despite the six-party talks nor have Iranian nuclear ambitions been stymied by the current mix of European-sponsored negotiation and concession. Former Clinton Defense Secretary Bill Perry who now co-directs the Harvard-Stanford Preventive Defense Project warns that “If Iran and North Korea cannot be contained, we are facing a real danger of a cascade of nuclear proliferation. Indeed I believe that today we are truly on the tipping point of nuclear proliferation.”

Winding down in Iraq ‘responsibly,’ the promise on which the Democrats recaptured Congress in 2006 and which gave Obama a distinguishing issue in the campaign, will require action, or at least a plan of action, well before the 2010 mid-terms. He faces tough decisions. What happens after redeployment (promised in 16 months) when the United States is no longer there as a restraining force? Does the de facto partition become permanent through a renewed civil war? How do you deal with a resurgent al-Qaeda?

Afghanistan is a continuing test for NATO resolve. In her testimony before the Senate, Hillary Clinton said Afghanistan is “the highest priority of the president-elect.” She described American strategy as “more for more” on the civilian and development side as well as the military and “that if there are to be more troops from the United States, there also needs to be more support for that mission from NATO.” More American troops may clear the Taliban but with the same dilemma as in Iraq: liberators are increasingly seen as occupiers. Meanwhile, the development of an Afghan economy based on more than poppies is still far off. And “at the center” of the challenge, said Bush National Security Advisor Stephen Hadley in his valedictory remarks, is Pakistan,: “You can’t really solve Afghanistan without solving Pakistan.”

To the known national security challenges, add the unexpected - as witnessed in recent months in South Ossetia, Mumbai and Gaza. “Mark my words,” vice presidential candidate Biden warned a Seattle fund-raiser last October, “It will not be six months before the world tests Barack Obama like they did John Kennedy. The world is looking.”

There is also the ongoing problem for every administration: - reconciliation of the interests of a diverse range of rising powers with the maintenance of U.S.-led regional orders in Asia, Latin America and Europe. The challenge is twofold: first, convincing Americans that they need to rewire their institutional deal with the rest of the world; and second, convincing the rest of the world that American leadership can make it work. American leverage has diminished significantly because of Iraq and the economic crisis. In Berlin, Obama said he will reach out to the world beginning with the neighbourhood.

Opportunities for Canada

In her Senate confirmation testimony, Hillary Clinton declared, “In our efforts to return to economic growth here in the United States, we have an especially critical need to work more closely with Canada, our largest trading partner.”

Geographic propinquity and the economics of the relationship means Canada is placed to play positively into the Obama agenda. As we argue in the Carleton Canada-U.S. project overview (<http://www.carleton.ca/ctpl/training/Canada-U.S.Project.html>), the time is right to move our relationship from ‘correct’ to ‘inspired.’

The first step is engagement and it is for Canadians to take the initiative – prime minister to president, minister to secretary, and to the leadership in Congress. The opportunity for engagement between our leaders will come when Obama comes to Canada in the coming weeks in his first official foreign visit as president.

When he gave the inaugural Goldring Lecture in Toronto (2004), CIA Director-Designate Leon Panetta, underlined the requirement for “a continuing relationship with staff, members of congress, the leaders of both parties and with members of the administration. It cannot be just the occasional reception, dinner, or meeting. It has to be an ongoing relationship.” As a former chief of staff to President Clinton, Panetta encouraged bringing the chiefs of staff together for regular meetings. Many of the new administration already have familiarity with Canada through ties of family and business. These relationships need to be cultivated – organize a meeting with President Obama around a Toronto Raptors game; take Treasury Secretary Geithner flyfishing on the Miramichi.

Equally important is the ‘hidden wiring’: the relationships at the state and province levels involving premiers and governors, legislators, the business community and labour. Relationships developed first at the local and state level mean easier access and problem-solving at the national level.

Unlike Canada, political progression in the U.S. is more linear – from city and county to state legislature to Congress and the executive. Four of the last six presidents served as governor. President Obama served in the Illinois legislature before his election to the U.S. Senate. Homeland Secretary designate Janet Napolitano, for example, has been an active participant in the Western governors and premiers meetings and, through her involvement as Arizona Governor with the Canada-Arizona Business Council, is well familiar with the practical issues of trade and recently led a mission to Canada. More importantly, she understands the differences between America’s northern and southern borders.

There are obvious opportunities around the economic stimulus package and mutual collaboration and cooperation, especially on improving the roads and bridges, ports and airports, pipelines, cable and electricity grids, that are our joint lifelines. The reformation of our car and truck industry, already underway, is the most urgent example of necessary, joint collaboration where state and provincial governments are vitally involved.

Canada, as Hillary Clinton underlined, is America’s biggest market. We are also the biggest source of export-related jobs in 35 states and jobs is at the heart of the Obama recovery plan. Increasingly, Canada-U.S. trade is less about selling things to one another but rather making things together in a ‘value chain’ that sees ‘people and pieces’ crossing the border every minute of the day. What takes place at the border is only the tip of the iceberg, in terms of the financial

and business transactions that take place between Canada and the U.S. by telephone and internet.

Investment by Americans into Canada and Canadians into America is the untold success story of the FTA and NAFTA and the anticipated explosion in infrastructure-related projects will be a significant business opportunity for Canadian firms that are already situated in the United States.

Competitiveness depends on having a healthy and educated population. These are priorities for the Obama administration that, again, offer practical opportunities for cooperation and collaboration on a North American scale. These include growth areas like life sciences and clinical trials, the regulatory framework that covers everything from the certification of new drugs to the recognition of credentials for our professions and increasing labour mobility.

Cooperation on energy and the environment has long been in place on water and air and we can point to joint and successful collaboration on big projects like cleaning up the Great Lakes and ridding our skies of 'acid rain.' On climate change, provincial and state governments are already working together to set joint targets.

Then there is the perspective we can bring, through our global relationships and memberships, as well as experience we have earned through the blood and treasure we have invested in Afghanistan, to discussion on foreign policy issues.

Many are the opportunities. A blueprint for Canada-U.S. cooperation is ready. With sustained engagement and leadership there is much that can be done to mutual benefit.

Concluding Reflections

The curtain on what Alistair Cooke called the third play in the life of a president, the 'Facts of Life,' is about to be raised. Americans invest in their new president their hopes and their aspirations. In Obama the circumstances are magnified because of his compelling, extraordinary life story, the drama of the presidential campaign, the unpopularity of his predecessor and the circumstances under which he will take the oath of office – the economic crisis and the wars. Americans, and many others around the world, look to him for leadership

Obama is about to bring 'yes we can' into rooms accustomed to saying 'no we can't'. Presidents-elect, warned presidential scholar Richard Neustadt, "are almost bound to overestimate the power that will soon be theirs." Government and the regulatory power of the state will expand. Yet to be determined is whether these institutions will be up to the job. Obama has set forth a big, daunting agenda and is moving forward on many fronts. Expectations are high. So is the risk of overload. These are the 'facts of life' that will feed into the reviews, especially after the first hundred days.

In the confirmation hearings, the Obama team is already getting a taste of the inevitable bumps in the road. Every bump will wear some of the shine off the mantle of the extraordinary expectations invested in them. Before the bubble of expectation begins to deflate, President Obama must give not just voice to, but the appearance of, movement and change at home. Even then 'success' will be incomplete and tinged, at least to the purists, by compromise. To effect the changes that he promises, Obama will need all the tools off his presidency: his team,

his bully pulpit, and the extraordinary network that he developed during the campaign. Success will depend on his relationship with the Congress.

Intervening in his domestic agenda will be the unexpected international 'events', that phone call at 3 AM in the morning that, in one of history's ironies, will now be answered by both Barack Obama and Hillary Clinton. Americans and the international community will confirm or revise their assessments of the new president on how he handles them. Such is the burden of primacy borne by every American president.

My own encounters with the new president were brief: shortly before he gave his epic speech to the 2004 Democratic National Convention in Boston, and then, on a couple of occasions, outside the Senate office buildings, where he could smoke (a habit he is apparently still trying to shake). After making several hundred calls on Capitol Hill, I divided politicians into two camps: talkers and listeners. I reckon that 80% are talkers. Obama was a listener. I would pitch him on an issue - beef, lumber, or Devil's Lake. He would listen politely, thank me and I would depart. I thought him 'fit, elegant, comfortable in his skin.' I also wrote that he appeared 'deliberative, disciplined, and determined.' In the months and years ahead, he will need all of those qualities.

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CDFAI was created to address the ongoing discrepancy between what Canadians need to know about Canadian international activities and what they do know. Historically, Canadians tend to think of foreign policy – if they think of it at all – as a matter of trade and markets. They are unaware of the importance of Canada engaging diplomatically, militarily, and with international aid in the ongoing struggle to maintain a world that is friendly to the free flow of goods, services, people and ideas across borders and the spread of human rights. They are largely unaware of the connection between a prosperous and free Canada and a world of globalization and liberal internationalism.

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