# **Business** Line

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# Back Well begun, but lot more to do

The Obama administration has made a good beginning, with the promise of realistic change, while inheriting a difficult situation. The challenge is to build on this in the days to come, says BHASKAR BALAKRISHNAN

With strong public support for the vision of "change" and "hope", President Obama has put his distinctive style and stamp on US domestic and foreign policy. Powered by a stronger Democratic control over both houses of Congress, Obama seems geared to take the US on a dynamic revivalist path.

Obama's new tough ethics code for his staff seeks to end the rampant influence peddling and lobbying in Washington. His decision to close the detention facility at Guantanamo erases a shameful blot on the US human rights record. Signing the equal pay rights Act as his first legislation emphasised his support for women's rights. His inaugural speech extended a hand of friendship beyond US shores reiterating common human goals and values. Obama seems to have a very human approach to politics. He could well set a new standard for political leaders across the world.

The Obama Administration includes an able team for Defence, Security and State, while a strong economic team has been put together to deal with the economic crisis. It embodies considerable experience and talent. For example, a Chinese-American Nobel laureate, Stephen Chu is the Energy Secretary. Obama, by admitting he had "screwed up" cleverly managed to contain the fallout of the withdrawal of some nominees due to tax issues.

#### Priority to Iraq, Afghanistan

The new administration's foreign policy, reiterated by Vice-President Joe Biden at the Munich conference recently, rightly accords top priority to Iraq. The aim is to secure a responsible withdrawal within 16 months of the 1,44,000 US servicemen from Iraq and at the same time, to bring about a stable, democratic, non-sectarian and inclusive Iraqi government capable of standing on its own feet.

A small residual force will remain in Iraq for fire-fighting in case of any resurgence of terrorism or destabilising threats. The creation of a stable, non-sectarian, capable and responsible Iraqi government is going to be the key problem to deal with. The January 31 local elections in Iraq, which went off peacefully and strengthened non-sectarian elements, is a hopeful sign.

Another priority is Afghanistan and the battle against the Al Qaeda and the Taliban. A refocussed US military effort under Gen Petraeus, the commander credited with success in Iraq, reinforced by NATO allies, would be mobilised against the enemy. Despite US efforts and military strikes, Al Qaeda and Taliban elements enjoy refuge and support from the border areas of Pakistan. Pakistani pledges to support to the US effort, have proved to be lies. Al Qaeda's warning against attacks on Pakistan is an ominous confirmation of the existence of their assets in Pakistan, as is the recent agreement between Taliban and Pakistan government virtually handing over control of NWFP and Swat to the Taliban and their allies. The next chapter in this sorry saga could be the steady drift of Karachi into Taliban hands, effectively cutting off supply lines to Afghanistan.

#### Relations with Russia

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There are welcome signs of US-Russia co-operation such as Russian statements calling for an end to terrorism in the area and efforts to build alternative access routes to Afghanistan bypassing Pakistan, and Vice-President Biden's statement that the administration wants to make a fresh start on relations

with Russia.

Richard Holbrooke, special envoy for Afghanistan and Pakistan, will need to use all his diplomatic experience of the Balkan conflicts to achieve results in this new arena. While he has not been given the Kashmir issue *per se*, to the relief of India, Pakistan is likely to make every effort to inject the Kashmir issue and try to blackmail the US.

Strong US pressure during Holbrooke's first visit has already forced Pakistan to admit a degree of involvement in the Mumbai terrorist attack, and arrest some suspects, but terrorist entities continue to enjoy support and refuge within Pakistan.

#### Iran and nuke programme

Another urgent task is to deal with Iran and its ongoing nuclear programme including stepping up uranium enrichment, and building a heavy water reactor. Its strong links with Hezbollah in Lebanon, Hamas in Palestine, and the Shias in Southern Iraq, make it an important player in the Israel-Palestine conflict and in Iraq. Its borders with Pakistan and Afghanistan, as well as Central Asia, and its large oil and gas reserves, add to its strategic importance.

A co-operative relationship with Iran would be important for the US. On the other hand, conflict with Iran could amplify all the existing problems in the region. The Obama administration has rightly opened the door for direct engagement with Iran and, hopefully, positive results could emerge.

## Israel-Palestine conflict

President Obama has launched the new US engagement with the intractable Israel-Palestine conflict, which had erupted into violence in Gaza, and the deaths of over 1,000 Palestinians, and aroused worldwide concern. George Mitchell, of Arab-American origin, is a good choice as special envoy. He managed to bring about a peace accord in 1998 in Northern Ireland, where none seemed possible.

Mitchell had led an international commission set up by the US and produced the Sharm El Sheikh report in 2001 on the Arab-Israel conflict in the wake of the Al-Aqsa intifada. This report was the basis of the "road map for peace". Except for some hardliners in Israel, his appointment has been widely welcomed, and it is hoped that he will be able to find a path forward to a durable peace. However, the result of the February 10 elections in Israel has led to a complicated situation with forces on the far right gaining ground.

The Israel-Palestine conflict has linkages to many other parties such as Egypt, Syria, Lebanon, and Iran, to name a few. Progress towards resolution of this conflict would yield peace dividends on many fronts, and reduce the potential for terrorism and instability in the region. Obama's hand of friendship to the Muslim world and his Al-Arabiya TV interview are welcome steps to build bridges of understanding shattered by the Iraq war.

#### Other areas of concern

Obama has hinted at a new US leadership in the area of climate change. This is long overdue. From being an unhelpful bystander on climate change, US activism could galvanise the global effort to find solutions. In order for this to succeed, the concerns of emerging economies need to be taken on board.

The new regime for global climate change must not stifle avenues of growth and must provide access to relevant technology on reasonable terms. One hopes for the emergence of a new consensus around a global coordinated response to climate change issues, and combined efforts at developing technological solutions.

Another key area of concern for the Obama administration is to prevent weapons of mass destruction falling into the hands of non-state actors, especially terrorists. There is likely to be increased focus on arms control instruments such as finalising the Comprehensive Test Ban Treaty (CTBT) and the Fissile Materials Cut-off Treaty (FMCT). A. Q. Khan's release has raised renewed concerns over Pakistan's role in smuggling of nuclear material and technology.

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## Stimulating revival

The foreign economic policy of the Obama administration is likely to be dominated by efforts to stimulate economic revival, and mitigate job losses in the US. Some reassessment of offshoring is inevitable, but this need not lead to restrictive policies. The tortuous negotiation of a \$787-billion plus stimulus package by the House, in the face of Republican opposition, is a sign that the spirit of bipartisan consensus may have evaporated.

There is growing concern that even this package may not succeed in lifting the US economy out of its quagmire. The new administration's domestic agenda has some important international consequences. The quest for energy independence and non-conventional energy development is seen as a motor for making the US economy less dependent on foreign oil, more competitive, and leading to job creation and growth. This is certainly welcome and would be an example worth emulating, even by emerging economies.

The Obama administration has made a good beginning, with the promise of realistic change, while inheriting a difficult and challenging situation. It has brought a new US leadership to the world stage, and has met with much goodwill. The challenge is to build on this in the days to come.

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