

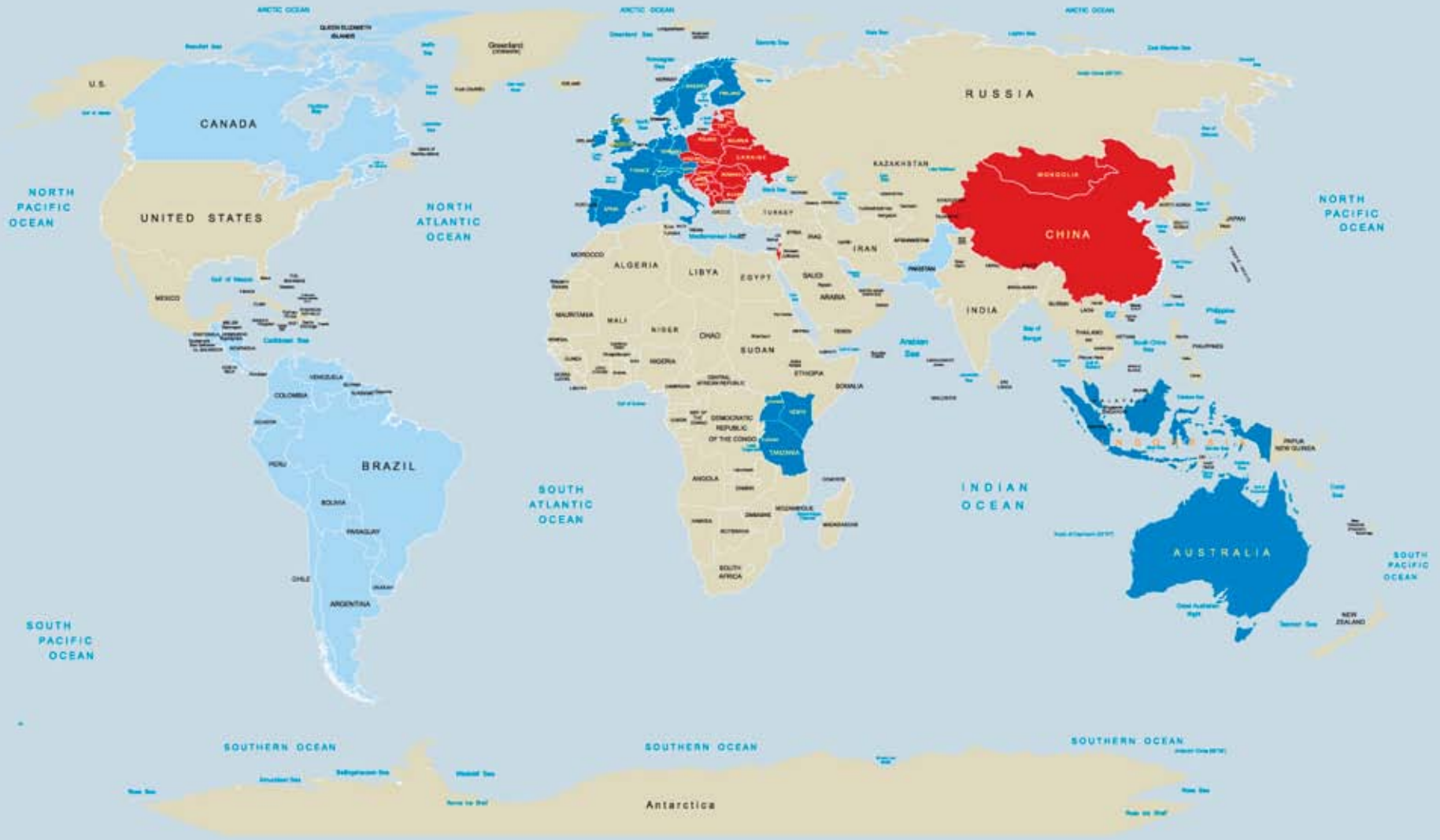
# Global Outlook 2009

If Not Us, Then Who?

U.S. Leadership Indispensable



# World Sentiment toward an Obama Administration



October 2008 – Pre-Election



“Obama Tree”, Zanzibar Island



Security Guard, Tarangire National Park



**Ngorongoro, Tanzania**





Supporters in Italy



Fans in Spain



WELT  ONLINE

“Frauen stehen auf den  
Präsidenten Barack Obama”

“Women support Barack Obama”

—German Press



“Victoire historique de  
Barack Obama”

“Historic Victory for Barack Obama”

—Belgian Press





Children at Obama's former school in Jakarta, Indonesia



Sand Sculpture in India

Hong Kong: “A Fairy Tale Quest Realized”



創神話



**The  
Economist**

8 NOVEMBER 2008 \$7.50

[www.economist.com](http://www.economist.com)

Can governments spend their way out?

China's financial diplomacy

Israel's election: Tzipi v Bibi

Why ray guns are back

The rise and fall of Lefty Rosenthal

# It's time



U.S. Chamber of Commerce



# General Observations

- **Foreign Policy Statements in Campaign: Bad Predictor!**
- **On Many Issues, Differences Exaggerated**
- **Look to Key Advisors for Clues**



# What to Expect

- **Alliance Outreach:**  
“Together When We Can...”
- **Role Player in Global Climate Change Negotiations**
- **“Face Saving” Way Ahead on Trade**
- **Continuity in Defense Spending**
- **The Unexpected**
  - 11/9— “41”
  - Somalia— “WJC”
  - 9/11— “W”



# Bottom Line

- **Facing Most Complicated Foreign Policy Environment on Global Scale Since 1945-1947**
  - New institutions built then (Bretton Woods, UN, NATO)
  - United States: The Indispensable Nation
- **Harder Today**
  - U.S. remains indispensable, but so do others
  - “Together When We Can...”



# What's Happened So Far...

- **New Obama Economic Team Committed to “Boldness”, but...**
  - Trade Agenda Still Unclear
  - Modest pushback on “Buy American”
- **Aggressive Outreach to Muslim World**
  - Strong desire to change tone as well as substance
- **Secretary of State Filling Leadership Vacuum in Interagency**

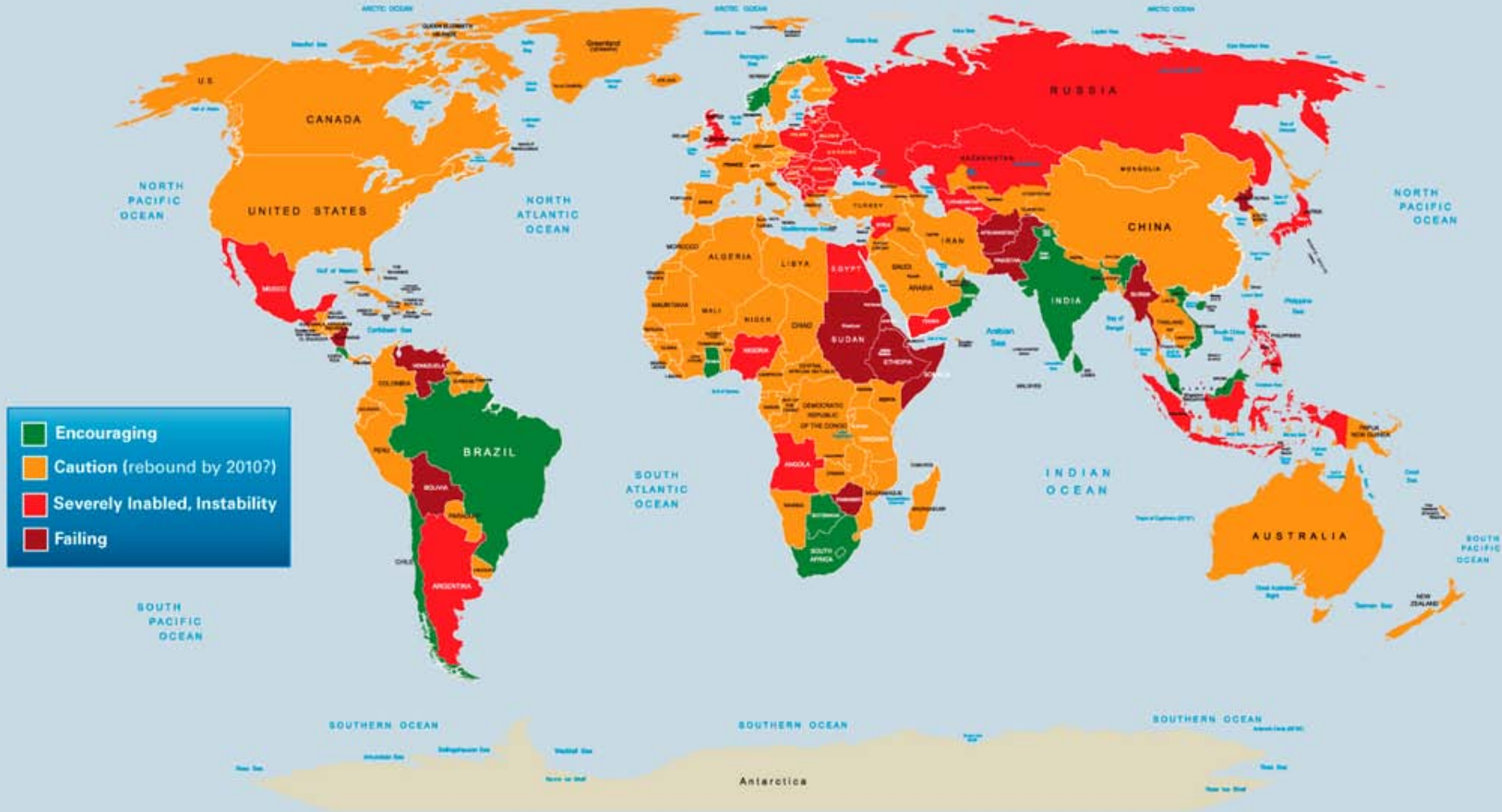


# Global Economic Crisis: What Have We Learned?

- **No Country Isolated From Global Crisis**
  - “Decoupling” a myth
- **Leaders Understand Need to Coordinate**
  - G20 meeting in November, '08;
  - Will be institutionalized in '09 and beyond
- **Growing Protectionist Sentiment**
  - 1<sup>st</sup> decline in global trade in 25 years



# Economic Crisis 2009: The World Responds



# European Union and Russia

## Regional Summary

- **West: despite the downturn, social stability should prevail**
  - The Icelandic meltdown and crisis in UK have forced appreciation of the EU and the Eurozone.
- **East: signs of unrest already apparent; will affect investor perceptions and confidence in fragile institutions**
  - **CAUTION!** Potential for ideological shifts away from a market economy.



# European Union and Russia

- **EU:** Low expectations by voters of the political will to rescue the economy. Europeans expect more from Obama than from Barroso. “Safety net” should cushion impacts.
- **UK:** The hub of financial services growth becomes the epicenter of economic implosion.
- **RUSSIA:** The froth is off before the wealth has trickled down. Russians have seen worse and rarely expected better...first signs of Putin/Medvedev rift.



# Northeast Asia

## Regional Summary

- In a region with two of the three largest economies in the world, societies and policy makers are poised on a knife edge.
- Leaders' actions in next 6 months will shape not just the stability of their own economies but global recovery as well.



# Northeast Asia

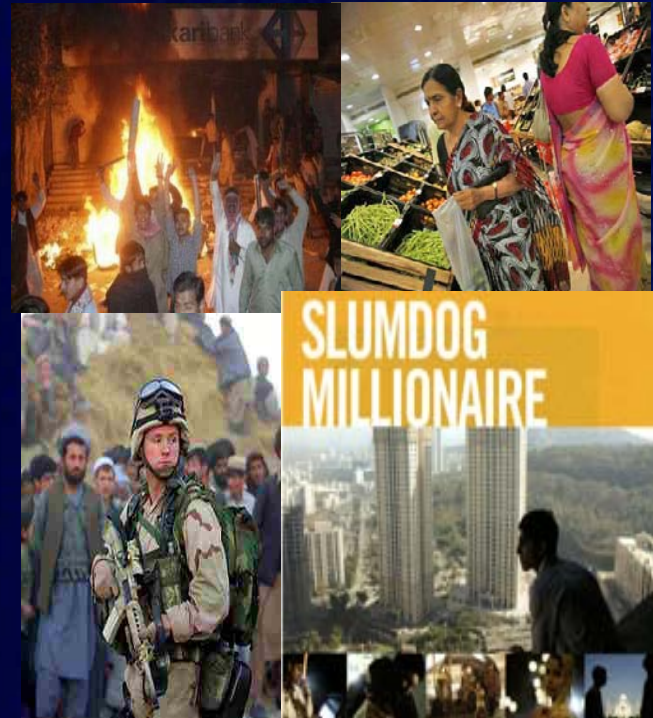
- **CHINA:** Decline in property values and rapid drop in global export demand has inflated unemployment, slowed GDP growth, and heightened social instability. PRC statistics are unreliable, but growth likely well below 8% target. \$586 billion stimulus to be supplemented for priority sectors.
- **KOREA:** Plummeting global demand and domestic consumption portend “hard landing.” Legislative gridlock stalling stimulus measures. New investment in infrastructure and green energy derailed.
- **JAPAN:** Yen’s appreciation and declining exports have hit hard. Real GDP will plunge in 2009. \$48 billion stimulus package in January inadequate. Support for the ruling party is low. PM Aso’s at 19%...
  - Elections by September unlikely to change political impasse.



# South Asia

## Regional Summary

Despite one “bright spot” (India), region is now the number one security issue for Obama Administration



# South Asia

- **INDIA:** growth will slow, but should still exceed 6%; IT/Telecom white hot; financial crisis a threat to infrastructure boom.
- **PAKISTAN/AFGHANISTAN:** now inextricably linked; economic development a sine qua non for success in security sphere, but foreign private sector steering clear.
- **BANGLADESH:** democratic elections encouraging companies to “relook” at investment for first time in years.



# Southeast Asia

## Regional Summary

- In better shape than ten years ago: diminished debt, stimulus packages launched.
- Yet all still depend on export growth to fuel economies.



# Southeast Asia

- **“RED” ECONOMIES** (Indonesia, Philippines) wary of foreign investment, infrastructure over extended, corruption widespread.
- **“GREEN” ECONOMIES** (Vietnam, Malaysia, Singapore) welcome foreign investors, provide incentives, workforce highly dynamic.
- **THAILAND** a major question; in midst of three-year political turmoil. New PM and economics team very impressive.



# Latin America

## Regional Summary

- Better prepared now to deal with the current crisis than 1990s.
- Still suffering from the global slowdown and a range of political challenges from the Andean region to Mexico.
- Key legislative and presidential elections in 2009 may lead to a further shift to the left.



# Latin America

**BRAZIL:** Latin America's largest economy is expected to slow to 2.0 % growth. Economic slowdown and 2010 presidential elections will pressure leaders to enact populist measures. Oil discoveries could be a game-changer.

**MEXICO:** Global recession, lower oil prices and production, a decline in workers' remittances, and worsening narco-violence spell serious trouble. Mexico becoming a failed state?

**VENEZUELA:** If oil income remains low, 2009 will be a tough year. Regional largesse will be pared down to continue funding domestic social spending programs. Rising Anti-Semitism and flirtation with rogue states and Russia are all warning signs.

Feb. 15 Referendum victory emboldened Chavez.  
Likely to enhance more confrontational tactics internationally.



# Middle East

## Regional Summary

- No region more important for success of U.S. National security strategy.
- No region suffers from greater misperceptions in the U.S.
- And no region offers greater near-term business opportunities—and risks!



# Middle East

- **IRAQ:** Emerging as unique business opportunity: telecom, banking services, agriculture, infrastructure, energy. 2009 votes (referendum on Framework Agreement, national elections) critical.
- **GCC:** the financial and economic power house of the Middle East. Qatar and Oman impressive.
- **Most Worrisome:** Egypt. Corruption endemic, stability in question, political transition post-Mubarak uncertain. Military focus: baking bread.
- Dubai a “Madoff Real Estate Ponzi Scheme”? Saudi Arabia the largest market for American products; moderate but encouraging modernization. Iran (and U.S. diplomatic “open hand”) driving political wedges.





# Africa

## Regional Summary

- After years of 5-6% growth, Africa as a whole will slow in 2009. But impact of global crisis will be far less severe than in developed world.
- Despite horrifying images in select countries, significant business opportunities are emerging.
- China has made continent a high strategic priority.



# Africa

- **SOUTH AFRICA:** still the leading economy and bellweather of the continent
  - Commodities under pressure
  - Banking largely escaped global credit crisis
  - Retail surprisingly strong
- **Numerous African “cubs”** (not yet lions) worth watching:  
Botswana, Ghana, Mauritius

**East Africa:** Development improvements and political stability creating opportunities in Tanzania, Kenya, Mozambique

- **ZIMBABWE:** still a basket case—inflation >500 million percent!



# Obama's Overseas Image—How Can It Help

## POTENTIAL LEVERAGE:

- Muslim Leaders, to Help With:
  - ME Peace Process
  - Iraq Stability
  - Iran
- EU Politicians, to Help With:
  - Afghanistan Deployments & OPN'L Constants
  - Global Financial Crisis
- G20, to Help With:
  - Policy Harmonization
  - Building New Institutions



# US Chamber 2009 Program

## **PRIORITIES: *Thought Leadership & Effective Advocacy***

- Lead business efforts to reforge a bipartisan approach to trade. Starting with a “soft” agenda (i.e., TAA, Panama FTA), and then more ambitious goals (i.e., the Colombia and Korea FTAs, Doha).
- Turn back protectionist measures that could throttle an economic recovery (e.g., NAFTA renegotiation, a China currency bill).
- Expand our pro-trade grassroots network in 77 key districts, including general trade education.





# ROOM TO BORROW

Gross public debt as % of GDP 2007



Sources: OECD; UBS



# Wrap Up: The Way Ahead

## GLOBE

- Response cannot be U.S. alone, but U.S. must lead!
  - China stands out as major economy with “fiscal space”— can make a difference.
- Challenge: Coordinating global policy
  - Greatest need: sustainable demand growth, especially in surplus countries (Germany, China)

## UNITED STATES

- Chamber advocacy on Washington policy is top priority
- At the “grassroots,” must build consensus for maintaining global engagement



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