

Campbell Strategies

Campbell Strategies is pleased to attach an analysis of the recent US election prepared by APCO Worldwide®, a global communications and public affairs consulting practice with which we share an affiliation.

Clearly the recent election was a significant victory for President Bush and the Republican Party. The election will have an impact on Canadian public policy and the Canadian economy. Below is a brief review of issues that will be affected by President Bush's second term:

- **Energy:** With the high price of oil and tensions in the Middle East, the US will accelerate efforts to develop secure North American sources of natural gas and oil. Developing a natural gas pipeline from the Arctic and expanding the development of Alberta's oil sands will be the focus of Canada/US discussions.
- **Taxes:** Further tax cuts and tax simplification in the US will put pressure on Canada to maintain a competitive tax regime.
- **Dollar:** Republican tax cuts and increased military spending will keep the US deficit high. Combined with a growing trade deficit with China and a US need to regain competitiveness in the manufacturing sector, downward pressure on the \$US should continue. So far the rising Canadian dollar has not had a negative impact on Canadian exports to the US but if the Canadian dollar continues to appreciate, exports to the US will be threatened but US acquisitions will become more tempting.
- **Health Care:** President Bush expanded drug benefits programs in the first term and expect him to expand medical coverage in the second term. The Republicans are anxious to deflate the Democratic charge that they don't care about rising medical costs and uninsured individuals. They may even allow the importation of drugs from Canada some time before the mid-term Congressional elections in 2006.
- **Foreign Policy:** Don't expect this President to reverse course. However, the US need for a stable North American energy supply, continental security, improved cross border security, and new allies means they will try to engage Canada in a much more positive manner than the past few years. On the Canadian side, Paul Martin's desire to establish a distinct and more positive approach than his predecessor should result in new opportunities to expand the Canadian-US relationship. How fast the relationship is repaired will be affected by political pressures in a minority Parliament and the need to bridge growing differences on matters of social policy.



U.S. 2004 ELECTIONS – ANALYSIS AND IMPACT

INTRODUCTION

The decision on whether or not to elect a sitting president to a second term is, by definition, a referendum on the policies, personality and performance of the incumbent. President George W. Bush's substantial victory – in both the popular and electoral vote – over Senator John Kerry is a clear and convincing signal from the American people that they support his vision of government and America's role in the world. After all, he is the first presidential candidate in many elections to win with more than 50% of the votes cast.

George Bush's victory was not only a victory for the President, but a victory for members of his party as well. His coattails were strong enough that Republican candidates who were themselves in weaker positions (such as Oklahoma senatorial candidate Tom Coburn) or were relatively weak candidates (such as incumbent Kentucky Senator Jim Bunning) were pulled to victory in the Republican tide of 2004. Republicans not only kept control of both houses of the legislative branch, but increased their ruling majorities.

ANALYSIS OF THE VICTORY

The old saying that victory has many fathers, but defeat is an orphan has applications in this election. Several factors have emerged as reasons for the Republican triumph:

- **Emphasis on substance** – While the flash of the campaign focused on the inevitable demonizing of each political candidate, over the course of the campaign, as crystallized by the three head-to-head debates, true differences emerged between the candidates on their policies, and on their vision. Neither candidate, either by word, by advertisement or by platform position, shied from stating where they were on national security, environment, health care, defense, trade, fiscal policy or any other aspect of governance. Americans had a true opportunity to choose between competing visions, and they opted for the choices presented by the President.
- **Concern over “moral values”** – The common wisdom going into the campaign was that this would be a campaign fought on security and economic grounds. While true, the emergence of a third voter concern, that of character, of societal values (such as gay marriage and partial birth abortion), of faith, all loosely grouped under the rubric of “moral values,”

played a large role in helping voters choose, and many of them felt most comfortable with the positions of the Republicans.

- **Turnout** – Everyone expected turnout to be large and much was made over the expected turnout of young voters. The common wisdom was the higher the turnout, the better it would be for Senator Kerry. Turnout was high, but the young vote did not appear to materialize in numbers disproportionate to past elections. Republicans did a very good job of turning out their voters, continuing a trend begun in 2002.

One item that did not play a role in the election was resources. Traditionally, Republicans raised far more money than Democrats and were able to outspend them in crucial races at critical junctures in those races. This did not occur in 2004 with Democrats holding their own in fund raising and expenditure. Part of this was due to the emergence of the internet as a means of fundraising, something that will likely continue for elections to come. Part of this was also due to the formation and spread of independent entities, the so-called 527 organizations (named after that section of the campaign reform law that allows for their creation) which can channel enormous sums of money but which are controversial on their own and whose future is not assured.

THE 109TH CONGRESS

As noted, the 109th Congress will not look much different in aggregate numbers than its predecessor. However, within that, there are significant changes, most notably:

- There will be nine new Senators, three of which are prominent – John Thune (R-SD), who defeated Senate Democratic Leader Tom Daschle (the top Republican target), David Vitter (R-LA) who not only won with more than 50% in a five way race, but is Louisiana's first Republican senator since the 1860's, and Barak Obama (D-IL) who so electrified those watching as a keynote speaker at the Democratic convention. For the first time in years, no woman was elected to the Senate, although a number were re-elected.
- Further strengthening of the right wing of the Republican Party – Tom Coburn from Oklahoma, Mel Martinez from Florida, James DeMint from South Carolina and Johnny Isakson of Georgia are all examples of hard right conservatives newly elected to the Senate pushing that party further to the right and lessening the voice of the remaining moderates such as Susan Collins of Maine.
- Loss of key Democrats – The losses of Tom Daschle in the Senate and Martin Frost in the House deprive the Democrats of key voices and key strategists within the party. They were visible symbols of Democratic positions, which made them, in part, such targets for the Republicans.

In the Senate, the Democrats will be expected to be led by Harry Reid (D-NV). Senator Reid, the current Minority Whip, is an insider not as comfortable with the larger stage as Senator Daschle. He is, however, a good strategist and tactician with a reservoir of support within the party. Nonetheless, with the increased Republican majority, he and his fellow Democrats will receive fewer monetary and staff resources to man their offices and to research issues, further weakening their ability to combat Republican policy initiatives.

With defeat of both Senator Kerry and Senator Daschle, the Democrats now have no evident standard bearer. This is not meant in the sense of a candidate for 2008, but in the sense of someone who can be identified as embodying the party itself. The most likely candidate at this point is Senator Hillary Clinton, with her husband, the former president, playing a role as well.

SOME POSSIBLE BUMPS IN THE BUSH ROAD

The Republican victory, while complete, is not so total that any policy initiative can be guaranteed. Even for a sitting president with a legislative majority, there will be problems. Some ways these might be manifest include:

- Intra-party Republican fissures – Despite its triumph, the party is neither all powerful nor totally united. The drive for majority status and presidential re-election has subsumed several key problems. Notable among these are the concerns of the Republican fiscal conservatives that overall government spending has spiraled out of control and that the party needs to rein in spending. The Republican leadership has done a good job of preventing these debates from stopping policy decisions, but the pressure from the fiscal conservatives for controls will increase, perhaps as early as the 2004 lame duck session.
- Nominations – The President will be nominating a number of key new officials, perhaps commencing with a replacement for ailing Supreme Court Chief Justice William Rehnquist. He does not command a 60 vote majority in the Senate, which must confirm these officials, and the expectation is that each nomination will be a bruising battle. Each battle takes time and political capital away from legislative priorities.
- Cabinet Changes – It is inevitable that key members of his administration will depart (see below for larger analysis). As a result, despite having an administration in place, new cabinet secretaries must be found, vetted, nominated and brought up to speed. This will take time and may slow down key decision making for a while, or centralize decision making even more in the White House.

THE NEXT BUSH CABINET

As is the case in the second term of any administration, there will likely be a significant shake-up in the highest levels of the Bush administration between now and next year. Using history as a guide, it is estimated that anywhere from one-half to three-quarters of the 20 Cabinet-level positions in the Bush administration (the Cabinet plus the chief of staff, budget director, trade ambassador, and the drug-policy czar) could see changeover by next year. According to *National Journal*, the conventional wisdom is that President Bush “won’t seek a dramatic shake-up but instead might find himself promoting junior-grade officers to fill vacancies around his table.”

Speculation has already begun on which officials may depart, and among those departments likely to see new Secretaries in place early in the second Bush term include the Departments of State, Justice, Commerce, Education, Transportation, Labor and Energy. In addition, the positions of National Security Advisor and U.S. Trade Representative are likely to see turnover.

Included among the names circulated for positions in a second Bush term are National Security Advisor Condoleezza Rice, U.N. Ambassador and former Sen. John Danforth and Robert Blackwill (for Secretary of State); Deputy National Security Advisor Stephen Hadley, Deputy Defense Secretary Paul Wolfowitz and Lewis “Scooter” Libby, Vice President Cheney’s chief of staff (for National Security Advisor); Deputy Attorney General Larry Thompson, Bush Campaign Chairman and former Montana Governor Mark Racicot, and White House Counsel Alberto Gonzales (for Attorney General); Mercer Reynolds III, the finance chairman of the Bush-Cheney ‘04 campaign (for Secretary of Commerce); White House education adviser Margaret Spellings (for Secretary of Education); current Labor Secretary Elaine Chao (for Secretary of Transportation); Equal Employment Opportunity Commission Chair Cari M. Dominguez (for Secretary of Labor); and Edison Electric Institute President Tom Kuhn and U.S. ambassador to Mexico Tony Garza (for Secretary of Energy).

SPECIFIC POLICY IMPACT

President Bush will claim, and for many rightly so, that this election gives him a clear and unambiguous mandate to further pursue the vision he has articulated during his first term and during his campaign. Although second terms are notorious for being more housekeeping than policy driven, the President has a number of issues he will seek to address in the coming four years.

Foreign Policy

This presidential election was the first in nearly thirty years (since the end of the Vietnam War) where foreign policy issues occupied a larger role than the U.S. economy in the minds of American voters. In the final quarter of the 20th century, international issues largely took a back seat to the continuum of domestic concerns over inflation,

recession, economic growth, unemployment, personal income, taxation, and the stock market.

On one level, the second Bush term will be forced to continue the key policies of the first. Most notably, these are prosecuting the global war on terror in general and continuing the course in Iraq and Afghanistan focusing on nation building and an exit strategy for the U.S. Coming to grips with Iran's nuclear program is also a continuing effort and, to some extent, these are all obviously linked.

Below that, however, are some additional key issues which need to be addressed. These include:

- reinvigoration of a Palestine “road map” process in light of the illness of Chairman Arafat and the inevitable succession issues that will bring;
- finding some longer term solution to the dangers posed by North Korea;
- the constructive engagement of a more commercially influential China at a time when it is going through some internal instability of its own; and
- encouraging the continual spread of Muslim democracy by building on the recent elections in Indonesia and the changes made by Turkey in anticipation of the EU accession talks.

Underlying all of this will be repairing relations with Europe. Bush's reelection is a confirmation that the majority of American voters endorse, or at least do not object to, his form of muscular unilateralism. This is a course of action clearly of little liking to key European allies who are right now going through their own debates over the creation of a larger continental entity. It is unlikely the President will willingly choose to back away from the Bush Doctrine of preemptive engagement, so both sides will need to figure out ways of joint cooperation if repair is to be conducted.

Trade Policy

The reelection of George Bush blunted the overt protectionist slant that American trade policy would have taken if Senator Kerry had been elected. However, it is unclear that his reelection recommits the United States to an expansion of free trade. There are several reasons for this:

- continual U.S. loses in WTO cases have begun to make the U.S. less enamored of the multilateral institution;
- the expected departure of Robert Zoellick as U.S. Trade Representative will slow multilateral discussions so central to the reinvigoration of the Doha Round;

- the U.S. continues to look toward regional trade agreements as a substitute for a broader round; and
- the Republican Party is no longer united on the issue of free trade, it has its own protectionists (mainly around textiles) who are likely to be far more vocal in the coming years.

Domestic Policy

In domestic policy, it is likely Bush will continue his efforts at lowering tax rates or making the current tax reductions permanent. Tax reform itself may be a second term initiative, including deeper consideration of both value added taxes and flat tax systems. Partial privatization of the social security system is also a likely second term initiative.

However, just as the global war on terrorism is the prism through which the second Bush administration is likely to view overall foreign policy, so is strengthening America's homeland security likely to be the domestic prism through which much legislation is considered at home. This includes intelligence reform, transportation security, energy legislation and environmental initiatives.

The Bush administration does not necessarily need new legislation for some of the initiatives it may propose. During the first four years, President Bush used his regulatory power to roll back laws and initiatives begun under President Clinton in such areas as the environment, land use, natural resource management, labor law, and government reform. It is expected the trend will continue and even accelerate during the coming term.

One key area of policy-making will be health care and in particular, issues surrounding the pharmaceutical industry.

CONCLUSION

President Bush's victory is total and complete. He enters his next term confidently, holding the reins of power over a party that is his to maneuver. However, like most presidents, he does not hold complete dominion over either the government or the legislature. Because of his victory he has the luxury of choosing how he will rule. He can be the more partisan president of the first term, achieving goals by sheer blunt force but alienating many along the way, or he can use his new mandate to reach out and seek to heal some of the divides that he has helped create through inclusion. The choice will be his.