

OUTFRONT

INTERNATIONAL OPINION

OBAMA TAKE TWO

By Hannah Stewart

Despite the havoc left in the wake of Hurricane Sandy, in early November, U.S. citizens went to the polls to elect their president. The race was too close to call, many commentators said, but as the long-awaited results started to come in, Republican candidate Mitt Romney began to lose ground as Barack Obama took the lead, eventually claiming victory with 50.6% of the vote. But with U.S. public opinion divided, as he settles back into life on Capitol Hill for another four-year term, winning the election has been just the first step. The U.S. president faces great challenges ahead; tackling unemployment and economic grievances on the home front, while dealing with an increasingly complicated and troubled international scene. The future is uncertain, but one thing is for sure; developments on both fronts, and more importantly, the President's approach to dealing with them, are of profound global importance. The Middle East is no exception. As the home to a contradictory mix of violent conflict and political upheaval on one side and unrivaled wealth and economic opportunities on the other, the Arab world is watching closely as Barack Obama takes his first steps as second-term president of the United States.



President Barack Obama & family celebrating his continued stay in office.

IMAGE FROM JASON REED / REUTERS



Walid Abukhaled, Advisory
Board, Petra Solar

Putting Words Into Action

Despite the physical distance between the United States and the Middle East, U.S. influence has been, and will continue to be, felt in every country of the region.

With the re-election of President Obama, the Middle East hopes for clearer direction on the political front. Most people in the region were hoping Mr. Obama would build a stronger strategic relationship with the Arab world during his first term; this has still not been felt. The U.S. president can change Middle Eastern perception in his second term by taking his domestic mantra of 'I mean what I say, and I say what I mean' to the world's most volatile region. Obama will have to satisfy all internal issues facing the U.S., but hopefully he will also play a major role in improving U.S. foreign policy towards the MENA region.

Much of the Middle East still regards U.S. is foreign policy as strongly biased toward Israel. This has had drastic negative effect on U.S. political reputation in the Arab world. However, American trade in the region continues to prosper. Many wish that the political relationship with the Middle East were as good as that of trade and commerce.

The U.S. is still learning about the Arab world, but one thing learned is that, in the Middle East, things can change without warning. The Arab spring has been a good example. What seemed to be good and stable allies proved to be the opposite. The United States has to decide on its priority in the Middle East and who should be the strategic partner.

The vibrancy of the U.S.-Middle East relationship, based on multifaceted interests in the political, economic, business and humanitarian fields, can be secured. This can be an historic opportunity for the U.S. to build a stable and prosperous Middle East.



Omar Fahoum, Chairman and Chief
Executive of Deloitte Middle East

Transition meets Stability

As the leader of the free world, the U.S. and its impact on Middle East politics, economics and monetary policy are significant. The currencies of many Arab countries are pegged to the U.S. dollar, and oil, which forms the bulk of GCC exports, is priced in dollars, adding to the economic importance of developments in the U.S.

On the political front, U.S.-Middle East relations are experiencing a new phase, and new regimes in the region represent a sea of change. Central to political relations is the Israeli-Palestinian conflict. Although this has been going on for decades, it takes a different perspective in light of political changes in the Arab world. On the economic front, relationships have been more stable and prosperous with U.S. multinationals making significant investments in the region. Though not necessarily one trading block, economic and political relationships with the U.S. mean that many Arab countries effectively conduct business as such.

The re-election of Obama is likely to provide more stability in policies related to the region than a new U.S. administration under a different leader. As a second term president, I believe Obama's approach to business will focus on driving his agenda on the home front and internationally, with less focus on votes and polls. In the Middle East, his attention is likely to be more political than economic, particularly regarding Iran and Arab-Israeli issues. Heavy engagement from the administration in support of the private sector is unlikely and although I don't anticipate that attitude towards foreign trade and investments will become hostile, I don't believe it will necessarily change in any drastic manner.

Obama and his administration are perceived as friendlier to the Arab world than a Republican administration under Romney. As such, I expect the administration will focus on good relationships with the Arab world. Without overplaying the role of the Middle East or its impact on the U.S., as a strategic region, that role cannot be underestimated.



Fay Beydoun, Executive Director, American Arab Chamber of Commerce, COO, American Middle East Economic Affairs Committee/U.S.-Arab Economic Forum

Obama Part Two

While it may take years to know the true impact of the outcome of the U.S. elections, it's clear that the re-election of President Barack Obama has allayed some fears in the Middle East. Perhaps there is renewed hope that Obama may resuscitate remnants of his 2009 Cairo speech in which he pledged increased support and collaboration across economic, social and political ties. But there is also caution. For many years, the U.S. has tiptoed around democracy in the Middle East, yet the Arab Spring has sent a loud message: economic reform must go hand-in-hand with democratic reform.

The Obama Administration continues to view the economic relationship with the Middle East as vital to America's commercial health. With the U.S. economy in fragile recovery the need for continued access to cheap oil is essential. Yet, the U.S.—Middle East economic relationship amounts to more than this.

Washington is focusing on growing exports and sees the Middle East as a strong market for American goods. Emerging economies of post-Arab Spring nations and those closely tied to the U.S. will grow as strategic economic allies. The U.S. provides a variety of assistance to these allies. Egypt receives nearly \$1.5 billion in U.S. economic assistance, with the Egyptian relationship essential for U.S. strategic interests. Tunisia is in the process of receiving greater support from the IMF, due in part to U.S. support in promoting economic opportunities. Since the revolution, the United States has committed approximately \$190 million, focusing on technical and financial assistance to Tunisia's economy and private sector. The Obama administration will also continue to provide financial assistance to Libya, especially after the Benghazi attack, with more than \$300 million already provided.

Yet, is financial support enough? The United States must continue to concentrate on economic development in the region with emphasis on the youth and focusing on job creation in order to drive democracy and rebuild the U.S.'s influence. Nearly 65% of the Middle East's population is under the age of 30. Long term prosperity of the global economy rests on the opportunities provided to this generation.



H.E. Khalil Khonji, Chairman of Oman Chamber of Commerce and Industry

Boosting Trade

The U.S. presidential elections had a huge impact in the Arab world, since many Arab countries have strong relations with America and always look to enhance investment cooperation in pursuit of economic success. Of course, with the victory of U.S. President Barack Obama, everyone is now seeking to boost cooperation further, and to build strategic and economic relations in line with global changes.

The Sultanate of Oman is linked by distinct, friendly relations with the U.S. which in turn have fostered strong trade between the two countries for many years. Our role in the Oman Chamber of Commerce and Industry is to encourage continued investment in relations between the Omani and American private sectors, supported by the Free Trade Agreement (FTA) that exists between the two nations. The Oman-American joint business council also works well to strengthen relations of cooperation and partnership in the fields of economics and trade and we hope to intensify the efforts to increase the exchange of expertise and knowledge between the two countries. We should concentrate on facilitating technology exchange and improving the goods, services and products manufactured in the Sultanate in order to increase its competitive power in U.S. markets. Looking ahead, we expect the Omani private sector to benefit from cooperation and contact with U.S. companies, especially in the SME sector, by creating a marketing and promotional environment for its products. Oman's SMEs constitute the most promising sector in the country; a sector upon which the state relies for employment creation which is a vital component of the Sultanate's journey towards economic development.



Dr. Kai Stukenbrock, Standard & Poor's, Senior Director Sovereign Ratings Middle East

Risk Diffusion

In our view, the U.S. elections have no immediate impact on the creditworthiness of sovereigns in the Middle East, but we see both economic and political channels that could eventually affect the region.

A relatively short-term risk emanates from the fiscal cliff in the U.S. Without political compromise, automatic spending cuts and expiration of tax cuts would come into effect in 2013. While unlikely, this would almost undoubtedly sink the U.S. back into recession, and would have knock-on effects for the world economy, particularly for exporters to the U.S. Global demand and prices for hydrocarbons would be affected as well, at least for the shorter term.

Many of the hydrocarbon exporters in the Middle East are well buffered against variations in oil prices, thanks to sizeable budget surpluses and large fiscal reserves. Still, fiscal breakeven oil prices have risen rapidly in past years, and for a few hydrocarbon exporters, the breakeven price is now at or above current oil prices, leaving their public finances more vulnerable to oil-price fluctuations.

President Obama's second term in our view also offers an opportunity to defuse the region's key geopolitical risk: tensions surrounding Iran's nuclear program. We don't assign a high probability to a diplomatic solution but think the odds are better than ever. The U.S. has repeatedly reiterated that it wants a diplomatic solution. Iran and its government, meanwhile, are suffering a high economic and political cost from imposed sanctions, which are estimated to have reduced Iran's monthly oil exports to slightly over one-third. A rapprochement between Iran and the U.S. could have important longer-term implications for a number of conflicts in the region. It could also impact oil markets and prices should sanctions be eased or lifted and Iranian export capacity restored.



David Richter, President and Chief Operating Officer - Hill International

Business As Usual

As the largest customer for Middle East oil, the U.S. needs to continue to show leadership in the region, politically and economically. The environmental lobby in the U.S. will continue to drive Obama's energy policies with a very negative impact on any new fossil fuel development domestically. Romney would have been more aggressive than Obama will be in pushing for more U.S. energy production, such as off-shore drilling and new pipeline capacity.

I would expect very little change in policy from the Obama Administration during his second term. If anything, he will be an even bigger taxer and spender in his second term although the Republican-controlled House should be a major roadblock to much of what the White House will attempt to do. Obama's fiscal agenda has been mostly unsuccessful to date, and he now has four more years to either correct the situation or get the U.S. federal government even deeper in the red. Most of the people I have been talking to since the election are very disappointed with the outcome and agree that without a major adjustment in federal spending we are headed for European-like consequences in the near future. At Hill International, regardless of the result, we expect to do very well. We are diversified across so many different geographies and markets that the election result isn't going to help or hinder our performance significantly. Most of our work inside the U.S. is for the public sector, primarily in transportation, infrastructure and public facilities, so Hill should continue to do well in the U.S. if the Obama Administration continues to invest heavily in those areas. Most of our work outside the U.S. is for the private sector, so the global economy has more of an impact on our clients' capital spending. In the Middle East, we are definitely seeing a trend towards more of an even split between public and private sector spending on construction, whereas historically it was far higher in the private sector. I don't expect that this trend will reverse itself anytime soon. 