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Biden's Foreign Policy

Traditionally, Labor Day is considered the point when an increasing number of Americans start paying attention to the November elections. As part of our analysis of the candidates, we create dossiers of the candidates and the leading figures with whom they surround themselves. In this report, we will comment on those we see as potentially taking positions in the foreign policy team of a Biden presidency. First-term presidents tend to lean heavily on foreign policy experts, so the people selected to fill these roles would have a hand in shaping policy.

There is an old saying in politics that “personnel equals policy.” Although not completely the case, it does matter who is in the important cabinet and advisory posts. Because this is a geopolitical report, we will focus on foreign policy positions—Secretary of State, Secretary of Defense, Secretary of Treasury, Director of the CIA, and National Security Advisor. We have no insider information about who will get these roles; our predictions are based on open sources and our own analysis. But, based off these conjectures, we will attempt to determine what Biden's foreign policy would look like.

We will begin with an overview of what we would expect in terms of foreign policy from a Biden presidency. We will follow that discussion with a short biography of who we think are the leading candidates for the aforementioned positions and name

other potential candidates for the positions. Using this information, we will attempt to indicate what the sum of these positions would mean for the direction of Biden's foreign policy. As always, we will conclude with market ramifications.

Next week, we will do the same for President Trump. Second terms are different than first terms. First-term presidents are learning their job and tend to be dependent on the experts they appoint. In the second term, presidents have more experience and the people they appoint to key positions are there mostly to execute the president's policy preferences, not to offer advice. In addition, by the second term, the party's leading functionaries have served (and moved on) and the team that replaces them is usually second tier. All that will be covered next week.

The Overview

As our regular readers know, we like to use Walter Russell Mead's foreign policy archetypes.¹ We estimate that Biden would land between Jefferson and Wilson. In sentiment, he will want to make the world a better place to foster democracy, much like Wilson, but there will be a great degree of caution in exercising foreign policy, putting him in the Jefferson camp. If we are correct, a Biden presidency would look a bit like

¹ For a recap of Mead's archetypes of foreign policy, see our WGR, [“The Archetypes of American Foreign Policy: A Reprise”](#) (4/4/2016). For a deeper dive: Mead, W. R. (2002). *Special Providence: American Foreign Policy and How it Changed the World*. New York, NY: Routledge.

Obama's foreign policy but with more of a Wilsonian tone. In other words, there will be caution but less than what we saw under Obama.

At the same time, we would expect a temporary reversal of the dominant trend of hegemonic withdrawal in a Biden presidency. It is not unusual for there to be a reaction against a new trend; Biden will attempt to rebuild long-term relationships that have frayed over the past two decades. We suspect he would have modest success but not be able to change America's withdrawal from hegemony. At best, this will be an interregnum from the end of the U.S. superpower role.

As a Democratic Party administration, we anticipate there would be an emphasis on gender and racial diversity. And so, our expectations tend to reflect that outcome.

The Projected Advisors

Secretary of State: Susan Rice is our pick for this key role. She would be a controversial selection. Her performance during the Benghazi attack came under investigation and likely prevented her from succeeding Hillary Clinton as Secretary of State in Obama's second term. She did become his National Security Advisor. Rice is experienced in foreign affairs, having held several positions in the Clinton and Obama administrations. She was educated at Stanford for undergrad and Oxford (with a Ph.D. in International Relations) for graduate school. Her mentor was Madeleine Albright. We would judge her as leaning toward Wilson on the continuum between Wilson and Jefferson. She is also considered politically cognizant, meaning that she does assess the political impact of foreign policy decisions. Other potential candidates would be Sen. John Kerry and Tom Donilon.

National Security Advisor: Anthony Blinken is our pick for this position. He was Deputy National Security Advisor in the second Obama term and was National Security Advisor for Vice President Biden in the first Obama term. Clearly, Biden would be familiar with Blinken. He is a lawyer with a J.D. from Harvard. Blinken is close to a pure Wilsonian; he believes in U.S. hegemony and supports American intervention, both military and diplomatic. Biden was said to have opposed operations in Libya against Ghaddafi, whereas Blinken was a strong supporter. Given his history, he could be quite confrontational with China and would likely cite human rights abuses for the reason to act. Another potential candidate would be Susan Rice if she does not get the Secretary of State position.

Secretary of Defense: Michèle Flournoy is our pick for this role. She is experienced in government, having held roles in the Clinton and Obama administrations in the defense apparatus. She did her undergrad at Harvard and her graduate work at Oxford. Her archetype is mostly Wilsonian; she is an interventionist who supported operations in Libya. She has also exhibited support for American hegemony. The 1997 Quadrennial Defense Review, where she was a contributor, called for the U.S. to maintain the capacity to fight two simultaneous conventional wars. We would characterize her as a Wilsonian. Other potential candidates would be Adm. William McRaven and Pete Buttigieg.

Secretary of the Treasury: Our pick is Anne Finucane, currently Vice Chair of Bank of America (BAC, 25.08), in charge of the firm's environmental, social, and corporate governance and considered one of the most important women in banking. Given the dollar's reserve currency role and the liberal use of economic sanctions, the Treasury

Secretary has an important foreign policy role. She has Democratic Party credentials—her mother is a distant relative of Speaker Tip O’Neill and is married to Mike Barnicle, a long-time journalist and a current contributor to MSNBC. She has a BA from the University of New Hampshire and began her career in banking in 1995 at Fleet Financial, a bank that was eventually purchased by Bank of America. Finucane was the bank’s Global Chief of Strategy and Communications during the Great Financial Crisis, and she was in charge of the bank’s European bank board. It is unclear whether she has strong views on foreign intervention but, for this role, whether she is Wilsonian or Hamiltonian is less critical. Other potential candidates are Sen. Elizabeth Warren and JP Morgan (JPM, 97.72) CEO Jamie Dimon. Both Warren and Dimon would be highly controversial. Left-wing populists would be thrilled with a Warren appointment, while the financial services industry would be opposed. The opposite reaction would be generated from a Dimon appointment. Finucane would avoid the controversy of these selections.

Director of the CIA: Our pick is Tom Donilon. He has a BA from Catholic University and a JD from the University of Virginia. He has a long history in Democratic Party politics and deep government experience. At age 24, he managed the 1980 Democratic Party Convention. He was Chief of Staff for Secretary of State Warren Christopher in the Clinton administration and later Assistant Secretary of State. During the second term, he was part of the team that negotiated the Bosnian peace agreement. He was Deputy Chief of Staff for Rahm Emmanuel in the first Obama term, and was appointed to National Security Director in 2010. When he left office in 2013, then VP Biden said, “[..I’ve never met anyone with more talent](#)

[and greater strategic judgment.](#)” Donilon was an advocate of the “pivot” to Asia and has been critical of China. He also supported the Trans-Pacific Partnership. Other potential candidates would be Michael Morell, John Kerry, and Susan Rice.

A Common Theme

There is always a chance of missing a prediction; by design, the future is hard to know with certainty. Although we may not get any of these forecasts correct, we think we have established the common theme. Biden is an institutionalist and his foreign policy archetype lies between Wilson and Jefferson, with a leaning toward the former. That means he would tend to intervene in foreign affairs with an eye toward morality and less toward commerce. Unlike the current administration, which is probably the most Jacksonian since Jackson himself, a Biden government would likely be more concerned about the Uighurs in China than trade with China. And, being an institutionalist, we would expect him to rebuild the apparatus of government and attempt to improve alliances that have frayed over the past two decades. If this assessment is correct, it is likely less will get accomplished. Part of the reason the last three administrations have tended to sideline alliances and international organizations is that they tend to limit America’s ability to operate. Biden would probably be more open to being constrained by multinational institutions than any president in this century.

Most people who have had some success believe they have one skill that will almost always bring success. It’s a bit like a pitcher who really believes, deep down, that nobody can hit his fastball. For salesmen, the conceit is that if given enough time, they can convince you of anything. For analysts, it’s the idea that they can understand more than

anyone else.² Given Biden’s years in legislation, we suspect he thinks that he can bring anyone over to his side if given enough time.

In reality, nobody’s fastball is unhittable. There is always someone who is immune to the charms of a salesman or a room in which an analyst isn’t the smartest person. And so, Biden will find that there is something he wants to do in terms of foreign policy that he simply cannot accomplish, either because of a recalcitrant Senate or a U.N. Security Council veto. At that point, we suspect he will accept defeat rather than undermine institutions. If we are right, the people he puts around him will likely, though reluctantly, agree.

As we have outlined, a Biden presidency would be something of a throwback. He would try to reinstitute the Iran nuclear deal, restore NATO, and craft an alliance to contain China. The problem with such policies is that, since the end of the Cold War, policymakers have not been able to create a global hegemonic policy that is acceptable to populists. From the point of view of the populists, both left and right, hegemonic policy means endless wars and job losses. Is it possible to craft a policy that could address hegemony and protect the majority of households from these calamities? Yes, but history shows that it

results in an economy that is less efficient and prone to higher inflation. But, given the fact that core CPI hasn’t exceeded 3.0% in nearly 25 years, this is a trade that Americans may be willing to make. Nevertheless, our base assumption is that this won’t occur; instead, the political establishment will fail to “sell the deal” and America will relinquish its superpower role.

Ramifications

There are two areas of market concern from changes in foreign policy. The first is oil prices. Although the general fear is that “green” policies will be bad for oil, it is unlikely that policy will change enough to have much impact. However, if the Iran nuclear deal returns, so does about 2.0 mbpd of Iranian crude oil exports. OPEC will struggle to manage that outcome and lower oil prices will be a risk.

Second, the turn against China by the U.S. foreign policy establishment is probably underestimated. It has become accepted wisdom that accommodating China in hopes it will change was a failure. It would not surprise us that a Biden win would lead to higher Chinese equities. That could create conditions of disappointment.

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² Otherwise known as the “smartest guy in the room” fallacy.

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