



SPECIAL REPORT

USA: The year ahead

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AUTHORS

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1. INTRODUCTION

Only weeks into 2015, clear examples are already emerging of the major dynamics we can expect to unfold throughout this important year in Washington. The U.S. Congress returned to work after the New Year with the Republican Party now controlling both the House and Senate for the first time since 2006. That presents the **GOP both the opportunity to more easily fight the Democratic president's agenda, but also the challenge of showing the country that they are responsible enough to govern** at a moment when approval ratings of Congress are at historic lows. At the same time, President Obama has begun his final two years in office eager to prove that he is still relevant despite the major losses his Party suffered in November's mid-term elections, and facing the reality that attention is already shifting to those trying to succeed him in the White House. Both the President's dealings with Congress and the emerging primaries for president are beginning to show the internal challenges both parties will have in **balancing the interests of their base constituencies** while trying to work across party lines to advance substantive policy.

The upcoming presidential primaries hold the greatest potential for surprises in 2015. Both parties have open primaries and a legitimate opportunity to retain or recover the White House. While **Republicans begin 2015 with energy and momentum** from their major victories in November, they also have no clear front-runner for the Party's nomination and a new level of pressure and expectation of their leadership in Congress that could affect their candidates. The recent exit of their 2012 nominee, **Mitt Romney**, without endorsing anyone shows that whoever emerges will have to earn the nomination through a hard-fought primary. The problem for Democrats, on the other hand, is that they only have **one major potential candidate** in former First Lady, Senator, and Secretary of State **Hillary Clinton**. Widely embraced as the front-runner and favored candidate by many key voices in the Democratic Party, Clinton can potentially benefit from not having a challenger and may even delay a campaign announcement until this summer. However, not having to run against anyone and not having any Democratic candidate debates could work against her in the harsh spotlight throughout the fall.

In the foreign policy arena, this year Republicans will continue to try to define the President as "leading from behind," a slogan they've used regularly to question his positions on everything from the conflicts in the Middle East to tensions with Russia. With control of both chambers

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of Congress, they’ll be more aggressive in trying to rehash old battles, and hold very public hearings on new ones. Looking at the Western Hemisphere, the U.S. Congress will debate the President’s move to **restore diplomatic relations with Cuba**, with hardliners trying to stop funding for the implementation of any changes while a collection of other interests work to further scale down the embargo through legislation to allow open travel and trade. **Economic concerns in Europe** will also be on Washington’s radar, but attention on terrorism following the **attacks in Paris** is more likely to dominate the political landscape, as will the ongoing threat posed by the **Islamic State in Iraq and Syria** and tensions with Russia. However, the **hacking** of Sony and the recent hacking of Central Command’s social media accounts, together with consumer concerns, will mean that **cybersecurity** takes on a much bigger profile in the coming year.

We’ve prepared this memo to break these issues down in greater detail in anticipation of what promises to be an exciting and fluid year.

2. PRESSURE FROM THE FAR RIGHT

Before he could start the year, U.S. House Speaker John Boehner was already **being challenged by far-right conservative House Republicans** unhappy with the U.S. \$1.1 billion spending bill negotiated in December

between Republican leaders and the White House to keep the U.S. government open. Those members, favorites of the Tea Party, are also seeking to be more aggressive in fighting the President’s executive actions on immigration and continuing to try to dismantle the Affordable Care Act, known as Obamacare throughout 2015.

The Tea Party’s early challenge to Boehner led to concessions immediately, evident in that the House of Representatives began the 114th Congress considering legislation to fund the Department of Homeland Security (DHS) with a bill that would **eliminate the President’s executive actions on immigration**. The Republican bill would:

- Stop the measures the President announced in November affecting 5 million immigrants,
- Stop the Deferred Action for Childhood Arrivals program that began in 2012 to give DREAMers, young people who were brought to the United States as minors by their parents, an opportunity to work and study.
- It would also restrict the prosecutorial discretion measures the Department of Homeland Security established throughout the entire Obama Administration
- And restart the Secure Communities program that required information

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sharing from local and state police agencies with federal immigration officials, and require those local officials to hold immigrants until immigration officers pick them up.

Even if this bill fails to get to the President’s desk, the far-right of the Republican Party will continue to look for opportunities throughout 2015 to undermine the President’s executive actions, and [are signaling](#) they don’t believe delaying the Department of Homeland Security’s budget is a real problem. They’ll also continue to try to roll back the President’s agenda in other areas like health care and banking regulations.

The battle lines over immigration, however, expose the fault lines inside the Republican Party between their leadership and the far-right, and also between the leadership in the House and Senate. The Republican leadership in the Senate will also try to reverse the President’s policy achievements in a number of areas, but will be more tempered by the reality that most legislation requires 60 votes to overcome a filibuster. On immigration, for example, Senate Republicans have introduced a similar bill to the one in the House but it is separate legislation from the larger bill funding DHS. Senate leadership, however, [has designated a staunch opponent](#) of immigration reform to lead their immigration subcommittee, so any real progress on the issue this year is unlikely. At the same time, the [Senate is moving](#) on a

bill to raise the definition of a full-time employee with the goal of undermining the employer mandate under Obamacare, which affects how many people will get health care through their employer. It’s only the first of many likely attempts in this new Congress to try to undermine the health care reform law that defined the President’s first term, and is evidence that the Senate’s Republican majority will also be aggressive in trying to erase Obama’s legacy achievements this year.

If these types of measures do pass both chambers, the President is ready to veto them, a scenario likely to repeat itself throughout 2015 on many issues. [The White House has already confirmed that the President would veto the immigration bill if it includes the measures to stop his executive actions.](#) Ironically, the Republican strategy of obstruction has also emboldened the President, who isn’t waiting for Congress, and is already driving an aggressive agenda for the coming year and [introducing a budget](#) much more to the left than his past and more centrist approaches in earlier years. That dynamic increases the likelihood of ongoing and tense battles between the President and Congress throughout the year.

3. THE ANTI-LAME DUCK PRESIDENCY

After the Democratic Party’s heavy losses in November’s mid-term elections, President Barack Obama responded with an

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aggressive agenda that includes using executive authority where Congress has either failed or refused to act. Within weeks of the elections, the President had announced a major set of actions on immigration reform, and a historic move to re-establish diplomatic relations with Cuba. Both will become the focus of attempts in Congress to stop him.

Ironically, those actions may also result in Congress taking the two issues seriously enough to move on legislation they might have otherwise ignored. **On immigration**, moderate Republicans are looking for alternatives that can help them address their sinking support among the nation’s growing Latino electorate, while helping them show they’re working on border security. What’s certain is that Congress will not move anything close to the bipartisan bill that was approved in the Senate in 2013, and there is little to **no chance that Congress would approve any path to citizenship** for the nation’s 11 million undocumented immigrants, but either a standalone bill or several smaller bills are likely to emerge to address different pieces of reform, and the President is likely to make concessions if he can formalize some of the protections he implemented in his executive action. The Senate’s designation of Senator Jeff Sessions to run the immigration subcommittee, however, does create challenges for the Republican leadership in trying to find a creative and constructive approach. As noted

earlier, he is a strong opponent of reform.

On Cuba, the incoming Chairman of the Senate Foreign Relations Committee, Republican Bob Corker, said recently that the **embargo has been ineffective** and promised hearings on the President’s announcement to restore relations. That’s a much better tone than the one from the Democrat who preceded him as Chairman of that committee, Bob Menendez, who is Cuban-American and is opposed to any changes in Cuba policy. The President’s bold move creates an opportunity to work with both Democrats and Republicans, many driven by agriculture and business interests, and potentially achieve legislation that goes further than he can on his own.

Already the first week of February has seen a hearing of the Senate Foreign Relations subcommittee on the Western Hemisphere featuring dissidents on both sides of the issue, and a **serious bipartisan bill** has already been introduced by four Democrats and four Republicans in the Senate to end the travel ban on Americans that denies them the right to travel freely to Cuba. Seven Senate Republicans have also sent the President a letter stating their support for a policy shift and willingness to engage Congress in the new policy, **including presidential contender Rand Paul**, so it presents an opportunity for possible bipartisan action this year on at least parts of the embargo.

The President is also starting out 2015 with an extensive agenda

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for the coming year, introducing several initiatives meant to use the power of his office where possible, but also challenging Congress to act on his priorities. Among the initiatives the President has proposed:

- Better protecting consumers from identity theft and safeguard privacy
- Reducing Annual Mortgage Insurance Premiums
- Making Community College Free for Two Years
- Promoting American Manufacturing, Research & Development
- Attracting more international investment to the United States
- Increasing Access to Affordable High-Speed Broadband

In all reality, most of the President’s calls for Congress to act on anything will go unheeded by the Republican majorities in Congress. The exceptions are high-profile issues like **Authorization for Use of Military Force (AUMF) with regard to ISIS**. Concerns over high-profile hackings may also help the President make progress on his **privacy initiative** and for collaboration on **cybersecurity** generally, driven not only by the hacks of the U.S. Central Command’s social media accounts and Sony, but also others that exposed millions of credit cards to hackers at corporations like Target in recent years.

With Europe and Japan facing economic woes, the President is eager to take credit for the **American economy**, which through December had added **11.2 million jobs over 58 consecutive months of job growth**, the longest streak on record. With only two years left in office, the President will spend time throughout the year touting that record, something he believes Democrats failed to do on their way to losing the Congressional elections in 2014.

The President and his Administration will also make a concerted effort to promote **Foreign Direct Investment in the United States**, and the U.S. Department of Commerce is organizing a summit to connect investors with representatives from every U.S. state and territory, called the **SelectUSA Investment Summit**, to be held in Washington, DC on March 23-24. The American economy is one of the world’s bright spots and the Administration is touting **data** to show that U.S. affiliates of foreign firms employed 5.8 million people in the United States in 2012, spent \$48 billion on research and development, and exported \$344 billion worth of goods manufactured in the United States to build support and participation in this initiative. U.S. Commerce Secretary Penny Pritzker has made it clear she is eager to boost FDI in 2014 consistent with the growth seen from \$170 billion in 2012 to \$231 billion in 2013.

Energy and climate change will also be a major focus of the battles between Congress and the White

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House this year, as Republicans continue to try to [force approval for the Keystone XL Pipeline](#) that the President threatened to veto. This year, the President’s Climate Action Plan will also get scrutiny from the new Republican leadership as the Environmental Protection Agency (EPA) prepares to issue a final rule to limit the carbon pollution from existing power plants. The final rule was scheduled for June, but the [EPA has now said it will delay publishing the new regulation](#) until mid-summer, giving Republicans in Congress more time to work aggressively to stop the EPA through legislation and oversight. More than half of Republicans in this Congress have openly denied or questioned the science related to climate change, [according to a recent analysis](#). Still, natural disasters including tornados, floods, and wildfires have had a significant impact in recent years, and could very well shape 2015 and the debate over climate change. The extended [drought in the state of California](#), for example, has already had an impact on food prices and spurred competition for water.

4. DECISION 2016

This year will also bring the next major American presidential campaign to life, as Republicans and Democrats begin to formally compete for the White House. The last time there was an open contest for the Oval Office, campaigns got underway early in 2007, nearly two years before the election. While there are clear indications of who is

planning on running this time around, no one has formally announced their candidacy yet.

At the macro level, **Republicans** have a deeper bench, and more potential candidates, some of whom have been running for several years. Former Florida Governor **Jeb Bush** has positioned himself as the most likely frontrunner, particularly after essentially forcing **Mitt Romney** out of the race by getting many of Romney’s former backers to move to his camp. Bush’s [formation of a Super PAC](#) also suggests he has the donors and organizational strength to be the strongest contender. Senator **Rand Paul**, more Libertarian than Republican, will continue to run and may stay in through the end, but is unlikely to make a serious dent.

The Republican Party may also see other previous contenders like former Arkansas Governor **Mike Huckabee** run again, along with former Vice Presidential candidate **Paul Ryan**, and new candidates like New Jersey Governor [Chris Christie](#), who has made an effort to expand his appeal with a recent trade mission to Mexico. Another possible contender is Florida Senator [Marco Rubio](#), though with fellow Floridian Bush gaining strength, Rubio may not last long.

A major problem for the Republican field will be how they handle immigration, an issue that’s toxic for a Republican primary, but that can complicate any Republican’s chances in a general election. Jeb Bush has been on both sides of the issue

“Candidates will have to build their organizations and have credible campaigns in place by the summer in order to be ready for an aggressive campaign in the fall”

at different times, and Marco Rubio helped broker the Senate bill that passed in the Senate in 2013, which may kill his potential among the base of the party. With his announcements, Jeb Bush has emerged as the **early leader** among Republicans, but doesn't look as strong in a **potential match up** with **Hillary Clinton**.

That's one of the reasons Clinton will **remain the favorite for Democrats**. Clinton **holds an edge** over other potential Republican candidates as well, and has a commanding lead over her **potential Democratic opponents**. While there are rumors of Vice President **Joe Biden** being interested in the race, the most likely challenger for Clinton could be Senator **Elizabeth Warren**, who is quickly becoming a favorite of the party's liberal base and was recently credited with knocking out one of the

President's appointees to the Treasury Department over his **ties to Wall Street**. Late last year, an open letter signed by more than **300 former Obama staffers** urged Warren to run. Vice President **Joe Biden** trails both Clinton and Warren in early polling, though no poll today could predict what will happen once the candidates are running. For now it seems unlikely either will challenge her as Clinton feels safe to consider delaying her announcement until July, but anything is possible.

With the first primary contest, the Iowa Caucus, **scheduled for February 1, 2016** and the New Hampshire primary for February 9, 2016, all of these candidates will have to build their organizations and have credible campaigns in place by the summer in order to be ready for an aggressive campaign in the fall. This year, 2015, will determine their chances.

AUTHORS



Juan Verde is Former Assistant Secretary for Trade Relations US and Europe, founder of The Climate Project Spain and president of the Advanced Leadership Foundation, a nonprofit that promotes and develops leadership skills in future business, political and social leaders. Juan has a BA cum laude in Political Science and International Relations from Boston University and a Master of Public Administration from Harvard University. He has been international co-director of the Campaign for Re-election of President Barack Obama and his advisor on international economics , sustainability and Hispanic community. Previously, he served as Deputy Assistant Secretary for Europe Commerce Department US Government.

jverde@aleadership.org

[@juanverde](https://twitter.com/juanverde)



Joan Navarro is Partner and Vice-President of Public Affairs of LLORENTE & CUENCA. He is a sociologist and PDG in IESE. He was the Director and Spokesman of Coalición de Creadores e Industrias de Contenidos Audiovisuales and has held public positions within the Public Administration, such as Head of Staff for Minister of Public Administrations (2004-2006) and Head of Institutional Relations in Sociedad Estatal Aguas de las Cuencas Mediterráneas (2006-2008).

jnavarro@llorenteycuenca.com

[@joannavarro0](https://twitter.com/joannavarro0)

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CORPORATE MANAGEMENT

José Antonio Llorente
Founding partner and Chairman
jalloriente@llorenteycuenca.com

Enrique González
Partner and CFO
egonzalez@llorenteycuenca.com

Jorge Cachinero
Corporate Director for Innovation
jcachinero@llorenteycuenca.com

SPAIN AND PORTUGAL

Arturo Pinedo
Partner and Managing Director
apinedo@llorenteycuenca.com

Adolfo Corujo
Partner and Managing Director
acorujo@llorenteycuenca.com

Madrid

Joan Navarro
Partner and Vice-President of Public Affairs
jnavarro@llorenteycuenca.com

Amalio Moratalla
Partner and Senior Director
amoratalla@llorenteycuenca.com

Juan Castellero
Financial Director
jcastillero@llorenteycuenca.com

Lagasca, 88 – planta 3
28001 Madrid (Spain)
Tel. +34 91 563 77 22

Barcelona

María Cura
Partner and Managing Director
mcura@llorenteycuenca.com

Muntaner, 240-242, 1º-1ª
08021 Barcelona (Spain)
Tel. +34 93 217 22 17

Lisbon

Carlos Matos
Founding Partner and Managing Director
cmatos@llorenteycuenca.com

Madalena Martins
Founding Partner
mmartins@llorenteycuenca.com

Rua do Fetal, 18
2714-504 S. Pedro de Sintra (Portugal)
Tel. + 351 21 923 97 00

LATIN AMERICA

Alejandro Romero
Partner and Latin American CEO
aromero@llorenteycuenca.com

José Luis Di Girolamo
Partner and Latin American CFO
jldgirolamo@llorenteycuenca.com

Antonio Lois
Regional Director of Human Resources
alois@llorenteycuenca.com

Bogota

María Esteve
Managing Director
mesteve@llorenteycuenca.com

Germán Jaramillo
Chief Executive
gjaramillo@llorenteycuenca.com

Carrera 14, # 94-44. Torre B – of. 501
Bogota (Colombia)
Tel. +57 1 7438000

Buenos Aires

Pablo Abiad
Partner and Managing Director
pabiad@llorenteycuenca.com

Enrique Morad
Chief Executive for the Southern Cone
emorad@llorenteycuenca.com

Av. Corrientes 222, piso 8. C1043AAP
Ciudad de Buenos Aires (Argentina)
Tel. +54 11 5556 0700

Lima

Luisa García
Partner and CEO of the Andean Region
lgarcia@llorenteycuenca.com

Cayetana Aljovin
General Manager
caljovin@llorenteycuenca.com

Av. Andrés Reyes 420, piso 7
San Isidro. Lima (Peru)
Tel. +51 1 2229491

Mexico

Juan Rivera
Partner and Managing Director
jrivera@llorenteycuenca.com

Bosque de Radiatas # 22 – PH7
05120 Bosques las Lomas (México D.F.)
Tel. +52 55 52571084

Panama

Javier Rosado
Partner and Managing Director
jrosado@llorenteycuenca.com

Avda. Samuel Lewis. Edificio Omega, piso 6
Panama City (Panama)
Tel. +507 206 5200

Quito

Catherine Buelvas
Managing Director
cbuelvas@llorenteycuenca.com

Av. 12 de Octubre 1830 y Cordero.
Edificio World Trade Center, Torre B, piso 11
Distrito Metropolitano de Quito (Ecuador)
Tel. +593 2 2565820

Rio de Janeiro

Yeray Carretero
Director
ycarretero@llorenteycuenca.com

Rua da Assembleia, 10 – sala 1801
Rio de Janeiro – RJ (Brazil)
Tel. +55 21 3797 6400

São Paulo

Juan Carlos Gozzer
Managing Director
jcgozzer@llorenteycuenca.com

Rua Oscar Freire, 379, CJ 111, Cerqueira César
CEP 01426-001 São Paulo SP (Brazil)
Tel. +55 11 3060 3390

Santiago de Chile

Claudio Ramírez
Partner and General Manager
cramirez@llorenteycuenca.com

Avenida Vitacura 2939 Piso 10. Las Condes
Santiago de Chile (Chile)
Tel. +56 2 24315441

Santo Domingo

Alejandra Pellerano
Managing Director
apellerano@llorenteycuenca.com

Avda. Abraham Lincoln
Torre Ejecutiva Sonora, planta 7
Santo Domingo (Dominican Republic)
Tel. +1 8096161975



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