Congress narrowly averted an economic catastrophe, for now, with a last-minute deal on the debt ceiling. Also on Capitol Hill, lawmakers approved a government spending measure and talks continue on the Build Back Better reconciliation package and Bipartisan Infrastructure Framework. A major diplomatic row erupted between the United States and France. Over 130 nations have agreed to a global tax deal. The coronavirus pandemic is now the deadliest pandemic in American history—surpassing the death toll of the 1918-1919 Spanish Flu pandemic. U.S. policy toward China comes into sharper focus. The U.S.-EU Trade and Technology Council held its first meeting, reporting progress on a number of issues. The Supreme Court starts its new term, with many critical and politically volatile cases on the docket.

Debt Crisis Averted…For Now

Staring down a fiscal cliff, Congress passed a measure to increase the debt ceiling by $480 billion, effectively delaying the matter to December and averting economic disaster following weeks of partisan deadlock over the issue. In August 2019, Congress passed a budget deal that suspended the debt limit for two years. Once the debt ceiling suspension expired the debt limit was reinstated and Treasury has been taking "extraordinary measures" since July to avoid defaulting on its debts. Before passing the debt ceiling increase, Republicans had been insistent that Democrats act alone, through the reconciliation process, to address the matter. Democrats argued that the issue is a shared responsibility and that much of the **new debt was accrued under the Trump administration** (the debt rose nearly $8 trillion during his four years in office, during which time Republicans joined Democrats in raising the debt limit three times). While the debt limit extension averts a self-inflicted economic crisis, it does not resolve the partisan stalemate over the issue and this fight will be replayed later in the fall.

Government Funding

Hours before government funding was set to run out on September 30, the House and Senate narrowly passed a continuing resolution (CR) funding the government through December 3. The measure also provides an additional $28.6 billion for disaster relief and $6.3 billion for Afghan refugee resettlement. One week prior to the passage of the CR, the House passed a stopgap spending bill that included a provision suspending the debt ceiling until after the 2022 mid-term elections. That measure was blocked by Senate Republicans. Moving forward, work continues on the 12 individual appropriations bills and the aspiration is that Congress will approve those pieces of legislation before the CR expires on December 3. The House has **completed most of their spending measures**, the Senate has not passed any.

State of Infrastructure and Reconciliation Measures

The White House and Democratic leaders in Congress are working to find a way to unify Democrats in the House and Senate around the passage of the Build Back Better (BBB) plan and bipartisan infrastructure framework (BIF), two bills which are domestic policy priorities for President Biden. The BBB reconciliation package includes funding for "human" infrastructure such as education, healthcare, public benefits, and climate programs. The BIF funds transportation, water, broadband, and electric grid improvements. In August, the Senate passed the $1 trillion bipartisan infrastructure measure and House Speaker Nancy Pelosi (D-CA) promised a vote in the House in September, but the plan was derailed by progressives in the House who refused to vote on the measure unless it was coupled with the $3.5 trillion reconciliation package. That bill has run into headwinds from Senators Joe Manchin (D-WV) and Krysten Sinema (D-AZ), who object to the price tag. President Biden has traveled to the Capitol to rally support of both measures signaling the political urgency of moving the bills.

Diplomatic Dust-up with France

In September, the United States formed the **AUKUS block** with Australia and the United Kingdom to facilitate greater collaboration on military and advanced technology. Under the arrangement, the United States will provide Australia with technology to allow them to build nuclear-powered submarines. As a result, **Australia canceled a deal with France** to purchase 12 conventionally powered submarines. France was notified of the cancelation hours before the new AUKUS block was announced, generating a furious response from Paris. France recalled their Ambassadors from Washington and Canberra, the first time in the history of the long alliance between the United States and France, dating back to 1778, that an ambassador had been recalled. French President Emmanuel Macron called the American decision “brutal” and said the move was a “stab in the back” from Australia. **President Biden spoke with Macron** after the announcement in an effort to repair ties, and **Secretary of State Anthony Blinkin traveled to France** to meet with French leadership, but much work remains to restore confidence between the two sides.

Global Tax Deal Struck

In October, over 130 nations agreed to a major reform of the international tax system. The overhaul includes a 15 percent global minimum tax as well as other changes to deter tax avoidance that have drained national treasuries. The agreement is a major victory for **Treasury Secretary Janet Yellen**, who has prioritized the international tax negotiations. **The Organization for Economic Cooperation and Development (OECD)**, which was leading the talks, announced that the deal, which includes 136 countries and jurisdictions representing more than 90 percent of global GDP, will reallocate over $125 billion in profits from approximately 100 of the world’s most profitable multinational enterprises. The deal is expected to get the backing of the G20 when they meet in Rome later this month, then the signatories will have to amend their national laws and international treaties to put the reforms into practice. The path forward is far from certain as national legislatures will need to approve the new pact. In the United States, Congress will need to approve the deal and Democrats expect that they can pass the measure using the budget reconciliation process that would not require Republican support, but some analysts think that the changes would require a treaty, which would need a two-thirds vote in the Senate.

Pandemic Update

The United States reached another grim milestone this past month as we surpassed 700,000 deaths due to the coronavirus—**the death toll of this pandemic now exceeds that of the 1918-1919 Spanish Flu Pandemic**. While the pandemic still presents a significant public health crisis, the curve is starting to bend and **covid cases and deaths are falling** across the country—things appear to be moving in the right direction. Over 186 million Americans have been fully vaccinated, accounting for over 56% of the population. **Pfizer applied to the Food and Drug Administration** (FDA) for an emergency use authorization for children between the ages of 5 and 11. If approved, this would be the first vaccine for children, a critical piece to ending the pandemic, as infections among children have been increasing since the start of the school year. Hundreds of thousands of Americans are also getting booster shoots, an important part of the resilient pandemic response, but public health experts are concerned because the number of those getting booster shots is exceeding those who are getting their initial vaccination. There is also an increasingly **partisan divide in vaccination rates** and states hit hardest by the resilient Delta variant. According to polling from the **Pew Research Center**, the political divide is very clear with over 85 percent of Democratic voters receiving at least one vaccine dose and Republican voters reporting a 60 percent vaccination rate, leaving these communities vulnerable to future surges of the virus.

China Policy Comes into Sharper Focus

This month, National Security Advisor Jake Sullivan **met** with his Chinese counterpart, Yang Jiechi, in Zurich. The meeting came amid heightened tensions with unprecedented incursions by Chinese military aircraft into Taiwanese airspace and a new deal between the United States, United Kingdom and Australia to provide the Australian navy nuclear-powered submarines. The consultations were “candid” and “wide-ranging” but there was little tangible progress during their talks other than an agreement, in principle, on a virtual summit between President Biden and President Xi Jinping of China later this year.

In early October, following a review of the Trump administration’s trade policy, Ambassador Katherine Tai, the United States Trade Representative, delivered a **speech** outlining the administration’s view of the U.S.-China economic relationship. Tai’s speech was meant to “lay out the starting point of our Administration’s strategic vision for realigning our trade policies towards China.” Yet her remarks signaled a **continuation of several key aspects** of Trump-era trade policy. While Tai sought not to inflame trade tensions with China, she made clear that the administration is not pleased with their current trajectory, stating: “It is increasingly clear that China’s plans do not include meaningful reforms to address the concerns that have been shared by the United States and many other countries.” Tai also signaled the administration’s desire to reengage in trade talks with China that have been in a holding pattern over the last year. Tai’s speech comes at an important juncture in bilateral trade relations as the Phase One accord, signed in January 2020, is set to expire at the end of this year.

Further demonstrating the tension for policymakers in how to compete, collaborate, and confront China, the Central Intelligence Agency **announced** the creation of a new office designed to address the global challenge posed by China. Similar to efforts to counter the former Soviet Union during the Cold War, the new “China Mission Center” will involve linguists, technicians, and specialists in countries around the world to gather intelligence and counter China’s interests.

U.S. – EU Trade and Technology Council Hold First Meeting

In late September, Secretary of State Anthony Blinken, Ambassador Katherine Tai, and Commerce Secretary Gina Raimondo met with their European counterparts, European

Commission Vice Presidents Margrethe Vestager and Valdis Bombrovskis, for the first meeting of the Trade and Technology Council (TTC) in Pittsburg. Following the inaugural meeting, officials said that they focused the TTC discussions and **joint statement outcomes** on five areas: global trade challenges, semiconductor supply chains, screening of foreign direct investment, artificial intelligence and export controls. In addition to the ministerial-level meetings, the TTC heard from a variety of stakeholders from a broad range of groups including industry representatives, environmental groups, labor organizations, and think tanks. The U.S. and EU pledged to deliver "concrete outcomes" in several specific areas before the next council meeting, likely in the spring. The two sides also committed to address the impact of nonmarket practices at home and in third countries. While not specifically naming China, the partnership is clearly aimed, in part, at countering the China's authoritarian and "non-market" practices, a number of which were enumerated in the joint statement.

The Supreme Court's New Term

On October 4, the Supreme Court of the United States (SCOTUS) gaveled in its 2021-2022 term, marking the **first time nearly all the justices gathered** in person in over a year and a half. This is a potentially momentous term, involving **cases on some of the biggest social issues** of our time: abortion, guns, and the separation of church and state, among other matters. This is a transformed court, featuring a 6-3 advantage for conservatives and three justices appointed by President Trump. This term is also critically important for public perceptions of the Court, which is increasingly associated with partisanship—recent polls show public support and trust in the Supreme Count declining with only 40 percent job approval, **according to Gallup**, the lowest point since 2000.

Personnel Updates

Department of Commerce – **Jed Kolko** is the nominee for undersecretary for economic affairs. **Marisa Lago** is the nominee for undersecretary for international trade. **Elizabeth Economy** is a senior advisor for China in the office of the Secretary.

Department of Defense – **Douglas Bush** is assistant secretary of the army for acquisition, logistics, and technology. **Melanie Fonder Kaye** is deputy assistant secretary for strategic engagement.

Department of State – A number of assistant secretaries were confirmed by the Senate: **Karen Donfried** for European and Eurasian affairs; **Daniel J. Kritenbrink** for East Asian and Pacific affairs; **Jessica Lewis** for political-military affairs; **Monica P. Medina** for oceans and international environmental and scientific affairs; **Mary Catherine Phee** for African affairs; and **Todd D. Robinson** for international narcotics and law enforcement affairs. Several ambassadorial nominations were announced: **Michael Adler** for Belgium; **Calvin Smyre** for Dominican Republic; and for Sweden, **Erik Ramanathan**.

Department of the Treasury – **Saule Omarova** was nominated as Comptroller of the Currency. **Shannon Corless** is the nominee for assistant secretary for terrorism and financial intelligence.

National Security Council – **Brian Christian Vogt** is director for democracy and human rights. **Adrienne Watson** is deputy spokesman.

U.S. Agency for International Development – **Gillian Caldwell** is the climate change coordinator. **Eric Postel** is senior advisor to the administrator for private sector engagement.