



## THE REAL DEAL ALL OUR EYES ON U.S. POLITICS

The mid-term elections, now less than a month away, loom large over Washington and both chambers have adjourned until after the elections. The new fiscal year has begun with the fight over funding the more contentious federal programs delayed until after the mid-term elections, a new U.S.-Mexico Canada trade agreement has been announced, and the Senate has confirmed Supreme Court nominee Judge Brett Kavanaugh. President Trump participated in the annual United Nations General Assembly, labeling his foreign policy philosophy “principled realism,” and the administration unveiled a new China strategy amid escalating tensions.

### MID-TERM ELECTIONS

America’s mid-term elections will be held on Tuesday, November 6 with early voting already underway in many states. Currently, Republicans enjoy a 240 to 195 margin in the U.S. House of Representatives and a 51 to 49 margin in the Senate. All [435 members of the U.S. House are up for re-election](#) and Democrats need to net 23 seats to take control of the lower chamber—a mark that many pundits and prognosticators feel will be met. Of the 435 seats that are up for election in the House, 147 are considered “safe” Republican and 182 “safe” Democrat, there are 51 Republican and 10 Democratic seats that the parties should win, respectively, and 45 are races that could go either way—of which Republican are defending 43. Republicans have also seen a wave of retirements with more than 40 leaving Congress or announcing their intention to retire at the end of the year, giving Democrats additional pick-up opportunities.

In the Senate, [35 of the 100 seats are up for grabs](#), or “in cycle.” Of which Democrats are defending 26 seats and 10 of those seats are in states that President Trump won in the 2016 presidential election. While the path to a democratic majority in the Senate is very difficult, it is not impossible, as there are several Republican-held seats in play.

Some experts think this year could see a so-called wave election, with Democrats set to make major gains. Since the 1840s, the president’s party has lost seats in [41 of 44](#) mid-term elections, so history points to Democratic gains. Many pundits have also noted a [“pink wave”](#) as there are more female candidates running for election than ever before.

### NAFTA 2.0

President Trump has reached a deal with Canada and Mexico to replace the North American Free Trade Agreement (NAFTA). Although the new [U.S.-Mexico-Canada Agreement \(USMCA\)](#) preserves NAFTA’s tariff-free trade on a wide range of items, the parties also created new rules for industries that have substantially matured since 1994 (e.g. biologic drugs, and digital commerce). The agreement also sends important signals to China, by restricting currency manipulation, and discouraging the parties from forming free-trade agreements with non-market countries. The agreement is far from set and much work is left to be done as the U.S. Congress (as well as the legislatures of both Canada and Mexico) must ratify

the agreement. How voting will proceed will be significantly influenced by the upcoming mid-term elections and questions on several provisions are already emerging from Capitol Hill.

## **KAVANAUGH CONFIRMED TO THE SUPREME COURT**

Brett Kavanaugh was confirmed by the United States Senate to serve on the United States Supreme Court by a 50-48 vote in early October. The process inflamed domestic political tensions and the vote ended a confirmation battle that originally centered around Kavanaugh's judicial record, but later exploded around allegations of sexual misconduct and binge drinking while a young adult. It is unclear how this matter will play in the upcoming mid-term elections and senior House Democrats have vowed to pursue impeachment of Judge Kavanaugh if Democrats win the majority in the lower chamber. Impeachment is extraordinarily difficult—requiring a majority vote in the House and a subsequent trial in the Senate with 67 votes needed for conviction and removal from the Court. Only one sitting Supreme Court justice has ever been impeached by the House, Justice Samuel Chase, in 1805 on charges of being too partisan, but he was acquitted by the Senate and continued to serve on the Court.

## **LAME DUCK SHUTDOWN SHOWDOWN?**

October 1 brought the start of a new fiscal year, just days after President Trump signed a \$854 billion spending bill averting a government shutdown. The measure fully funds most government functions through the end of fiscal 2019 and delays another fight over the funding for Trump's border wall and other contentious programs until after the mid-term elections. Combined with an earlier appropriations package, Trump has signed into law almost \$1 trillion in spending for 2019, about three-fourths of the total under a bipartisan agreement. This marks the first time since 1996 that the government has succeeded in getting five of the 12 annual spending bills signed into law before the new fiscal year begins. However, as noted previously, the fight over one of the President's spending priorities, the border wall, was delayed until after the mid-term election where the threat of a showdown looms and House Speaker Paul Ryan predicts a "big fight coming."

## **PRESIDENT TRUMP AT THE UNITED NATIONS**

President Trump addressed the annual United Nations General Assembly gathering in New York in late September. Among the themes of his address were the nuclear negotiations with North Korea; Iran's malign activities, whose leaders he said "sow chaos, death, and destruction"; lauding the trade agreement with Mexico (which now includes Canada); slamming unfair Chinese trade practices; and discussing American withdrawal from the United Nations Human Rights Council and tensions with the International Criminal Court. Trump called his policy "principled realism," a doctrine that will "not be held hostage to old dogmas, discredited ideologies, and so-called experts who have been proven wrong over the years, time and time again (sic)."

## **ESCALATING TENSIONS WITH CHINA AND A NEW STRATEGY**

Elevated rhetoric and additional tariffs on billions worth of imports from China are part of the deepening rift in the U.S.-China relationship and offer some clarity on the administration's China policy. In September, Vice President Mike Pence delivered a broadside against China in a speech at the Hudson Institute, a conservative think tank, where he denounced China's "whole of government" approach to its rivalry with the United States. Accusing China of abusing their economic power, stealing American technology, bullying American companies, militarizing the South China Sea, intimidating their neighbors, and persecuting religious minorities at home. Pence also charged China with attempting to interfere with the 2018 mid-term elections, a claim also made by Trump. In his speech, the Vice President detailed an integrated, cross-government strategy to counter Chinese aggression. Amid the rising tensions, Secretary of State Pompeo, in East Asia seeking to set a second summit between Trump and North Korean leader Kim Jong-un, traded harsh words with his Chinese counterpart. Chinese Foreign Minister Wang Yi said the administration was "ceaselessly elevating" trade tensions and "casting a shadow" over the relationship. This comes on the heels of a Chinese destroyer sailing dangerously close to an American warship in a disputed area in the South China Sea. On Capitol Hill, in an effort to counter China's Belt and Road strategy, Congress approved the BUILD Act which creates a new agency, the U.S. International

Development Finance Corp, consolidating the Overseas Private Investment Corp (OPIC) and other government development organizations and providing \$60 billion in development financing.

## PERSONNEL MOVES

*Commerce Department* – **Roscoe Howard** is the new ZTE Compliance Coordinator, charged with overseeing ZTE's compliance with U.S. export control laws during its probation period.

*Energy Department* – **William Bookless** has been nominated to serve as principal deputy administrator of the National Nuclear Security Administration.

*Export-Import Bank* – **Kimberly Reed** has been cleared to serve as chair by the Senate Banking Committee.

*Millennium Challenge Corporation* – **Robert Blau**, MCC's vice president of compact operations who had assumed CEO duties, has resigned. **Brock Bierman** has been designated acting CEO, he is an assistant administrator at USAID.

*State Department* – **Nikki Haley**, U.S. Ambassador to the United Nations, has resigned and will leave her post by the end of the year. **Brad Freden** is now director of the office of Eastern European affairs. The following ambassadorial nominations have been announced: former deputy chief at the U.S. Mission to NATO, Serbia and **Kyrgyzstan Earle Litzenberger** for Azerbaijan; **Jeffrey Ross Gunter** for Iceland; principal deputy assistant secretary in the bureau of oceans and international environmental and scientific affairs **Judith Garber** for Cyprus; **Lynne Tracy** for Armenia; and **Pamela Bates** for the Organization for Economic Cooperation and Development.

*White House* – **Clete Williams** is now deputy assistant to the President and deputy director of the National Economic Council; **Ross Worthington** is deputy assistant to the President for policy, strategy, and speechwriting; **Ashley Mocarski** is now special assistant and senior director of cabinet affairs. On the National Security Council, **Dr. William Happer** has been named assistant to the President for Biosecurity and Emerging Technologies. **Don McGahn**, White House Counsel, will leave this fall.