



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

Democratic candidates continue to join the 2020 field. President Trump transmitted his fiscal year 2020 budget request, and issued a national emergency declaration—both of which have run into headwinds on Capitol Hill. Congress has stepped up its investigation of the administration, creating another source of tension within a divided Washington, and the report from Special Counsel Robert Mueller could be sent to the Department of Justice any day. The House of Representatives also passed sweeping ethics and voter access reforms.

2020 FIELD CONTINUES TO TAKE SHAPE

The [Democratic contest for the party's 2020 presidential nomination](#) continues to grow, and shrink. This past month, Washington Governor Jay Inslee and former Colorado Governor John Hickenlooper entered the field. In addition, Senator Bernie Sanders announced that he was running. A number of notable and less well known, prospective candidates also announced that they will not run such as Senators Sherrod Brown and Jeff Merkley, former New York Mayor Michael Bloomberg, former Attorney General Eric Holder, and Hillary Clinton. Others who are still considering joining the field include: Congressman Eric Swalwell of California, Congressman Tim Ryan of Ohio, Congressman Seth Moulton of Massachusetts, former Texas Congressman Beto O'Rourke, Colorado Senator Michael Bennet, former Virginia Governor Terry McAuliffe, Montana Governor Steve Bullock, and the biggest fish of them all, former Vice President Joe Biden.

NATIONAL EMERGENCY DECLARATION & CONGRESSIONAL RESPONSE

In February, President Trump declared a state of [emergency on the situation on America's southern border](#). In declaring the emergency, and the diversion of military funds to build a wall, the President stated ["I didn't have to do this, but I'd rather do it much faster,"](#) words critics and commentators have used to question whether there is an actual emergency. In Congress, the House [passed a measure](#) to overturn the declaration and block his effort to divert funds, appropriated by Congress for other purposes, to build a wall. The [United States Constitution](#) grants Congress the "power of the purse," and serves as a key legislative check on the executive branch—whereby the executive branch can only spend what Congress permits them to spend. The United States Senate is poised to pass the measure and Trump is expected to issue the first veto of his presidency. At the state-level, Attorneys General for 16 states, led by California, have [filed suit challenging the declaration](#). This sets up a legal contest over the foundation of America's separation of powers.

TRUMP'S FY2020 BUDGET

The President sent his [fiscal year 2020 budget request](#) to Congress on March 11. Here are five main takeaways:

- \$750 billion in defense spending, an increase of approximately 5 percent. This includes \$165 billion in the Overseas Contingency Operations account, which is [exempt from statutory budget caps](#).
- \$543 billion in non-defense spending, a decrease of approximately 9 percent. With deep cuts to the Environmental Protection Agency (over 30 percent), the State Department and international assistance programs (24 percent), the Departments of Housing and Urban Development (18 percent) and Health and Human Services (12 percent).
- \$8.6 billion in funding for the border wall.
- No balanced budget until 2035 and trillion dollar budget deficits.
- Forecasting a rosy economic picture—the budget assumes growth will stay at around 3 percent through 2024.

The President’s budget request is always aspirational and is a signal of administration priorities to Congress. However, Congress, which has control over the appropriations process, often ignores presidential budgets and Democratic leaders in the House and Senate have already criticized the request and [warn of another government shutdown](#).

INVESTIGATING THE TRUMP ADMINISTRATION

Since January, [nearly every House committee has launched an investigation](#) into “Trump world;” there are six specific committee inquiries are worth noting. The [House Judiciary Committee’s sweeping investigation](#) is looking into government agencies, presidential advisors, business and political associates, and the Trump family for obstruction of justice, corruption, and abuse of power. The House Oversight and Government Reform Committee is examining “hush payments” and security clearance irregularities—this committee, which has one of the largest staffs of investigators on Capitol Hill, will likely [pursue multiple lines of investigation](#). [House Intelligence Committee Chairman Adam Schiff](#) is leading an investigation into election interference, counterintelligence threats and other potential foreign influences over Trump. Schiff is also coordinating with the [House Financial Services Committee](#) to inspect the finances of the Trump Organization and questions of money laundering, particularly their relationship with Deutsche Bank, and have [hired staff specifically for that purpose](#). The [House Ways and Means Committee](#) is working to release Trump’s tax returns—setting up a fight with the Department of the Treasury. The House Foreign Affairs Committee is also investigating Trump, [specifically his conversations with Vladimir Putin](#). For its part, the administration has signaled that it will not comply with these investigations.

WAITING FOR THE MUELLER REPORT

Washington is eagerly awaiting the report of Special Counsel Robert Mueller’s nearly two-year investigation into alleged collusion between the Trump campaign and Russia. Mueller is expected to send his report to the Department of Justice any day; at which point, Attorney General William Barr will send a summary of the findings to Congress. It is unclear how comprehensive the report from Barr to Congress will be, and there is no official timeline for its submission. To date, the [Mueller probe has resulted](#) in nearly 200 criminal charges and over three dozen indictments or guilty pleas. In related developments, this month former Trump campaign chairman Paul Manafort was sentenced in federal court to 47 months in prison (he is still awaiting sentencing in Washington, DC district court). Additionally, Michael Cohen, Trump’s former personal attorney, who was sentenced to three years, [testified publicly](#) before the House Oversight and Government Reform Committee as part of their aforementioned probes.

DEBT LIMIT AND EXTRAORDINARY MEASURES

In early March, the U.S. government ran up against the federal debt limit, the legal authority to borrow money, of \$22 trillion dollars. As such, the Treasury Department must now undertake [“extraordinary measures”](#), a [range of tactics](#) that give the federal government the agility to maneuver until a new ceiling can be negotiated. These actions can only last so long, and forecasters think the Treasury could [run out of room in the fall](#). [Senate Finance Committee Chairman Chuck Grassley](#) said that Congress would most likely raise the debt limit when that becomes necessary—setting up a standoff coinciding with the start of the 2020 fiscal year, at which point federal spending levels will also have to be settled.

TRADE POLICY REPORT & TRADE LANDSCAPE

On March 1, the administration released its annual [Trade Policy Agenda](#). The document put forward congressional approval of the United States-Mexico-Canada Agreement (USMCA), concluding a trade deal with China, and pursuing agreements with the European Union and Japan as priority items. On the USMCA, adequate support from congressional Democrats remains elusive and House Ways and Means Committee chair Richard Neal [predicts difficulty](#). Negotiations with China are ongoing, and the administration let a March 1 deadline pass without imposing additional tariffs, signaling they think that a deal is coming. White House economic advisor [Larry Kudlow was bullish](#) in discussing the negotiations recently and negotiators from both sides are in close contact as markets await confirmation of a Trump-Xi meeting to finalize a deal. The negotiations with Japan have not yet started and [talks with the EU are proving complicated over autos \(see next section\) and agriculture](#).

AUTOS REPORT HELD IN SECRECY

After a lengthy investigation led by the U.S. Department of Commerce, [a report was submitted to the White House on February 17](#), the President has until May to make a decision of whether to impose tariffs on the import of cars and auto parts. The White House is thus far shielding the report from the public and from industry stakeholders. A number of parties are calling for its release, including [Senator Ron Wyden \(D-OR\)](#) the leading Democrat on the Senate Finance Committee. EU Trade Commissioner Malmström, in Washington this month for consultations with Ambassador Lighthizer, mentioned that the EU was carefully monitoring this matter and [will retaliate if tariffs are imposed](#).

ETHICS & ELECTION REFORMS PASS HOUSE – UNLIKELY TO ADVANCE IN SENATE

On March 8, the House of Representatives passed [H.R. 1, the “For the People Act of 2019,”](#) a measure containing campaign finance reforms, ethics overhauls, and voter-access mandates on states. Passage of this legislation satisfies one of the reform promises Democrats made during the 2018 midterm campaign. However, Senate Majority Leader Mitch McConnell has criticized the legislation and indicated [he will not allow a vote](#).

PERSONNEL MOVES

Food and Drug Administration – Commissioner **Scott Gottlieb** is resigning.

Homeland Security Department – **Miles Taylor** is the new chief of staff of the Department. **Jeffrey Byard** is the nominee for administrator of the Federal Emergency Management Agency.

Justice Department – **William Barr** was confirmed as Attorney General (AG). Deputy AG **Rod Rosenstein** is resigning, the nominee to replace him is **Jeffrey Rosen**.

State Department – **Heather Nauert** withdrew her name from consideration to be Ambassador to the United Nations; the nominee is now **Kelly Craft**. **David Satterfield** is the nominee for Ambassador to Turkey.

White House – **Marc Short** is now the chief of staff to Vice President Pence.

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