



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

America held mid-term elections on Tuesday, November 6. Democrats won control of the U.S. House of Representatives, Republicans retained control in the United States Senate and may have padded their majority. When lawmakers return to Washington this month they will face a daunting “lame duck” agenda. Economic tensions with China remain high, but there may be a resolution in sight. In October, the administration informed Congress of its intention to negotiate three new trade deals—with Japan, the United Kingdom, and the European Union. Finally, the Trump administration reimposed sanctions on Iran, U.S.-Saudi relations become complicated following the death of a Washington Post reporter, and Trump threatened to withdraw from the Intermediate-Range Nuclear Forces Treaty (INF Treaty).

MID-TERM ELECTIONS

As of this writing, Democrats flipped at least 7 governorships, and more than 100 women were elected to the United States House of Representatives ([including the first Muslim woman, first Native American woman, and the youngest woman ever elected](#))—which will now be controlled by the Democrats. In the Senate, 3 Democrats and 1 Republican lost their seats (leading to a 51 to 47 Republican advantage in the upper chamber), the Florida Senate race will go to a [recount](#) and the Mississippi race is going to a run-off. The Democratic strategy of targeting females, minorities and young voters was validated with the new House majority. The Republican strategy of targeting male whites and rural voters proved successful as they maintained their Senate majority. While he was not on the ballot, this election was also a referendum on President Trump, [with over two-thirds of voters saying the president was a key factor](#) in how they voted. *A supplemental newsletter goes into deeper detail on the mid-term election results.*

LAME-DUCK AGENDA

Though the House of Representatives has flipped (more detail included in the supplemental newsletter), Congress returned to Washington on November 13 for its “lame-duck” session under current Republican control. By way of background, a lame-duck session of Congress occurs whenever one Congress meets after its successor is elected, but before the new congressional term begins. With limited time remaining in the 115th Congress, lawmakers will focus on “must pass” bills where there is a statutory deadline. The most pressing matter is government funding, the current continuing resolution (CR) funding many government functions is set to expire on December 7, so Congress must act on appropriations. Negotiations will be contentious since President Trump said he will not sign an appropriations bill without funding for the border wall, House Speaker Paul Ryan also predicts a [“big fight coming.”](#) There may be an additional point of friction if Democrats insist on including [protections for special counsel Robert Mueller’s investigation](#) in a spending bill. Several authorizations are also set to expire during the lame-duck session and require congressional action. These include the National Flood Insurance Program, the Farm Bill, reauthorization of the Temporary Assistance for Needy Families program, and the Violence Against Women Act—given the election results and a Democratic controlled House next Congress, the most likely course are short-term extensions allowing Democrats to fight on more favorable ground next year. November will also be dominated by party leadership elections—Republicans will held their leadership elections on November 14 and Democrats vote later this month.

There are also limited opportunities for legislating on bipartisan priorities such as various health care and prescription drug matters. Congress may also act on a bill to permanently extend and fund the Land and Water Conservation Fund and supplemental appropriations for hurricane-ravaged areas. Finally, there are rumors that special counsel Robert S. Mueller will release his report on the Russia investigation in the coming weeks; if this happens, and depending upon its contents and findings, the lame duck agenda could be impacted.

TRADE TENSIONS WITH CHINA – RESOLUTION IN SIGHT?

October was the first full month during which the new tariffs on \$200 billion of Chinese goods were in effect. With President Trump and Chinese President Xi Jinping set to meet on the margins of the G20 summit in Buenos Aires later this month, the Trump administration is preparing for both resolution of the trade war and escalation. With respect to the former, there are reports that the President has directed key cabinet secretaries to draft a potential deal to stop the escalating trade war—[following a call Trump had with Xi on November 1](#). In the event the Trump-Xi meeting fails to ease the trade dispute and no deal is struck, administration officials are simultaneously preparing [tariffs on all remaining Chinese imports](#). In addition, the aforementioned tranche of import duties on \$200 billion of Chinese goods that kicked in on September 24, are [set to rise from 10% to 25%](#) at the end of the year. The new Democratic majority in the House will also likely back Trump's trade war with China and Democratic leader Nancy Pelosi (D-CA), the presumptive new Speaker of the House, [applauded Trump's initial round of tariffs on China](#).

TRANSATLANTIC TRADE UPDATE

On October 16, the Trump administration [notified Congress](#) that it plans to open formal trade negotiations with the European Union “as soon as practicable” (the same notification included a statement of intention to negotiate agreements with Japan and the United Kingdom). Under Trade Promotion Authority, the United States may begin official negotiations after January 14, 2019. In order for the EU to engage with the U.S. in such talks, it still needs a negotiating mandate from its member states. There is also disagreement about the scope of the formal negotiation, with the two sides disagreeing as to whether agricultural goods should be included—the Trump administration wants agriculture in the deal, the EU does not. An additional complication arises from Trump repeating his claim that the [“European Union was formed in order to take advantage of us on trade, and that’s what they’ve done.”](#)

There has also been progress on [regulatory harmonization](#) as talks continue among the U.S.-EU Executive Working Group. The talks are being undertaken as part of the Juncker-Trump framework from July, but are outside the scope of formal trade negotiations. Among the topics discussed were expansion of the [mutual recognition agreement for drug inspection](#), and expansion of a 1998 mutual recognition agreement on conformity assessment. Harmonizing auto regulations is another area ripe for efficiencies with EU negotiators saying that cooperation [“could be particularly fruitful,”](#) but the American side is [unwilling to discuss the issue at this stage](#) of the talks.

NEW SANCTIONS ON IRAN

On Monday, November 5, the U.S. Department of the Treasury reimposed sanctions on Iran's energy, shipbuilding, shipping, and banking sectors. This means that all nuclear-related sanctions that had been lifted as part of the Joint Comprehensive Plan of Action, which the [United States withdrew from in May, will once again be in effect](#). However, [a number of waivers were issued](#) by the Trump administration for the largest consumers of Iranian oil—China, India, South Korea, Japan, Italy, Greece, Taiwan and Turkey. These eight nations account for approximately 75 percent of Iran's oil exports and will be allowed to continue buying oil for another 180 days.

COMPLICATIONS IN THE U.S.-SAUDI RELATIONSHIP

The murder of Washington Post journalist Jamal Khashoggi has complicated U.S. relations with Saudi Arabia. Khashoggi, a Virginia resident and outspoken critic of Saudi leadership, was killed at the Saudi

consulate in Istanbul in October. In response, the United States [revoked the visas](#) of some of the Saudi officials allegedly responsible and Secretary of State Michael Pompeo [warned of additional penalties over the coming weeks](#). On Capitol Hill, there may be efforts to rein in defense aid for Saudi, which may have implications for the war in Yemen, and there may be increased scrutiny of the relationship between Crown Prince Mohammed bin Salman and Trump's son-in-law, Jared Kushner.

TERMINATION OF THE INF TREATY

In October, President Trump announced that he plans to “[terminate](#)” the INF Treaty; this decision follows a [years-long dispute](#) about whether Moscow has developed and deployed a prohibited missile. While in Moscow for talks with top Russian officials, including President Putin, [National Security Advisor John Bolton echoed Trump's assertions](#) of Russian violations, confirmed U.S. withdrawal from the pact, and left open the question of what, if any, arms-control architecture the Trump administration envisions for the future. Nevertheless, the termination plan is proving controversial in Congress—while lawmakers cannot prevent the president from withdrawing from the agreement, they can withhold funding for administration priorities, including funds to develop new land-based intermediate-range missiles.

PERSONNEL MOVES

Justice Department – Attorney General **Jeff Sessions** has resigned. **Matthew Whitaker**, chief of staff to the Attorney General, will serve as acting Attorney General and will oversee special counsel Robert Mueller's investigation.

White House –**Don McGahn**, White House counsel, has left. **Emmet Flood**, who has been special counsel with a focus on the Russia investigation, will serve as the top White House lawyer until **Pat Cipollone** can take the job full time. Deputy National Security Advisor **Mira Ricardel** has reportedly been [removed from her post](#) and will “transition to a new role within the administration” after clashing with the First Lady.