



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

The trade war with China heats up, as negotiations stumble and both sides increase tariffs. Tensions with Iran increase and the United States deploys additional military assets to the region. More Democrats enter into the 2020 field and the conflict between Congress and Executive Branch intensifies with some high-profile Democratic leaders warning of a [constitutional crisis](#). Nevertheless, the legislative wheels continue to turn, the appropriations process has started and infrastructure may be a point of bipartisan agreement.

TRADE WAR WITH CHINA

The latest round of U.S.-China trade talks ended on May 10 with no deal between the two parties. Recent reports that Beijing reneged on promises to lock in commitments made during the talks, [through changes in Chinese law](#), led President Trump to increase the 10% “Section 301” tariffs applied to \$200 billion of goods from China to 25%. Trump then directed Robert Lighthizer, the United States trade representative, to start the process for raising tariffs on all Chinese goods. China responded with an announcement that they would raise tariffs on \$60 billion of American goods starting on June 1. [The new tariffs will be at different levels](#): 25% on 2,493 items, 20% on 1,078 items, 10% on 974 items, and 5% on 595 items. In 2018, the United States imported \$539 billion worth of goods from China and exported \$120 billion, resulting in a trade deficit of \$419 billion—due to the trade deficit the ability of China to respond dollar-for-dollar to the tariffs is limited and they could use other measures to hit back at the United States. Appearing on “Fox News Sunday,” White House National Economic Council Director Larry Kudlow said that negotiators could meet in Beijing for the next round of talks, but there are [“no concrete, definite plans yet.”](#) Most eyes are set on the G-20 summit next month in Osaka, Japan for a potential meeting between Trump and Xi Jinping.

IRAN TENSIONS RISING

Tensions between the United States and the Islamic Republic of Iran spiked in recent weeks. Last month, the United States designated the Iranian Revolutionary Guard Corp (IRGC) as a [foreign terrorist organization](#), the latest step in the Trump administration’s “maximum pressure” campaign on the Iranian government. As of May 1, the administration no longer issues waivers (called [Significant Reduction Exceptions](#)) to importers of Iranian oil—including China, Turkey, India, Japan, South Korea, the two EU countries that had exemptions, Greece and Italy, have already stopped buying oil from Iran. Going forward, all petroleum-related transactions with the National Iranian Oil Company will be subject to U.S. sanctions. On May 5, the United States announced the deployment of an aircraft-carrier strike group to the Persian Gulf as well as the deployment of B-52 bombers and a Patriot antimissile battery to the region. On May 7, Secretary of State Mike Pompeo took an unexpected trip to Iraq, where there are more than 5,000 American troops, amid fears that Iran would use its proxies to attack U.S. troops. Warnings from the U.S. Maritime Administration (MARAD) said that [“there is an increased possibility that Iran and/or its regional proxies could take action against U.S. and partner interests;”](#) while CENTCOM said the deployment of additional assets to the region is a [“response to indications of heightened Iranian readiness to conduct offensive operations against](#)

U.S. forces and our interests.” On May 8, Iranian president Hassan Rouhani said that Iran would **stop complying with parts of the Joint Comprehensive Plan of Action**, setting a 60-day deadline for the other signatories to the deal—Britain, China, France, Germany and Russia—to provide sanctions relief and threatening to resume uranium enrichment activities. Rouhani also said that Iran might resume work on the heavy-water reactor at Arak. Trump responded with **additional sanctions** on Iranian metal exports. This week, Secretary Pompeo also canceled a trip to Moscow to discuss Iran with European leaders in Brussels. Rhetoric, from both sides, has grown more heated.

BIDEN IS IN, 2020 FIELD CONTINUES TO GROW

Former Vice President Joe Biden announced his candidacy, joining a field of nearly two dozen candidates competing for the Democratic nomination. Biden joined the race as a clear front-runner, enjoying as much as a **30-point advantage** in the national polls. Also joining the field was Colorado Senator Michael Bennet, Montana Governor Steve Bullock, and Massachusetts Congressman Seth Moulton. The first debate of the primary season, which will be held over two nights on June 26 and 27, will limit the number of candidates on stage to 20. **To qualify** candidates will have to break 1 percent in three polls from a list of approved pollsters or have over 65,000 unique donors to their campaign with at least 200 donors in 20 different states. As of this writing, **18 candidates** have qualified. On the Republican side, Maryland Governor Larry Hogan is reportedly considering a primary challenge of Trump and would join former Massachusetts Governor William Weld in that primary contest.

THE MUELLER REPORT AND ATTORNEY GENERAL BARR AND AN EMERGING CONSTITUTIONAL CRISIS?

Congress and the administration continued to spar over the Mueller report with the latest round coming as the House Judiciary Committee **voted, along party lines**, to hold Attorney General William Barr in contempt—the measure is not yet scheduled to come before the full House of Representatives for a vote. The contempt vote followed Barr’s refusal to share the full, unredacted version of the Mueller report with Congress. Before holding the contempt vote, House Judiciary Committee chair Jerry Nadler said the administration’s stalling of the committee’s requests amounted to a “constitutional crisis”. Thus far, the Attorney General has refused to testify before Nadler’s panel—but he has **testified before the Senate Judiciary Committee** on the Mueller report.

CONGRESS – CARRYING ON WITH THE APPROPRIATIONS PROCESS

House Appropriators have started the process of drafting the 12 appropriations bills for fiscal year 2020, which begins October 1. However, splits within the Democratic and Republican parties have prevented agreement on the overall defense and non-defense discretionary spending limits, thus blocking passage of budget resolutions in the House and Senate. In the absence of a budget resolution, the House adopted a **“deeming resolution”** assuming spending targets to have been set at the levels put forward in the failed legislation, which totaled \$1.3 trillion—\$51 billion above current levels, with \$15.5 billion of the increase going to defense. The House Appropriations Subcommittees are already marking up their bills based off the deemed numbers, with the aim of getting them to the floor in June. Senate Appropriators, for their part, have not yet started the appropriations process and are awaiting notification of their allocations, which are expected over the coming weeks. They could begin marking up their spending packages as early as next month.

PROSPECTS FOR INFRASTRUCTURE INVESTMENT

On April 30, Democratic congressional leaders and President Trump met and agreed to work on a \$2 trillion infrastructure plan. However, there was no agreement reached on how to pay for it. Nevertheless, the talks fueled optimism among infrastructure advocates about a major infrastructure package. House Majority Leader Steny Hoyer (D-MD) said that House Committee chairs are working on legislation that would bring about the kind of bold infrastructure investment they discussed with Trump, but the President must lead on the matter and **“convey to the American people the critical importance of substantial investment in infrastructure.”** House Democrats have also created a **task force on rural broadband**, considered a critical component of any infrastructure plan, in an effort to expand internet

access to all Americans by 2025. Democrats and the President are set to meet the week of May 20 to present a funding proposal for the bill.

PERSONNEL MOVES

Commerce Department – **Nazakhtar Nikakhar** has been nominated as undersecretary for industry and security.

Defense Department – **Patrick Shanahan**, serving as acting secretary since the resignation of **James Mattis**, has been nominated to lead DOD on a permanent basis.

Department of Homeland Security – **Mark Morgan** has been nominated to head U.S. Immigration and Customs Enforcement.

Export-Import Bank – Newly confirmed members of the board of directors are **Kimberly Reed** (President and chair), **Spencer Bachus** and **Judith DelZoppo Pryor**. These new board members will allow the Export-Import Bank to return to full functioning form for the first time in almost four years.

Justice Department – **Rob Rosenstein** has resigned as deputy attorney general, **Jeffrey Rosen** was confirmed by the Senate to fill the post. **Jessie Liu** has been nominated as associate attorney general, the third highest ranking post at Justice.

Office of Management and Budget – **Wesley Denton** in acting chief of staff.

Small Business Administration – Administrator **Linda McMahon** has resigned, **Jovita Carranza** has been nominated to succeed her.

State Department – Legal advisor **Jennifer Newstead** has resigned. **Morgan Ortagus** in the new spokeswoman for the department. **Nicholas Berliner** is the new deputy chief of mission at the U.S. mission to the European Union.

United States Trade Representative – **Joseph Barloon** is now general counsel. **Sam Scales** in deputy assistant trade representative for intergovernmental affairs.

White House – **Paige Terryberry** and **Nicole Korkos** are associate chiefs of staff on the Council of Economic Advisors. **Theo Merkel** is the health policy advisor on the National Economic Council. **Stewart Young** is special assistant to the president and director for international initiatives and outreach. **Darin Miller** is the director of strategic communications in the Office of the Vice President.

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