



THE REAL DEAL

ALL OUR EYES ON U.S. POLITICS

This past month, President Trump traveled to Japan and Europe. The trade war with China entered a new phase. The Trump administration released a long-awaited proclamation on automotive imports and directed his trade representative to reduce them. There were several developments with the U.S.-Mexico-Canada Agreement (USMCA). Special Counsel Robert Mueller briefly addressed the press regarding his report and Congressional Democrats are calling for him to testify. In addition, on Capitol Hill, there is a push for additional sanctions on Russia.

TRUMP IN JAPAN

In late May, President Trump visited Japan for four days. His visit came after the first abdication of a Japanese emperor since 1817 and the ascension of Emperor Naruhito to the throne. Trump was the first foreign leader to meet with the new emperor and several important dimensions of the state of the U.S.-Japan relationship were on display. On the trade front, both Trump and Japanese Prime Minister Shinzo Abe agreed to “accelerate” trade talks and Trump predicted a deal could come by August. The leaders also announced plans for a U.S.-Japanese manned moon mission. This development is in response to advancements in China’s space program—Trump directly linked the mission to security concerns, stating, “from a military standpoint, there is nothing more important right now than space.” While the visit was intended to illustrate the alignment of interests, Trump broke with Abe on the most pressing national security issue facing both nations, North Korea’s nuclear program, stating that he was not bothered by North Korea’s short-range missile tests—something that is deeply concerning to Japan. Trump will return to Japan for the G-20 summit this summer.

TRUMP TRAVELS TO EUROPE

President Trump also made a four-day trip to Europe, starting in the United Kingdom with a state visit and culminating in France for the 75th anniversary of D-Day. While in the United Kingdom, Trump injected himself into the complicated political situation in Westminster—offering praise for Boris Johnson and Jeremy Hunt, both vying to succeed Theresa May, who stepped down as Prime Minister and Conservative Party leader. He also weighed in on Brexit, advising the UK to “walk away” from negotiations with the European Union if they did not get a favorable deal. During a ceremony in Normandy, Trump delivered a speech that acknowledged the role of other allied nations in the invasion and praised alliances, stating, “our bond is unbreakable”—a departure from his previous criticism.

TRADE WAR WITH CHINA, MOVING BEYOND TARIFFS

Now over a year into the trade war with China, the standoff has entered a new, more expansive, phase. Following the breakdown of negotiations last month, hi-level talks between the two sides have been suspended, including the meeting between Trump and Chinese President Xi Jinping that was expected in Japan on the margins of the G-20. Both sides are signaling that they are digging in. The proposed 25% tariffs for “List 4” products, the remainder of all imports from China, could go into effect within weeks. A public hearing at the U.S. Trade Representative is scheduled for June 17, but will probably

not move the administration off of imposing more tariffs. In addition to increasing tariffs, Washington intensified its sanctions on Huawei, the Chinese telecom giant, placing it on the Department of Commerce Entities List which limits transactions with U.S. companies. To soften the blow for American farmers, the Trump administration announced a new round of \$16 billion in funding for the [**Market Facilitation Program**](#) to assist those hurt by trade disruptions, signaling that Chinese markets may be closed for some time.

The standoff has intensified as Beijing made threats to move beyond tariffs and announced plans to publish a list of “unreliable” foreign companies and individuals, which it may use to punish companies found to be blocking or cutting back supplies to Chinese companies. China has also indicated that it is considering restricting the export of rare earths, the strategically significant materials that the US heavily relies on, to thwart Washington’s bid to hurt its technology industry.

ANNOUNCEMENT ON AUTOS, ADMINISTRATION CALLS FOR REDUCING IMPORTS

Trump [directed](#) Ambassador Robert Lighthizer, the U.S. trade representative, to use upcoming talks with the European Union and Japan to reduce automotive imports into the United States, citing national security concerns. The proclamation stated that while imported cars do not pose a national security threat, automotive research and development are “critical to national security.” The erosion of American market share stunts American-owned companies’ capacity to develop innovative technologies and the “rapid application of commercial breakthroughs in automobile technology is necessary for the United States to retain competitive military advantage and meet new defense requirements.” Trump wants this imbalance fixed, and asked Lighthizer to update him on his progress within 180 days. The proclamation does not mention tariffs and the European Union has repeatedly stressed that a formal tariff threat from the White House would immediately end the talks. On Capitol Hill, Senator Chuck Grassley (R-IA), chair of the Senate Finance Committee, expressed serious questions about the national security justification and said he is [continuing to work on legislation](#) to prevent the imposition of automotive tariffs. The proclamation also elicited strong opposition from the auto industry.

THE PATH FORWARD ON THE USMCA

On May 30, the Trump administration set a [draft “Statement of Administrative Action”](#) to Capitol Hill. This statement precedes the submission of implementing legislation from the administration; it is a procedural step that must be done at least 30 days before the bill is transmitted, meaning the earliest the USMCA could be sent to Congress is the end of June. The move was criticized by congressional Democrats—House Speaker Nancy Pelosi (D-CA) said the submission was “not a positive step,” and House Ways and Means Committee chairman Richard Neal (D-MA) said the move would not expedite consideration. Democrats have also cited concerns with the agreement on issues ranging from the potential effects on drug prices to the enforcement of labor and environmental standards. Related, the Trump administration [lifted the steel and aluminum tariffs](#) on Canada and Mexico, which were a major obstacle in passing the USMCA. Meanwhile, on May 30, USMCA ratification bills were sent to the Canadian and Mexican legislatures.

MUELLER SPEAKS, CONGRESS REACTS

On May 29, former Special Counsel Robert Mueller made the first (and likely only) [public statement](#) following the submission of his report to the Department of Justice (DOJ). Mueller addressed the question of why his investigation did not charge Trump with a crime for obstructing justice, citing DOJ policy that a president cannot be charged with a federal crime while he is in office stating that “the Constitution requires a process other than the criminal justice system to formally accuse a sitting president of wrongdoing.” That process is Congress’ power to impeach. Mueller also indicated he would decline to testify before Congress, “any testimony from this office would not go beyond our report...The report is my testimony.” Mueller concluded his brief appearance before the press with a reminder of Russia’s systematic and fundamental assault on American democracy. Speaker Pelosi said that Congress will continue to investigate and legislate to protect elections. House Judiciary Committee chair Jerry Nadler (D-NY) reacted stating “given that Special Counsel Mueller was unable to pursue criminal charges against the President, it falls to Congress to respond.” House Intelligence chair Adam Schiff (D-CA) still called

on Mueller to testify saying that there are a great many questions he can answer that go beyond the report. On the other side of Capitol Hill, Senate Judiciary chair Lindsey Graham (R-SC) said, “Mr. Mueller has decided to move on and let the report speak for itself. Congress should follow his lead.”

NEW PUSH FOR RUSSIA SANCTIONS

Congress is seeking new policy options for sanctioning Russia. Recently, the House Financial Services Committee released a [discussion draft of legislation](#) intended to deter Russian attacks on American elections by threatening sanctions on Russian financial institutions, individuals, and prohibiting transactions related to new sovereign debt. The House Foreign Affairs Committee recently approved a measure, the [Protect European Energy Security Act](#), which would require the administration to report to Congress on how Nord Stream 2 affects European security. In the Senate, Senators Ted Cruz (R-TX) and Jeanne Shaheen (D-NH) introduced [legislation](#) that would sanction vessels and other entities directly engaged in constructing and financing Nord Stream 2—the House is considering developing a parallel version of the Cruz/Shaheen bill. Notably, Rick Perry, U.S. Secretary of Energy, recently said that [Congress would soon enact sanctions on Nord Stream actors](#).

PERSONNEL MOVES

Defense Department – **Barbara Barrett**, former ambassador to Finland, has been nominated for Secretary of the Air Force.

Justice Department – **Kenneth Charles Canterbury** has been nominated as director in the Bureau of Alcohol, Tobacco, Firearms, and Explosives.

State Department – **James Carwile** has been nominated to be the ambassador to Latvia. **Sandra Oudkirk** is now the senior official for APEC. **Marlon Bateman** is now the chief of staff in the Office of Policy Planning.

Treasure Department – **Brent McIntosh** has been nominated for the undersecretary for international markets and development. **Brian Callanan** is the new general counsel.

White House – **Kevin Hassett** will be stepping down as chair of the Council of Economic Advisors, **Tyler Beck Goodspeed** is the replacement.

The Council on Foreign Relations takes no institutional positions on policy issues and has no affiliation with the U.S. government. All statements of fact and expressions of opinion contained herein are the sole responsibility of the author.