THE REAL DEAL – 1st ISSUE
ALL OUR EYES ON U.S. POLITICS

There is never a dull moment in Washington and the Trump administration continues to move dramatically, changing previously established policy directions and patterns. President Trump has returned from Singapore after meeting with North Korean leader Kim Jong-un with the president stating that **"real change is indeed possible"** following the summit meeting. Before traveling to meet with Kim, President Trump attended the G7 Summit in Canada, leaving early, refusing to sign the joint communique and causing consternation among many after allowing **tariffs to go into effect** for steel and aluminum imports from the European Union, Canada, and Mexico — all based on the grounds of national security. In Congress, there is intense political maneuvering but also a bipartisan push to **move the appropriations process forward according to regular order**, as well as advance a slew measures such as the annual defense authorization, several trade policy measures and farm legislation. In an attempt to accomplish all this, Senate Majority Leader Mitch McConnell took the rare step of **cancelling much of the August congressional recess**. In this column we will review the current state of play on the many policy issues confronting lawmakers and the administration.

TRADE WAR? CONGRESS REACTS

As the G7 summit ended in early June, President Trump tweeted that he will **"look at Tariffs on automobiles flooding the U.S. Market!"** Peter Navarro, assistant to the president for trade and manufacturing policy, also published a piece in the *New York Times* on June 8 stating that major trading partners need to realize that **"the era of American complacency in the international marketplace is over,"** foreshadowing more aggressive steps. In Congress, several lawmakers have begun to explore how to reign Trump in on trade. Under **Article 1, Section 8** of the U.S. Constitution, Congress has the power to "regulate trade with foreign nations," but it has delegated this authority to the president for certain purposes (e.g. in the **Trade Expansion Act of 1962**, which grants the president authority to impose tariffs to protect national security), and Congress could reclaim some authorities through legislation. However, this is a course that Republican leaders of the committees with jurisdiction over trade policy have not yet threatened, with Ways and Means Committee Chairman Kevin Brady (R-Texas) **"urging the administration to extend tariff exemptions for Canada, Mexico and the EU"** and Senate Finance Committee Chairman Orrin Hatch (R-Utah) stating that he will continue to **urge the administration to change course**. It is notable that Senate Foreign Relations Committee Chairman Bob Corker (R-Tennessee) introduced **legislation** that would require Congress to pre-approve any national-security tariffs. While this stands little chance of getting a vote on its own, Chairman Corker is **seeking to attach it to the annual defense authorization** as an amendment.

EASING THE APPROPRIATIONS PATH

In February, Congress **reached a budget deal** establishing the spending levels for fiscal years 2018 and 2019 after a brief government shutdown. This was followed up in March with the passage of an **Omnibus Appropriations Bill**, completing funding for fiscal year 2018. In May and into early June, House and Senate appropriators **marked up and reported out a number of fiscal 2019 spending bills**-and several appropriations packages have already passed the House. Leaders of both parties have been meeting together on the issue and are expressing a desire to move the spending bills expeditiously through regular order. However, passing all 12 individual appropriations bills has always been difficult, especially in election years. Despite Leader McConnell's decision to suspend part of the August recess, it is not likely that all 12 will be finished before the October 1 start of fiscal year 2019, therefore uncompleted bills will likely be rolled into an omnibus, or "minibus", package. Beyond the timing considerations, the appropriations process could also be stymied by a Republican effort to rescind already appropriated funds. The first package of $14.7 billion in rescissions has already **passed the House but faces an uncertain future in the Senate**. President Trump has also threatened to veto spending bills if they do not fund the proposed southern border wall.

OTHER CONGRESSIONAL PRIORITIES

Among the items that Congress is expected to complete is the annual National Defense Authorization Act (NDAA), which is "must pass" legislation. The House has already **passed its version of the NDAA** and the Senate started floor consideration of its bill this past week. In addition to the aforementioned Corker amendment, a bill to reform the Committee on Foreign Investment in the United States (CFIUS), aimed at strengthening CFIUS to better control Chinese takeovers of U.S. technology companies, **may become part of the NDAA debate**.

Also due this year is the five-year Farm Bill, a large legislative package authorizing both farm support and food assistance programs. The Senate recently **released its farm bill**, which is seen has having a better shot at passing the full Senate than the House bill which already failed in a **politically charged floor vote**. Another piece of legislation with commercial implications is the Miscellaneous Tariff Bill that has already passed the House, is awaiting Senate approval, and has become **slightly controversial because of unilateral tariff cuts**.

LINGERING ISSUES FOR EUROPE DUE TO U.S. WITHDRAWAL FROM THE IRAN NUCLEAR DEAL

This month, the EU-3 countries (Germany, France, and the United Kingdom) **formally asked the United States for exemptions from sanctions** that will snap back due to the U.S. withdrawal from the Iran nuclear agreement (JCPOA). In a letter, dated June 4, the EU-3 asked Treasury Secretary Mnuchin and Secretary of State Pompeo to "grant exemptions from U.S. sanctions for EU companies that initiated or concluded contracts their contracts after the JCPOA Implementation Day (16 January 2016)." Several Italy-based companies have re-entered or expanded operations in the Iranian market since Implementation Day, and Italy and Iran signed a **$6 billion investment agreement** earlier this year. On June 5, a senior U.S. Treasury official in charge of sanctions policy, while not addressing whether the United States would allow for exemptions for European businesses, did warn that **"companies doing business in Iran face substantial risks, and those risks are even greater as we reimpose nuclear-related sanctions."**

PERSONNEL MOVES

White House – **Mira Ricardel** has recently left the Commerce Department to join the National Security Council (NSC) senior staff as Assistant to the President and Deputy National Security Advisor. **Rob Joyce**, who has been serving as the cybersecurity coordinator, has left to return to the National Security Agency. Deputy National Security Advisor **Nadia Schadlow** and NSC spokesperson **Michael Anton** have departed the White House. Lieutenant General **Keith Kellogg** is the new National Security Advisor for Vice President Pence, he was previously the chief of staff and executive secretary of the NSA, his replacement is **Fred Fleitz**.

Treasury Department – **John Smith**, director of the Office of Foreign Asset Control (OFAC) is leaving, **Andrea Gacki**, deputy director, will be acting OFAC head.

Justice Department – Former NSC staffer **Ezra Cohen-Watnick** will now be advising Attorney General Jeff Sessions on national security matters. **David Bowdich** has been selected to succeed Andrew McCabe as deputy director of the Federal Bureau of Investigations.

State Department – **Michael Pompeo** was confirmed as Secretary of State at the end of April. **Paula Dobriansky** is rumored to be the nominee for undersecretary of State for political affairs. **David Schneker** has been nominated to be assistant secretary of state for Near Eastern Affairs. **Denise Natali** has been nominated to be assistant secretary for conflict and stability operations. **Richard Mortensen** has been nominated to be assistant secretary for population, refugees, and migration. **Tibor Nagy** has been nominated to be assistant secretary for African affairs. **Ronald Gidwitz** has been nominated to serve as the U.S. ambassador to Belgium, **Admiral Harry Harris** has been nominated for South Korea and **Gordon Sondland** has been nominated for the EU.