



THE REAL DEAL – 2nd ISSUE

ALL OUR EYES ON U.S. POLITICS

Washington continues to sprint into the height (and heat) of summer. President Trump traveled to Brussels for the NATO Summit July 11 and 12, then the United Kingdom, and is set to meet Russian president Vladimir Putin in Helsinki on July 16 before [playing host to Italian Prime Minister Giuseppe Conte](#) in late July. On Capitol Hill, legislation continues to move forward, shaped by the looming mid-term congressional elections, and the recently announced retirement of Supreme Court Justice Anthony Kennedy has injected a sense of urgency into congressional mechanics as well as mid-term election politics.

SUPREME POLITICS

On July 9, President Trump announced [Brett Kavanaugh](#) as his nominee to replace retiring Supreme Court Justice Anthony Kennedy, raising the stakes in an already hotly contested political cycle. Senate Republican leaders quickly laid out a plan for confirming a replacement, and Senate Majority Leader Mitch McConnell (R-KY) wasted no time in stating they [intended to confirm a new justice this fall](#). Democrats argue that the Senate should wait until after the elections to confirm a successor reflecting back on McConnell blocking former President Obama's nominee to replace the late Justice Anthony Scalia. Minority Leader Chuck Schumer (D-NY) called for a delay and added [“anything but that would be the absolute height of hypocrisy.”](#) The stakes cannot be overstated as this retirement has the potential to [reshape the Court for decades](#) and, according to Schumer, is [“the most important Supreme Court vacancy...in at least a generation.”](#) Beyond the vacancy, the Court ended its session with several important rulings on matters such as [public-sector unions](#); [gerrymandering](#); [Trump's travel ban](#); and the ability of states to [collect sales tax for online retail purchases](#).

ONGOING TRADE TENSIONS

Trade tensions continued to escalate with President Trump threatening a [20 percent tariff on all cars imported from the European Union](#) the day after the EU's [\\$3.2 billion in retaliatory tariffs took effect](#). With timing of the auto tariffs uncertain, a recently announced [Commerce Department investigation](#) into imports of cars and auto parts could lead to their imposition within months ([public hearings are set for July 19](#)). Commerce Secretary Wilbur Ross appeared before the [Senate Finance Committee](#) on June 20 to defend the administration's actions claiming that they could not achieve their aims through the WTO and thus tariffs were a necessary form of pressure. Finance Committee Chairman Orrin Hatch (R-UT) was [“stunned”](#) at the administration's actions and Senator Pat Toomey (R-PA) accused them of using national security as a pretext for [“economic nationalism.”](#) A measure introduced by Senate Foreign Relations Committee Chairman Bob Corker (R-TN) in June that would [require Congress to pre-approve any national security tariffs](#) was blocked from inclusion in the annual defense authorization causing Corker to [excoriate his Republican colleagues](#) for being afraid of Trump. Finally, according to White House aides, the President has been [threatening to withdraw from the WTO](#) and is open to [reconsidering the terms of U.S. membership](#).

IMMIGRATION IMPASSE & FAMILY SEPARATION

The fate of “Dreamers,” those who arrived in the United States illegally as children, remains uncertain after the House rejected several larger immigration bills in June that would have protected some of them from deportation. Proponents almost got 218 signatures on a [discharge petition](#) to force a vote on several measures, but Speaker Paul Ryan (R-WI) crafted a deal between conservatives and moderates to hold votes on a [hardline bill](#) and a [compromise package](#)—both measures failed. Casting a shadow over legislative action on border security and immigration is the [“zero tolerance”](#) policy, which has resulted in the separation of children from their parents, [placing children in federal custody while parents await criminal prosecution](#). Images of [children in holding facilities](#) sparked public outcry, with [demonstrations occurring in dozens of American cities](#) and lingering questions on how, and when, families will be reunited. Within the administration the policy is being scrutinized with [the Government Accountability Office and the Health and Human Services inspectors general](#) launching reviews into the administration’s handling of the matter. Attempting to toss the matter back on Congress’s doorstep, President Trump signed an executive order [“Affording Congress the Opportunity to Address Family Separation”](#), but this issue will remain a point of friction between [Congress, the administration, and the courts](#).

APPROPRIATIONS

On June 25 the Senate passed a [“minibus” legislative vehicle](#) packaging together three Fiscal Year 2019 spending bills. The House also passed the [fiscal 2019 defense spending bill](#) in late June as a stand-alone bill, causing frustration among some Republican staff—because over fifty percent of appropriated funds go to defense, this bill is often used as a legislative vehicle to ease passage of other measures. Complicating the appropriations process further are the [high spending caps included in the February budget deal](#). As leadership bundles appropriations packages into additional “minibuses”, opposition from democrats and fiscal-hawk republicans could stall progress and, if they pass the House, legislation would still have to overcome a Senate filibuster. While the appropriations process got off to a good start, and several bills have moved through the Appropriations Committees and seen floor action, there may, once again, be a messy end to the fiscal year and it is unlikely that all 12 appropriations bills will be passed by October 1.

FEDERAL GOVERNMENT REORGANIZATION

In June, the Trump administration released [a proposal](#) to reorganize large portions of the U.S. federal bureaucracy. Among the numerous, far-reaching reforms in the blueprint are: merging the Education and Labor Departments; reorganizing safety-net programs into a Department of Health and Public Welfare; and creating a government wide public-private partnership office. The plan is likely to face [significant opposition](#) in Congress.

OTHER CONGRESSIONAL PRIORITIES

Among other congressional priorities, the House and Senate have both passed their annual defense authorization (NDAA) which now must be [reconciled in conference](#)-items to be worked out are provisions dealing with ZTE, Turkey’s acquisition of the F-35, and differences on troop levels and equipment. While Congress has been debating efforts to reform the Committee on Foreign Investment in the United States (CFIUS) for over a year, there was significant movement as of late; included in the Senate NDAA was [an amendment](#) that would change how the United States reviews foreign investment for national security concerns, the House also passed its [CFIUS reform legislation](#) on June 27. The House and Senate each passed their versions of the five-year farm bill, an over \$800 billion package authorizing a variety of farm support and food assistance programs. Next the two chambers must [conference to iron out the differences](#) in their respective bills, current law expires on September 30. Less than one-year after the “Tax Cuts and Jobs Act” was signed into law, tax reform may again be on the Congressional agenda. In an [interview with Fox Business](#), President Trump promised a second tax cut plan by October-House Republicans intend to vote on a “phase two” of tax cuts in the fall, it is unclear if the Senate will act.

NOVEMBER'S ELECTIONS CONTINUE TO TAKE SHAPE

In advance of the 2018 midterm elections, several states held primaries to determine the general election candidates. The biggest shock for the Democrats came when 28-year old [Alexandria Ocasio-Cortez defeated 10-term Congressman, and House Democratic Caucus Chair, Joseph Crowley](#) (D-NY) in the primary for New York's 14th congressional district. Primaries held on June 5 set the field for the Montana Senate race, with [Matthew Rosendale](#) facing off against Senator Jon Tester (D-MT), one of the more vulnerable incumbent Senators; and the race to replace retiring California Governor Jerry Brown with [Democratic lieutenant governor Gavin Newsom facing Republican businessman John Cox](#). Following primaries held on June 12, Nevada Senator Dean Heller (R-NV) will have to fend off a challenge from [Congresswoman Jacky Rosen](#) (D-NV); [Corey Stewart won the Republican Senate primary](#) in Virginia and will face Senator Tim Kaine (D-VA). In one of the biggest upsets on the Republican side, South Carolina Congressman Mark Sanford (R-SC) [lost to a challenge](#) from Katie Arrington; Sanford's criticism of President Trump became a centerpiece of the campaign. [Mitt Romney](#) won the primary for the seat being vacated by retiring Senator Orrin Hatch (R-UT).

PERSONNEL MOVES

White House – **Bill Shine**, a former Fox News executive, has been named deputy chief of staff for communications. **Zachary Fuentes** is now assistant to the president and deputy chief of staff. **Derek Lyons** has been named staff secretary. **Abigail Slater** was named special assistant to the president for economic policy. It has been [reported](#) that White House chief of staff **John Kelly** will depart this summer.

Commerce Department – **Karen Dunn Kelly** has been nominated for undersecretary for economic affairs.

State Department – Recent confirmations are **Tibor Nagy** as assistant secretary for African affairs; **Ronald Gidwitz** as ambassador to Belgium; **Admiral Harry Harris** for South Korea; **Gordon Sondland** to the EU. Former ambassador to Brazil, Afghanistan, Colombia and Peru, **Michael McKinley**, is now a senior advisor to Secretary Pompeo. **Robert Destro** has been nominated for assistant secretary for democracy, human rights, and labor. **Dereck Hogan** to serve as ambassador to Moldova; **Lynda Blanchard** nominated for ambassador to the Republic of Slovenia; and **Brian Bulatao** to be undersecretary for management.