

**WEEKLY CURRENT**

June 10-14, 2019

**Issues Making a Splash This Week**

**AFTER TRUMP AND XI MEET, THEN WHAT?:** President Trump called Chinese President Xi Jinping an “incredible guy” with whom he has “a great relationship” on Monday, but almost immediately followed that up by saying he will impose tariffs on another \$300 billion worth of Chinese imports if Xi does not meet with him at the G20 Leaders Summit in Osaka, Japan in two weeks. Two days later, Trump reversed course again and said that he has no deadline for when he will decide whether to impose more tariffs on China. For its part, the Chinese government has yet to confirm whether Xi intends to meet with Trump at the G20.

**Despite the president’s vacillation between threats and entreaties towards Xi in the run-up to Osaka, both our best case and base case remains that the two leaders will hold a bilateral meeting on the sidelines of the G20 and that, as a result of the weight Trump places on his personal relationship with Xi and his desire for his bilateral meetings with his global counterparts (particularly autocrats) to go well, the meeting will result in an outcome similar to their prior one in Buenos Aires last December whereby they agreed to not escalate tariffs for at least 90 days while the two sides seek to negotiate a comprehensive agreement.**

**However, it remains to be seen whether such an agreement can ultimately be reached without testing either side’s pain threshold further, as there is a risk that both Trump and Xi are over-estimating their respective leverage and the other’s (at least perceived) political and economic need for a deal.** At the *Wall Street Journal’s* CFO Network summit held in DC this past Tuesday, acting White House Chief of Staff Mick Mulvaney said that the backtracking which the Trump administration accused the Chinese of doing last month was likely being driven by a rising hardline influence in Beijing, but that the Trump administration is hoping the views of reform-minded officials in China prevail. However, Trump may be assuming that Xi is more interested in overruling hardliners within his own government and more fearful of an economic slowdown than he actually is. Similarly, Xi appeared to mistakenly assume that Trump would push aside concerns from his own hardliners such as US Trade Representative (USTR) Robert Lighthizer and accept a proposal that scaled back structural reform demands as long as it still included a commitment to purchase large quantities of agricultural products and LNG, but when Beijing

presented the American negotiators with such a deal, talks quickly fell apart.

Ever since talks between the two sides broke off last month, Trump has sought to increase pressure on Xi to accept the prior version of the draft agreement, including increasing tariffs to 25 percent on \$200 billion worth of Chinese imports and issuing executive orders targeting Huawei. The president reiterated on Tuesday, “We had a deal with China and that unless they go back to that deal I have no interest.” But we do not view that draft version of the deal as being acceptable to Xi — and it’s not clear that it ever was. Thus, there is a real possibility that Trump will seek to further increase pressure on Xi to reach an agreement if a resumption of talks in the coming months fails to reach a deal. National Economic Council (NEC) Director Larry Kudlow underscored this approach yesterday at an event at the Peterson Institute for International Economics when he said, “You know how you get from here to there? You kick some butt. You kick some butt, in my best economic analytical quantitative regression analysis.” Xi is unlikely to bend to further pressure given his own domestic political considerations; rather, additional pressure from the US likely will trigger further retaliation from Beijing eventually. **While this may not necessarily mean additional tariffs will be imposed, there are numerous further non-tariff barriers that both sides can apply, particularly on the ostensible basis of national security, as Trump and Xi seek to get the other to be the first to cry “uncle.”**

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**HEALTH INSURERS SHOULDN’T BANK ON HIT DELAY FOR NEXT YEAR (OR THE YEAR AFTER):** Among the many healthcare-related legislative issues percolating in Washington, DC this year are bills to once again waive a key revenue generator from the Affordable Care Act — the health insurance tax, known in DC as the HIT and to investors as the health insurance fee, or HIF.

The HIT is a sales tax on health insurers’ revenues covering all parts of the market from Medicare Advantage to commercial insurers. In 2017, it was waived for two years as part of a budget deal when Republicans controlled both chambers of Congress and the White House. This year, a new bill must be passed to waive it or it will go into effect in 2020.

**Our base case scenario is that a bill waiving the tax is not passed before the end of 2019 and the tax goes into effect for 2020 and is also not waived legislatively next year for 2021 and beyond.**

Our pessimism over the waiver being once again passed is due to several factors. **First, Democrats in the House (as well as some in the Senate) do not want to grant tax relief to insurers and at the same time criticize the 2017 Republican tax cut legislation.** Also, there has yet to be any substantial tax bill passed since Democrats took back control of the House and it is horrible optics for the first tax law passed to be related to a tax reduction for insurance companies,

which are often villains in Democratic healthcare arguments.

Second, the most likely legislative vehicle for the waiver would be a perennial bill that extends a handful of tax breaks not permanently included in the Tax Code called “tax extenders,” but **there is not bipartisan agreement on how to proceed with these typically uncontroversial tax breaks, largely due to House Democrats adding in tax increases (opposed by Republicans) to pay for the package as well as changes to the Earned Income Tax Credit (EITC) that Republicans also oppose.**

Third, there is limited calendar time in Congress to consider any standalone tax bills, let alone one that is not bipartisan. This means that if tax extenders are to pass, then it would almost assuredly be added onto a “must-pass” piece of legislation, likely at year-end, such as an omnibus spending bill.

We are skeptical that it is even possible to include the traditional tax extenders package, let alone adding on the HIT waiver that would need a large payfor, which would require additional hard choices.

For these reasons, **we do not believe that there will be relief in 2020 and 2021 from the HIT for health insurers** and that there is also a substantial chance that the less controversial tax extenders package will also not be passed and could potentially remain stuck in the legislative graveyard for the foreseeable future.

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**DEM PREZ DEBATE STAGE SLOTS ANNOUNCED TODAY:** With the first Democratic primary debates on June 26th and 27th, the Democratic National Committee (DNC) yesterday announced that 20 of the 24 candidates running have qualified for the debate stage. Those missing the polling and donor criteria were Governor Steve Bullock (D-MT), former Senator Mike Gravel (D-AK), Rep. Seth Moulton (D-MA), and Miramar Mayor Wayne Messam. **The DNC will hold a lottery today at noon at NBC’s headquarters at Rockefeller Plaza in New York City to determine how the 20 candidates will be divided between the two nights of debates. Each debate will consist of an equal mix of top-tier (those polling at or above two percent) and lower-tier candidates to avoid the appearance of a split between a varsity and junior varsity debate that the GOP faced with its own crowded field of candidates during the 2016 presidential debate season.**

After a few fairly quiet months on the campaign trail that saw the tail-end of announcements and the building out of campaign organizations and messages, the debates are a major news event for candidates to gain exposure to the Democratic electorate. There are many storylines a debate can produce, good or bad for a campaign. **Gaffes or an overtly poor performances by frontrunner former Vice President Biden could undermine his claim of the electability mantle. Meanwhile, that elusive “viral” moment can provide a significant boost for a**

**campaign that is seeking oxygen in the historically most crowded field of formidable candidates.**

The latest [RealClearPolitics aggregate of national polling](#) has Biden in the lead at 32.2 percent, followed by Senator Bernie Sanders (I-VT) at 16.8 percent, Senator Elizabeth Warren (D-MA) at 10.8 percent, South Bend Mayor Pete Buttigieg at 7.2 percent, and Senator Kamala Harris (D-CA) at 6.6 percent. All the other candidates are polling below four percent. Biden's standing nationally continues to position him as the frontrunner, holding a 15.4 point-lead over Sanders, as he continues to hold high favorables and name recognition, as well as strong support among older, more moderate, and black voters.

**However, polling in some of the early voting states — arguably more important than the national polling — shows a tight race with an opening for several candidates.** A [Des Moines Register/CNN poll this week](#) showed Biden leading among likely Democratic caucus-goers in Iowa with 24 percent, followed by Sanders at 16 percent, Warren at 15 percent, and Buttigieg at 14 percent. **However, it's not just the top choice that matters in the Iowa caucus, as caucus-goers choose a different candidate if their first preference does not cross the 15 percent threshold.** To that end, Warren is actually tied with Biden among the number of likely caucus-goers who are actively considering voting for them. **Given Warren's extensive organization in Iowa and Buttigieg's continued room to grow, the first-in-the-nation caucus is still very unsettled. This is similar to 2008, where Hillary Clinton was the clear frontrunner nationally but the Iowa caucus was essentially a three-way race between her, and then Senators John Edwards and Barack Obama, with Obama ultimately emerging as the victor.**

## A Quick Look Back

### House

On Monday, the House passed several non-controversial measures under expedited procedures.

On Tuesday, the House passed a measure that held Attorney General William Barr and former White House Counsel Don McGahn in contempt of Congress. The chamber also began consideration of a four-bill appropriations package.

On Wednesday, the House continued consideration of a four-bill appropriations package.

On Thursday, the House continued consideration of a four-bill appropriations package.

Today, the House is not in session.

## **Senate**

On Monday, the Senate confirmed the following nominations: Ryan Holte to be a judge of the US Court of Federal Claims, Rossie Alston, Jr. to be a US district judge for the Eastern District of Virginia, and Richard Hertling to be a judge of the US Court of Federal Claims. The chamber also held a procedural vote on the nomination of Sarah Morrison to be a US district judge for the Southern District of Ohio.

On Tuesday, the Senate confirmed the nomination Sarah Morrison to be a US district judge for the Southern District of Ohio. The chamber also held a procedural vote on five other judicial nominations.

On Wednesday, the Senate confirmed the following nominations: Pamela Barker to be a US district judge for the Northern District of Ohio, Corey Landon Maze to be a US district judge for the Northern District of Alabama, Rodney Smith to be a US district judge for the Southern District of Florida, Thomas Barber to be a US district judge for the Middle District of Florida, and Jean-Paul Boulee to be a US district Judge for the Northern District of Georgia.

On Thursday, the Senate failed to pass a joint resolution relating to the disapproval of the proposed sale to the Government of Bahrain of certain defense articles and services and a joint resolution relating to the disapproval of the proposed sale to the Government of Qatar of certain defense articles and services. The chamber later confirmed the nominations of David Stilwell to be an assistant secretary of State for East Asian and Pacific Affairs and Edward Crawford to be ambassador to Ireland.

Today, the Senate is not in session.

## **White House**

On Monday, President Trump had lunch with Vice President Pence. He then attended a meeting on Major League Baseball's "efforts to combat human trafficking." Later, the president met with Team Penske, which won the Indianapolis 500.

On Tuesday, President Trump traveled to Iowa, where he toured and spoke at Southwest Iowa Renewable Energy in Council Bluffs. Later, the president delivered remarks at the Republican Party of Iowa Annual Dinner in West Des Moines.

On Wednesday, President Trump and First Lady Melania Trump welcomed Polish President Andrzej Duda and his wife, Agatha Kornhauser-Duda, to the White House and participated in a bilateral meeting. Presidents Trump and Duda then participated in an expanded working lunch, followed by a joint signing ceremony and a joint press conference. Later, the Trumps attended the Polish-American reception.

On Thursday, President Trump held a working lunch with governors on workforce freedom

and mobility. Later, the president delivered remarks on second-chance hiring.

Today, President Trump will have lunch with Secretary of State Mike Pompeo at 12:30 p.m. The president will then meet with Education Secretary Betsy DeVos at 1:45 p.m. At 3:30 p.m., he will deliver remarks on expanding health care options.

## **Spotlight Review**

**Tuesday:** [Trump's Campaign: God, America First, and the Almighty Economy](#)

**Thursday:** [Automakers Face Uncertain Regulation](#)

**Thursday:** [Google and Facebook's Regulatory Outlook](#)

## **On the Horizon**

### **Macroeconomics**

On Tuesday and Wednesday, the Federal Open Market Committee will hold its latest monetary policy meeting. The committee will release its policy statement and latest summary of economic projections on Wednesday at 2:00 p.m. and Federal Reserve Board Chair Jerome Powell will hold a news conference at 2:30 p.m.

### **Antitrust**

On Thursday at 9:00 a.m., the American Antitrust Institute will hold its 20th annual Policy Conference on "Strengthening Antitrust Enforcement." [More information here.](#) Expected participants include:

- Rebecca Kelly Slaughter, commissioner, Federal Trade Commission
- Rep. David Cicilline (D-RI)

### **Defense**

On Tuesday at 8:00 a.m., the Council on Foreign Relations will hold a discussion titled "Defense and Emerging Technology." Expected participants include:

- Senator Joni Ernst (R-IA)

On Wednesday at 6:30 p.m., the Council on Foreign Relations will hold a discussion on military strategy and leadership with Joint Chiefs of Staff Chairman Gen. Joseph Dunford Jr.

## Education

On Wednesday at 10:00 a.m., the House Education and Labor Committee will hold a hearing titled "Innovation to Improve Equity: Exploring High-Quality Pathways to a College Degree."

## Energy

On Wednesday at 10:30 a.m., the House Energy and Commerce Committee's Subcommittee on Energy will hold a hearing titled "Legislative Solutions to Make Our Nation's Pipelines Safer."

On Wednesday at 2:00 p.m., the House Science, Space and Technology Committee's Subcommittee on Energy will hold a hearing titled "Fossil Energy Research: Enabling our Clean Energy Future."

On Thursday at 9:00 a.m., the Brookings Institution will hold a discussion titled "Leading carbon price proposals: A bipartisan dialogue." [More information here.](#) Expected participants include:

- Senator Chris Coons (D-DE)
- Rep. Francis Rooney (R-FL)

On Thursday at 12:00 p.m., the National Economists Club will hold a luncheon discussion on the global energy situation and how the various economic and political challenges across the globe are shaping the outlook.

## Financial Services

On Tuesday at 10:00 a.m., the American Enterprise Institute for Public Policy Research will hold a discussion titled "Environmental, Social, and Governance Investing: The Proxy Advisory Process and the Interests of Investors." [More information here.](#)

On Wednesday at 2:00 p.m., the House Financial Services Committee's Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets will hold a hearing titled "Putting Investors First: Examining Proposals to Strengthen Enforcement Against Securities Law Violators."

## Geopolitical

Today at 9:30 a.m., the Center for a New American Security will hold its 2019 National Security Conference titled "Sharpening America's Edge," with focus on US leadership in

artificial intelligence, fin tech, and how the US should address “China’s digital expansion.”

On Monday at 12:30 p.m., the Council on Foreign Relations will hold a lecture on China's strategy to control technologies of the future, including 5G and artificial intelligence, and steps the United States can take to protect technological advantages, reduce cyber vulnerabilities and counter China's tactics. Expected participants include:

- Senator Mark Warner (D-VA)

On Tuesday at 2:30 p.m., the Senate Foreign Relations Committee's Subcommittee on Europe and Regional Security Cooperation will hold a hearing titled "Five Years After the Revolution of Dignity: Ukraine's Progress/Russia's Malign Activities."

On Wednesday at 9:00 a.m., the Center for Strategic and International Studies and the Japan External Trade Organization will hold a conference titled "Is the United States Decoupling from Asia's Economic Architecture?" [More information here.](#)

On Wednesday at 9:30 a.m., the Atlantic Council will hold its 2019 East Asia Foundation Strategic Dialogue. Expected participants include:

- Rep. Ami Bera (D-CA)
- Rep. Ted Yoho (R-FL)

On Wednesday at 10:00 a.m., the National Press Club Newsmaker Program will hold a news conference for an update on House Intelligence Committee priorities and investigations, including tensions with Iran. Expected participants include:

- House Intelligence Committee Chair Adam Schiff (D-CA)

On Wednesday at 2:00 p.m., the House Foreign Affairs Committee's Subcommittee on Middle East, North Africa and International Terrorism will hold a hearing on "Oversight of the Trump Administration's Iran Policy." Expected participants include:

- Brian Hook, US special representative for Iran and senior policy advisor, State Department

On Thursday at 9:00 a.m., the Atlantic Council will hold a discussion titled "Russian Troops in Venezuela: What Should the United States Do?"

## Healthcare

Monday through Wednesday, Global Health Care LLC will hold its ninth National Bundled Payment Summit. [More information here.](#)

On Tuesday at 9:00 a.m., Washington Post Live will hold a discussion titled "Chasing Cancer," including the government's drug approval policies and breakthroughs in pediatric oncology. [More information here.](#) Expected participants include:

- Ned Sharpless, acting commissioner, Food and Drug Administration
- Senator Shelley Moore Capito (R-WV)
- Senator Jack Reed (D-RI)

On Tuesday at 9:30 a.m., the Senate Health, Education, Labor and Pensions Committee will hold a hearing titled "Lower Health Care Costs Act of 2019."

On Wednesday at 8:00 a.m., *Politico* will hold a discussion titled "America's Sky-High Drug Prices and the Role of Biosimilars." [More information here.](#) Expected participants include:

- Rep. Diana DeGette (D-CO)

On Wednesday at 9:15 a.m., the Senate Veterans' Affairs Committee will hold hearing on prescription drug prices, focusing on examining agency efforts to further competition and increase affordability.

On Wednesday at 9:15 a.m., the Senate Special Aging Committee will hold a hearing titled "The Complex Web of Prescription Drug Prices, Part III: Examining Agency Efforts to Further Competition and Increase Affordability."

On Wednesday at 10:00 a.m., the House Oversight and Reform Committee will hold a hearing titled "Medical Experts: Inadequate Federal Approach to Opioid Treatment and the Need to Expand Care."

On Thursday at 2:00 p.m., the Information Technology and Innovation Foundation will hold a discussion titled "The Cost of Cures: Drug Price Controls vs. Biopharmaceutical Innovation." [More information here.](#)

## Housing

On Thursday at 2:00 p.m., the House Financial Services Committee's Subcommittee on Housing, Community Development, and Insurance will hold a hearing titled "What's Your Home Worth? A Review of the Appraisal Industry."

## Infrastructure

On Tuesday at 9:30 a.m., the Brookings Institution will hold a discussion titled "Is bipartisan support for infrastructure reform a myth?" [More information here.](#)

## Judicial

On Wednesday at 12:30 p.m., the Hudson Institute will hold a discussion on the changing

role of patents and trademarks in the modern information economy and the federal effort in defense of intellectual property. [More information here.](#) Expected participants include:

- Andrei Iancu, director, US Patent and Trademark Office

On Wednesday at 2:00 p.m., the House Judiciary Committee's Subcommittee on Antitrust, Commercial and Administrative Law will hold a hearing titled "Oversight of Bankruptcy Law and Legislative Proposals."

On Thursday at 8:30 a.m., the American Enterprise Institute for Public Policy Research will hold a discussion titled "Patent Reform in 2019." [More information here.](#) Expected participants include:

- Rep. Steve Stivers (R-OH)

On Friday at 12:30 p.m., the US Chamber of Commerce Litigation Center will hold its 15th annual Supreme Court end-of-term media briefing, focusing on business cases argued during the 2018 term.

## Tech-Media-Telecom

On Friday at 9:30 a.m., the CompTIA: The Computing Technology Industry Association will hold a briefing titled "Artificial Intelligence (AI): What is It, Who is Using It, and Why we Need It." Expected participants include:

- Rep. Pete Olson (R-TX)
- Rep. Jerry McNerney (D-CA)

On Friday at 10:00 a.m., the FCC's Technological Advisory Council will meet to consider and advise on a variety of topics such as the deployment of 5G technology, the evolution of broadband networks and devices and their implications, the spectrum needs of unmanned aircraft systems, new developments in antenna technology, and the applications of artificial intelligence to telecommunications networks. [More information here.](#)

On Friday at 12:00 p.m., the Heritage Foundation will hold a discussion titled "Will We Ban 'Hate Speech'? Lessons from Europe and the Threat of Big Tech." [More information here.](#)

## Trade

On Tuesday at 10:15 a.m., the Senate Finance Committee will hold a hearing titled "The President's 2019 Trade Policy Agenda and the United States-Mexico-Canada Agreement." Expected participants include:

- Robert Lighthizer, US Trade Representative

On Tuesday at 6:00 p.m., the American Society of International Law and the World Food Law Institute will hold a discussion titled "The Treatment of Food and Agriculture in Recent and Future Free Trade Agreements (FTA)." [More information here.](#)

On Wednesday at 9:30 a.m., the House Ways and Means Committee will hold a hearing titled "The 2019 Trade Policy Agenda: Negotiations with China, Japan, the EU and UK; new NAFTA/USMCA; U.S. Participation in the WTO; and other matters." Expected participants include:

- Robert Lighthizer, US trade representative

On Thursday at 8:30 a.m., the Woodrow Wilson Center's Mexico Institute will hold its sixth annual "Building a Competitive U.S.-Mexico Border Conference." Expected participants include:

- C.J. Maloney, deputy US Trade Representative
- John Sanders, acting commissioner, Customs and Border Protection
- Martha Barcena, Mexican ambassador to the US
- Senator John Cornyn (R-TX)
- Rep. Will Hurd (R-TX)

## **Transportation**

On Wednesday at 10:00 a.m., the Senate Commerce, Science and Transportation Committee will hold a hearing titled "FAST Act Reauthorization: Transportation and Safety Issues."

On Wednesday at 10:00 a.m., the House Transportation and Infrastructure Committee's Subcommittee on Aviation will hold a hearing titled "Status of the Boeing 737 MAX: Stakeholder Perspectives."

On Wednesday at 2:00 p.m., the House Transportation and Infrastructure Committee's Subcommittee on Coast Guard and Maritime Transportation will hold a hearing titled "Short Sea Shipping: Rebuilding America's Maritime Industry."

On Thursday, the House Energy and Commerce Committee's Subcommittee on Consumer Protection and Commerce and Subcommittee on Energy will hold a joint hearing on the Trump Administration's efforts to "roll back Corporate Average Fuel Economy (CAFE) standards and carbon pollution regulations from light duty cars and trucks."

## **Afterthoughts**

**The Soundtrack to the Democratic Primary:** At the Iowa Democratic Party's Hall of Fame last week, 19 Democratic candidates for president spoke, each with [their own chosen walk-out song](#).

**It's a Metaphor!:** The oak tree given as a gift by French President Emmanuel Macron to President Trump last year [has died](#).

**Trump Twitter Library Comes to DC:** *The Daily Show with Trevor Noah* [brings its Donald J. Trump Presidential Twitter Library to DC this weekend](#).

