

MORNING COLOR

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Today's Driving Events

Trump Ruminates While Waiting on Xi: President Trump was watching CNBC yesterday when he heard US Chamber of Commerce Executive Vice President and Head of International Affairs Myron Brilliant say that tariffs are “going to hurt our country.” So Trump called in to argue his case for taxing products at the border, particularly those from China. **During the call, Trump reiterated his threat that he will impose tariffs on all remaining imports from China, worth approximately \$300 billion, this time saying he will do so immediately if China’s President Xi Jinping does not meet with him at the G20 in Osaka, Japan on June 28th and 29th.** Trump indicated last week that President Xi will meet with him at the G20 meeting, and over the weekend, Treasury Secretary Steven Mnuchin reiterated that the meeting will happen, but the Chinese have yet to confirm the meeting.

The [South China Morning Post](#) reported that Trump and Xi could convene on June 29th over dinner, replicating the summit last December at the G20 in Argentina that left investors hanging on the outcome. **In an interview with Reuters, Mnuchin also compared the upcoming, but as of yet unconfirmed, meeting in Japan to last year’s in Argentina. “As it relates to the higher tariffs, if you just recall where we were in Buenos Aires, they were going to go up,” Mnuchin said. “They were scheduled to go up, and as a result of that meeting, the president agreed not to raise them while we were negotiating.”** Despite China’s lack of a public response to his invitation to meet, Trump seems to believe that Xi is willing to talk. “I think he will go and I think we’re scheduled to have a meeting.” Trump said. “I think he’ll go, and I have a great relationship with him. He’s actually an incredible guy, he’s a great man. He’s very strong, very smart, but he’s for China and I’m for the United States.” Still, later in the day, Trump told reporters at the White House that the further tariffs he could impose may be 25 percent or “much higher than 25 percent” on all remaining imports from China. **Additionally, despite the president’s threats, he may not be able to impose tariffs immediately at the end of June, due to a comment process for the next round of tariffs that could last into early July. Trump also reintroduced the idea yesterday that relaxing the export ban on Huawei could be part of a trade deal, despite attempts by several of his advisors, including Secretary of State Mike Pompeo, to argue to journalists that the national security and trade issues are being considered separately.** “I do see it as a threat,” Trump said. “At the same time it could be very well that we do something with respect to Huawei as part of our trade negotiation

with China. China very much wants to make a deal. They want to make a deal much more than I do, but we'll see what happens." **Despite the president's vacillation between threats and entreaties towards Xi in the run-up to Osaka, our 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 last one in Buenos Aires whereby they adopted a framework to not escalate tariffs further 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 either side's pain threshold being further tested as there is a risk that both Trump and Xi are over-estimating their respective leverage and the other's need for a deal both from a political and economic perspective. 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.**

Online Platforms Scrutinized at House Hearing: The House Judiciary Committee's antitrust subcommittee this afternoon will hear from various witnesses including: David Chavern, president of the News Media Alliance, the media industry trade group; David Pitofsky, general counsel and chief compliance officer of News Corp.; Sally Hubbard, director of enforcement strategy at the Open Markets Institute and former New York State assistant attorney general for antitrust; and Matthew Schruers, vice president for legislative affairs and policy at the Computer & Communications Industry Association, on market power and how digital platforms such as **Google (GOOGL)** and **Facebook (FB)** might be harming news publishers. **Just yesterday, the News Media Alliance, which represents more than 2,000 newspapers, [published a damaging study](#) that found that Google made an estimated \$4.7 billion in 2018 from news content viewed on Google Search and Google News, which it did by "crawling and scraping news publishers' content — without paying the publishers for that use."** That is a whopping figure given how the total revenue for the US news industry as a whole from digital advertising last year was roughly \$5.1 billion. **While Google disputed the study's findings, arguing that "the overwhelming number of news queries [on Google's news-sharing platforms] do not show ads," we expect the study will be repeatedly referenced during today's hearing, given how many of the witnesses and the subcommittee's chairman and ranking member — Reps. David Cicilline (D-RI) and Doug Collins (R-GA), respectively — have expressed concerns about how the current dynamics in the relationships between the dominant platforms and the news publishers are not working.** "There's the potential for a beautiful codependence," Terrance C.Z. Egger, the chief executive of Philadelphia Inquirer PBC, [told the New York Times recently](#). "If you look at the reason [Google and Facebook] have such high engagement on their platforms, increasingly news is the No. 1 driver. Given that, they wouldn't want to see news go away. And yet the unintended consequence is we need to share the revenue or get

paid for the content that we produce.” Investors should also expect Cicilline and Collins to use the hearing as an opportunity to tout their recently re-introduced bill, the Journalism Competition and Preservation Act, which would grant news publishers a four-year antitrust exemption by allowing them to collectively negotiate with online platforms over revenue splitting. **While the legislation is still in its early stages and will continue to face intense opposition from Google and Facebook lobbyists, it is the only antitrust-related bill that stands a chance at passing Congress, even if those chances are slim at best.**

Senate Republicans Meet with White House on FY20 Spending: As House Democrats move forward on spending bills for FY20 this week based on their preferred spending levels, Senate Republicans are seeking the blessing from the White House to get started as well. Senate Majority Leader Mitch McConnell (R-KY), Senate Appropriations Committee Chair Richard Shelby (R-AL), and other Senate Republican appropriators will meet with Treasury Secretary Steven Mnuchin, acting White House Chief of Staff Mick Mulvaney, and acting Office of Management and Budget Director Russ Vought today to talk about spending. According to a [report from Politico](#), "Talks among Republicans and Democrats are stalled over a disagreement on increasing domestic spending. So, Senate Republicans are trying to figure out whether they can begin moving spending bills absent a two-year spending agreement." While Mulvaney and Vought have taken a hardline stance to not increasing total discretionary spending for FY20, Mnuchin has shown to be more willing to reach a bipartisan deal that will also avert a showdown over the debt limit, which needs to be raised by autumn of this year. Similarly, McConnell has a desire to reach a bipartisan deal, which would avert a fiscal showdown during his own reelection cycle. **Given that President Trump does not have a natural proclivity for fiscal restraint, we view him ultimately siding with Senate Republicans and Mnuchin in this matter. They likely won't come up with a spending caps deal today, but a green light to begin work on spending bills in the upper chamber would help facilitate the process of reaching a bipartisan deal on the spending caps. Unlike the House, which only requires Democratic support for the spending bills, the Senate requires Republican and Democratic support to reach the 60-vote threshold for passage. Shelby and Senate Appropriations Committee Ranking Member Patrick Leahy (D-VT) would likely work in tandem to create bipartisan appropriations bills that would adhere to a spending caps deal later. Left to their own devices, McConnell and House Speaker Nancy Pelosi (D-CA) could quickly reach a spending caps compromise. But there are concerns, particularly among GOP leaders on Capitol Hill, that President Trump will undercut any such compromise by balking at the deal under pressure from conservative pundits who favor fiscal restraint.** To be sure, congressional leaders are interested and capable of coming to a fiscal deal that likely will not appeal to the bases of either party but keeps the government from facing the blunt cuts imposed by sequestration or worse, a debt limit debacle. When it comes to the spending caps, this will likely mean hewing towards some version of the "parity principle" between changes in defense and non-defense spending levels for FY20 favored by Democrats, although

not necessarily based on their preferred baseline. **Our base case continues to be an equal increase of \$17 billion from FY19 in the non-defense base budget and the adjusted defense budget (base budget + Overseas Contingency Operations (OCO)). This would leave the FY20 non-defense base budget at \$614 billion (2.8 percent increase) and the adjusted defense budget at \$733 billion (2.4 percent increase).** In conjunction with a two-year spending caps deal, we continue to believe that Democrats and Republicans will support attaching a debt limit deal, despite calls from Republicans for a clean debt limit vote. This could come as soon as July, but could also slip to after the August recess if no deal is reached on the spending caps before lawmakers leave town at the end of July until they reconvene after Labor Day.

House

The House will convene at 12:00 p.m. and will begin consideration of a five-bill appropriations package.

Senate

The Senate will reconvene at 10:00 a.m. and resume consideration of Sarah Daggett Morrison's nomination to be a US district judge for the Southern District of Ohio. The chamber will recess from 12:30 p.m. to 2:15 p.m. for respective weekly caucus meetings, then hold a final confirmation vote on Morrison's nomination along with a procedural vote on five other judicial nominations.

White House

President Trump will travel to Iowa, where he will tour and speak at Southwest Iowa Renewable Energy in Council Bluffs at 3:40 p.m. At 7:30 p.m., the president will deliver remarks at the Republican Party of Iowa Annual Dinner in West Des Moines.

Agriculture

At 10:00 a.m., the House Agriculture Committee's Subcommittee on Livestock and Foreign Agriculture will hold a hearing titled "The State of US Agricultural Products in International Markets." Expected participants include:

- Ted McKinney, undersecretary of trade and foreign agriculture, Department of Agriculture
- Gregg Doud, chief agricultural negotiator, Office of the US Trade Representative

Budget

At 8:00 a.m., the Peter G. Peterson Foundation will hold the 2019 Fiscal Summit with the theme "Building America's Future." Expected participants include:

- Mick Mulvaney, acting chief of staff, White House
- House Budget Committee Chairman John Yarmuth (D-KY)
- House Ways and Means Committee Ranking Member Kevin Brady (R-TX)
- Speaker of the House Nancy Pelosi (D-CA)
- Phillip Swagel, director, Congressional Budget Office

Education

At 10:00 a.m., the House Financial Services Committee's Subcommittee on Oversight and Investigations will hold a hearing titled "An Examination of State Efforts to Oversee the \$1.5 Trillion Student Loan Servicing Market."

Energy

Today, Energy Secretary Rick Perry will deliver remarks at the Edison Electric Institute's (EEI) annual conference and later participate in a fireside chat with EEI Chairman Chris Crane.

At 10:00 a.m., the House Natural Resources Committee's Subcommittee on Energy and Mineral Resources will hold a hearing titled "Building a 21st Century American Offshore Wind Workforce," focusing on legislation titled "Offshore Wind Jobs and Opportunities Act."

At 10:00 a.m., the House Budget Committee will hold a hearing titled "The Costs of Climate Change: Risks to the US Economy and the Federal Budget."

Financial Services

Today and tomorrow, the American Bankers Association will hold its 2019 ABA Regulatory Conference. [More information here.](#)

At 8:15 a.m., the Wall Street Journal's CFO Network will hold its 2019 Meeting to discuss developments at the Securities and Exchange Commission (SEC), the M&A landscape, and key policy shifts happening in Congress. [More information here.](#) Expected participants include:

- Steven Mnuchin, secretary, Department of the Treasury
- Mick Mulvaney, acting chief of staff, White House

- John Bolton, assistant to the president for national security affairs, White House
- Betsy DeVos, secretary, Department of Education

At 10:00 a.m., the Senate Banking Committee will hold a hearing titled "Data Brokers and the Impact on Financial Data Privacy, Credit, Insurance, Employment and Housing."

At 1:00 p.m., the Securities and Exchange Commission will hold a meeting by teleconference of the Fixed Income Market Structure Advisory Committee to consider recommendations from the Technology and Electronic Trading Subcommittee. Dial-in at 800-260-0718; participant code, 467607.

Healthcare

At 4:00 p.m., the Washington Post Live will hold a discussion titled "Transformers Health," focusing on the most innovative solutions to today's top health challenges, the venture capital focused on the newest innovations in health care and how technology is revolutionizing patient care. [More information here.](#) Expected participants include:

- Scott Gottlieb, former commissioner, Food and Drug Administration
- Rod MacKenzie, EVP and chief development officer, Pfizer

Housing

At 8:30 a.m., *The Hill* and Wells Fargo will hold a discussion titled "Affordable Housing and the American Dream." [More information here.](#) Expected participants include:

- Ben Carson, secretary, Department of Housing and Urban Development
- Rep. Emanuel Cleaver (D-MO)
- Jim Tobin, EVP, National Association of Home Builders
- Michael DeVito, EVP and head of home lending, Wells Fargo

Immigration

At 10:00 a.m., the Senate Judiciary Committee will hold a hearing titled "The Secure and Protect Act: A Legislative Fix to the Crisis at the Southwest Border." Expected participants include:

- Kevin McAleenan, acting secretary, Department of Homeland Security

Intellectual Property

At 2:30 p.m., the Senate Judiciary Committee's Subcommittee on Intellectual Property will

hold a hearing titled "The State of Patent Eligibility in America: Part III." Expected participants include:

- Manny Schecter, chief patent counsel, IBM
- Laurie Self, SVP and counsel for government affairs, Qualcomm
- Byron Holz, senior IP rights licensing counsel, Nokia
- Gonzalo Merino, VP and chief IP counsel, Regeneron Pharmaceuticals
- Corey Salsberg, VP and global head of IP affairs, Novartis
- Robert Deberardine, chief IP counsel, Johnson & Johnson

Postal Service Reform

At 12:30 p.m., the Congressional E-Commerce Caucus and the Package Coalition will hold a discussion on the importance of affordable and reliable package delivery services to e-commerce.

Tech-Media-Telecom

At 9:30 a.m., the Federal Trade Commission will hold an online workshop to explore consumer protection issues in the online ticket marketplace for events, such as concerts and sporting events. [More information here.](#)

At 10:00 a.m., the Information Technology and Innovation Foundation will hold a discussion titled "Do Digital Services Taxes Unfairly Target US Internet Companies?" [More information here.](#) Expected participants include:
Rep. Joseph Kennedy (D-MA)

At 12:00 p.m., Voqal will hold a briefing titled "Unlocking Educational Broadband Spectrum to Solve the Digital Divide." [More information here.](#)

At 2:00 p.m., the House Judiciary Committee's Subcommittee on Antitrust, Commercial and Administrative Law will hold a hearing titled "Online Platforms and Market Power, Part 1: The Free and Diverse Press." Expected participants include:

- David Chavern, president, News Media Alliance
- Gene Kimmelman, president, Public Knowledge
- Sally Hubbard, director of enforcement strategy, Open Markets Institute
- Matthew Schruers, VP for legislative affairs and policy, Computer and Communications Industry Association
- David Pitofsky, general counsel, News Corp.
- Kevin Riley, editor, *Atlanta-Journal Constitution*

At 7:00 p.m., the National Association of Broadcasters Leadership Foundation will hold its

2019 Service to America Leadership Awards celebration. Expected participants include:

- Mike O'Rielly, commissioner, Federal Communications Commission
- Senator Marsha Blackburn (R-TN)
- Rep. Greg Walden (R-OR)
- Rep. Tim Walberg (R-MI)
- Rep. Steve Cohen (D-TN)

Trade

Today, the Senate Finance Committee will hold a vote on the nominations of Amy Karpel to be a member of the US International Trade Commission (USITC) and Randolph Stayin to be a member of the USITC.

At 9:00 a.m., the Global Business Dialogue will hold a discussion titled "Grading the US-China Midterm: Guidelines for Evaluating a US-China Trade Agreement." [More information here.](#) Expected participants include:

- John Neuffer, president and CEO, Semiconductor Industry Association
- Nick Giordano, VP and global government affairs counsel, National Pork Producers Council

At 2:35 p.m., Treasury Secretary Steven Mnuchin will participate in an interview on "US-China Trade Relations" at the Wall Street Journal CFO Network's 2019 Meeting.

Transportation

Today and tomorrow, Uber Elevate will hold its Summit 2019, focusing on on-demand aviation. Expected participants include:

- Elaine Chao, secretary, Department of Transportation
- Dan Elwell, acting administrator, Federal Aviation Administration
- Senator Ted Cruz (R-TX)
- Rep. Rick Larsen (D-WA)
- Rep. Eddie Bernice Johnson (D-TX)
- Dara Khosrowshahi, CEO, Uber Technologies
- Eric Allison, head of Uber Elevate, Uber Technologies
- Steve Norlund, VP and general manager of Boeing NeXt, Boeing Company

At 8:30 a.m., the Economic Club of Washington, DC will hold a discussion on the future of mobility, including infrastructure, autonomous vehicles, smart cities, the development of aerial ridesharing and Uber's recent IPO. [More information here.](#) Expected participants include:

- Dara Khosrowshahi, CEO, Uber Technologies



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