

MNI POLITICAL RISK ANALYSIS - US Daily Brief 03-08-22

By Adam Burrowes

The White House

09:30 ET 14:30 BST	The President receives the President's Daily Briefing
12:45 ET 17:45 BST	Press Briefing by Press Secretary Karine Jean-Pierre
14:00 ET 19:00 BST	The President delivers remarks virtually on securing access to reproductive and other health care services at the first meeting of the interagency Task Force on Reproductive Healthcare Access

Elections Countdown:

- ❖ Tennessee primaries: Tomorrow
- ❖ 2022 Midterm Elections: 97 days
- ❖ 2024 Presidential Election: 825 days

Pelosi in Taiwan

- Speaker of the US House of Representatives Nancy Pelosi (D-CA) has departed Taiwan after a tense and controversial trip.
- The trip, ostensibly to demonstrate US solidarity for the self-governing island, has sent previous strained Sino-US relations into a state of animosity not seen for decades.
- Pelosi will now head to South Korea and Japan for the next stops on her multi-leg Asia trip, but the repercussions are set to reverberate long after she has left Taiwan. China is planning to engage in major military exercises near Taiwan from 4-7 August, and aerial incursions into Taiwan's Air Defence Identification Zone (ADIZ) are seen as likely to increase in size and frequency.
- The longer-term impact on US-China relations is too early to assess, but the prospect of any advancement in trade talks between the two sides appears to have been extinguished.
- There is also the very real possibility that the perceived provocation could impel Beijing to offer material support for Russia in their war against Ukraine. Thomas Friedman wrote in the New York Times this week that President Biden's threats of secondary sanctions presented directly to Chinese President Xi Jinping was one of the primary reasons that Beijing has so far resisted closer military collaboration with Russia.

- If this is the case, it is likely that Xi will feel slighted that Biden appeared to ignore a direct request to stop the Pelosi trip. The White House has gone to great lengths to stress that the United States Congress and the United States Executive are co-equal and independent branches of government, but it is unlikely that this distinction will placate Xi.
- The Chinese Foreign Ministry said in a statement: "China firmly opposes and sternly condemns this and has made serious *démarche* and strong protest to the United States."

Pelosi's justification

- Pelosi's trip sent political analysts and China watchers into a spin. The timing of the trip, so close to the Communist Party Convention where Xi is expected to be confirmed for a third term, was questioned. Some commentators probed the wisdom of a trip during a period of elevated geopolitical tensions. Others noted that the recent uptick of Chinese military activity, in, and around nominal Taiwanese territory warranted the high-profile demonstration of US support.
- The Washington Post released an article penned by Pelosi as she touched down in Taipei. Her reasoning for the trip is as follows:
- According to Pelosi, a crackdown against the "democracy movement" in Hong Kong, the "erasure of the Tibetan language", the "genocide against Muslim Uyghurs" in Xinjiang, and the persecution of catholic Cardinal Joseph Zen all examples of "Beijing's abysmal human rights record and disregard for the rule of law continue, as President Xi Jinping tightens his grip on power."
- Pelosi wrote that Taiwan's "vibrant, robust democracy," one of the freest in the world, "is under threat," and because of these evolving and real threats, "America's solidarity with Taiwan is more important today than ever..."
- Pelosi warned that, according to the US Department of Defence, the People's Republic of China is, "likely preparing for a contingency to unify Taiwan with the PRC by force."
- The tone of Pelosi's article was highly critical of Beijing and forecast a bleak future for the region without robust assistance from the United States.
- There was, however, a caveat in her article that her office, nor the United States government desires a change to the status quo. According to Pelosi, the US maintains commitment to "the long-standing one-China policy, guided by the Taiwan Relations Act of 1979, the U.S.-China Joint Communiques and the Six Assurances."
- Pelosi's article sought to assure Beijing that the United States does not seek a change to the status quo. Rather it is the recent uptick in Chinese military activity in the Taiwan Strait, and beyond, which is threatening to upend the status quo.

The view from Washington

- A group of 26 Republican Senators, including the Senate Minority Leader Mitch McConnell (R-KY) released a statement in support of Pelosi upon her arrival in Taiwan.
- The statement reads: "We support Speaker of the House of Representatives Nancy Pelosi's trip to Taiwan. For decades, members of the United States Congress, including a previous Speaker of the House, have travelled to Taiwan. This travel is consistent with the United States' One China policy to which we are committed. We are also committed now, more than ever, to all elements of the Taiwan Relations Act."
- The letter of solidarity towards Speaker Pelosi's trip demonstrates the bipartisan appetite within the United States for hawkish foreign policy towards the People's Republic of China, even during a period of partisan acrimony on domestic legislation.

Taiwan Policy Act 2022

- It should be noted that a potentially significant Senate Committee meeting taking place today could be the next flashpoint between the US and China.
- The Senate Foreign Relations committee will meet at 14:00 ET 19:00 BST to consider S.4428, the Taiwan Policy Act 2022.
- Full text: <https://www.congress.gov/bill/117th-congress/senate-bill/4428/text>
- Responsible Statecraft writes that the bill penned by Senate Foreign Relations chair Bob Menendez (D-NJ) would 'gut' the One China policy, the foundation of Sino-US relations and a US policy directive that the White House goes to great lengths to affirm commitment to.
- A number of experts who spoke with RS warned that the proposals contained in the bill would exacerbate tensions.
- Lyle Goldstein, the director of the Asia Engagement Program at Defense Priorities: "These moves are provocative. I think this is a very delicate period for Taiwan, and this kind of move would be very foolish."
- Michael Swaine of the Quincy Institute: "The document plays with words to seem as if no fundamentals have changed, but One China is in effect gutted. The One China policy has led to strong limits being placed on political, diplomatic, and military contacts with [Taiwan]. This bill, if passed and implemented by the administration, would add greatly to the existing erosion of such limits."
- The Washington Post says that the White House did not respond to an email asking for the administration's position on the Taiwan Policy Act.
- Speaker Pelosi's trip to Taiwan is the most public challenge to China's regional authority but the Taiwan Policy Act is likely to have more long-term implications for Sino-US relations if it reaches the President's desk, which is certainly not assured.
- WaPo suggests the bill "could give the White House significant diplomatic heartburn."

- The Taiwan Policy Act would designate Taiwan a “major non-NATO ally,” elevate Taiwan’s de facto embassy from the “Taipei Economic and Cultural Representative Office” to the “Taiwan Representative Office,” and the director of the corresponding American Institute in Taipei would become a “representative,” and be subject, as ambassadors are, to Senate confirmation.
- The bill would edit the wording of the Taiwan Relations Act, so that US policy isn’t merely “to provide Taiwan with arms of a defensive character” but “arms conducive to deterring acts of aggression by the People’s Liberation Army.” A significant distinction.
- Perhaps the most controversial element of the Taiwan Relations Act is the chapter compelling imposition of sanctions on Chinese officials, including the president, if Beijing escalates tensions with the effect of “undermining, overthrowing, or dismantling governing institutions in Taiwan.”
- Responsible Statecraft writes that, “several experts [said] that they are most concerned about the section of the legislation dealing with sanctions, which threatens to tie the president’s hands in a policy area defined by flexibility. The bill lays out a raft of sanctions on just about everyone in China’s political elite, including President Xi Jinping, to be levied if China “is knowingly engaged in a significant escalation in hostile action” toward Taiwan since December 2021.”
- “Beyond individual punishments, the text would also force the president to place restrictions on a wide range of Chinese industries and financial institutions. If passed, the legislation would give Biden 15 days to decide if a violation has occurred, a decision he would have to reevaluate multiple times each year.”

Inflation Reduction Act

- Senator Joe Manchin (D-WV) is leading the Democrat effort to convince Senator Kyrsten Sinema (D-AZ) to cast her vote in favour of the Manchin-Schumer Inflation Reduction Act as concerns grow over her continued silence.
- Punchbowl News writes: “There’s already buzz that the Senate could be in session all weekend with a vote-a-rama, which takes two to three days. The House probably will need a day or two to clear this package. Speaker Nancy Pelosi’s chamber is tentatively expected to come back into session at some point next week, but that’s up in the air.”
- At 12:00 ET 17:00 BST Republican Senators Mike Crapo (R-ID), Pat Toomey (R-PA), and Rob Portman (R-OH) will hold a press conference to talk about the bill. They are unlikely to be complimentary and will almost certainly call on Sinema to refuse to succumb to Democrat pressure to vote “yes.”
- The US Department of the Treasury sent out a letter to Congressional leaders yesterday repudiating GOP claims that the Inflation Reduction Act would lead to higher rates of taxation on those earning less than USD\$400,000 per year.

- The Treasury letter reads: “The legislation would either reduce or have no effect on the taxes due or paid by any family with income less than USD\$400,000 and is fully consistent with the President’s pledge. In fact, the clean energy tax credits and the expanded premium tax credit will cut taxes for millions of Americans.”

Congressional Business

The House is out

The Senate will meet at 10:00 ET 15:00 BST

Committee Schedule –

- SENATE Homeland Security and Governmental Affairs: Business meeting to consider S.4488, to establish an interagency committee on global catastrophic risk.
- SENATE Rules and Administration: Hearings to examine the Electoral Count Act, focusing on the need for reform.
- SENATE Foreign Relations: Business meeting to consider S.4428, to support the security of Taiwan and its right of self-determination.

Midterms

- It was a strong day for former President Donald Trump at midterm primaries yesterday.
- Trump impeacher rep. Peter Meijer (R-MI) lost his primary to Trump-backed challenger John Gibbs.
- Trump-backed venture capitalist Blake Masters won the Arizona Republican Senate for the crucial race with Senator Mark Kelly (D-AZ), one of the most vulnerable Senate Democrat incumbents.
- Critics of Masters have accused him of being “...the well-groomed avatar of a hard-right Silicon Valley brain trust, including his former employer, the billionaire investor Peter Thiel, and an array of farseeing, anti-democratic titans of industry who see America as a stagnant and feeble empire in desperate need of vitalist reinvention.” (That’s the New York Times)
- And finally, GOP HQ will be breathing a sign of relief as Eric Schmitt defeated scandal-prone former Missouri Governor Eric Greitens in the Missouri gubernatorial primary.

Abortion

- A side plot of the primaries yesterday was a constitutional vote in Kansas to protect abortion rights in the state constitution.
- The Guardian writes that Kansas “a deeply conservative and usually reliably Republican state – is the first US state to put abortion rights to a vote since the US supreme court ruled to overturn constitutional protections for abortion in late June.”

- Punchbowl called the result “stunning,” and Politico called it a “political earthquake,” after the pro-abortion “No” gathered a remarkable 60% of the vote in “a red state that former President Donald Trump carried in 2020 by nearly 15 points.”
- This result is likely to send shockwaves through Republican strategists looking to downplay the significance of the Supreme Court “Dobbs” decision ahead of the midterms.
- Politico suggests that the result has the potential “to reshape the entire midterm campaign.”

NATO

- Senate Majority Leader Chuck Schumer (D-NY) is expected to put a resolution on supporting Sweden and Finland’s accession into NATO to a Senate vote today.
- Voting is expected to take place at 16:00 ET 21:00 BST and pass with a strong bipartisan majority.
- The ambassadors of Sweden and Finland have been invited to watch the vote live from the Senate gallery.

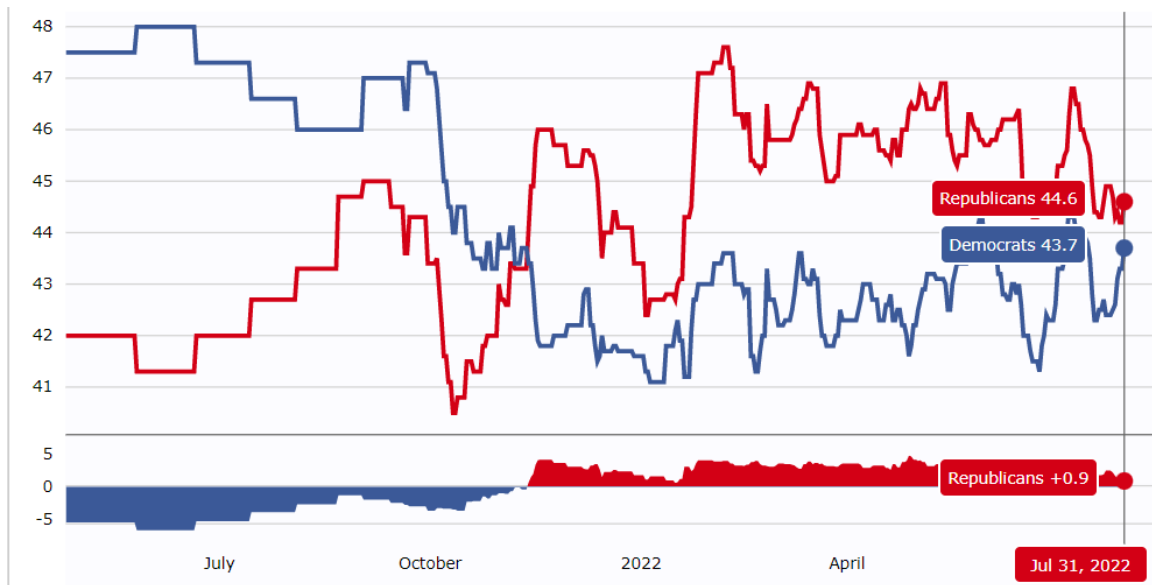
Iran

- Rafael Grossi, the Director General of the International Atomic Energy Agency, warned yesterday that Iran's nuclear programme is "moving ahead very, very fast and growing in ambition and capacity."
- Grossi said that Iran has a “very ambitious technical and sophisticated nuclear programme,” but he couldn’t confirm whether or not they have the capacity to build a nuclear bomb without being given authority to verify the Iranian nuclear programme.
- Earlier today, Enrique Mora, the chief EU negotiator on the Iranian nuclear deal (the Joint Comprehensive Plan of Action, JCPOA), tweeted: "On my way to Vienna to discuss JCPOA back to full implementation on the basis of the coordinator's text tabled on 20 July..."

Poll of the Day

- The generic Congressional ballot, which asks respondents to make a binary choice between Democrats and Republicans on a hypothetical midterm ballot, has tightened to within 1% for the first time since January.
- According to Real Clear Politics, the margin is now .9% in Republican favour.
- The strong performance is likely due to a productive month for Democrats in Congress where progress was made on a number of high priority legislative items including a reconciliation bill with provisions for climate and taxation and the CHIPS Plus Science bill to stimulate the domestic tech industry.

Figure 1: Generic Congressional Ballot



Source: Real Clear Politics

IMPORTANT: This email contains information protected by copyright which can only be used in accordance with the terms of your Market News subscription agreement. UNAUTHORIZED DISCLOSURE, PUBLICATION, REDISTRIBUTION OR FURTHER DISSEMINATION OF THIS INFORMATION MAY RESULT IN CRIMINAL PROSECUTION OR OTHER SEVERE PENALTIES. Any such authorization requires the prior written consent of Market News. Redistribution of this information, even at the instruction of your employer, may result in personal liability or criminal action unless such redistribution is expressly authorized in writing by Market News. Market News takes any such violation seriously and will pursue available legal remedies.

This document may contain forward-looking statements. Forward-looking statements may be identified by the use of such words as; "may," "might," "will," "would," "should," "could," "expect," "plan," "planned," "intend," "anticipate," "believe," "estimate," "estimated," "outlook," "predict," "project," "probable," "potential," "possible," "target," "continue," "look forward," or "assume" and other similar terms. Forward-looking statements are not historical facts or guarantees of future performance but instead express only beliefs regarding future results or events, many of which, by their nature, are inherently uncertain and outside the control of Market News. It is possible that actual results and events may differ, possibly materially, from the anticipated results or events indicated in these forward-looking statements. Subscribers are cautioned not to place undue reliance on any forward-looking statements or examples. None of Market News or any of its affiliates or principals nor any other individual or entity assumes any obligation to update any forward-looking statements as a result of new information, subsequent events or any other circumstances. All statements made herein speak only as of the date that they were made.

This information has been obtained or derived from sources believed to be reliable, but we make no representation or warranty as to its accuracy or completeness. This is not an offer or solicitation of an offer to buy/sell. Copyright @ 2021 Market News Ltd & Hawking LLC d/b/a Market News. All rights reserved.