

MNI POLITICAL RISK ANALYSIS - US Daily Brief 30-01-23

By Adam Burrowes

The White House

09:00 ET 14:00 GMT	President Biden receives his Daily Briefing
14:45 ET 19:45 GMT	President Biden delivers remarks on the Bipartisan Infrastructure Law funding in Baltimore, Maryland

Elections Countdown:

- ❖ 2024 Presidential Election: 645 days

Debt Ceiling

President Biden will on Wednesday hold his first in-person meeting with House Speaker Kevin McCarthy (R-CA) since his elevation to the office of Speaker earlier this month.

- The meeting will be a key marker in what is expected to be a months-long confrontation over the debt ceiling, the deficit, and government spending.

The White House and Congressional Democrats have been clear over the past month that raising the debt limit should not be subject to negotiation.

- Rep. Adam Smith (D-WA) said: "Our position is: raise the debt ceiling, pay the bills. That's our position. We are not going to negotiate with ourselves. That's our position. If the Republicans want to put something on the table and say, 'This is what we want to cut,' well, then we can have a conversation, but that's where we're at in the negotiation."
- Senate Majority Leader Chuck Schumer (D-NY) said: "Unfortunately, [McCarthy] let a group of very extreme people, he gave them the tools to wield power. The plan is to get our Republican colleagues in the House to understand they're flirting with disaster and hurting the American people. And to let the American people understand that as well. And I think we'll win."

McCarthy told CBS yesterday: "I know the president said he didn't want to have any discussions, but I think it's very important that our whole government is designed to find compromise... His staff tries to say something different, but I think the president will be willing to make an agreement together."

- McCarthy said that Medicare and Social Security would not be touched under Republican plans to slash government spending but indicated that defense spending would be on the table.

A key dynamic to watch is between McCarthy and Senate Minority Leader Mitch McConnell (R-KY), one of the key players in the 2011 debt ceiling showdown, and leader of a Senator Republican caucus which consistently calls for defence spending hikes.

- McConnell has stressed that the House will take the lead on negotiations but if House Republicans push to significantly cut Pentagon spending its hard to see McConnell staying out of discussions.

Senator Josh Hawley (R-MO): "There's gonna be a question about defense immediately..."

- McConnell said last week: "Even though the debt ceiling could originate in either the House or the Senate, in this current situation, the debt-ceiling fix — if there is one or how it's to be dealt with — will have to come out of the House. I wish [McCarthy] well in talking to the president."
- Senator Mike Braun (R-IN): "I'm hopeful that Leader McConnell will be as involved now as he was then [in 2011], and that McCarthy shows us what he's got over there as well."

Punchbowl News writes: "McConnell was instrumental in negotiating the [Budget Control Act in 2011], which mandated caps on government spending as part of a deal to raise the debt ceiling. At the time, the balance of power in Washington was similar to what it is now — a GOP-run House, a Democratic Senate, and a Democratic president. The U.S. economy also was emerging from the Great Recession, which had seen the federal government rack up huge deficits."

- Senate Minority Whip John Thune (R-SD): "We need to give [Speaker McCarthy] space to try to figure out if there's a path forward, and I think that's what [McConnell] is trying to do."
- Thune continued: "Senator McConnell has been involved in a number of negotiations through the years, and on fairly big and consequential items, many of which deal directly with the economy and spending and debt. But I think he understands right now, to get anything done around here this time, it's going to take the consent of House Republicans and the Democratic president."

Congressional Business

The House will meet at 12:00 ET 17:00 GMT

The Senate will meet at 15:00 ET 20:00 GMT

Committee Schedule –

- **16:30 ET 21:30 GMT** HOUSE Rule Meeting: "Organizational Meeting for the 117th Congress"

Republican News

The Republican National Committee on Saturday re-elected Ronna McDaniel to a fourth term as chair after an acrimonious campaign by right-wing candidate Harmeet Dhillon.

- The New York Times: "...the contentious battle over what is typically a low-key campaign for R.N.C. chair exposed a party struggling to find its way amid deep discontent. Republicans lost the House in 2018 and the White House and Senate in 2020, and then turned in a historically anaemic performance for a party out of power in 2022."

Politico writes that although all three candidates maintain close relationships with former President Donald Trump, there were "clear signals down ballot" that Trump's grip over the GOP "continues slipping."

- Politico: "Two candidates [Trump] endorsed for RNC leadership positions — co-chair and treasurer — lost... And Arizona GOP Chair Kelli Ward, a Trump diehard and election denier, got walloped in her bid for secretary, losing 118-36."

The Washington Post reports that Florida Governor Ron DeSantis (R-FL) is preparing the ground for a 2024 presidential bid.

- WaPo: "Advisers to Florida Gov. Ron DeSantis are actively preparing for a possible presidential run, according to two Republicans with knowledge of the conversations who described meetings and preliminary staffing moves — the latest indication that DeSantis is laying a foundation for a national campaign. DeSantis's political team has already identified multiple potential hires in early primary states such as New Hampshire and Iowa."

Energy Security

The Republican controlled House of Representatives on Friday passed a second piece of legislation designed to impede the Biden Administration's ability to tap the Strategic Petroleum Reserve.

- The bill would compel the Department of Energy to provide plans for investment in domestic oil and gas exploration to unlock SPR reserves and follows a bill passed earlier this month that would block any SPR sales to entities connected to China.

The legislation is an exercise in messaging from the GOP as both pieces of legislation will be rejected by the Democrat controlled Senate, and Biden has stated he will veto any Republican legislation that find its way to his desk.

- Republicans argue that Biden administrations measure to release crude stock from the SPR were politically motivated to prevent fallout from high energy prices caused by Biden administration policy which underfunded the US oil and gas industry and created dependencies on unreliable foreign oil producers.

Export Controls

The Netherlands and Japan have agreed to comply with US export controls to China on high-tech components used in the manufacture of semiconductors after a series of key meetings over the last month.

- The agreement is a significant win for the Biden Administration who exacted the export controls unilaterally in October amid some public reservations from Dutch and Japanese politicians.
- The New York Times: “The countries did not publicly announce the agreement, because of its sensitivity, and details remain unclear. But the deal seems likely to put technology industries in the countries on a more even footing, preventing companies in Japan and the Netherlands from rushing in to claim market share in China that has been abandoned by U.S. firms.”

Taiwan

US General Mike Minihan, head of the US Air Mobility Command, has warned of an impending war with China in an unusual letter to 110,000 US troops under his command.

- Minihan wrote: “I hope I am wrong. My gut tells me we will fight in 2025. [Chinese President] Xi [Jinping] secured his third term and set his war council in October 2022. Taiwan’s presidential elections are in 2024 and will offer Xi a reason. United States’ presidential elections are in 2024 and will offer Xi a distracted America. Xi’s team, reason, and opportunity are all aligned for 2025.”

Earlier this month, US Secretary of Defense Lloyd Austin, told reporters at the US-Africa Leaders’ Summit that he “seriously doubted” a Chinese invasion of Taiwan was “imminent.”

- Rep. Mike Gallagher (R-WI), Chairman of the new House Select Committee on China said: “If we’ve learned anything from Ukraine, it’s that we need to take our adversaries at their word when they threaten their neighbors and put hard power in their way before it’s too late.”

Iran

US Secretary of State Antony Blinken told reporters in Cairo, Egypt on Sunday that “everything is on the table,” when it comes to preventing Iran acquiring a nuclear weapon.

- Blinken: “Iran had an opportunity to get back into the JCPOA [Joint Comprehensive Plan of Action nuclear accords] at the end of this past summer. Unfortunately, they rejected what was on the table...”
- “At the same time, we’re also seeing Iran support Russia in its war of aggression against Ukraine, providing it with drones and potentially other weapons systems. So that’s where the focus is and that’s the concern of many countries around the world.
- “Diplomacy is never off the table. But President Biden has also made clear that we’re determined that Iran not acquire a nuclear weapon, and every option remains on the table to ensure that that doesn’t happen.”

Israel

Blinken will travel to Jerusalem today for talks with Israeli Prime Minister Benjamin Netanyahu and other government ministers amidst the most significant escalation in Israeli-Palestinian violence in months.

- Talks with Israeli officials today will be followed by discussions with Palestinian leader Mahmoud Abbas in Ramallah tomorrow. While it is unlikely that Blinken engenders any

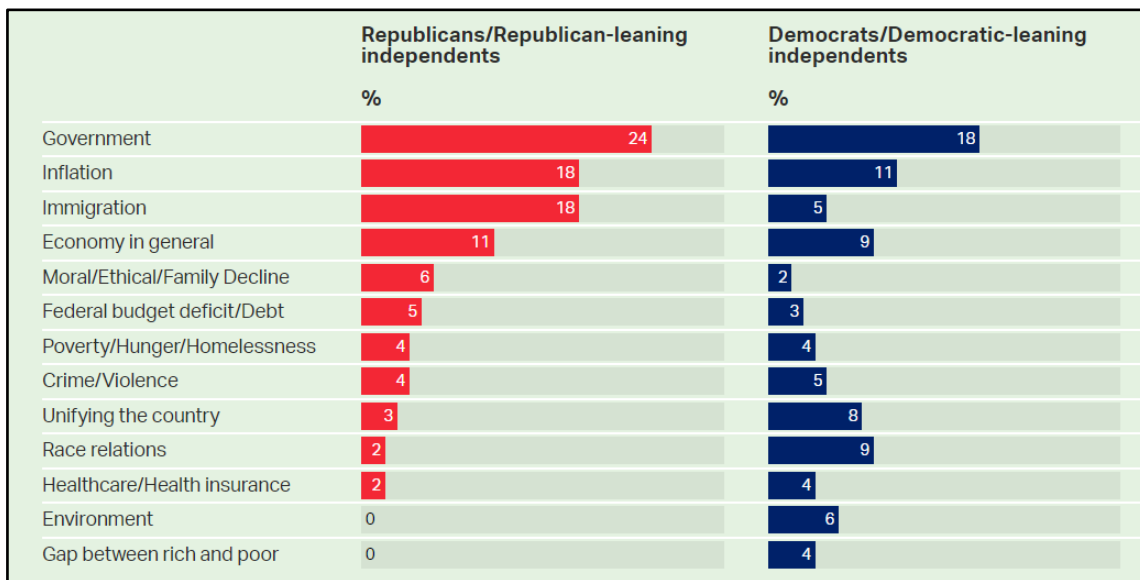
major breakthrough, the visit itself could prove enough to result in a calming of tensions.

Poll of the Day

Government has replaced inflation as the most important problem facing the country, according to a new report from Gallup.

- Gallup writes that, “mentions of the economy in general fell six points, to 10%, the lowest reading in a year.”
- “The government ranks as the top problem for both Republicans and Republican-leaning independents (24%) and Democrats and Democratic-leaning independents (18%). Inflation and immigration are each cited by 18% of Republicans, while mentions of inflation (11%), the economy in general and race relations (9% each) trail the government among Democrats. Democrats are more likely than Republicans to view unifying the country and the environment as top problems.”

Chart 1: What is the Most Important Problem Facing this Country Today?



Source: Gallup

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.