

MNI POLITICAL RISK ANALYSIS - US Daily Brief 28-03-23

By Adam Burrowes

The White House

09:30 ET 14:30 BST	President Biden receives his Daily Briefing
12:15 ET 17:15 BST	White House Principal Deputy Press Secretary Olivia Dalton to brief the press aboard Air Force One en route to North Carolina
13:25 ET 18:25 BST	President Biden tours a semiconductor facility
14:30 ET 19:30 BST	President Biden delivers remarks on his "investing in America agenda" from Durham, North Carolina

Elections Countdown:

- ❖ 2024 Presidential Election: 587 days

Silicon Valley Bank

The first Congressional hearing into the collapse of Silicon Valley Bank will take place today with Federal Reserve Vice Chair of Supervision Michael Barr and FDIC Chair Martin Gruenberg set to testify before the Senate Banking Committee at 10:00 ET 15:00 BST. The hearing can be viewed here: [Senate Banking Committee](#)

- Barr will tell the panel that the SVB's collapse was largely due to a failure of the bank to manage the risk of its liabilities: "SVB's failure is a textbook case of mismanagement."

Barr: "SVB failed because the bank's management did not effectively manage its interest rate and liquidity risk, and the bank then suffered a devastating and unexpected run by its uninsured depositors in a period of less than 24 hours."

- Barr will argue that intervention from the Fed, the Treasury Department, and the FDIC was essential to prevent contagion: "It appeared that contagion from SVB's failure could be far-reaching and cause damage to the broader banking system. The prospect of uninsured depositors not being able to access their funds could prompt depositors to question the overall safety and soundness of U.S. commercial banks. There were signs of distress at other banking organizations, and Signature Bank, an FDIC-supervised institution, experienced a deposit run that resulted in the bank's failure."

Barr will say that he's investigating if stricter regulation could have limited the risk to SVB: "Specifically, we are evaluating whether application of more stringent standards would have prompted the bank to better manage the risks that led to its failure."

- Barr's full testimony: [Barr Testimony](#)

FDIC Chair Martin Gruenberg will testify that SVB's collapse will cost the FDIC USD\$20 billion and note that the agency will refill the fund via new fees on banks.

- Gruenberg: "It is worth noting that these two institutions were allowed to fail. Shareholders lost their investment. Unsecured creditors took losses. The boards and the most senior executives were removed."
- The Hill reports: "Lawmakers are likely to debate whether the FDIC made the right call in bailing out SVB and Signature Bank depositors to prevent further contagion in the banking sector."
- Gruenberg's full testimony: [Gruenberg Testimony](#)

Congressional Business

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

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

Committee Schedule –

- 09:30 ET 14:30 BST: SENATE Armed Services: Hearings to examine the President's proposed budget request for fiscal year 2024 for the Department of Defense
- 10:00 ET 15:00 BST: HOUSE Appropriations: Budget Hearing – Fiscal Year 2024 Budget Request for the Department of the Interior
- 10:00 ET 15:00 BST: SENATE Banking, Housing, Urban Affairs: Hearings to examine recent bank failures and the Federal regulatory response.

Israel

The White House and State Department yesterday welcomed news that Israeli Prime Minister Benjamin Netanyahu will pause his attempt at reforming the judiciary until the next session of the Knesset in the face of widespread protests and a general strike.

- State Department spokesperson Vedant Patel told reporters: "We welcome this announcement as an opportunity to create additional time and space for compromise. And compromise is precisely what we have been calling for, and we continue to strongly urge Israeli leaders to find a compromise as soon as possible. Fundamental changes to a democratic system should be pursued with the broadest base of popular support."

Former US Ambassador to Israel Daniel Shapiro told NPR: "I think it gives everyone a chance to exhale. It's been...a fever pitch of tension of protests. So, the announcement that that legislation is now being postponed, at least gives time to breathe."

- Shapiro warned that the pause "doesn't necessarily solve the crisis," saying that Netanyahu "still has pressure from members of his coalition, who badly want to see... the court significantly weakened... So it may be that the same crisis Israel has been through returns over the summer."

Israeli journalist Chemi Shalev told Haaretz: "If there are no unexpected developments...the fighting will most likely resume on April 30, with the opening of the [Knesset] summer session, because the chance that anything will come out of the 'negotiations' tends, in my humble opinion, to zero."

- Rep Elissa Slotkin (D-MI), a US lawmaker with a broad background in intelligence, said: "Watching the dramatic events unfolding in Israel tonight. The state's focus on security can't be overstated, so for senior defense officials & military personnel to be fired or refuse to serve is unprecedented."
- Slotkin: "I urge Israeli leaders, including Prime Minister Netanyahu, to listen to the overwhelming public opposition to these planned changes. Continuing on the current track is unsustainable, as the events of this weekend have made clear."

Summit for Democracy

The White House will begin its second virtual 'Summit for Democracy' today to be co-hosted by President Biden, President Yoon Suk-yeol of South Korea, Prime Minister Mark Rutte of the Netherlands, President Hakainde Hichilema of Zambia, and President Rodrigo Chaves Robles of Costa Rica.

- Some analysts have derided the summit's lofty ambitions and inconsistent list of invitees. Responsible Statecraft writes: "That brings us back to the question of what purpose this summit serves. If it is intended to "bolster" democratic norms and practices and stave off backsliding, it is not working very well... Given all these pitfalls, another democracy summit doesn't seem to be worth the headaches that it will likely create for Washington."

There are 121 leaders on the invite list for the three-day event. Invitations were not extended to Hungarian Prime Minister Viktor Orban or Turkish President Recep Erdogan but Israeli Prime Minister Benjamin Netanyahu and Indian Prime Minister Narendra Modi remain on the list of invitees despite significant highly publicised democratic backslides in recent months.

- The Washington Post writes: "Netanyahu has already recorded a video message for Biden's democracy summit and submitted it to U.S. officials in Washington... The Biden administration has given no indication that it plans to rescind Netanyahu's speaking opportunity at the summit, though some liberal supporters of Israel say providing a platform for Netanyahu under the current circumstances is at odds with the mission of the summit."

The primary focus of the event may be to firm up support for coordinated moves to constrain China, especially considering the joint hosting honours provided to key allies South Korea and the Netherlands.

- Politico writes on the changing views in Europe since last year's summit: "How things have changed: Europe is waking up to the security threat identified by Washington. Earlier this month, the Dutch government buckled to U.S. pressure and said that it would impose export restrictions on key machinery for microchip making destined for China. Several EU countries are also instructing their officials to stay off TikTok."

Some of the events on the schedule today include: ([Full Schedule](#))

- “A Just and Lasting Peace in Ukraine,” which will be chaired by US Secretary of State Antony Blinken and feature remarks from Ukrainian President Volodymyr Zelensky
- “The Complex Path to Achieving Democratic Dividends”
- “Anti-Corruption as a Cornerstone of a Fair, Accountable, and Democratic Economy”
- “The 2023 Forum on Business and Democracy”

Japan

Japan and the United States reached a deal late yesterday on trade in critical minerals and to reinforce supply chains in a sector dominated by China.

- United State Trade Rep Katherine Tai said in a statement: “This announcement is proof of President Biden’s commitment to building resilient and secure supply chains... This is a welcome moment as the United States continues to work with our allies and partners to strengthen supply chains for critical minerals, including through the Inflation Reduction Act.”
- The agreement may significant diffuse tensions between Washington and Tokyo over the the US Inflation Reduction Act which Euractiv reports, “...stipulates that 40% of critical minerals in an eligible EV battery needs to be extracted from, or processed in, countries that have free-trade agreements with America. This figure is set to rise to 80% in 2027 and the rule would have excluded the European Union and Japan – drawing concern from both parties.”

According to a factsheet issued by the USTR, the agreement includes the following commitments:

- “Refrain from imposing export duties on critical minerals exported to the other country;
- “Consult on domestic measures to address non-market policies and practices of non-Parties affecting trade in critical minerals and on issues relating to global critical minerals supply chains;
- “Identify opportunities to build their respective capacities, and that of other countries or regions whose producers supply their markets, to implement high labor standards;
- “At least once within two years of the Agreement entering into force, and every two years afterwards, the United States and Japan will review their respective capacities to extract and process critical minerals to decide whether it is appropriate to terminate or amend the Agreement.”

Russia

Biden Administration officials continue to downplay the significance of Russian President Vladimir Putin’s plans to station tactical nuclear weapons in Belarus.

- White House press secretary Karine Jean-Pierre told reporters that the US had not seen “any indications” the Russia intends to use nuclear weapons.
- Jean-Pierre: “We remain committed to the collective defense of the NATO alliance but we have not seen any reason, right now, to change or adjust our posture.”

Defense Production Act

President Joe Biden yesterday invoked the 1950 Defense Production Act to boost the domestic production of printed circuit boards and associated products deemed "essential to national defense."

- Biden said in a statement: "Ensuring a robust, resilient, and sustainable domestic industrial base is essential for the national defense."
- Biden: "I hereby determine... that printed circuit boards and advanced packaging, their components, and the manufacturing systems that produce such systems and components are industrial resources, materials, or critical technology items essential to national defense."
- Biden claimed that "...without Presidential action," US industry "cannot reasonably be expected to provide the capability for the needed industrial resource, material, or critical technology item in a timely manner," arguing that invoking the DPA is, "the most cost-effective, expedient, and practical alternative method for meeting the need."

Democrat News

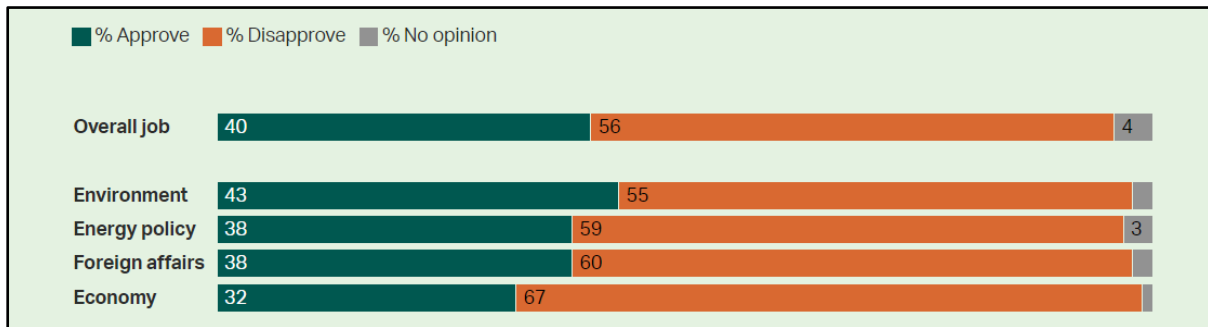
Gallup has published new survey data suggesting that President Biden continues to suffer poor approval in his handling of the economy, foreign policy, and energy policy.

- The report comes as the White House confirms that President Biden will veto the GOP's energy legislation package, HR1, in the unlikely event it passes both chambers of Congress.
- White House Press Secretary Karine Jean-Pierre told reporters yesterday that HR1 would "drive energy cost up for middle class families, pad the pockets of big oil companies, and endanger the health and safety of all Americans."
- Jean-Pierre continued: "HR1 would double the cost of energy efficiency upgrades that families need to reduce household bills and repeal key provisions of the Inflation Reduction Act to cut energy costs and boost economic development."

Gallup notes that Biden's approval on climate has also sunk since the firm polled opinion on the issue last year. The report suggests that, although voters were initially encouraged by the Inflation Reduction Act, the implementation and messaging on the legislation has failed to convince voters.

- Gallup's, "previous measure of Biden's handling of the environment was in August and reflected greater positivity, which was likely a result of the passage of his legislation targeting climate change. Now, more than six months later, even as some of the provisions from the Inflation Reduction Act aimed at clean energy have begun, his rating on the environment is down and his rating on energy policy remains low."

Figure 1: President Biden Job Approval by Issue



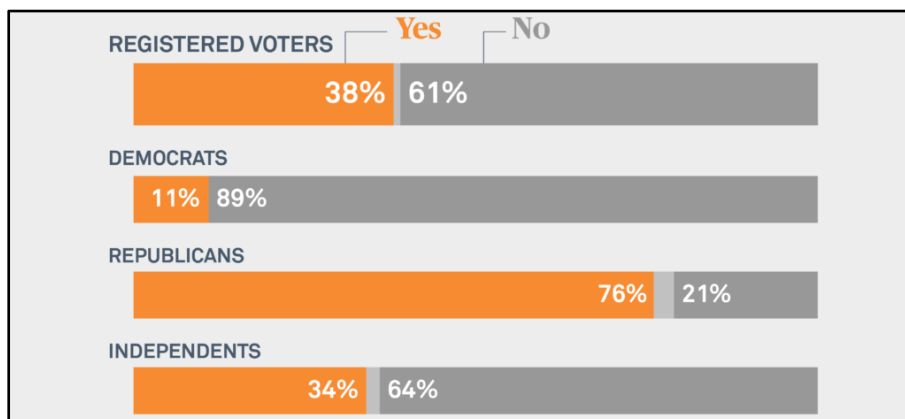
Source: Gallup

Republican News

PBS has published a report suggesting that former President Donald Trump's legal troubles have done little to dent support amongst his core base.

- PBS: "...scandals appear to have done little to tarnish Trump's appeal among potential Republican voters as he runs for the White House again. About three-quarters of Republicans say they want him to be reelected, and a similar percentage give no credence to the ongoing probes."
- Amy Walter of the Cook Political Report told PBS that while headlines about Trump's legal troubles may refresh the loyalty of his most ardent supporters, Walter cautioned that Trump's investigations could "alienate the swing voters you'd need to win a general election." Furthermore, she said, this series of unprecedented investigations could be self-defeating "if the weight becomes so heavy it actually does push Republicans away from him."

Figure 2: Do You Want Donald Trump to be President Again?



Source: PBS, NPR, Marist

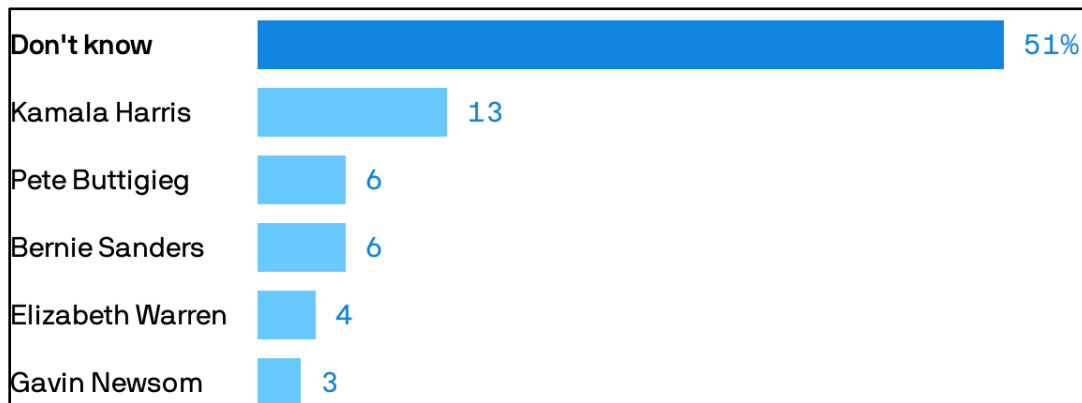
Poll of the Day

Axios has reported that, despite a general malaise amongst Democrat voters on a second Biden presidential term, there is still no credible alternative to a Biden 2024 bid.

- According to a new Monmouth poll, cited by Axios, "74% of Democratic-leaning voters have a favorable opinion of Biden, but just 25% want him to run in 2024."

- Axios: "The intrigue: 51% said they "don't know" who they'd support in his absence. The only Democrat who registered above single digits was Vice President Kamala Harris, with 13%."

Figure 3: Who Would Democrats Support if Biden Doesn't Run



Source: Axios/Monmouth University Polling

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