

MNI POLITICAL RISK ANALYSIS - US Daily Brief 29-03-23

By Adam Burrowes

The White House

08:30 ET 13:30 BST	President Biden receives his Daily Briefing
11:20 ET 16:20 BST	President Biden hosts the Summit for Democracy Virtual Plenary
13:00 ET 18:00 BST	Press Briefing by Press Secretary Karine Jean-Pierre
14:45 ET 19:45 BST	President Biden holds a bilateral meeting with President Alberto Fernández of Argentina
17:00 ET 22:00 BST	President Biden hosts a reception for Greek Independence Day

Elections Countdown:

- ❖ 2024 Presidential Election: 586 days

Debt Limit

The White House and House Republicans traded accusations of obstructing debt limit negotiations yesterday after House Speaker Kevin McCarthy (R-CA) penned a letter to President Biden accusing him of going AWOL on negotiations.

- The White House position remains the same as it has for the past few months: There will be no negotiations with House Republicans until they present a Fiscal Year 2024 budget proposal with a clear outline of their spending priorities.
- Senate Majority Leader Chuck Schumer (D-NY) told reporters yesterday: "The reason he doesn't want to [release a budget], in my judgment, my humble judgment, is because he can't get 218 votes for any plan."

White House Press Secretary Karine Jean-Pierre said that Biden is open to discussing the "nation's fiscal future," but not as a condition of raising the debt limit. "It's time for Republicans to stop playing games, pass a clean debt ceiling bill, and quit threatening our economic recovery."

- Biden, speaking to a crowd in North Carolina yesterday, chose to address a budget proposal from the House Freedom Caucus rather than McCarthy's letter, saying that, "they're putting our economy in jeopardy by threatening to refuse to pay America's bills."
- Biden said the HFC budget, which hasn't been approved by Speaker McCarthy or the majority of the House GOP, "would mean ceding the future of innovation and

technology to China. I've got news for you and for MAGA Republicans in Congress: not on my watch. We're not going to let them undo all the progress we made."

Axios reports that the ideological diversity of the House Republican caucus is likely to complicate McCarthy's prospects to producing a budget deemed acceptable by enough of his reps to pass a House vote.

- Axios writes that McCarthy's, "accommodating leadership style and narrow majority — along with the concessions he made to become speaker — have empowered rank-and-file lawmakers to try to exert new influence.
- "But the splintering efforts threaten to make it even more difficult for McCarthy to unite the conference and wield leverage against the White House — both on spending cuts and the debt ceiling."

House Financial Services Chair Patrick McHenry (R-NC) told Punchbowl News yesterday that he was concerned that there was no path to a deal: "I've never been more pessimistic about where we stand with the debt ceiling."

- Rep. Kevin Hern (R-OK), chair of the powerful Republican Study Committee, said group plans to release its alternative proposal sometime in mid-April.

Silicon Valley Bank

The Washington Post has reported that the White House is, "preparing to call for federal banking regulators to impose new rules on midsize banks" to prevent bank emergencies similar to that of Silicon Valley Bank.

- According to WaPo sources, the White House appears unlikely to call on Congress to reverse the 2018 bipartisan deregulation law which some lawmakers have argued contributed to the collapse of SVB.
- WaPo: "The exact details of the White House's recommendations are not clear, but they will try to reestablish rules for banks with between \$100 billion and \$250 billion that were deregulated by Congress and the Fed during the Trump administration..."
- According to the sources, measures may include imposing higher capital requirements on banks, requiring banks to maintain greater cash reserves, requiring more frequent stress tests from federal regulators, and mandating plans for an "orderly dissolution in the event of a crisis."
- Todd Phillips, at the Roosevelt Institute and formerly an attorney at the FDIC, said: "The White House can't tell [Congress] what to do, but they can ask very nicely. Silicon Valley was not going to be stress-tested until 2024 under the Fed's tailoring provisions — that's just insane for a bank of its size."

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 Budget Hearing – Fiscal State of the Union
- 10:00 ET 15:00 BST: HOUSE Foreign Affairs Meeting: Oversight, Transparency, and Accountability of Ukraine Assistance
- 10:00 ET 15:00 BST: HOUSE Appropriations Hearing Budget Hearing – Fiscal Year 2024 Request for the Department of the Treasury International Programs
- 10:00 ET 15:00 BST: HOUSE Armed Services Meeting: Fiscal Year 2024 Defense Budget Request
- 10:00 ET 15:00 BST: SENATE Budget Meeting: Hearings to examine the cost of oil dependence in a low-carbon world.
- 14:30 ET 19:30 BST: HOUSE Appropriations Meeting: Budget Hearing - Fiscal Year 2024 Request for the U.S. Securities and Exchange Commission

Note: Treasury Secretary Janet Yellen to testify to House Appropriations Committee on Biden's FY24 budget at 10:00 ET 15:00 BST.

Israel

President Biden indicated to reporters yesterday, during his trip to North Carolina, that he is not convinced by a pause on Prime Minister Benjamin Netanyahu's judicial reform plan.

- Biden: "Like many strong supporters of Israel I'm very concerned. I'm concerned that they get this straight. They cannot continue down this road. I've sort of made that clear. Hopefully the prime minister will act in a way that he will try to work out some genuine compromise, but that remains to be seen."

Netanyahu responded by saying, "Israel is an independent country that takes decisions based on the will of its citizens and not based on external pressure, including from our best friends."

- Speaking this morning at the US-organised 'Summit for Democracy', Netanyahu said that, "the alliance between the world's greatest democracy and a strong, proud and independent democracy, Israel, in the Middle East, is unshakable. Nothing can change that."

The White House rolled back remarks from US Ambassador to Israel, Tom Nides, who suggested earlier on Tuesday that Netanyahu would likely be invited for a White House visit sometime after Passover.

- White House Principal Deputy Press Secretary Olivia Dalton told reporters: "There's no plans for Prime Minister Netanyahu to visit Washington. Israeli leaders have a long history, tradition of visiting Washington, and Prime Minister Netanyahu will likely take a visit at some point, but there's nothing currently planned."

The Jerusalem Post reported yesterday that Florida Governor Ron DeSantis (R-FL) will make his second trip to Israel in April, shortly before he is expected to announce his candidacy for the presidency.

- According to the Jerusalem Post, DeSantis, "will deliver the keynote address before a crowd of 400 participants, including around 120 US Jewish philanthropists," at an event hosted by the Museum of Tolerance on April 27.
- Jerusalem Post notes: "The governor will speak about the importance of the US-Israel relationship, especially in difficult times."

- DeSantis, who has called himself the most “pro-Israel governor in America,” said: “A few months after my inauguration for my first term as governor of Florida, I traveled to Israel for a state visit with the largest ever trade delegation from the sunshine state to the Jewish state.
- “Since that time, we have strengthened the relationship between Florida and Israel... At a time of unnecessarily strained relations between Jerusalem and Washington, Florida serves as a bridge between the American and Israeli people.”

Energy Security

Energy Secretary Jennifer Granholm has told Reuters that the Department of Energy expects to begin replenishing the Strategic Petroleum Reserve late this year.

- Granholm said: “We will begin that process this year but to refill the full amount is impossible to do in one year.”
- Last week, Granholm told a House of Representatives hearing that the DoE would struggle to take advantage of current low oil prices and oil purchases have been complicated by a Congressionally mandated SPR sale of 26million barrels and operational problems at two of the four SPR sites.

Summit for Democracy

President Biden and Republic of Korea President Yoon Seok-youl have issued a joint statement affirming “deep bonds” and announcing that ROK will host a third Summit for Democracy next year.

- Statement: “The Republic of Korea’s democratic institutions are a beacon of strength in the Indo-Pacific and demonstrate to the world that democracy fosters the conditions needed to cultivate continued security and prosperity.”
- President Yoon has emerged as a key partner for the US in the Indo-Pacific but despite efforts by from the Biden administration to boost his international profile, the South Korean leader remains deeply unpopular amongst South Korean voters, presenting a headache US plans to push Yoon to resolve tensions with Japan and take a greater role in international diplomacy.

Figure 1: President Yoon Approval Rating (Green Positive, Red Negative)



Source: Morning Consult

Trade

Rep Richard Neal (D-MA) and Senator Ron Wyden (D-OR) issued a statement yesterday opposing Monday's trade deal with Japan on critical minerals and supply chains, calling it "unacceptable."

- According to the New York Times, Neal and Wyden, the two most powerful Democrats in Congress on trade issues, criticised the deal, "saying that it should have been made available to Congress and the public for review..."

- Statement: “Agreements should be developed transparently and made available to the public for meaningful review well before signing not after the ink is already dry.”

Monday’s trade deal provides Japanese firms a workaround to allow access to Inflation Reduction Act incentives despite not having a free-trade agreement with the US, a condition of the IRA.

- NYT: “...because the Inflation Reduction Act does not technically define what constitutes a free-trade agreement, U.S. officials have found what they believe to be a workaround. They are arguing that countries will be able to meet the requirement by signing a more limited trade deal instead.”

Russia

The US yesterday announced that it would cease biannual nuclear data sharing with Russia following Moscow’s suspension of participation in the New START treaty.

- State Department Principal Deputy Spokesperson Vedant Patel told reporters yesterday: “...under the New START Treaty, the U.S. and Russia, as you know, are obligated to exchange comprehensive databases twice a year. We offered to continue reciprocal implementation of this obligation. Unfortunately, Russia informed the U.S. that it will not engage in this data exchange due to its purported suspension of this treaty.”
- Patel declined to be drawn of the ramifications of such a move, saying, “Russia’s decision to not exchange in this – take part in this data exchange is another example of the dangerous and reckless actions it’s taking as it relates to its responsibilities to New START.”

President Biden told reporters in North Carolina yesterday that although Russia hasn’t yet followed through on a threat to move tactical nuclear weapons to Belarus he is “concerned” about it.

- Biden: “Sure I’m concerned about it... What I’ve talking to you guys about for the last year: This is dangerous kind of talk [Putin] uses, and it’s worrisome.”

Republican News

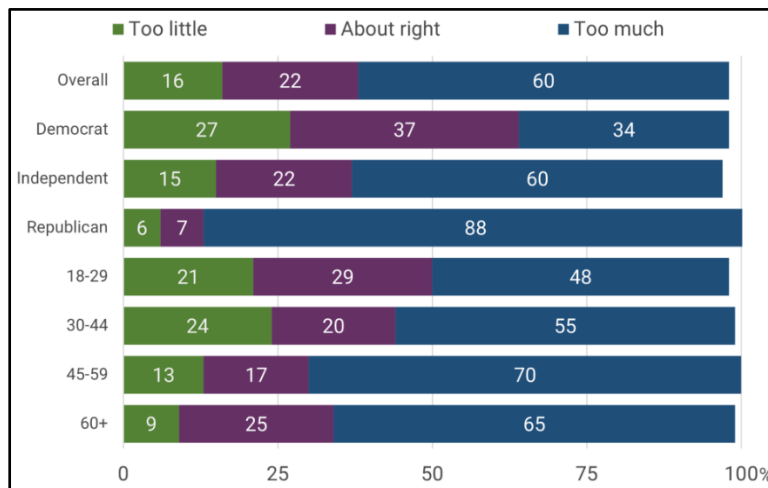
A federal judge presiding over a Department of Justice investigation into the former President Donald Trump’s alleged attempts to overturn the 2020 presidential election result ruled yesterday that Trump’s former Vice President Mike Pence was not protected by executive privilege from providing testimony.

- Politico: “Chief U.S. District Judge James Boasberg agreed that Pence does enjoy a degree of immunity from testifying due to his role as president of the Senate on Jan. 6,” and “It was not immediately clear whether Boasberg’s ruling, which remains under seal, is broad enough to satisfy Pence’s public resistance to the subpoena — issued by special counsel Jack Smith.”
- Axios: “Pence could be the most important witness in special counsel Jack Smith’s investigation, given the public and private pressure Trump exerted on his vice president both before and during the Jan. 6 insurrection.”

Poll of the Day

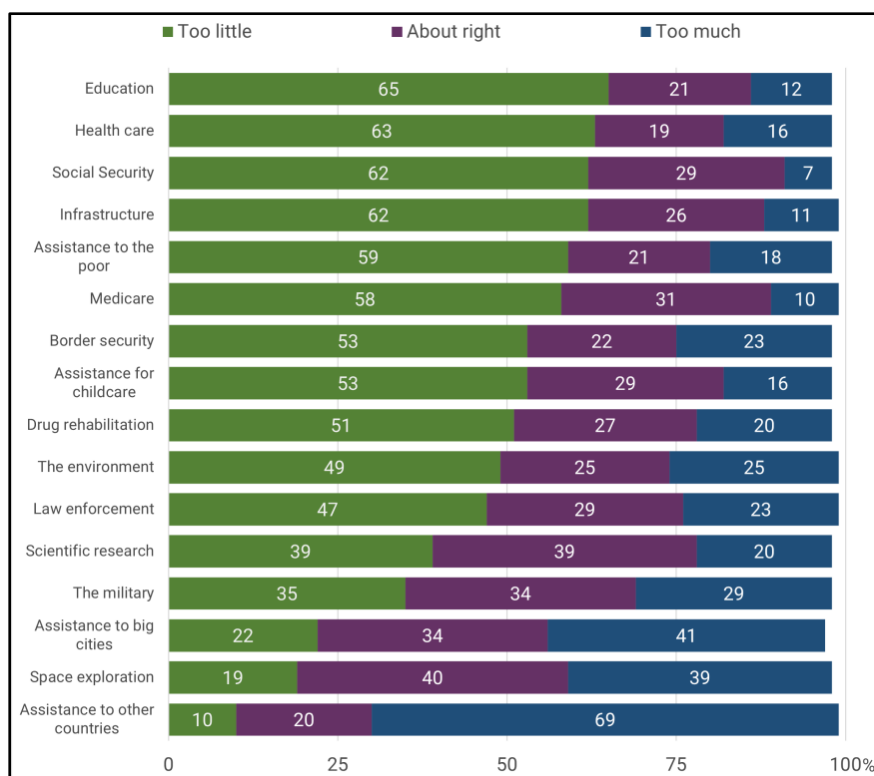
A new survey from the Associated Press has revealed that 60% of US adults believe the government is overspending. The same survey, however, finds that US adults believe the government is underspending in most key policy areas. The reports shows the breadth of the problem facing lawmakers of both parties as they struggle to agree on the fundamentals of a fiscal year 2024 budget.

Figure 2: Percentage of US Adults Who Believe the Government is Overspending



Source: AP/NORC

Figure 3: Views on Government Spending in Key Policy Areas



Source: AP/NORC

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