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THIS WEEK IN WASHINGTON

Week of July 24, 2017



This Week in Washington

Thanks as always for your interest in Washington, D.C. and for reading *This Week in Washington*.

The key story this week of course was unfortunately Senator John McCain's illness. The announcement impacted everyone in Washington, D.C. – but it hit especially hard his colleagues, current and former staff, and friends from both sides of the aisle. [Steve Gordon](#) was a consultant to his campaign committee during the 1990's, and wrote about his thoughts and reflections in *Heard on The Hill*.

The healthcare agenda was center stage, and will continue to be for the next few weeks. [Steve](#) also summarizes where Congress is on repealing Obamacare, tax reform, the debt ceiling, the budget, and infrastructure. [Larry Smith](#) brings us up to date on activities in the NAFTA/Trade area. Dana Marston provides this week's legislative calendar, as well as a look at the multiple GOP health care proposals, the coming debt limit, President Trump's executive orders to date, and US-owned and operated satellites.

The House is expected to recess on or around July 28th. The Senate is still planning to stay in session through the first two weeks of August. We'll continue reporting this week and every week Congress is in session.

We always appreciate your comments and suggestions for future editions of *This Week*.

Heard on the Hill

By [Steve Gordon](#), Managing Director, Total Spectrum

ICYMI: Arizona Issues in the News

[Donald Trump's first 6 months: McCain, Flake helped shape early agenda](#)

[Walgreens Plans Operations Center to Chandler Arizona](#)

[Days after brain cancer diagnosis, McCain speaks out on Senate floor](#)

[Arizona Specialty License Plate Sales Keep Helping Charities](#)

All of President Trump's Executive Orders and Memoranda

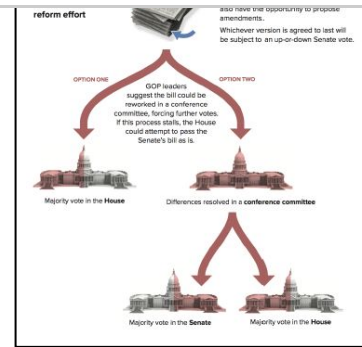
Click on the image below for summary of Trump's executive orders and memoranda.



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On the Calendar This Week (All Times ET)

COMMITTEE HEARINGS AND MARKUPS

Tuesday

8:30 a.m.
Senate Agriculture hearing on commodities, credit and crop insurance.

10 a.m.
House Energy and Commerce subcommittee hearing on a draft bill that would reauthorize the Federal Communications Commission. All three FCC commissioners, **Ajit Pai**, **Mike O'Rielly**, and **Mignon Clyburn**, will testify.

10 a.m.
House Judiciary subcommittee hearing on H.R. 2887, which would block states from imposing sales tax collection requirements on retailers that don't have a physical presence in the state.

10 a.m.
House Ways and Means subcommittee hearing on record retention at the IRS.

10 a.m.
Senate Environment subcommittee hearing on clean energy technology.

11 a.m.
Senate Appropriations Transportation-HUD Subcommittee markup of the panel's fiscal 2018 spending bill.

2:30 p.m.
Senate Appropriations Commerce-Justice-Science Subcommittee markup of the panel's fiscal 2018 spending bill.

Wednesday

10 a.m.
House Agriculture hearing on reworking NAFTA.

10 a.m.
House Foreign Affairs hearing on U.S. cyber diplomacy. **Christopher**



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testify.

10 a.m.
House Oversight hearing on reauthorizing the Office of National Drug Control Policy.

10 a.m.
Senate Appropriations subcommittee hearing on the Treasury Department's fiscal 2018 budget.

10 a.m.
Senate Judiciary hearing on foreign influence in U.S. elections. **Donald Trump Jr.** and former Trump campaign chairman **Paul Manafort** are on the witness list.

10 a.m.
Senate Homeland Security markup of more than a dozen bills.

Thursday

9:30 a.m.
Senate Agriculture subcommittee confirmation hearing on three nominations: **Rostin Behnam, Brian Quintenz** and **Dawn Stump** to be CFTC commissioners.

10 a.m.
Senate Banking confirmation hearing on two nominations: **Randal Quarles** to be Federal Reserve vice chair of supervision and **Joseph Otting** to be comptroller of the currency.

10:30 a.m.
Senate Appropriations markup of the fiscal 2018 Commerce-Justice-Science, Transportation-HUD and Legislative Branch spending bills.

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Heard on the Hill, continued.

I had my own thoughts Wednesday night. I remembered marveling throughout the years at the loyalty that Senator McCain's staff has for him, and the loyalty that he returned. He often refers to his organization as 'Hotel California', where you can come in but you can never leave. Then I thought about his ability to forget the past and move into the future. Senator McCain fought for normalization of relations with Vietnam after spending 5½ years in the Hanoi Hilton, and he became friends in the late 1980's with an outspoken critic of the Vietnam War – and many years later Senator McCain spoke at his funeral.

My third thought was his passion for principles – and his respect for both the process and his colleagues.

Mitch McConnell was elected to the U.S. Senate in 1984. John McCain was elected to the Senate in 1986. Senators McConnell and McCain are two uniquely different people. They developed a good working relationship in the late 1980's, but their friendship shattered big time in the 1990's over campaign finance reform. Senator McConnell recalled the bitterness of his battle several weeks ago for a few of us, but smiled when he said that they have made up and they are now wonderful friends.

That's the essence of John McCain. Loyal. Totally comfortable in his own skin. A strong advocate. Worthy of the respect he's receiving. *A Motion to Proceed to Health Care – and Senator McCain's Return to the Senate* The Majority Leader's challenge was clear. He had to get 50 votes from the 52-member Republican Majority just to pass a motion to proceed. Senators Collins and Murkowski were solid no's, so he had to run the table with yes votes from Senators Lee, Portman, Paul, Capito, Heller, Johnson, Moran, and McCain. Senator Johnson was the 49th vote after a conversation on the Senate Floor with the Majority Leader, and Senator McCain was the 50th vote to proceed. The Vice President, serving in his role as the President of the Senate, broke the tie.

Health Care

Tuesday evening the Republican Senate plan to repeal and replace went down to defeat. Nine Republican Senators voted against the bill. Both Senator McCain and Flake voted for the Republican plan. The straight repeal measure will be up for a vote on Wednesday afternoon or evening – and it will also be defeated. The Majority Leader's goal is now to pass a 'skinny' bill that would remove the mandates and the medical device tax from Obamacare. The goal is to pass just about anything that would keep the process going, and then write a new bill as part of the conferencing process with the House of Representatives.

Canada has been a little coy in terms of its strategy going into the August 16th talks and has the luxury of waiting for Mexico to deal with the trade deficit issue since Canada only has a \$11 billion deficit with the U.S. while Mexico's is in the neighborhood of \$63 billion.

The U.S. auto industry has a lot riding on these talks since the movement of auto parts between the three countries is huge. The supply chain is so intertwined that even just a slight adjustment one way or other could cause a major disruption to the car industry.

In addition to looking to narrow the existing trade deficit, the U.S. appears to be focusing on issues currently outside the existing agreement, namely digital trade. The House Digital Trade Caucus is pressuring the Administration to make this a priority and every report indicates this will be the case.

Making the Rounds

In our last report we mentioned that Assistant Trade Representative Barbara Weisel was in Manila seeking bilateral trade opportunities with the Philippines. This week she is in Kuala Lumpur, Malaysia seeking to strengthen trade ties in order to promote "free, fair and balanced trade." It appears that the U.S. has begun a full court press with Asian countries given the withdrawal from the Trans-Pacific Partnership (TPP).

U. S. – China Comprehensive Economic Dialogue

In a word, it didn't go as planned. The end-of-session press conferences were cancelled. The U.S. issued a rather bland statement of the importance of talking to China as a trading partner. China's statement was far more positive, but that was more for its domestic home consumption since the 19th Party Congress convenes in the fall and they are doing everything possible not to rock the boat before the party elections.

There was an all-star cast of leaders present for the Dialogue. The U. S. was represented by Commerce Secretary Wilbur Ross, U. S. Trade Representative Robert Lighthizer, White House Chief Economic Advisor Gary Cohn, and Senior White House Advisor Jared Kushner. The Chinese delegation was led by Vice Premier Wang Yang.

Steel is the issue which brought the talks to a dead halt. The U.S. wanted China to curb its steel exports and China basically said the issue was a nonstarter. Unspoken, of course, is the fact that China can't be seen as capitulating to the U.S. on a key issue prior to the start of the Party Congress. There are too many unknowns as to who will be elected to which posts. The only given is that President Xi will be re-elected to another five year term.



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that the budget will probably not be voted in before the beginning of the August recess, and will have to wait until they return after Labor Day. The budget for Fiscal Year 2018 is critical because it's the hook for tax reform using reconciliation.

Tax Reform

The goal is for the Senate, the House, and the White House to prepare one bill for consideration after Labor Day. I've been told by members of the Ways and Means Committee that the parties (called the gang of 6) are 80% in agreement on the components of the bill. The budget that was passed by the House Budget Committee calls for a revenue neutral tax reform bill, and since the Border Adjustment Tax is dead and waiting for the fitting funeral, the rush is on to find offsets for the reduction in rates.

I'm expecting the Speaker's Office will release this week the principles of the tax reform program.

Democrats think that they'll be needed at the end of the process to pass tax reform, and their request will be for infrastructure funding. There are some people who look at the FAA Reauthorization bill with a tax title as a vehicle if a large tax measure becomes too big a lift. A great deal of work is being done at the staff level, and will continue through August. The White House – especially the office of the National Economic Council --knows that this measure has a *far better chance* of passage if it can be done by the end of December, so the clock is ticking and I expect focused effort on tax reform starting right after Labor Day.

Debt Ceiling

Congress must pass a bill authorizing the raising of the debt ceiling, and the Majority Leader wants the Senate to take up the issue during the first two weeks of August. The White House, especially the Treasury Secretary, wants a clean bill without controversial items. Experience says that a clean bill will be passed in September after a lot of gnashing of teeth with Democratic support.

Infrastructure

Some wanted this agenda item to be taken up first in this new Congress; right now it's no place to be seen. Senate Commerce Chairman Thune continues to hope that infrastructure will be woven into the tax bill. Senator Thune and Senator Chuck Schumer, the Senate Minority Leader, work out at the Senate gym together. It's worthwhile watching.

Trade/NAFTA

Members of the House Digital Trade Caucus wrote a letter to the U.S. Trade Representative urging upcoming NAFTA negotiations to include digital trade issues. A hearing of the Ways and Means Trade Subcommittee was

though our best guess is that it will be sometime after the Party Congress meets and when all the new leaders are in place.

Steel

Speaking of steel, it is anticipated that Commerce Secretary Ross will be forwarding his recommendation on steel given that his department has been reviewing the issue under Section 232 of the Trade Expansion Act. The aluminum industry is pushing hard to be included in his recommendation. Assuming that Ross recommends action, it will be up to President Trump to decide whether quotas or tariffs should be imposed. If either were to happen, many trading partners will be very unhappy and perhaps seek retaliatory action.

Border Adjustment Tax (BAT)

It's over. House Ways and Means Committee Chairman Kevin Brady announced that his committee was exploring funding alternatives to the Border Adjustment Tax (BAT). Brady credited the opponents to BAT in organizing early and doing an effective job fighting the idea. He is moving on to other challenges.



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Democratic member stressed the need to modernize and renegotiate the agreement. Perhaps one of the most interesting moments of the hearing was when Representative Mike Kelly (R-PA) argued that employers and jobs were going overseas because of bad tax policy – not because of trade policies.

Projected Recess

Some members of the House Appropriations Committee were not so quietly pushing the Speaker to keep the House of Representatives in session – but I hear that the House will recess at the end of this week on schedule. The Senate is expected to stay in session for the first two weeks of August.