

Washington in the Post-Election World

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US Elections

Democrats take the House

- **House: A wave...**
- **Dems:** Needed net of 23 for control; got more than 30 with some races still to be decided
- **Big changes in House**
80-100 new Members | Panel chair, ranking members
- **Several just squeaked through**
- **Urban/suburban voters key**

US Elections

Republicans expand majority slightly

- **Senate:** GOP won more seats than pollsters predicted
GOP: 53... if
- **GOP wins:** Ind., Mo., N.D...
Fla. recount
- **Dems** picked up Nevada, Arizona
- Voting against Kavanaugh had impact on Dems
- **Some close wins:** Cruz (R-Tex.), Stabenow (D-Mich.)
- **Nov. 27 runoff in Miss.** between Sen. Cindy Hyde-Smith and former USDA Secretary Mike Espy

US Elections

Democrats make gains in state houses

- **From GOP to DEM:**
 - Wis., Kan., Nev., Ill., Michigan and Min.
- **GOP wins:**
 - Ohio, Fla., Ct., Iowa, S.D.
- **Georgia:** Dem Stacey Abrams trailing Brian Kemp
- GOP had held 33 gov seats, Dems 16, 1 independent

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US Elections

Changes in House Committees

- **Ag: Collin Peterson, Minn.:** Wants farm bill in lame-duck
- **Approps.: Nita Lowey, N.Y.:** Fought repeal of WOTUS
- **Int.-Enviro Approps. Subcmte.:** Betty McCollum, Minn.
Voted against killing WOTUS rule
- **Energy & Commerce: Frank Pallone, N.J.:** Food labeling, bristling on climate change

US Elections

Changes in House Committees

- **Judiciary: Jerry Nadler, N.Y.:** Fought GOP immigration bill
- **Natural Resources: Paul Grijalva, Ariz.:** Defender of ESA and animal rights
- **Rules: Jim McGovern, Mass.:** Food stamps, international food aid
- **Ways & Means: Richard Neal, Mass.:** Opposed original NAFTA, would have opposed TPP

US Elections

Changes in House Committees

- **2/3 of voters said Trump a factor in their voting**
 - Allowed Dems to win control of the House
 - Allowed GOP to expand their majority in the Senate
- **Trump's 11-rally, six-day campaign swing helped Senate**
- **Red states got redder; blue states got bluer**
 - Rural/Urban divide
 - 'Year of the Woman': More than 100 women in House
- **Republicans are more 'Trumpian'**
- **Dems more liberal after losses by moderates**
- **With many Senate Dems considering presidential bids, center of gravity to the left**

Issues Up Now in Washington

Lame-Duck agenda full

- **Funding gov't past Dec. 7... battle over wall funding**
- **Many nominees awaiting Senate confirmation**
USDA Undersec. for Food Safety, General Counsel
- **Farm bill:** Peterson does NOT want to push to 2019
- **Disaster aid**
- **Tax extenders, technical corrections**

What About 2020?

Lame-Duck agenda full

- **Trump has a foil: House Dems/Pelosi**
- **A little easier to get personnel, judiciary, SCOTUS through**
- **GOP Senate slightly more cushion but more seats up in 2020**
- **Odds over 50% House will flip back to GOP after 2020**
- **Who will Dems pick for presidential candidate?**

Post-Election Trump

STYLE *(Disrupter)*

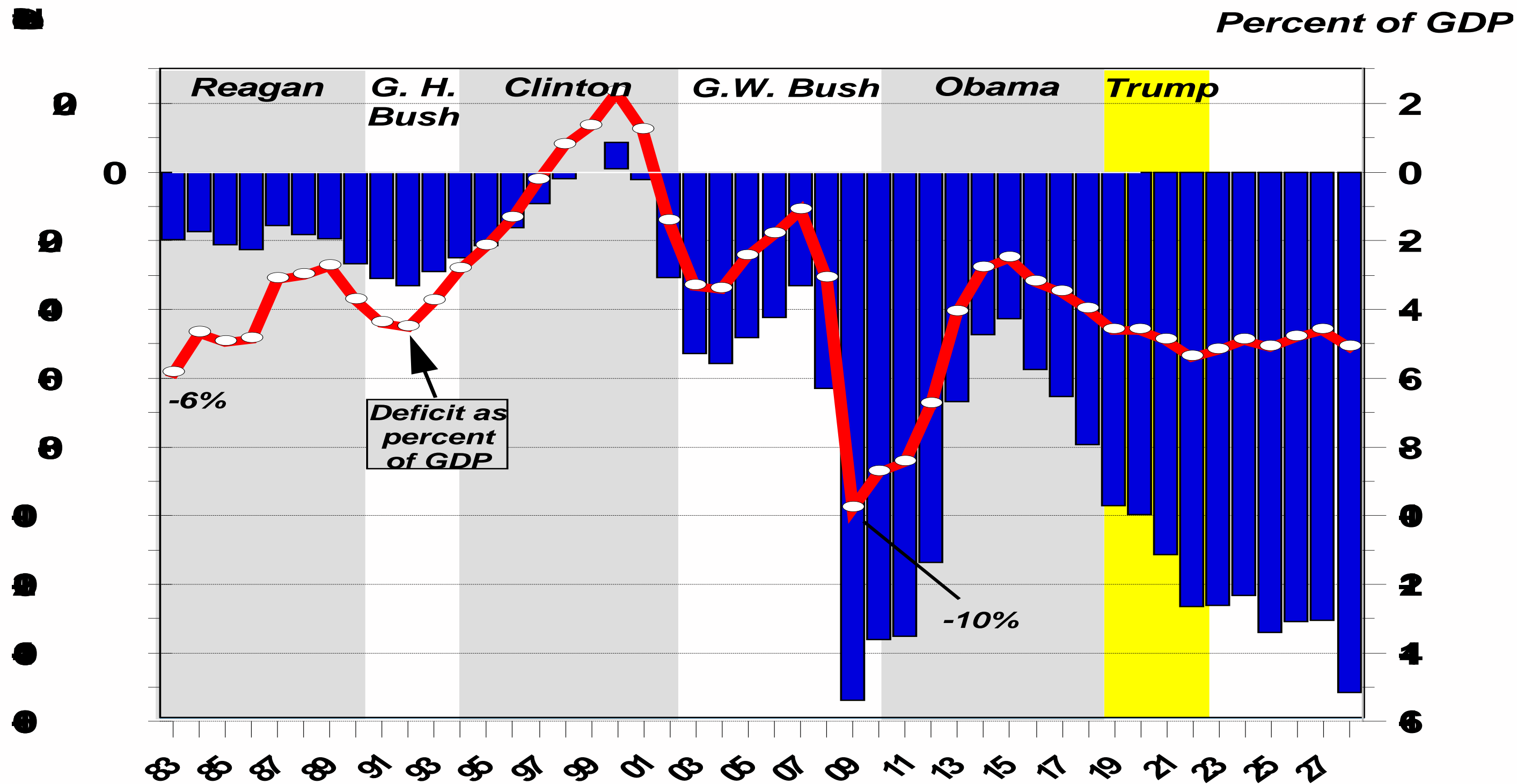
- Proudly politically incorrect
- Intentionally unpredictable
- Media-obsessed
- Speaking direct to public



SUBSTANCE *(Doing what he promised)*

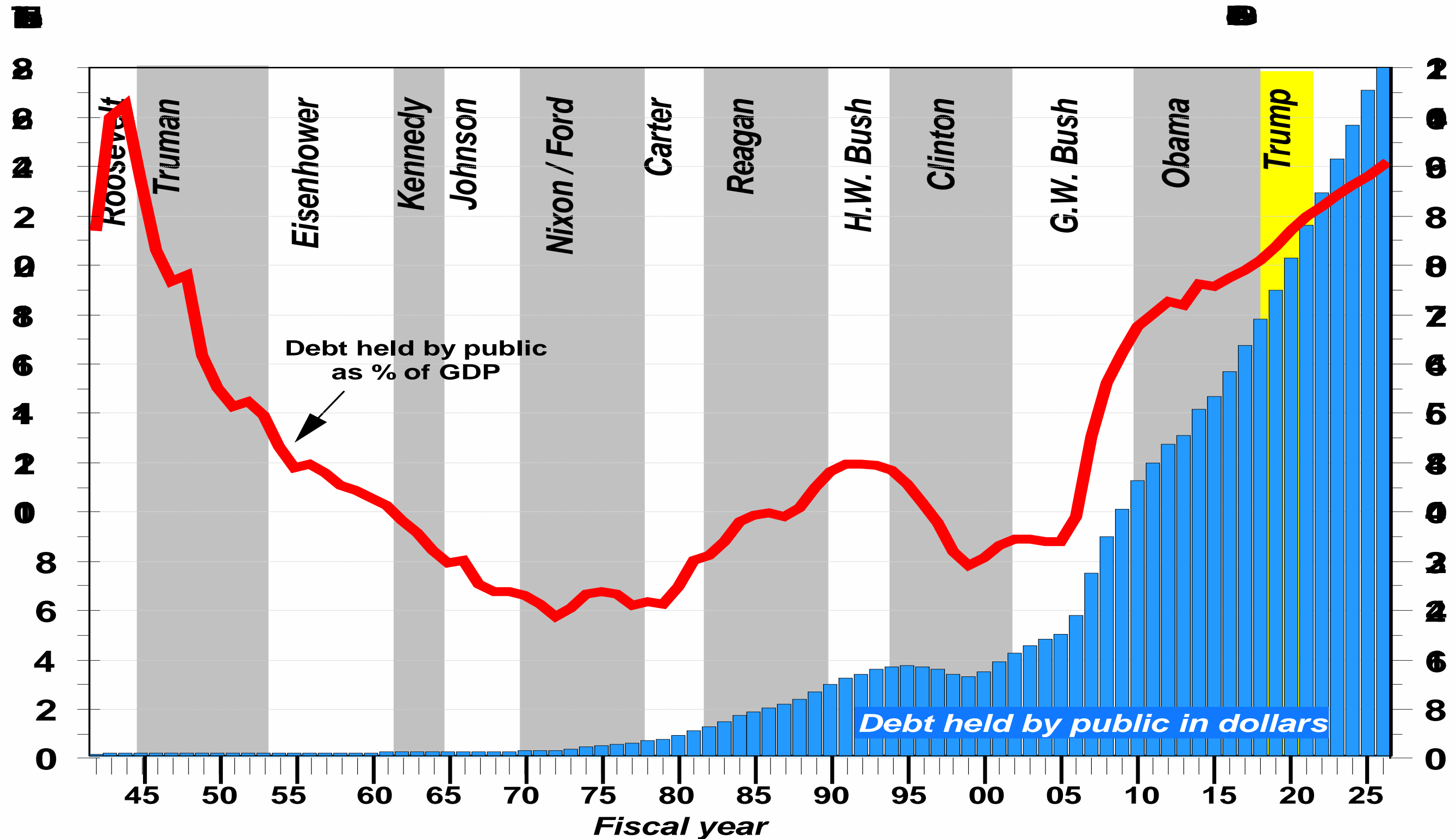
- Remaking global trade
- Controlling immigration
- Health care prices
- Rebuilding infrastructure
- Judiciary/Supreme Court

Deficit Control Abandoned



Source: Congressional Budget Office (April 2018), BEA and Treasury Department

Debt Rising With Current Policies



US Energy Issues

Issues for the future

- **US is less dependent on Saudi Arabia than before...**
US imports about 800,000 barrels of oil per day from Saudis
600,000 barrels fewer per day than a decade ago
- **Saudi Arabia** makes up only about 5% of US supply
- **Trump eager to maintain alliance** as Saudis pledge to produce more oil to offset sanctions on Iranian crude

US Trade Policy

No major election-year impact

WSJ/NBC poll: On trade issues, GOP preferred over DEM by a 17-point margin, up from 8-points in Aug. survey

- **Trump and his trade team: Big differences**
Lighthizer, Navarro, Mills | Mnuchin, Kudlow, Perdue
- **Patience?** Trump likes 'fast' action, except for China
- **Election priority:** Trump says it's immigration, not trade

US Trade Policy

Maximize leverage and then cut a deal

- **Strategy:** Threaten to bolt, then negotiate

Strategy: Use threat of auto sanctions as leverage

Japan: 1.7 mil. car sales in U.S. annually

20% tariff = \$8.5 bil in. manufacturing costs

- **Strategy:** Ease some pain via tariff aid payments

US Trade Policy Impacts

Important trade policy facts & figures

- **For each new job created by metals tariffs, 16 lost**
- **Manufacturers, farmers losing vital foreign markets**
- **U.S. pork exports to China have collapsed**
- **36 mil. U.S. jobs depend on trade**
- **Long-term implications**

Trade Agreement Update

Some agreements reached

- **Canada:** Compromises... Dairy was key for US
- **USMCA:** Will Congress approve in 2019?
- **Metals tariffs:** When will they be lifted?
- **KORUS:** No major changes
- **EU:** Talks begin... big impact if regulations are synced but EU still says no ag talks
- **Japan:** Talks Jan. 2019; Japan wants to 'freeze' ag access

US-China Trade Issues

High-level talks stalled, but...

- **U.S., China talking...** Trump/Xi Nov-Dec in Argentina
China has responded, but...
Trying to divide Trump team... working with
Mnuchin & Kudlow... similar to Pres. Clinton admin.
- **Tit-for-tat tariffs continue...** Trade war... economic war?
- **Will take time for some resolutions, others will linger**



Questions?