This Week In Congress


Next Week In Congress


**Senate** – The Senate will continue its consideration of S. 1790.

**TAX**

House Ways and Means Committee Approves Tax Extender Legislation

Key Points:
- H.R. 3301, H.R. 3300, and H.R. 3299 all passed through the Committee on party line votes.
- Along with extending the expired tax incentives for three years (2018 through 2020), the bills would make the Child Tax Credit fully refundable; expand the earned income tax credit for workers without children; increase funding for the Child Care Development Fund; expand dependent care flexible spending accounts; permanently provide matching funds for the EITC and CTC in Puerto Rico and other U.S. territories; and address fringe benefit UBIT issues for charities.

On Thursday, the House Ways and Means Committee approved a package of tax extenders along party lines. However, divisions

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remain within the Democratic side that puts uncertainty on when the legislation will reach the House Floor. Committee Chairman Neal (D-MA) said it will be up to House Speaker Pelosi (D-CA) and Majority Leader Hoyer (D-MD) as to when the full House will consider the bills.

The Committee marked up tax extender legislation (H.R. 3301) and also considered bills to expand the earned income tax credit (EITC) and make the child tax credit fully refundable (H.R. 3300), and to allow same-sex married couples to amend their filing status for income tax returns outside the statute of limitations (H.R. 3299). H.R. 3301 would extend more than three dozen tax provisions that expired in 2017 and 2018. The bill would add $4.9 billion to the deficit and would be offset by ending the Tax Cuts and Jobs Act’s (TCJA) higher estate tax exemption in 2022 rather than 2025. According to the Joint Committee on Taxation (JCT), the estate tax provision would increase revenue by $37.5 billion between 2019 and 2029. A section-by-section summary of H.R. 3300 can be found here.

While Democrats unanimously supported the tax extender legislation, some Democratic Members voiced their concern with the bill that would extend the EITC and make the child tax credit fully refundable for 2019 and 2020 because it is not offset. Chairman Neal said Democrats will come up with a “sensible” solution for how to pay for the provisions. The score of the EITC and Child Credit expansion bill is significant (about $130B/10 years) and not offset, but the House rules requiring Pay-Go may mean an offset like a corporate rate increase is added at the Rules Committee.

Of note, only the Tax Extenders bill has an offset, and according to the JCT, the extensions lose $33.190B/10 years, while the estate tax offset raises $37.561B/10 years and the Disaster Relief provisions cost an additional $9.265B/10 years. There is a net revenue loss of $4.894B/10 years, though Congress has in the past treated disaster relief as an emergency and not offset it.

Congress has also chosen not to offset extenders on the view that it is current policy, however the House Democrats adopted a Pay-Go rule that requires offsets for tax revenue losses (tax cuts).

As introduced, the score for the Economic Mobility Act of 2019 is a revenue loss of $102.549B/10 years, and there is no offset in the bill currently. An amendment offered by Chairman Neal to increase the child credit amount, which was adopted during the markup, raised the cost by almost $30B. It is always possible an offset (such as raising the corporate rate by one percentage point) is added later in the process such as when the bill goes to the Rules Committee.

Finally, the score of the PRIDE Act of 2019 is a revenue loss of $57M/10 years, and there is no offset.

**Tax Extenders**

JCX-30-19: Description of H.R. 3301, the “Taxpayer Certainty and Disaster Tax Relief Act of 2019”

Office of Management and Budget Begins Review of Proposed Regulations

On Monday, the Office of Management and Budget’s (OMB) Office of Information and Regulatory Affairs received proposed regulations under section 451(b), which is the Tax Cuts and Jobs Act’s (TCJA) new rule that requires taxpayers on the accrual method of accounting to recognize income for tax purposes no later than for book purposes.

Upcoming Hearings and Meetings

June 25

**SALT Deduction:** On June 25, the House Ways and Means Committee’s Select Revenue Measures Subcommittee will hold a hearing entitled: “How Recent Limitations to the SALT Deduction Harm Communities, Schools, First Responders, and Housing Values.” The hearing will take place at 10:00 AM in room 1100 of the Longworth House Office Building.

**SALT:** On June 25, the House Ways and Means Committee’s Select Revenue Measures Subcommittee will hold a hearing entitled: “Members’ Day Hearing Focused on the Recent Changes Made to the Federal Tax Treatment of State and Local Taxes.” The hearing will take place at 2:00 PM in room 1100 of the Longworth House Office Building.

**Tax Treaties:** On June 25, the Senate Foreign Relations Committee will hold a hearing to consider four tax protocols (Japan, Luxembourg, Spain, and Switzerland).

For more information about tax issues you may email or call Christopher Hatcher at 202-659-8201. Henry Homans contributed to this section.
FINANCIAL SERVICES

House Financial Services Committee Legislation to Reauthorize the Export-Import Bank

Key Points:
- Bipartisan legislation would extend the authorization for the Ex-Im Bank for seven years.
- The House Financial Services Committee may mark up the bill as early as June 26.

This week, House Financial Services Committee Chairwoman Maxine Waters (D-CA) and Ranking Member Patrick McHenry (R-NC) reached an agreement to reauthorize the Export-Import (Ex-Im) Bank. Key provisions of the agreement include:
- Reauthorization of the program for seven years;
- Renaming it the United States Export Finance Agency;
- Raising the portfolio cap to $175 billion from $135 billion;
- Implementing restrictions on financing for certain aviation vehicles that have not been certified as airworthy;
- Implementing restrictions on financing for Chinese state-owned enterprises;
- Include environmental provisions;
- Making permanent the private reinsurance pilot program; and
- Rewriting the quorum rules.

The House Financial Services Committee may consider the agreement at a markup on June 26.

Senate Approves SEC, Treasury, OFR, HUD Nominees

Key Point:
- The Senate confirmed Allison Herren Lee to be an SEC Commissioner, giving the SEC a full five-member Commission.

This week the Senate confirmed the following nominations by voice vote:
- Allison Herren Lee, to be a Member of the Securities and Exchange Commission (SEC).
- Bimal Patel, to be Assistant Secretary of the Treasury for Financial Institutions.
- Dino Falaschetti, to be Director of the Office of Financial Research (OFR).
- Seth Appleton, to be Assistant Secretary of Housing and Urban Development (HUD).
- Robert Hunter Kurtz, to be Assistant Secretary of HUD.

Allison Herren Lee’s nomination had been favorably reported by the Senate Banking Committee earlier in the week. The Committee also favorably reported the following nominations:
- Thomas Peter Feddo, to be an Assistant Secretary of the Treasury for Investment Security.
- Ian Paul Steff, to be Assistant Secretary of Commerce and Director General of the United States Foreign Commercial Service.
- Michelle Bowman, to be a Member of the Board of Governors of the Federal Reserve System.
- Paul Shmotolokha, to be First Vice President of the Export-Import Bank.
Senate Banking Committee Holds TRIA Reauthorization Hearing

Key Point:
- The Committee held a hearing to discuss reauthorization of the Terrorism Risk Insurance Program, which is set to expire at the end of 2020.

On June 18, the Senate Banking Committee held a hearing on the Reauthorization of the Terrorism Risk Insurance Program (TRIP). The authorization for TRIP is scheduled to expire on December 31, 2020. Chairman Sen. Mike Crapo (R -ID) stated that TRIP stabilized the market for terrorism risk insurance following the September 11, 2001 attacks, and Congress reauthorized the program three times, in 2005, 2007, and 2015. He noted the changes that came from the 2015 reauthorization of TRIA, such as raising the program trigger from $100 million to $200 million in increments of $20 million dollars each year. He pointed to the pending expiration of TRIP. He said the Treasury Department issued a report on TRIA’s effectiveness and concluded it was a successful program. He said that TRIP has worked well and has succeeded in stabilizing the market. He stated the federal backstop remains crucial to the continued stability.

Ranking Member Sherrod Brown (D -OH) stated businesses rely on TRIP, and while TRIP was initially designed to be temporary, there is value in keeping it. He noted how some believe TRIP only helps big cities at risk of terrorist attacks, but explained that terrorism threats are not only in big cities, because there are white supremacist groups in Ohio that have used terrorism under the definition given by the Secretary of the Treasury. He noted reauthorizations have brought about improvements to TRIA. He stated he hopes that TRIA will be kept around for the long term.

House Financial Services Committee Holds Hearing on Securities Law Enforcement

Key Point:
- The hearing examined proposals to enhance the enforcement of securities laws.

On June 19, the House Financial Services Committee’s Subcommittee on Investor Protection, Entrepreneurship and Capital Markets held a hearing entitled, “Putting Investors First: Examining Proposals to Strengthen Enforcement against Securities Law Violators.” Chairwoman Carolyn Maloney (D -NY) stated the bills being discussed in the hearing would strengthen the enforcement of securities laws. She said bad actors who have committed fraud should not be able to keep the money they get when they defraud investors. She stated Kokesh v. SEC significantly damaged the Securities and Exchange Commission’s (SEC) ability to return stolen funds to investors because of a five-year statute of limitations for prosecuting bad actors, which means the SEC would not be able to get back all of the bad actors profits if the statute of limitations had expired. She stated Representative Ben McAdams (D-UT) was proposing a bill that would eradicate the five-year statute of limitations. She explained that a bill by Representative Vicente Gonzalez (D-TX) would reverse the Gabelli decision and allow a longer time for prosecution of the bad actors. She expressed strong support for a bill introduced by
Representative Katie Porter (D-CA) that would increase the size of the penalties the SEC is allowed to bring against offenders.

Ranking Member Bill Huizenga (R-MI) stated the SEC has a three-part mission to protect investors, maintain orderly and efficient markets, and facilitate capital formation. He stated the SEC brought 821 enforcement actions and $3.9 billion dollars in disgorgement penalties. He said $794 million was returned to harmed investors. He stated he believed a strong enforcement program is necessary, but the proposals being discussed in the hearing would not put investors first. He said the proposals would create barriers to capital formation and limit opportunities for main street investors. He stated the U.S. initial public offering (IPO) market is decreasing while foreign markets such as those in China are continuing to grow. He stated lawmakers should be working to create an atmosphere for the free flow of capital, which they were not doing through the bills proposed in the hearing.

Representative Brad Sherman (D-CA) stated the SEC has been reluctant to look at unregistered investments and cryptocurrencies. He stated there is no audit on such investments, and there is no registration statement for them. He asserted that Bitcoin is clearly inferior to other currencies available, because 46 percent of the transactions where Bitcoin is used are criminal. He stated the issue is the SEC is not protecting investors from such cryptocurrency markets.

SEC Issues Concept Release on Harmonization of Securities Offering Exemptions, Requests Public Comment

Key Points:
- The SEC issued a concept release on how to harmonize securities offering exemptions.

On June 18, the SEC issued a concept release on harmonization of securities offerings exemptions. As described in an SEC press release, the concept release “seeks input on whether changes should be made to improve the consistency, accessibility, and effectiveness of the Commission’s exemptions for both companies and investors, including identifying potential overlap or gaps within the framework.” The press release stated that the SEC would also examine whether:

- The limitations on who can invest in certain exempt offerings, or the amount they can invest, provide an appropriate level of investor protection or pose an undue obstacle to capital formation or investor access to investment opportunities
- The Commission should take steps to facilitate a company’s ability to transition from one offering to another or to a registered offering
- The Commission should expand companies’ ability to raise capital through pooled investment funds
- Retail investors should be allowed greater exposure to growth-stage companies through pooled investment funds such as interval funds and other closed-end funds
The Commission should revise its exemptions governing the secondary trading of securities initially issued in exempt offerings.

The comment period on the concept release will be open for 90 days from the date of publication in the Federal Register.

The press release quoted SEC Chairman Jay Clayton as stating:

We are taking a critical look at our exemptions from registration to ensure that our multifaceted private offering framework works for investors and entrepreneurs alike, no matter where they are located in the United States. Input from startups, entrepreneurs and investors who have first-hand experience with our framework will be key to our efforts to analyze and improve the complex system we have today.

Senate Banking and Judiciary Committees Hold Hearings on Beneficial Ownership

Key Point:
- The Committees examined legislative proposals to collect beneficial ownership information and combat the use of anonymous shell companies by bad actors.

This week, the Senate Judiciary Committee and the Senate Banking Committee held separate hearings related to beneficial ownership legislation. On June 19, the Senate Judiciary Committee held a hearing entitled “Combating Kleptocracy: Beneficial Ownership, Money Laundering, and Other Reforms.” Chairman Lindsey Graham (R-SC) said the U.S. is second, behind Switzerland, in terms of safe havens for money laundering. He noted various examples of countries such as Venezuela, Russia, and Malaysia who have used the U.S. as a safe haven. Ranking Member Dianne Feinstein (D-CA) said the hearing represents an opportunity to discuss “foreign dark money.” She argued that certain foreign governments exploit gaps in U.S. law to funnel money into American elections. She explained that one way this occurs is through anonymous shell companies, which can be used for a variety of purposes, including circumventing laws and policies. She added that anonymous foreign spending in American elections is just another way how foreign governments are including their influence in high-level elections. She said the hearing would examine a number of legislative proposals, including one by Senator Whitehouse (D-RI), which would prevent the use of anonymous shell companies by requiring states to track and disclose the actual owners. Senator Sheldon Whitehouse (D-RI) said it has become increasingly more evident how Russia aims to degrade democratic institutions. He noted that shell companies have been used to directly influence American elections, so one way to alleviate the issue would be to require corporate entities to disclose their beneficial ownership information. He said his bill would inject transparency into shell companies.

On June 20, the Senate Banking, Housing, and Urban Affairs Committee held a hearing entitled “Outside Perspectives on the Collection of Beneficial Ownership Information.” Chairman Mike Crapo (R-ID) said the Committee heard from law enforcement officials last month in regard to beneficial ownership where the witnesses advocated for the collection of beneficial
ownership information. He also mentioned that there are more illicit funds flowing through the U.S. economy now than ever before. He said despite efforts of U.S. law enforcement, criminal elements exploit weaknesses in the system. He explained that collecting beneficial ownership information at the corporate formation stage has been called for by many key enforcement officials. He also noted that others have called for a centralized database that could be accessed by law enforcement officials. He said this hearing comes at a time when bipartisan support for the issue has momentum. He said now is the time to see how the AML/BSA regime can be modernized and how business can work with government to provide beneficial ownership information in order to combat crime. Ranking Member Sherrod Brown (D-OH) said the U.S. has long lagged behind other jurisdictions in this area and that the much of the dirty money is funneled through anonymous shell companies. He said this dirty money directly correlates to the opioid crisis, human trafficking, and gang violence. He stated that bankers must already secure some of the beneficial ownership information from account holders when they open their accounts. He said it is important to require companies to provide information when they are formed.

House Financial Services Committee Holds Hearing on Board Diversity

Key Point:
- The Committees discussed the impact of board diversity on corporate performance.

On June 20, the House Financial Services Committee held a hearing entitled “Diversity in the Boardroom: Examining Proposals to Increase the Diversity of America’s Boards.”

Chairwoman Maxine Waters (D-CA) stated the lack of racial and gender diversity on federal and corporate boards result in the organizations not representing their full constituencies. She said diversity is important to ensure U.S. competitiveness and ensuring consumers of all backgrounds are served and not excluded. She highlighted a study from the Alliance of Board Diversity which found 80 percent of corporate board directors in 2017 were white males. She said the Federal Reserve System did not have its first African American president until 2017. She stated a hearing of the Subcommittee on Diversity and Inclusion concluded that inclusive companies outperform competitors. She argued women of color specifically have been excluded from participation on boards. She said board diversity data is important in evaluating ways to close the gap. She stated that she looks forward to continue the discussion of the status of board demographics and solutions for boards to become more reflective.

Ranking Member Patrick McHenry (R-NC) stated the importance of increasing diversity and inclusion in boardrooms. He said research shows more diverse inputs equates to better outcomes in decision making. He noted data show women and minorities hold 38 percent of board positions at the top 100 companies. He said recruiting more diverse board members is part of the challenge along with improving the board culture.
Upcoming Hearings and Meetings

**June 25**

**Asset Management:** The House Financial Services Committee’s Subcommittee on Diversity and Inclusion will hold a hearing entitled “Diverse Asset Managers: Challenges, Solutions and Opportunities for Inclusion.”

**FinTech:** The House Financial Services Committee’s Task Force on Financial Technology will hold a hearing entitled “Overseeing the Fintech Revolution: Domestic and International Perspectives on Fintech Regulation.”

**Abusive Acts or Practices:** The Consumer Financial Protection Bureau (CFPB) will hold a symposium on the topic of the abusiveness standard in consumer financial products and services. The event will feature remarks from CFPB Director Kathleen Kraninger and Deputy Director Brian Johnson.

**CFTC Reauthorization:** The Senate Agriculture Committee will hold a hearing entitled “The State of the Derivatives Market and Perspectives for CFTC Reauthorization.”

**Fannie Mae and Freddie Mac:** The Senate Banking Committee will hold a hearing entitled “Should Fannie Mae and Freddie Mac be Designated as Systemically Important Financial Institutions?”

**June 26**

**Artificial Intelligence:** The House Financial Services Committee’s Task Force on Artificial Intelligence will hold a hearing entitled “Perspectives on Artificial Intelligence: Where We Are and the Next Frontier in Financial Services.”

**Markup:** The House Financial Services Committee is scheduled to hold a markup. The Committee may consider a bill to reauthorize the Export-Import Bank, as well as other legislation.

**Brexit:** The House Agriculture Committee’s Subcommittee on Commodity Exchanges, Energy, and Credit will hold a hearing entitled “Brexit and Other International Developments Affecting U.S. Derivatives Markets.”

**June 27**

**Export-Import Bank:** The Senate Banking Committee will hold a hearing entitled “Oversight and Reauthorization of the Export-Import Bank of the United States.” Export-Import Bank President Kimberly Reed is scheduled to testify at the hearing.

**July 16**

**Facebook’s Digital Currency:** The Senate Banking Committee will hold a hearing entitled, “Examining Facebook’s Proposed Digital Currency and Data Privacy Considerations.”

For more information about financial services issues you may email Joel Oswald or Alex Barcham.
HEALTH

Senate HELP Examines Health Care Legislation

Key Points:
- The Senate Health, Education, Labor and Pensions Committee held a hearing titled “Lower Health Care Costs Act”
- The hearing examined the Committee’s draft discussed titled the “Lower Health Care Costs Act”
- Questions focused on topics in the draft discussion, particularly surprise medical billing, prescription drug prices, health care transparency, public health priorities, and the exchange of health information

On June 18, the Senate Health, Education, Labor and Pensions Committee held a hearing entitled “Lower Health Care Costs Act”. Topics discussed in the hearing included: (1) Surprise Billing; (2) Drug Pricing; (3) Transparency; (4) 340B Drug Pricing Program; (5) Maternal Mortality; (6) Vaccines; (7) All Payer Claims Database; (8) Medicaid; and (9) Innovative Care Models.

Chairman Lamar Alexander (R-TN) commenced the hearing by decrying high costs in health care and explaining the deliberate process for developing the “Lower Health Care Costs Act” discussion draft. He noted the current version incorporates over 400 industry recommendations and reflects bipartisan priorities, particularly related to surprise medical billing and prescription drug prices. Ranking Member Patty Murray (D-WA) echoed the bipartisan nature of the discussion draft and called it an important step in the right direction. However, she indicated that additional legislation is needed to address rising costs, which she ascribed to the Trump Administration’s rule on short-term, limited-duration health plans and federal inaction on drug prices.

The primary topic of the hearing was surprise medical billing, including considerable discussion on the three policy solutions offered in the discussion draft: (1) an in-network guarantee; (2) an arbitration process; and (3) a benchmark payment rate. Senators were split between an arbitration model, which proponents argued would ensure adequate provider payments and safeguard provider networks, and a benchmark payment rate, which supporters contended would settle payments through a more consistent and transparent process. Despite disagreement on the process for resolving payment disputes, Members and witnesses expressed agreement that any solution needs to hold the patient harmless.

Senators also examined drug pricing provisions contained in the draft discussion. Republicans expressed support for provisions which would prohibit pharmacy benefit managers from engaging in spread pricing and improve the uptake of biosimilars. Democrats were particularly interested in sections intended to reduce patent thickets and prevent the illegitimate extension of exclusivities for products with significant time on the market. Some Democratic Senators also expressed concern that provisions in the draft discussion were inadequate to combat high drug prices and advocated for adding further transparency measures related to changes in list prices.

On Wednesday, June 19 the Committee released the text and section by section of the
legislation (S. 1895). A markup of the bill is scheduled for Wednesday, June 26.

**Senate Aging Continues Examination of Drug Prices**

**Key Points:**
- The Senate Aging Committee held a hearing on “The Complex Web of Prescription Drug Prices, Part III: Examining Agency Efforts to Further Competition and Increase Affordability.”
- Questions focused on increasing the availability of biosimilars, the effects of the proposed rebate rule, and transparency.

On June 19, the Senate Aging Committee held a **hearing** entitled “The Complex Web of Prescription Drug Prices, Part III: Examining Agency Efforts to Further Competition and Increase Affordability.” Topics discussed during the hearing included: (1) Insulin; (2) Biosimilars/Generics; (3) Real Time Benefit Tool/Dashboards; (4) Rebate Rule; (5) Negotiation; (6) Average Sales Price; (7) Spread Pricing; (8) ACA/Medicaid; and (9) Consumer Engagement.

Chairman Susan Collins (R-ME) noted this was the eighth hearing the Committee has held of prescription drug pricing since 2015. She decried “gaming” of the patent system by pharmaceutical manufacturers emphasizing the hearing will examine potential solutions, including pay-for-delay legislation, bills to establish price transparency, and proposals to limit out-of-pocket (OOP) costs in Medicare Part D. Ranking Member Bob Casey (D-PA) advocated for empowering Medicare to directly negotiate the prices of drugs under Part D and expressed concern none of the bills being considered include this approach.

The witnesses’ testimony focused on steps the Administration has already taken to help bring down the price of prescription drugs. These efforts included new policies for Medicare Advantage and Part D plans to give providers real-time benefit checks to information patients of the cost of their prescriptions; steps to reducing gaming of the patents system and improve the generic approval process; and proposed changes to safe harbor provisions under the federal Anti-Kickback statute.

**Upcoming Hearings and Meetings**

**June 24**

**Family Planning:** The Brookings Institution will hold an event on “Improving Opportunity Through Access to Family Planning.”

**June 25**

**Medicare:** The Hill will host a discussion on “Cost, Quality and Care: The Medicare Equation.”

**Health Program:** The House Energy and Commerce Committee will hold a hearing on “Reauthorizing Vital Health Programs for American Families.”

**June 26**

**Innovation:** The Hill will host the “Future of Healthcare Summit.”

**Health Costs:** The Senate Health, Education, Labor and Pensions Committee will hold a markup of S.1895, the Lower Health Care Costs Act.
**Ebola:** The American Enterprise Institute will hold a discussion on “Containing Ebola: How to fight the Democratic Republic of the Congo’s Ebola epidemic.”

**June 27**

**Cancer:** The National Press Club will hold an event entitled “NCCN Policy Summit: The State of Cancer Care in America: The Impact of State Policy on Access to High Quality Cancer Care.”

**Drug Pricing:** The Senate Judiciary Committee will hold a markup of S. 1227, the Prescription Pricing for the People Act of 2019, S. 440, the PACED Act, S. 1224, the Stop STALLING Act, and S. 1416 Affordable Prescriptions for Patients Act of 2019.

**Alzheimer’s:** The Alliance for Aging Research will hold an event on “The Real-World Medicare Costs of Alzheimer’s Disease: Considerations for Policy and Care Release Event and Panel Discussion.”

**June 28**

**Public Health:** The Bipartisan Policy Center will hold an event on “Good Health is Good Business.”

For more information about healthcare issues you may email or call Nicole Razinski Bertsch or George Olsen at 202-659-8201. Thomas McGrath contributed to this section.

**TRADE**

**U.S. Trade Representative Lighthizer Testifies in Senate Finance, House Ways and Means**

**Key Points:**
- The Senate Finance Committee and House Ways and Means Committee held hearings with United States Trade Representative Robert Lighthizer.
- The hearing examined progress on ratifying the U.S.-Mexico-Canada Agreement (USMCA) and the status of trade negotiations with China.
- Member questions focused on the timing of USMCA ratification, enforcement mechanisms in the agreement, the Administration’s use of Section 301 tariffs, and progress on bilateral negotiations.

The primary topic of discussion in the hearings was ratification of the USMCA. U.S. Trade Representative (USTR) Robert Lighthizer described the agreement as the “gold standard” for rules on the digital economy, financial services, and intellectual property (IP). He also expressed a strong commitment to working with Democrats on their concerns about the deal, particularly enforcement mechanisms for labor and environmental provisions and the exclusivity period for biologics. USTR Lighthizer suggested his office has been working closely with House Speaker Nancy Pelosi (D-CA) and predicted substantial progress will be made in the next few weeks towards ratifying the agreement.

Congressional Republicans defended the Office of the United States Trade Representative’s use of Section 301 tariffs to confront China’s aggressive trade policies, particularly theft of
American IP. USTR Lighthizer acknowledged the negative impact of the tariffs on some U.S. consumers and businesses, but argued the long-term impact of IP theft constitutes a greater threat. Democrats were less willing to accept this explanation, highlighting rising consumer prices and advocating for the Administration to provide further relief for impacted businesses. In response, USTR Lighthizer assured Members that affected companies are engaged in the ongoing hearing process for the List 4 of the Section 301 tariffs. When pushed on the timing of continuing formal negotiations with China, USTR Lighthizer expressed uncertainty but emphasized USTR’s willingness to engage in the lead up to the G20 summit next week.

Members also expressed interest in USTR’s progress on other trade agreements. Senate Finance Chairman Grassley (R-IA) warned that any agreement with the European Union (EU) needs to ensure adequate market share for U.S. farmers in order to pass Congress. USTR Lighthizer also updated Members on agricultural negotiations with Japan, identifying the goal as opening the Japanese market to U.S. ranchers and expressing hope that an agreement will be signed in a matter of months.

USMCA Passes Mexico’s Senate; Trump and Trudeau Set to Meet

Key Points:
- Mexico’s Senate ratified the U.S.-Medico-Canada Agreement by an overwhelming majority.
- President Trump and Canadian Prime Minister Trudeau met on their respective countries’ timeline for ratification.

On June 19, Mexico’s Senate voted 114-4 to ratify the U.S.-Mexico-Canada Agreement (USMCA), making it the first country to approve the deal to replace the North American Free Trade Agreement (NAFTA). Mexican President Andres Manuel Lopez Obrador expressed strong support for passage, emphasizing his country’s “conviction to maintain relations with Canada and the United States of friendship and cooperation in enhancing development.” Earlier this year Mexico passed new legislation to improve the bargaining power of labor unions as part of efforts to assure U.S. Democrats that Mexico will enforce USMCA labor rules.

Other progress towards USMCA passage this week included a meeting between President Trump and Canadian Prime Minister Trudeau. The meeting included discussion of trade duties on Canadian softwood lumber, U.S. national security tariffs on uranium, and ratification of the USMCA. Both leaders described the meeting as productive and expressed hope for an expedient ratification of the USMCA. Canada has suggested it will seek to ratify the USMCA in concert with the U.S., which would require Prime Minister Trudeau to call the Canadian Parliament back for a special session before it is expected to dissolve in September. This stance puts significant pressure on the U.S. to pass the agreement before, or in the first week after, Congress’ scheduled recess in August.

Presidents Trump and Xi Set to Meet at G20 Summit Next Week

Key Points:
- President Trump announced a meeting with Chinese President Xi at next week’s G20 summit
- American and Chinese trade delegations are set to talk in advance of the meeting
Vice President Pence announced the postponement of a scheduled speech on China

President Trump announced this week that he and Chinese President Xi Jinping had agreed to hold an “extended meeting” at next week’s G20 summit in Osaka, Japan. This was in contrast to recent statements from Trump in which he expressed ambivalence towards a face-to-face meeting with Xi and threatened to impose further tariffs on China. It is unclear whether the meeting will delve deeply into the issues that have arisen during recent trade negotiations, but it could ease tensions and delay the Trump Administration’s rollout of Section 301 “List 4” tariffs.

President Trump also disclosed that the two countries’ respective trade teams will meet in advance early next week. U.S. Trade Representative Robert Lighthizer told the House Ways and Means Committee during a hearing this week that he would speak with his Chinese “counterpart” ahead of the G20 summit. In anticipation of the meeting, Vice President Mike Pence also announced he will indefinitely postpone a speech that was originally planned for Monday, which was expected to be critical of China.

For more information about trade issues you may email or call Christopher Hatcher at 202-659-8201. Thomas McGrath contributed to this section.

This Week in Congress was written by Alex Barcham.