This Week In Congress

**House** – The House passed a “minibus” spending package, **H.R. 3055**, covering Commerce, Justice, Science, Agriculture, Rural Development, Food and Drug Administration, Interior, Environment, Military Construction, Veterans Affairs, Transportation, and Housing and Urban Development funding, as well as **H.R. 3351**, the “**Financial Services and General Government Appropriations Act**.” The House also passed the Senate version of **H.R. 3401**, which provides $4.5 billion in emergency supplemental appropriations for humanitarian assistance and security at the Southern Border.


Next Week In Congress

**House** – The House will be in recess.

**Senate** – The Senate will be in recess.

### TAX

**Senate Foreign Relations Committee Approves Four Tax Protocols**

**Key Points:**
- The U.S.-Spain, U.S.-Switzerland, U.S.-Japan, and U.S.-Luxembourg tax protocols all passed through the Committee by voice vote, after privacy amendments by Senator Paul (R-KY) were rejected.
- Senator Rand Paul (R-KY) has expressed concern that the treaties would allow for information sharing that threatens Americans’ privacy and has stated his intention to force a floor vote on these treaties rather than allow them to be passed by the full Senate using unanimous consent.

On Tuesday, the Senate Foreign Relations Committee passed four tax protocols by voice votes. While the protocols (which are changes to an existing treaty, but not a full rewrite or restatement) are likely to be considered by the full Senate this summer, Senator Rand Paul (R-KY) has voiced his opposition to them consistent with his longstanding belief that such treaties threaten Americans’ privacy. Indeed, the Senate has not passed a tax treaty since 2010, largely due to Senator Paul’s objections.

Senator Paul offered a reservation to each protocol aimed at limiting the circumstances under which the U.S. or foreign government can obtain information regarding Americans’
deposit accounts. Each reservation was rejected by the Committee. Senate Majority Leader Mitch McConnell (R-KY) and Senate Finance Committee Chairman Chuck Grassley (R-IA) have both expressed a sense of urgency with regard to the ratification of these treaties in a timely manner.

Three additional full tax treaties remain pending: U.S.-Chile, U.S.-Poland and U.S.-Hungary. However these treaties will require changes or reservations related to the base erosion and anti-abuse tax (BEAT) provision enacted in the TCJA. That aspect has slowed their movement while Senate Foreign Relations Ranking Member Menendez (D-NJ) has raised concerns and questions.

House Working to Move Tax Extenders Legislation

Key Points:
- The House Ways and Means Committee passed three bills on a) tax extenders, b) child tax credit enhancements combined with increased earned income tax credits (EITC), and c) a modest change on the definition of married couples for same sex marriages last week.
- House Democrats are evaluating offsets or waiving the pay-go to move the $130B child credit/EITC bill.

Last week, the House Ways and Means Committee passed a package of bills that would renew tax extender provisions, make the child tax credit fully refundable, expand the earned income tax credit (EITC), and make a change to the definition of married couples to address same sex couples. House Ways and Means Committee Chairman Richard Neal (D-MA) indicated the House is looking into offsets for the child tax credit/EITC bill before the legislation reaches the floor. Those offsets could include an increase in the corporate tax rate. Senate Republicans have cautioned the House against offsetting the extenders by accelerating the expiration of estate tax exemptions, which is the current solution under consideration in Ways and Means. Chairman Neal has recognized the urgency of addressing the expired extender provisions, which may ultimately require House Democrats to waive their “pay-go” rule requiring offsets for expected revenue losses.

At this point, the tax extenders appear unlikely to be enacted before the fall or end of year.

House Ways and Means Committee Could Consider Multiemployer Pension Reform

Key Points:
- The Rehabilitation for Multiemployer Pensions Act (H.R. 397) is expected to be considered by the House Ways and Means Committee in July, after approval by House Education and Labor in early June.

On June 11, the House Education and Labor Committee approved the Rehabilitation for Multiemployer Pensions Act (H.R. 397). The House Ways and Means Committee is expected to consider the bill in July. The bill was also referred to the House Appropriations Committee.

H.R. 397 was introduced by Ways and Means Committee Chairman Richard Neal (D-MA) on January 9, 2019. The legislation allows low interest federal loans to multiemployer pension plans that can then be invested, to enable them to continue to pay benefits despite being severely underfunded.
FINANCIAL SERVICES

House Financial Services Committee Postpones Markup of Export-Import Bank Reauthorization Bill

Key Point:
- The House Financial Services Committee postponed a previously announced markup of legislation to reauthorize the Export-Import Bank for seven years.
- The Senate Banking Committee also held a hearing on Ex-Im Bank reauthorization.

On June 26, the House Financial Services Committee convened a markup, but postponed previously announced consideration of a seven-year reauthorization of the Export-Import Bank (Ex-Im Bank). The authorization for Ex-Im Bank is scheduled to expire at the end of September. Chairwoman Maxine Waters (D-CA) said there is a consensus amongst Democrats that the Ex-Im Bank should be reauthorized, but that members had raised concerns with provisions of the bill related to China’s state-owned enterprises. She stated that she would continue to work to reach a bipartisan agreement on this issue, asserting that without such an agreement the reauthorization will not go through. She said the Senate will not take up an Ex-Im Bank reauthorization bill that comes out of the House on a purely partisan basis.

Ranking Member Patrick McHenry (R-NC) asserted that failing to pass the Ex-Im Bank reauthorization bill was a major missed opportunity. He said he and Chairwoman Waters had worked together to reach a bipartisan compromise. He stated that if the Ex-Im Bank is reauthorized correctly it can help to support the U.S. economy, and a seven year reauthorization bill would have raised the Bank’s exposure limit. He stated that it would address the rising global surge of China in two ways: (1) creating a 30 percent set aside to ensure the Bank is promoting exports in emerging technologies which will counter China’s efforts to dominate the world economy; and (2) imposing a prohibition on the bank financing deals with state-owned enterprises controlled by the Communist Party of China. He asserted that the second provision was the reason the markup was not proceeding. He argued that this provision is an appropriate and reasonable measure to combat China.

On June 27, the Senate Banking Committee held a hearing entitled “Oversight and Reauthorization of the Export-Import Bank of the United States.” Chairman Mike Crapo (R-ID) noted that last month the Senate confirmed Kimberly Reed to be President of the Export-Import Bank. He said the Senate also confirmed two nominees to be board members and has two additional nominees pending. He stated that in 2017 Chinese export credit agencies (ECAs) provided more medium and long-term investment support than the rest of the world combined. He said President Trump has stated that a functioning Export-Import Bank can help to level the playing field for U.S. exporters competing with China. He said the Committee would be examining what changes are needed in the reauthorization process. In his closing remarks, Crapo asserted that he and Ranking Member Brown are committed to a timely reauthorization of the
Export-Import Bank, even though there are political hurdles to overcome.

Ranking Member Sherrod Brown (D-OH) said he is pleased that the Bank’s quorum has been restored, and he expressed support for moving forward with the Bank’s pending nominations. He stated that there is bipartisan support for the Bank. He said every other major nation is using export credit to support its industries, pointing to the extensive export credit being provided by China as part of the Belt and Road Initiative. He noted that other European and Asian nations are also making extensive use of export credit, stressing the need for the U.S. to have a robust export credit agency. Brown stated that during the 2015 reauthorization debate a small group of opponents supported by “far right special interests” tried to kill the Export-Import Bank. He stated that those opponents later blocked all nominees to the Board to prevent the Bank from obtaining a quorum. He reiterated the need to avoid a lapse of the Bank, arguing that a lapse would hurt small businesses far more than large companies like Boeing. He expressed support for raising the Bank’s exposure caps.

Senators Pat Toomey (R-PA) and John Kennedy (R-LA) criticized the Ex-Im Bank and questioned its necessity. Toomey suggested that the Bank is not fulfilling its mandate to only serve as the lender of last resort. Kennedy stated that exports continued unimpeded during the period in which the Bank lacked a quorum. Senator Jack Reed (D-RI), Bob Menendez (D-NJ), Martha McSally (R-AZ), Chris Van Hollen (D-MD), Krysten Sinema (D-AZ), Thom Tillis (R-NC), and Jon Tester (D-MT) expressed support for reauthorizing the Ex-Im Bank. Sinema and Tillis argued that the U.S. should not “unilaterally disarm” on export credit, suggesting that it would leave U.S. companies at a competitive disadvantage against China and other foreign competitors.

House Financial Services Committee Holds First Meetings of Fintech and AI Task Forces

Key Point:
• The Task Forces examined potential benefits and drawbacks from emerging technologies.

This week, the House Financial Services Committee held the first meetings of its task forces on financial technology (fintech) and artificial intelligence (AI).

On June 25, the Task Force on Financial Technology held a hearing entitled “Overseeing the Fintech Revolution: Domestic and International Perspectives on Fintech Regulation.” Chairman Stephen Lynch (D-MA) stressed that the velocity of financial technology is unprecedented and requires regulations to encourage responsible innovation. Lynch acknowledged many of the innovations have the potential to improve consumer well-being, particularly the availability of credit provided by digital lending. He said this can improve the speed and convenience of payments for institutional and retail investors. However, he emphasized that without oversight algorithmic trading can create alternative forms of discrimination and obscures the true costs of products. Lynch expressed concern that companies are “vacuuming up” personal financial information with questionable levels of consumer consent and that consumers are often intentionally misled about how this data is used. He argued that faith in the financial system is reliant on the ability of regulators to properly guide and...
monitor financial entities in their jurisdiction. Ranking Member French Hill (R-AR) described his goal on the Task Force as fostering innovation for disruptive innovators and incumbent financial services entities. He expressed hope that the Task Force would enhance the understanding of big data and data analytics. He emphasized the American consumer should be held as the ultimate beneficiary of any changes. He expressed interest in the third-party vendor due diligence process, which he suggested is overly burdensome. Hill questioned about using application programming interfaces (APIs) and other methods for increasing consumer privacy. He noted the Department of the Treasury issued its fintech report last year, which expressed support for the use of APIs to facilitate secure data exchanges.

On June 26, the House Financial Services Committee’s Task Force on Artificial Intelligence held a hearing entitled “Perspectives on Artificial Intelligence: Where We Are and the Next Frontier in Financial Services.” Chairman Bill Foster (D-IL) said AI can help people to access credit and banking services, prevent money laundering, and police the market. However, he noted that AI is also being used by criminals, stressing the need to find better ways to secure digital identities online. Foster said the Committee should examine how data is collected and protected, as well as how to ensure that AI credit underwriting models are not biased. He said AI relies on large data sets, expressing concern that AI could be a driver for financial services consolidation. He expressed concern that small banks and startups will not be able to compete with large banks, as they will lack access to the necessary large data sets. Ranking Member French Hill (R-AR) said he would work in a bipartisan manner to find ways to support financial innovation and use AI to enhance compliance. He stated that financial institutions are already experimenting with AI for Bank Secrecy Act/Anti-Money Laundering (BSA/AML) compliance, Community Reinvestment Act (CRA) compliance, fraud detection, and real estate valuation. He stated that AI is already being used by online financial companies, noting that data found that algorithms discriminate 40 percent less than human loan officers. Hill said AI is not without challenges and questions, and he stressed the need for appropriate testing and evaluation of new technologies. He stated that while there are concerns that AI will lead to job losses, he pointed to analysis showing that it will result in net job growth.

House Passes Financial Services Appropriations Bill

Key Points:

- The House passed a bill providing $24.55 billion in funding for financial services and general government programs.
- The House adopted an amendment to prohibit the SEC from implementing Regulation Best Interest.

On June 26, the House passed their Fiscal Year (FY) 2020 Financial Services and General Government appropriations bill (H.R. 3351) by a vote of 224-196. The bill would provide a total of $24.55 billion in discretionary funding, which is an increase of $1.4 billion over the FY 2019 enacted level. The bill provides $13.56 billion for the Treasury Department, including $12 billion for the Internal Revenue Service (IRS). Additionally, the bill would provide $1.85 billion in funding for the Securities and Exchange Commission (SEC).
The House adopted an amendment to H.R. 3351, offered by House Financial Services Committee Chairwoman Maxine Waters (D-CA), which would prohibit the SEC from implementing Regulation Best Interest.

The Senate has not yet acted on their FY 2020 Financial Services and General Government appropriations bill.

**House Financial Services Committee Holds Hearing on Asset Manager Diversity**

*Key Point:*
- The Subcommittee examined the challenges facing minority and women-owned asset management firms.

On June 25, the House Financial Services Committee’s Subcommittee on Diversity and Inclusion held a hearing entitled “Diverse Asset Managers: Challenges, Solutions and Opportunities for Inclusion”. Chairwoman Joyce Beatty (D-OH) said that the hearing would address an overlooked problem in the investment industry, noting that minority and women-owned (MWO) asset management firms lack the opportunity to advance in the industry. She explained that MWO firms represent less than 1 percent of assets managed in several important asset classes, but there is no statistical difference in performance between MWO and non-MWO firms. She said that Morningstar Inc. recently completed a study indicating that MWO firms managed a very small percent of mutual fund assets. She stated that wealth remains concentrated in the hands of a few different firms and others are boxed out of the industry. Ranking Member Ann Wagner (R-MO) said that asset management is one of the most profitable industries. She stated that the underrepresentation of MWO firms is taking place across hedge fund management, private equity management, and all other components of the industry. She noted that in 2017 only 1.1 percent of assets were managed by MWO firms and in 2018 this number increased to 1.3 percent. She said that MWO firms have equal or better returns when compared to their competitors, and the Government Accountability Office (GAO) has studied this issue and found that MWO firms are inaccurately perceived as being less capable than their competitors. She said that there are four ways to increase business for MWO firms: leadership commitment; removal of potential barriers; outreach; and clear communication about commitment to diversity.

Full Committee Ranking Member Patrick McHenry (R-NC) said that everyone in the asset management industry deserves an equal playing field. He said that the statistics suggest that MWO firms are not on a level playing field. He explained that in 2018 only 1.3 percent of assets were managed by MWO firms. He said that he believes that improved strategies are needed in order to improve diversity and inclusion in the asset management industry and elsewhere in society. Full Committee Chairwoman Maxine Waters (D-CA) said that “it is time for members of Congress to get serious about diversity and inclusion”. She noted that her initial efforts at diversifying asset management had to do with recognizing “emerging managers”. She said that she recognizes the limitations of that approach and the Subcommittee gives focus to this issue. She said that Congress needs to do the right thing.
Senate Banking Committee Holds Hearing on Designating Fannie Mae and Freddie Mac as SIFIs

Key Point:
- The Committee discussed whether it would be appropriate to designate Fannie Mae and Freddie Mac as systemically important financial institutions (SIFIs) or systemically important financial market utilities (SIFMUs).

On June 25, the Senate Banking Committee held a hearing entitled “Should Fannie Mae and Freddie Mac be Designated as Systemically Important Financial Institutions?” Chairman Mike Crapo (R-ID) said the hearing would focus on the state of the housing market, noting that it has been nearly 11 years since Fannie Mae and Freddie Mac were placed in conservatorship. He said the government sponsored enterprises (GSEs) still dominate the market and taxpayers remain on the hook. He stressed the need to reform the housing finance system while the market is strong. He expressed a preference for comprehensive legislation, but said he is open to smaller changes. He said one option would be for the Financial Stability Oversight Council (FSOC) to designate Fannie Mae and Freddie Mac as Systemically Important Financial Institutions (SIFIs) under Title I of the Dodd-Frank Act (DFA). Crapo asserted that “Fannie and Freddie are clearly Too Big to Fail.” Crapo said the Committee would examine whether the GSEs should be designated as SIFIs, either while in conservatorship or after being returned to the private sector. He questioned whether a SIFI designation would lead to the GSEs holding additional capital and he questioned what impact a SIFI designation would have on all participants in the mortgage market. He stressed the need to put the housing market on a durable and sustainable footing.

Ranking Member Sherrod Brown (D-OH) said the GSEs play a critical role in the economy, noting that they helped 3 million families buy or refinance a home last year. He stated that in the early 2000s the GSEs were under-regulated and focused too much on profits. He said the GSEs are now well-regulated and pay only modest dividends. He stated that prior hearings on housing finance reform led to consensus around several principles: (1) protect access to affordable 30 year fixed-rate mortgages; (2) there should be a catastrophic government guarantee; (3) loan guarantors should be structured like public utilities; (4) guarantors should serve a broad national market; (5) a duty to serve should be maintained for all markets; (6) affordable housing goals should be maintained; (7) investment in affordable housing should be expanded; and (8) the GSEs’ successful multifamily programs should be retained. He stated that the reformed entities would need to be regulated differently than the megabanks.

Alex Pollock (R Street Institute) noted that the GSEs guarantee half of the risk of the U.S. housing sector, asserting that they are obviously systemically important financial institutions and will continue to be. He called on FSOC to formally designate the GSEs as SIFIs. He explained that the GSEs are enormous, not easily substituted, and highly leveraged. He asserted that the GSEs should be designated whether they are in conservatorship or not. Douglas Holtz-Eakin (American Action Forum stated that when the GSEs exit conservatorship they should be designated as SIFIs. He explained that the GSEs are highly leveraged and interconnected, asserting that they meet
Susan Wachter (Wharton School of the University of Pennsylvania) argued that the GSEs should be designated as Systemically Important Financial Market Utilities (SIFMU), noting that Section 804 of the DFA authorized FSOC to designate SIFMUs.

**Upcoming Hearings and Meetings**

**July 8**  
**SEC Best Interest Standard Roundtable:** The Securities and Exchange Commission (SEC) will host a roundtable with Main Street investors to discuss issues such as the standards of conduct for financial professionals. Chairman Jay Clayton will hold a discussion on Regulation Best Interest.

**July 10**  
**Monetary Policy:** The House Financial Services Committee will hold a hearing entitled “Monetary Policy and the State of the Economy.” Federal Reserve Chairman Jerome Powell will testify at the hearing.

**ESG Disclosure:** The House Financial Services Committee’s Subcommittee on Investor Protection, Entrepreneurship and Capital Markets will hold a hearing entitled “Building a Sustainable and Competitive Economy: An Examination of Proposals to Improve Environmental, Social and Governance Disclosures.”

**July 11**  
**Markup:** The House Financial Services Committee will hold a markup of pending legislation.

**Monetary Policy:** The Senate Banking Committee may hold a hearing on the Federal Reserve’s semi-annual monetary policy report, with Federal Reserve Chairman Jerome Powell testifying.

**July 16**  
**Markup:** The House Financial Services Committee may hold a continuation of its July 11 markup.

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

**July 17**  
**Facebook’s Digital Currency:** The House Financial Services Committee will hold a hearing entitled “Examining Facebook’s Proposed Cryptocurrency and Its Impact on Consumers, Investors, and the American Financial System.”

**July 24**  
**SunTrust/BB&T Merger:** The House Financial Services Committee will hold a hearing entitled “The Next Megabank? Examining the Proposed Merger of SunTrust and BB&T.”

**July 25**  
**Alternative Credit Data:** The House Financial Services Committee’s Task Force on Financial Technology will hold a hearing entitled “Examining the Use of Alternative Data in Underwriting and Credit Scoring to Expand Access to Credit.”

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

President Trump Issues Executive Order on Health Care Transparency

Key Points:
- President Trump issued an Executive Order to address price and quality transparency in the health care system.
- It aims to increase access to price information, standardize quality reporting, increase researchers’ access to claims data, and provide patients more options for their health care.

On June 24, President Donald Trump signed an Executive Order on “Improving Price and Quality Transparency in American Healthcare to Put Patients First.” This Order seeks to enable patients to make more informed decisions on their health care. It aims to eliminate barriers to price and quality information, enhance patients’ control over their health choices, and protect patients from surprise bills.

To inform patients about prices:
- Within 60 days, the Secretary of the Department of Health and Human Services (HHS) must propose a rule requiring hospitals to publicly post standard charge information in a consumer-friendly manner so patients can compare prices across hospitals.
- Within 90 days, the Secretaries of HHS, Treasury, and Department of Labor must issue an advanced notice of proposed rulemaking on a proposal to require health providers and health insurance issuers or plans to facilitate patient access to expected out-of-pocket costs before treatment.
- Within 180 days, the HHS Secretary must issue a report on how the federal government and private sector are impeding price and quality transparency for patients and provide recommendation to eliminate these impediments.

To help improve information on quality, agencies are directed to develop a Health Quality Roadmap aimed at aligning and improving quality reporting across all federal health care programs including Medicare, Medicaid, and the Veterans Affairs Health System. The Order also directs the agencies to increase researchers, innovators, providers, and entrepreneurs access to de-identified claims data.

The Order aims to increase patients’ access to health coverage by expanding the ability to use health savings accounts with select high-deductible plans; issue regulations to treat certain types of insurance arrangement as medical expense for tax purposes; and increase the amount of fund that may be carried over for flexible spending arrangements. It also requires the HHS Secretary to submit a report to the President on additional steps the Administration can take to implement the principles on surprise medical billing.

Senate HELP and Finance Committees Mark Up Surprise Medical Billing and Drug Pricing Bills

Key Points:
- The Senate HELP Committee favorably reported the Lower Health Care Costs Act of 2019, which addresses surprise medical billing, prescription drug prices, and public health priorities.
The Senate Judiciary Committee favorably reported four bills to increase transparency, address patent gaming tactics, and combat illegitimate citizen petitions in the pharmaceutical industry.

On June 26, the Senate Health, Education, Labor and Pensions (HELP) Committee held a markup of three bills, including the “Lower Health Care Costs Act of 2019” (S. 1895). The bill contained 54 legislative proposals, 29 offered by Republicans and 36 by Democrats. Amendments and discussion largely focused on provisions to address surprise medical billing and prescription drug costs.

Senate HELP Chairman Lamar Alexander (R-TN) expressed support for the provision in S. 1895 that would tie out-of-network provider payments to the median in-network rate. He acknowledged his previous preference for a in-network guarantee, but expressed confidence that the benchmark rate approach would provide the greatest cost savings. Senator Bill Cassidy (R-LA) expressed opposition to using a benchmark rate, advocating instead for an arbitration process that he argued would better protect incentives to create and maintain provider networks. Despite disagreement, the Committee adopted a compromise amendment from Cassidy requiring insurers to disclose their in-network providers.

The Committee also adopted an amendment from Senator Tammy Baldwin (D-WI) to add the “FAIR Drug Pricing Act of 2019” (S. 1391) to the underlying bill. Baldwin explained the amendment would require pharmaceutical companies to disclose information on marketing, advertising, and research costs, as well as executive compensation, to the Department of Health and Human Services (HHS) when increasing list prices above certain thresholds. The amendment was adopted despite opposition from Chairman Alexander.

The only other change to the bill was a manager’s amendment which would raise the age requirement for purchasing tobacco products and incorporated the “CREATEs Act of 2019” (S. 340) into the underlying legislation. The Committee favorably reported the bill, as amended, by a roll call vote of 20-3. Chairman Alexander expressed his desire for the bill to reach the Senate floor by the “second or third week of July.”

The next day, the Senate Judiciary Committee convened a markup of judicial nominees and four drug pricing bills. The following legislation was favorably reported by the Committee:

- **S. 1227**, Prescription Pricing for the People Act of 2019, as amended, by voice vote;
- **S. 1224**, Stop Significant and Time-Wasting Abuse Limiting Legitimate Innovation of New Generics (Stop STALLING) Act, as amended, by voice vote;
- **S. 1416**, Affordable Prescriptions for Patients Act of 2019, as amended, by roll call vote, 22-0;

Senate Judiciary Members agreed on the necessity of curbing anti-competitive tactics in pharmaceutical patenting, particularly the use of patent thickets and product hopping by brand manufacturers. However, Senator Chris Coons (D-DE) cautioned against reforming the patent system in a manner that would reduce pharmaceutical innovation. Senator John
Cornyn (R-TX), the sponsor of S. 1416, offered a manager’s amendment aimed at addressing that concern. The bill was adopted without opposition, as were S. 1227, which would direct the Federal Trade Commission (FTC) to examine the role of pharmacy benefit managers (PBMs) in the supply chain; and S. 1224, which would empower FTC to deter the filing of sham citizen petitions.

The only bill adopted without unanimity was S. 440, which would prohibit manufacturers from using sovereign immunity to avert patent challenges. Ranking Member Diane Feinstein (D-CA) was particularly critical of the legislation, arguing the bill was unnecessary in light of recent decisions from courts and the Patent Trademark and Appeal Board (PTAB) and would prohibit the legitimate use of sovereign immunity in patent challenges. Senator Joni Ernst (R-IA) defended the bill by warning that a failure to codify the PTAB and judicial decisions in statute would invite further attempts by companies to shield patents with sovereign immunity. The legislation was adopted by a roll call vote of 12-10.

Chairman Lindsey Graham (R-SC) said he was open to other proposals aimed at lowering drug prices in response to a concern raised by Senator Richard Durbin (D-IL) that these bills would not fully address the issue. Senator Chuck Grassley (R-IA) pointed out that Senate HELP had marked up a legislative package the previous day and suggested the Senate Finance Committee, which he chairs, is likely to move on additional legislation before Congress’ August recess.

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

TRADING

USMCA Congressional Meetings and Possibility of Changes Floated

Key Points:
- Two meetings occurred this week in the House of Representatives with the USTR to discuss USMCA issues.
- Speaker Pelosi proposed narrowly reopening the text only to address enforcement concerns.
- President Trump said he is open to making small changes to get the deal done soon.

Tuesday, U.S. Trade Representative (USTR) Robert Lighthizer met with a House working group tasked to work with the Administration on Democratic concerns with the U.S.-Mexico-Canada Agreement (USMCA). After the meeting House Democrats said USTR Lighthizer appeared open to making some changes to the deal. On Wednesday, twenty-seven House Democrats sent a letter to President Trump demanding changes to the USMCA. The following day, House Speaker Nancy Pelosi said Democrats could demand the USMCA be reopened only to address enforcement concerns. Speaker Pelosi said, “I could see a scenario where we just for the singular purpose of doing enforcement ... we suggest that they should open.” USTR Lighthizer left for the G20 event in Osaka, Japan on Wednesday and will not return until June 29.
President Trump said Wednesday that he would be open to making some changes to the USMCA; and that he told Speaker Pelosi, “get it done because we will call it a bipartisan deal - - and if [Democrats] want to make a couple minor changes, we can make some changes. But it’s a great deal.” The earliest the Administration can submit an implementing bill to Congress is July 9, according to deadlines set by the 2015 Trade Promotion Authority law and the congressional calendar, because both houses of Congress have to be in session.

The Administration and many Republicans are pushing to ensure the deal is ratified before Congress goes into recess in August, but House Ways & Means Trade Subcommittee Chairman Earl Blumenauer (D-OR) said last week that was “not going to happen.” Blumenauer believes that opening up the USMCA to changes is a good step towards passage, but the earliest it is likely happen is the fall.

China Trade Update

Key Point:

- U.S. and China have reportedly agreed to a tentative truce in the trade war to allow for talks to resume ahead of the G20 meeting with Presidents Trump and Xi.
- President Trump hinted that new tariffs on $300 billion in Chinese goods might be 10 percent instead of the originally planned 25 percent, at least for some period of time.
- President Trump could use Huawei as a bargaining chip in the discussion, despite bipartisan opposition in Congress.

White House sources reported Thursday that the U.S. and China have tentatively agreed to another truce in their trade war in order to resume talks aimed at resolving the dispute. Details of the agreement are being laid out in press releases in advance of the meeting between Chinese President Xi Jinping and President Trump at the G20. An agreement would avert the next round of tariffs (so-called “List 4”) on an additional $300 billion of Chinese imports, which would extend tariffs to virtually all of the country’s shipments to the U.S. The Trump Administration has previously threatened to place duties of up to 25 percent on the remaining untaxed Chinese goods, but in an interview on CNBC the President hinted that those may be reduced to 10 percent. President Trump said Wednesday, “Phase 2 doesn’t have to be 25 percent. It can be 10 percent. Which people can absolutely handle. But our people aren’t going to pay for that either.”

Michael Green, a fellow at the Center for Strategic and International Studies, said last week that Presidents Trump and Xi could discuss the decision by the Commerce Department to add Chinese telecom giant Huawei to its entities list -- and President Trump could make a concession to China on Huawei. The ban on Huawei entering U.S. 5G markets has broad bipartisan support in Congress. Green believes that if President Trump concedes on the Huawei issue, it is unlikely Congress would allow that to be a lasting decision. Certain aspects of the penalties on Huawei are embedded in law, such as procurement limitations, while others like...
the export controls are within the control of the Administration alone.

**U.S.-Japan Trade Talks**

*Key Point:*
- U.S. strategy is to get a deal done quickly for agriculture, and worry about the rest later.

Agriculture Secretary Sonny Perdue said Thursday that the U.S. trade strategy with Japan is to get a quick agriculture deal and worry about the rest later. He said, “I think having a more comprehensive trade agreement will be more difficult in that [near-term] time frame.” He expressed his and USTR Lighthizer’s opinion that U.S. agricultural producers are going to be disadvantaged after the implementation of the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (the new name of the TPP), as well as the EU agreement with Japan. USTR Lighthizer told Senate Finance Committee members last week that he was hopeful the U.S. could secure a deal with Japan on agriculture in the next few months; and Senate Finance Committee Chairman Chuck Grassley told reporters Wednesday he expects an agreement to be announced after Japan’s elections in July.

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

*This Week in Congress was written by Alex Barcham.*