

This Week in Washington

May 4, 2012

DOMESTIC POLICY MATTERS

Fiscal Year (FY) 2013 Budget/Appropriations. As Congress returns from recess on Monday, the House Budget Committee will consider legislation to replace the automatic spending cuts imposed by sequestration. House Budget Committee Democrats said this week the Republican-backed plan would undermine federal programs like Medicare and the Supplemental Nutrition Assistance Program. The House Appropriations Defense Subcommittee will mark-up its FY 2013 Defense Appropriations bill on Tuesday. On Wednesday, the House Appropriations State and Foreign Operations Subcommittee and the House Armed Services Committee plan to mark-up their FY 2013 Appropriations and authorization bills, respectively. Meanwhile, Budget Committee Ranking Member Chris Van Hollen (D-Maryland) predicted this week that appropriations, sequestration, taxes and the debt ceiling will not be fully dealt with until after the November elections.

Education. Despite differences in how to pay for the cost of extending current student loan interest rates on federally subsidized Stafford loans due to expire in July, both parties committed last week to making the extension a priority. The Administration continued its push for Congress to act on the issue, with Education Secretary Arne Duncan discussing the importance of college affordability with Virginia high school students and parents, followed by a speech by President Obama. Also this week, a group of national educational organizations sent a letter to Congressional leaders encouraging them to act on "must-pass legislation" overhauling the *No Child Left Behind* law, which authorizes K-12 education programs.

At a field hearing of the House Homeland Security Border Security Subcommittee on Tuesday, Ranking Member Henry Cuellar (D-Texas) said he and Subcommittee Member Michael McCaul (R-Texas) want to see

Air Force drones returning from Iraq and Afghanistan reassigned to the U.S.-Mexico border. On Wednesday, a bipartisan group of six Senate Finance Committee Members released an open letter to the health care community asking for input on new ways to combat waste, fraud and abuse in **government healthcare programs.** House Oversight and Government Reform Committee Chair Darrell Issa (R-California) circulated a draft **contempt of Congress resolution against U.S. Attorney General Eric Holder** Thursday based on the Justice Department's alleged failure to cooperate with Congressional oversight on the aborted "Operation Fast & Furious" that allowed U.S. weapons to pass into the hands of suspected gun smugglers for further tracking to Mexican drug cartels. On Friday, the State Department announced it has received a new application from TransCanada Corp. for the proposed **Keystone XL pipeline** project that would run from the Canadian border through new routes in Nebraska to the Gulf of Mexico.

Economy and Jobs. According to Labor Department data released Friday, the U.S. economy added 115,000 jobs in April, and the unemployment rate fell slightly to 8.1 percent, with the lowest rate in three years partially a result of more people leaving the labor force. House Committee on Education and the Workforce Chair John Kline (R-Minnesota) said, "[T]he slowdown in hiring signals a need for renewed efforts" on workforce investment legislation, which he intends to move soon. However, Assistant Secretary of the Treasury for Economic Policy, Dr. Jan Eberly, released a report this week noting "the economy continued to expand at a moderate pace in early 2012, and labor market conditions improved."

Political News. Former Speaker of the House Newt Gingrich officially dropped out of the Republican presidential race during a press conference in Virginia on Wednesday. The campaign finance trial of former Democratic Senator and Presidential and Vice Presidential candidate John Edwards continued this week in North Carolina. The latest Presidential election polling this week showed President Obama ahead in most battleground states but former Massachusetts Governor Mitt Romney tightening the race nationally.

FOREIGN POLICY MATTERS.

One year after the death of Osama bin Laden, late Tuesday evening, President Obama addressed the nation from **Bagram Air Force base in Afghanistan** about transitioning to "a future in which Afghans are responsible for the security of their nation" and announced 23,000 soldiers from the 2010 troop surge will rotate home by the end of summer. President Obama and Afghan President Hamid Karzai signed a new Strategic Partnership Agreement, which Senate Armed Services Committee Chair Carl Levin (D-Michigan) said is a "big step toward ending a long war...." On Wednesday, Chairman Levin added any decision on the pace of withdrawal of U.S. forces from Afghanistan after the initial 23,000 troop drawdown should wait until fall. This week, the Administration also released some documents confiscated during the assault on bin Laden's compound in Pakistan. On Monday, in defense of the **legality of using unmanned aircraft** to kill foreign terrorists, White

House counterterrorism official John Brennan said part of the Administration's rationale derives from *The Authorization for Use of Military Force* passed by Congress after September 11, 2001.

Secretary of State Hillary Clinton and Secretary of the Treasury Timothy Geithner traveled to Beijing this week to participate in the fourth round of the **U.S.-China Strategic and Economic Dialogue (S&ED)**. The two held in-depth discussions with their Chinese counterparts on a broad range of strategic issues including the Korean peninsula, Iran, Syria, Sudan-South Sudan, climate change, maritime and cyber-security, renewable energy and food safety. Both sides announced "concrete measures to enhance macroeconomic cooperation, open trade and investment, enhance international rules and global economic governance, and foster market stability and reform." Of note, it is reported that: (1) some level of consensus was reached that the Chinese renminbi's exchange rate should be determined by the market, (2) the U.S. supports China's effort to include the renminbi in the IMF's basket of currencies, and (3) China agreed to permit foreign investors to hold up to a 49 percent equity stake in joint ventures and increase the total quota for Qualified Foreign Institutional Investors to \$80 billion. Moreover, both governments committed to renew and intensify negotiations on the bilateral investment treaty, and establish an international working group to create guidelines on export financing.

President Obama welcomed **Japanese Prime Minister** Yoshihiko Noda to the White House on Monday. In their Joint Statement, both leaders affirmed a "shared vision for the future" that includes: furthering bilateral security and defense cooperation; fostering regional networks that respect internationally accepted rules and norms; countering conventional and emerging security threats; and enhancing economic growth, which includes continuing consultations on Japan's prospective entry into the Trans-Pacific Partnership trade talks.

Iran & Syria. President Obama submitted a letter to Congress Tuesday clarifying that a new Executive Order authorizes the Secretary of the Treasury, in consultation with the Secretary of State, to impose specific penalties on foreign persons who evaded or attempted to evade U.S. sanctions relating to Iran and Syria. Meanwhile, Friday, Director of the International Atomic Energy Agency (IAEA) Yukiya Amano said Iran appears to be stonewalling the IAEA request for access to Parchin, an IAEA priority site where military nuclear-related research is suspected. Iran and the IAEA will meet in Vienna on May 14-15, followed by the second round of the P-5+1 discussions in Baghdad on May 23rd. The State Department said Wednesday it is "discouraging to see the violence continue" in Syria, and "the onus for all of that remains squarely on the Syrian regime – the Assad regime's shoulders."

African Affairs. Tuesday, Secretary Clinton "strongly" condemned recent attacks by "those in **Nigeria** who seek to inflame Christian-Muslim tensions," including the "disgraceful assault during church services at Bayero University in Kano." On Thursday, White House Press Secretary Jay Carney announced President Obama has invited African Leaders from **Benin, Ethiopia, Ghana** and **Tanzania** to join G-8 Summit Leaders at Camp David on May 19th for a discussion session on accelerating progress towards **food security in Africa**. Also Thursday, the State Department said less than **four months remain for Somali leaders** to complete steps agreed to in the *Roadmap to End the Transition*.

Last Sunday, Secretary Clinton called **Lebanese President** Michel Sleiman to discuss regional developments, including Syria, and emphasizing U.S. commitment to a stable and independent Lebanon. On Monday, Secretary Clinton participated in the **U.S.-Philippines ministerial dialogue 2+2 meetings** with Defense Secretary Leon Panetta, Philippine Foreign Secretary of the Philippines Albert del Rosario, and Defense Secretary of the Philippines Voltaire Gazmin. On Tuesday, the State Department welcomed Aung San Suu Kyi's and the National League for Democracy's decision to take their parliamentary seats on May 2nd in **Burma**. Secretary Clinton urged "**Ukrainian authorities** to ensure that [former Prime Minister Yulia] Tymoshenko receives immediate medical assistance" and that the U.S. Ambassador be given access to her. Also Tuesday, the *1980 Hague Convention on the Civil Aspects of International Child Abduction* entered into force between the United States and Singapore. President Obama also signed a new Executive Order Tuesday to **promote greater international regulatory cooperation**. On Wednesday, from Air Force One, President Obama expressed his personal condolences to **Israeli Prime Minister** Benjamin Netanyahu on the death of his father. The State Department said Wednesday "it would be deeply regrettable if **Venezuela** would decide to walk away from the Inter-American Commission on Human Rights." After the **Bolivian Government's decision** Tuesday to nationalize an almost entirely Spanish-owned company, State reminded such actions against foreign investors "really dampen the investment climate in Bolivia, in Argentina...." On Thursday, National Security Advisor Tom Donilon travelled to Moscow to review key bilateral and international issues with **senior Russian officials**, while Chief of the General Staff Nikolai Makarov told State Department Special Envoy Ellen Tauscher that Russia would strike preemptively if necessary to prevent NATO's deployment of missile defenses in Central and Eastern Europe. On Friday, the **U.S. Embassy in Paris** confirmed "the U.S. government does not support any candidate" in Sunday's French presidential run-off between incumbent conservative Nicholas Sarkozy and Socialist Francois Hollande, who leads in most polls.