

## Cozen Currents: Threading the Needle

### The Cozen Lens

- With Nikki Haley announcing her bid for the presidency last week, she represents the first of what will likely be several more announcements this year. Right now, the biggest unanswered question is whether the GOP will embrace Trump or Trumpism.
- America faces a near-term crisis of the debt ceiling and a long-term crisis of debt. House Speaker Kevin McCarthy (R-CA) is stuck in the middle trying to find a way forward for his party (and himself).
- President Biden is trying to have the best of both worlds when it comes to his stance toward China by promoting diplomacy while still pursuing decoupling actions, but heightened domestic political competition on the issue is constraining his foreign policy options.

### Threading the Needle on the 2024 Field

**Nikki Haley's Presidential Campaign and Audition.** Nikki Haley is testing whether pre-Donald Trump conservatism can jibe with a GOP still trying to figure out what to do with Trump in 2023.

- Nikki Haley is a perennial rising star. She upset an incumbent in the South Carolina State House, became governor, and then the UN ambassador under Trump. Now she wants to be president.
- Haley has struggled to create an identity for herself in relation to Trumpism, at times vacillating between supporting and condemning Trump. She draws comparisons to now-Vice President Harris, offensive to no one but a top choice for only a few.
- Running for president is also an audition for other leadership positions. Haley can still win by losing. She could ultimately land a spot as vice president or Cabinet secretary in a GOP administration.

**A Repeat of 2016?** Republican Party elites thought Donald Trump was going to be an electoral albatross in 2016 and think he will be one in 2024. But that view runs right up against their own voters.

- Suburban voters, particularly college-educated suburban women, have drifted away from the GOP during the age of Trumpism. Figures like Haley want to win this key demographic back.
- There are other would-be candidates in this GOP lane, including Senator Tim Scott (R-SC), former Vice President Pence, and Governor Glenn Youngkin (R-VA). None eschews Trump directly but are seeking an expanded GOP brand. But all could run into the same problem as 2016 candidates who waited for something/someone else to take Trump down.
- Republican primary voters continue to approve of Trumpism, with the only real question being who will be its next leader. The Republican elites had little sway over voters in 2016, and are unlikely to have much sway this time around either.

**The Two Elephants in the Room.** Beyond Haley, there's the looming candidacy of Governor Ron DeSantis (R-FL) as the clearest alternative to Trump.

- Right now, the GOP primary is a two-man race. DeSantis is the most formidable challenger Trump has faced in his political career.
- DeSantis isn't a repudiation of Trump, just another iteration of him. But by not being Trump the man, DeSantis is gathering support from elements of the party wanting to see Trump out of the party even if they are not opposed to Trumpism.
- It's possible that DeSantis will implode. He is untested on the national stage, seen as



Howard Schweitzer

CEO, Cozen  
O'Connor  
Public  
Strategies

hschweitzer@cozen.com  
Phone: (202) 912-4855  
Fax: (202) 640-5932

### Related Practice Areas

- Government Relations - Cozen  
O'Connor Public Strategies

stilted, and many voters still haven't heard of him. Rudy Giuliani was polling at 38 percent around this point in the 2008 cycle before flaming out.

- Right now, the person most likely to capitalize on a DeSantis flop is Trump. Forty-one percent of DeSantis voters have Trump as their number two choice. Haley and other non-Trump candidates are hoping DeSantis and Trump both either implode or pulverize one another enough, leaving room for someone else to rise from the pack.

### Threading the Needle on the Debt Limit

**Debt Ceiling and Fiscal Reform.** The Congressional Budget Office (CBO), a nonpartisan agency for budget and economic analysis, just released a 10-year budget and economic outlook and a debt ceiling X-date estimate between July and September. The fiscal reform needed is not what will actually get done.

- The accounting reality is that the government needs to provide a more stable trajectory for Social Security, Medicare, and interest on debt within the decade. The CBO found these three things, not discretionary spending or Medicaid/food stamps, are the main drivers of debt and are crowding out other spending. Both Social Security and parts of Medicare are projected to be insolvent within the decade.
- The political reality is that hardly anyone wants to deal with entitlement reform today. President Biden, House Speaker Kevin McCarthy (R-CA), and Senate Minority Leader Mitch McConnell (R-KY) have all vowed to protect Social Security and Medicare. Just 17 percent of Americans support reduced spending on those programs.
- The debt ceiling reality is that no major deal on fiscal reform can get done within six months.

**The Art of the McCarthy Deal.** The highest-ranking Republican is the de facto leader in debt ceiling negotiations. While he has unity now on the broad strokes of "fiscal reform," the biggest challenge awaits in coalescing the party around specific asks.

- The far right wants a fight "to end woke and weaponized government." They are looking at big cuts to mandatory spending for the poor (e.g., Medicaid, food stamps) and drastic cuts to non-defense discretionary spending.
- Moderate Republicans want some sort of "fiscal reform" but something that can realistically get support from moderate Democrats as well. This could end up being fig-leaf cuts, fiscal commissions, or managed future spending growth.
- A successful politician can declare victory no matter what. Move too far to the right, McCarthy risks moderates working with Democrats on a discharge petition. Move too far to the middle, McCarthy risks a motion to vacate the chair vote. McCarthy is looking for middle conservative ground that can leave both sides willing to continue to entrust his leadership.

**The Key Players to Watch.** There's no "I" in "team" but there is in "debt ceiling." McCarthy's success or failure will rest in the hands of committee chairs and leaders of different GOP blocs all angling for their own influence on the debt ceiling process.

- House Republicans want to get a budget resolution out by April 15th laying out their fiscal priorities. House Budget Committee Chair Jodey Arrington (R-TX) will play an important role in developing a budget document that can get 218 votes.
- Far-right Republicans, like Rep. Chip Roy (R-TX), will be amplifying plans and messaging developed from within the ranks and from outside forces. Former President Trump is pushing for a debt ceiling fight while Trump's former budget director, Russ Vought is leading the fight on specific budgetary asks.
- Moderates are keeping their powder dry on reaching across the aisle for now. No public talks are ongoing but they are privately planning for Plan B if McCarthy can't unify the caucus as a default nears.

### Threading the Needle on US-China Relations

**The Pop Heard 'Round the World.** The US downing of a Chinese surveillance balloon created a diplomatic spat and media hysteria, but both sides are already looking to move past the incident.

- With the attention that this incident has garnered, some observers have rushed to compare it to the accidental bombing of the Chinese embassy in Belgrade in 1999 or the collision of a US surveillance aircraft and Chinese fighter jet in the South China Sea in 2001. But neither American nor Chinese leadership appear to be viewing it as seriously as those events.
- The clearest signal of this is the quick resumption of dialogue between the US and China with Secretary of State Antony Blinken meeting Wang Yi, China's top diplomat, on the sidelines of the Munich Security Conference this past weekend. By meeting in Munich, a neutral site, neither party has to be seen as going out of their way to meet the other.
- This meeting was important for the Biden administration despite the continued exchange of heated public rhetoric afterwards to further its efforts of establishing a floor under the US-China relationship. The White House does not want the bilateral tensions to devolve into an actual conflict. An active dialogue between the two countries has been a major focus in this regard since President Biden's meeting with Chinese President Xi Jinping last November, and one the president wants to maintain moving forward.

**A New Red Scare?** Part of the reason that the balloon incident turned into such a big story is the hyper-focus in US political circles on China.

- Being "tough on China" has become an increasingly popular political stance to take, especially given the support that it has among voters, and is a rare issue on Capitol Hill that enjoys broad bipartisan support. This shared stance was channeled into passing the CHIPS and Science Act in the last Congress.
- With this low-lying legislative fruit having already been harvested, however, and Republicans now controlling the House of Representatives, the GOP has more incentive and a bigger platform to paint Democrats as being "weak on China." As a result, the partisan political competition to outflank one another has subsumed any meaningful bipartisan legislative efforts. This contest will only ramp up, as the 2024 campaign cycle gets underway in earnest.

**A New Great Wall.** As much as Biden supports pursuing bilateral engagement to establish a stronger floor under the frayed relationship, he will continue to pursue actions aimed at further decoupling the world's two largest economies in terms of access to advanced technology.

- The White House's next major action is expected to be an outbound investment screening executive order. While the exact scope is still being finalized, it is expected to target specific technology sectors, such as advanced semiconductors, super computing technology, and artificial intelligence with military or surveillance applications. The executive order is said to be near completion and expected to be released in the coming months.
  - The Biden administration will not be alone in pushing decoupling, as Republicans don't want to be outdone. One tool they have added to their toolbox is to haul CEOs before the newly created House Select Committee on China to name and shame prominent businesses still doing business there, posing significant headline risk for them.
-