

***CED Public Policy Watch
Weekly News Round-up
February 10, 2023***

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1. DEVELOPMENTS ON UKRAINE

Zelensky visit to UK and France: President Zelensky made a [surprise visit](#) to the UK, addressing both Houses of Parliament and meeting Prime Minister Rishi Sunak and King Charles III. Labour Party leader Sir Keir Starmer also reiterated that “it is vital that we all continue to stand together in full support of Ukraine.” Sunak announced that the UK will begin training Ukrainian marines and fighter pilots, “ensuring Ukraine has a military able to defend its interests well into the future” and [adding](#) that “nothing is off the table.” Ukrainian troops are also being trained to use British Challenger 2 tanks. During the trip, the UK announced it is “[actively looking](#)” at supplying British jets to Ukraine as a “long-term solution rather than a short-term capability, which is what Ukraine needs most now.” Training of Ukrainian pilots in the UK could start in the spring. During his speech to Parliament, Zelensky [said](#) that “[i]n Britain, the King is an air force pilot. In Ukraine today, every air force pilot is a king.”

Later, Zelensky [traveled](#) to Paris to meet with French President Emmanuel Macron and German Chancellor Olaf Scholz. A senior Ukrainian official [said](#) the talks would focus on weapons, including long-range artillery and ammunition, which Ukraine “badly need[s], as of now, as of yesterday” in the face of an expected Russian offensive, adding, “[i]f we had all this already, we could be starting a counteroffensive.” President Macron [said](#) that France would help Ukraine reach “victory, peace, and Europe” and continue supplying arms, adding that because “the future of Europe” is at stake, “Russia cannot and must not win” -- his strongest public statement on the conflict. Chancellor Scholz endorsed continued military and financial aid for “as long as necessary” and [told](#) the Bundestag that Ukraine’s future “lies in the European Union.”

Zelensky at the EU: Zelensky also traveled to Brussels to address the European Parliament, where he declared that “[w]e are defending ourselves from the most anti-European force of the modern world. We Ukrainians on the battlefield are defending you.” Before Zelensky’s trip, Ukraine hosted senior EU leaders, including Commission President Ursula von der Leyen and Council President Charles Michel, in

Kyiv for a summit. On potential EU membership, von der Leyen [said](#) that there are “no rigid timelines, but there are goals that you have to reach.” More optimistically, Michel [wrote](#) that the Ukrainian people made “a clear choice for freedom, democracy, and [the] rule of law” in addition, “[w]e in the EU have also made a clear decision. Your future is with us in our common European Union. Your destiny is our destiny.” The EU will [provide](#) a total of 5,400 generators and 35,000,000 energy-efficient LED lightbulbs to reduce strains on Ukraine’s energy grid.

Military developments: Russia [continued](#) heavy fighting in the eastern Donbas region ahead of a [widely-expected](#) offensive, with the governor of Donetsk oblast stating that the “battles for the region are heating up. The town of Bakhmut, which has a great symbolic importance, was increasingly isolated, but President Zelensky [said](#) that “[w]e will fight for it as long as we can. We consider Bakhmut our fortress.” Western Luhansk is also [expected](#) to be a focus of the offensive using “proper mechanized brigades.” Despite this, the UK Ministry of Defence [stated](#) that Russian gains in Donetsk were small, “almost certainly because Russia now lacks the munitions and [maneuver] units required for successful offensives,” focusing instead on asking “undermanned, inexperienced units to achieve unrealistic objectives due to political” pressure. Despite [increasing](#) Russian attacks, one Ukrainian soldier [noted](#) that the real offensive is yet to come: “[i]t feels like we are waiting.”

Military aid: The US [announced](#) a new \$2.175 billion aid package including rockets, HAWK air-defense firing units, and the Ground Launched Small Diameter Bomb, which will increase the range of Ukraine’s striking capability significantly to [90 miles](#), almost double the range of the HIMARS systems sent last year, reaching all occupied Ukrainian territory including parts of Crimea (under the terms of the aid, the weapon cannot be used to strike in Russia). France and Italy will jointly [send](#) the SAMP/T air defense system, the only one made in Europe that can intercept ballistic missiles, in the spring. Estonian Prime Minister Kaja Kallas [suggested](#) purchasing military equipment for Ukraine through a system in which countries provide cash but the EU itself negotiates prices with defense companies, similar to the system the EU used to purchase vaccines during the pandemic. She argues that this would “send a clear signal to the European industry that they need to produce more.”

The State Department [notified](#) Congress of Poland’s request for \$10 billion in artillery rocket systems, including 18 M142 High Mobility Artillery Rocket System (HIMARS) and 45 Army Tactical Missile Systems (ATACMS) and ammunition for the systems. State endorsed the request as “improving the security of a NATO Ally that is a force for political stability and economic progress in Europe.”

Tanks: Germany [approved](#) the export by German arms manufacturer Rheinmetall of 88 older Leopard 1 tanks for Ukraine, which will be shipped once repairs have been made. Germany will also send 14 Leopard 2 main battle tanks from the Bundeswehr’s current supplies and may also buy back 15 Gepard tanks it had sold to Qatar as part of preparations for the World Cup. German Defense Minister Boris Pistorius noted that the Gepards “have proven themselves very well in the war in Ukraine.” At least 100 Leopard 1A5 tanks will [arrive](#) in March; the first battalion of 31 German Leopard 2 tanks could [arrive](#) in Ukraine in March or April. Norway will [order](#) Leopard 2A-7 tanks for its own forces to “ensure that we have the same tanks as our Nordic neighbors and many key NATO allies” and noted the purchase “further strengthens our relationship with Germany.” Canada’s first donated Leopard 2 tank [arrived](#) in Poland for training Ukrainian forces.

Oil price cap: The EU [endorsed](#) a proposal to set a price cap on Russian oil products, including a \$100 cap on diesel and other premium products and a \$45 cap on lower-end products. However, the cap includes what Russia termed “[exemptions](#),” including the cap no longer applying once the oil is handed

to a purchaser outside Russia or to blended petroleum products that change the oil product type or “result in a tariff shift” if the refined product is subject to different tariff levels. This cap is in addition to the \$60 price cap on purchases of Russian sea-borne oil introduced in December, a level above the current price of Russia’s leading Urals blend of oil. In addition, US Assistant Secretary of State For European and Eurasian Affairs Karen Donfried [indicated](#) the US would not [sanction](#) India for purchasing Russian oil. US Assistant Secretary of State for Energy Resources Geoffrey Pyatt argued that “[e]ven though India isn’t a participant in the price cap, it has effectively used its negotiating leverage which it derives from the price cap and the fact that large portions of the global market are no longer accessible to Russia, to drive down the price of Russian crude [.]”

Guterres warning of “wider war”: UN Secretary General Antonio Guterres [warned](#) that the world has “started 2023 staring down the barrel of a confluence of challenges unlike any in our lifetimes. With respect to the war in Ukraine, “[t]he prospects for peace keep diminishing. The chances of further escalation and bloodshed keep growing. I fear the world is not sleepwalking into a wider war. I fear it is doing so with its eyes wide open.” Guterres also noted that “[i]f every country fulfilled its obligations under the [UN] Charter, the right to peace would be guaranteed” and called for “putting human rights and dignity first, with [conflict] prevention at the heart [.]”

Coordination of attacks: The *Washington Post* [reported](#) that most strikes using advanced precision-guided artillery systems require obtaining coordinates of the targets from the US in “an advisory role,” implying a more active role than has previously been disclosed. However, the US is not selecting the targets. Ukraine argues that this coordination shows it can be trusted with longer-range artillery that can strike in the rear of Russian forces without hitting Russia itself.

US warship in Black Sea: For the first time since the invasion began, a US ship publicly [admitted](#) to operating in the Black Sea. The destroyer USS *Nitze*, part of the carrier strike group associated with the USS *George H.W. Bush*, visited Turkey on February 3. The *Nitze* is named for Paul Nitze, Secretary of the Navy under President Johnson and chief arms control negotiator under President Reagan, who negotiated the [Treaty on Intermediate-Range Nuclear Forces](#) with the Soviet Union and was a noted architect of US policy during the Cold War.

Impact of sanctions: The chief executive of VTB, Russia’s second largest bank, [told](#) Russian state television that sanctions accounted for all the bank’s losses in 2022; VTB was particularly exposed to international markets and had over 20 percent of its loan portfolio in foreign currency rather than rubles; the bank said that about \$26 billion was withdrawn between February 24 and March 10 when Russia imposed restrictions on foreign currency.

New sanctions: The UK [imposed](#) sanctions on 15 people close to President Putin and companies involved in military operations, including the manufacture of drones and helicopters.

Frozen assets: Poland and the Baltic states [asked](#) the EU to begin the process of seizing frozen Russian state assets for reconstruction of Ukraine “as soon as possible. We cannot wait until the war is over and a peace agreement is signed.” The EU has frozen about €300 billion of Russian central bank reserves. This would be a major step beyond the current stance of using the proceeds of the funds, rather than the funds themselves, for reconstruction efforts; some scholars [dispute](#) whether seizing the frozen assets would be legal, and this would involve a formal EU legal opinion on the legality of the proposal.

Germany considering conscription: The parliamentary commissioner for the armed forces,

Eva Högl, [suggested](#) that a return some form of mandatory civic service could be required given shortages in the armed forces; “[w]e definitely need more personnel in the Bundeswehr,” Högl said. Jan Christian Kaack, head of the German Navy, proposed a model of national service similar to Norway’s, in which all 19-year-olds are subject to an examination but only a few are actually drafted.

Malaysia Flight 17: Prosecutors in the Netherlands investigating the 2014 crash of Malaysia Airlines Flight 17, which killed 298 people, [claimed](#) based on recorded telephone conversations that it was likely President Putin had endorsed the decision to supply long-range surface-to-air missiles to pro-Russian separatists who shot down the Boeing 777 airliner. However, they decided that the evidence “was not concrete enough” to formally charge Putin because it was “not known whether the request [to Putin] explicitly mentions a Buk [surface-to-air missile] system.”

2. STATE OF THE UNION: DEBT CEILING AND TAX PROPOSALS

On Tuesday the President delivered the annual [State of the Union](#) address. In his remarks on the debt ceiling, the President noted that about a quarter of the national debt was incurred during the Trump Administration. (Economic impacts from the COVID-19 pandemic and the cost of bipartisan relief bills played a large role in the high deficits of the final year.) Despite high deficits during the Trump Administration, the debt ceiling was raised or suspended relatively painlessly three times. The President argued that some Republicans—though he added he did not it was think a majority—have proposed cuts to Social Security or Medicare. This elicited boos from Republicans on the House floor. “As we all apparently agree, Social Security and Medicare [are] off the books now, right?,” the President then [asked](#). “They’re not to be — all right. We’ve got unanimity.” The two programs are the largest Federal outlays, [expected](#) to comprise 8.9 percent of GDP in 2023, according to the Congressional Budget Office, more than all discretionary spending combined. House Speaker Kevin McCarthy has also [stated](#) he would not seek cuts to Social Security and Medicare.

Tax proposals: The President offered three major tax policy ideas that, if enacted (which seems unlikely) could substantially impact US fiscal policy.

- A **share repurchase tax** would raise from 1 to 4 percent the stock buyback tax introduced in the [Inflation Reduction Act](#). Buybacks retain a tax advantage relative to dividends: dividends realize immediate income for shareholders, but buybacks only result in a realization event at sale; foreign holders of US stock are also exempt from withholding taxes on dividends. On the revenue side, the Congressional Budget Office [estimated](#) that the 1 percent tax included in the Inflation Reduction Act would raise \$74 billion in revenue over ten years.
- A new **minimum tax**, [previously outlined](#) in the FY2023 budget, would impose a 20 percent minimum income tax on taxpayers with net wealth greater than \$100 million, using an expanded definition of income that includes unrealized capital gains before an actual sale is made. Using this definition of income, the White House [argued](#) that billionaires pay a tax rate of just 8 percent. The White House [estimated](#) this tax would raise \$361 billion over ten years.
- Finally, the President proposes restoring the full **Child Tax Credit** as in the [American Rescue Plan of 2021](#) (ARP). The ARP built on a previous expansion in the 2017 [Tax Cuts and Jobs Act](#) (TCJA). The ARP raised the maximum credit to \$3,600 for younger children and \$3,000 for children ages 6 or older and provided that earned income was not required to qualify. The TCJA doubled the maximum credit to \$2,000, increased the refundable portion to \$1,400, and expanded the number of people qualifying for it. ARP’s expansion expired in 2022, while the TCJA expansion is scheduled to expire after 2025.

3. STATE OF THE UNION: DOMESTIC POLICY

As is traditional, the State of the Union covered a wide variety of domestic policy areas:

Health care: The President issued a stern warning that any attempts to cut Social Security or Medicare as part of debt ceiling negotiations would be vetoed and called for new tax provisions on corporations and high earners that could extend the solvency of the Medicare Trust Fund for at least two decades. He also praised record insurance coverage, driven by the Medicaid disenrollment moratorium set to expire on April 1, as well as 16 million new signups on ACA exchanges, boosted by [enhanced tax credits](#) first offered in the American Rescue Plan and extended under the Inflation Reduction Act, which are set to expire after 2025. The President proposes permanently extending the enhanced subsidies. He also called for capping the cost of insulin for all Americans at \$35, following a similar cap for [Medicare](#) beneficiaries. He claimed that rules preventing [surprise medical bills](#) were stopping 1 million surprise bills a month.

Workforce: The President termed investments in infrastructure, reshoring manufacturing, and technology “a blue-collar blueprint to rebuild America.” He claimed new 800,000 manufacturing jobs even before the expected boost from the CHIPS and Science Act, which has secured announcements to invest more than \$300 billion in the US. The President also sharply criticized non-compete agreements, which the FTC recently [proposed](#) to ban, and supported the [PRO Act](#), which would reshape union organizing by overriding state right-to-work laws, defining more independent contractors as employees, ban employers from using coercive tactics, and raise penalties for violations during unionization efforts. The bill has little chance of passage. The President also advocated for a “best educated workforce,” connecting students to career opportunities starting in high school and leveraging community colleges as underutilized career training centers. He also invited bipartisan cooperation to address border security and immigration challenges, warning that “America’s border problem won’t be fixed until Congress acts.”

Education: The President reiterated support for several measures related to children and education, citing the need to support working families through paid leave and affordable child care. He promoted access to preschool for 3 and 4-year-olds to begin preparation for participation in a well-educated workforce and favors universal preschool to support global economic competitiveness. The President also championed salary increases for teachers, a proposal commonly discussed in many State of the Union addresses by governors this year. He discussed expanded career opportunities that begin in high school and options that beyond four-year degrees, including community college pathways. He also briefly addressed college affordability by noting efforts to reduce student debt and increase Pell Grants.

Technology: The President [repeated](#) his earlier [call](#) for Congress to enact legislation to prevent tech companies from “giving their own products an unfair advantage.” While Speaker McCarthy applauded the line, it is unclear whether the legislation has sufficient support in Congress to pass. A White House fact sheet also stressed a [proposal](#) that digital services be “required to prioritize the privacy and wellbeing of young people above profit and revenue in their product design,” along the lines of a similar British law, and ban collection of personal data from children and targeted advertising to children.

Democracy: The President also [offered](#) strong remarks on democracy: “Democracy must not be a partisan issue; it’s an American issue. . . . Every generation, Americans faced a moment where they have been called to protect our democracy, defend it, stand up for it. And this is our moment.”

4. BUDGET DEFICIT \$459 BILLION THROUGH FIRST FOUR MONTHS OF FY2023

According to Congressional Budget Office estimates, the [federal budget deficit](#) was \$459 billion in the first four months of fiscal year 2023—\$200 billion more than the deficit during the same period last year. Budget deficit figures, especially on shorter time scales, are highly affected by the calendar; adjusted for timing shifts, the deficit was even larger, at \$522 billion. While receipts were within 3 percent of last year’s total through four months, outlays increased by 9 percent, or \$157 billion more than the comparable four-month period last year. About half of this increase, or \$81 billion, comes from the timing of the Federal Communications Commission’s spectrum auctions, which count as offsetting receipts, not real increases in spending. But spending increased in several areas, most notably Social Security (\$37 billion, because of a higher cost of living adjustment) and net interest on the debt (\$58 billion, because of rising interest rates). The larger budget deficit [may threaten](#) the timeline for the debt ceiling deadline, according to some observers.

CED released its Solutions Brief, [Debt Matters: A Roadmap for Reducing the Outsized US Debt Burden to 70% of GDP](#), on Thursday.

5. POWELL REACTS TO STRONG JOBS DATA

Federal Reserve Chair Jerome Powell [spoke](#) at the Economic Club of Washington on Tuesday, offering thoughts on last Friday’s January jobs report which showed the US economy added 517,000 jobs. “We didn’t expect it to be this strong,” Powell said, “stronger than anyone I know expected.” Strong employment data indicate high demand for goods and services, which can generate high inflation. “We’re going to react to the data,” he said; “if we continue to get, for example, strong labor market reports or higher inflation reports, it may well be the case that we have to do more and raise rates more than has been priced in.” However, Powell also [noted](#) that it is “good inflation has started to come down with a strong labor market.” Powell signaled the Fed was prepared to dig in for a continued fight against inflation, [expecting](#) it would take into next year to reach the Fed’s 2 percent target. despite at least some encouraging data in recent months showing [more muted inflation](#). In similar remarks the next day, Fed Governor Christopher Waller [also stated](#) he was “prepared for a longer fight to get inflation down.”

6. TRADE DEFICIT WIDENS TO \$948.1 BILLION FOR 2022

The US trade deficit in goods and services [widened](#) to \$67.4 billion in December, closing out the year with a \$948.1 billion deficit overall. December exports were \$250.2 billion, \$2.2 billion less than in November. December imports were \$317.6 billion, \$4.2 billion more than in November. The export decline came from declines in industrial supplies and materials (-\$3.1 billion) and consumer goods (-\$1.0 billion), more than offsetting an increase in foods, feeds, and beverages (\$0.7 billion) and services (\$0.7 billion), mostly led by growth in travel and transport. December growth in imports was led by consumer goods (\$4.1 billion) and automotive vehicles, parts, and engines (\$2.9 billion), which more than offset declines in industrial supplies and materials imports (-\$2.7 billion), especially fuel oil (-\$0.8 billion). Overall, the trade deficit for 2022 was \$948.1 billion, the largest on record and \$103 billion more than last year. Despite heightened geopolitical tensions, disruptions to Chinese supply chains, and increasing legislation and executive actions restricting some trade with China, the 2022 US trade deficit with China grew 8.3 percent from the prior year to \$382.9 billion, the second-highest total on record.

7. INITIAL UNEMPLOYMENT CLAIMS INCREASE

The Department of Labor reported Thursday that [initial claims](#) for unemployment insurance, a weekly indicator of labor market health, were 196,000 for the week ending February 4, an increase of 13,000 from the previous week's unrevised level of 183,000. The 4-week moving average was 189,250, its lowest mark since May 2022. This level of claims is low by historical standards and well below the highs of 261,000 in July, reflecting continued labor market strength even as some leading economic indicators tip into negative territory. The [latest economic forecast](#) from The Conference Board shows the unemployment rate rising to 4.5 percent, well above its current level of 3.5 percent, by the fourth quarter of 2023.

8. POTENTIAL IMMIGRATION AGREEMENT WITH MEXICO

On Wednesday, the *Washington Post* [reported](#) that US officials are negotiating an agreement with Mexico to allow US authorities to carry out large scale deportations of migrants from Venezuela, Cuba, Haiti, and Nicaragua. These are the four countries named in the [new parole policy](#) announced in [January](#) that mandated migrants first apply for protection in countries they transit through en route to the US border and raised the penalty for those crossing illegally. The new proposal would allow lawful entrance of 30,000 migrants per month combined from the four countries in exchange for allowing 30,000 expedited deportations to Mexico per month. Under the proposal, migrants entering illegally from those four nations could be arrested and held in detention in the US; deported to Mexico; banned from the US for five years; and threatened with felony charges and a longer jail term if they attempt a second unauthorized entry. A challenge in the negotiations is a Mexican law that prohibits the country from taking non-Mexican deportees from the US. However, Mexican President Andrés Manuel López Obrador agreed accept migrants deported under the Title 42 public health emergency provision on the condition that the US expand its parole program. During the 2022 Fiscal Year, US Customs and Border Protection stopped [2.4 million](#) illegal migrants from entering the country, up from 1.7 million the year before.

9. SEARCH ENGINES SCRAMBLE TO ADOPT AI LARGE LANGUAGE MODELS

Microsoft on Tuesday [announced](#) a new version of the Bing search engine that would run a new, next-generation large language model developed by artificial intelligence company OpenAI. Microsoft had previously [invested](#) a large stake, reportedly \$10 billion, in OpenAI last month. Interest in large language models, which can respond to prompts with their own original text, has increased dramatically with the launch of OpenAI's ChatGPT, a publicly available product demonstration, in November 2022.

Ideally, a large language model can create from scratch a valid original text answering a user's query, which may be a valuable addition to a search engine. But although large language models like ChatGPT demonstrate facility with grammar and syntax, they are [not](#) always substantively accurate and will need to be integrated into search engines with care; OpenAI has [noted](#) that "ChatGPT sometimes writes plausible-sounding but incorrect or nonsensical answers." Google, meanwhile, is unveiling a rival AI chatbot tool called Bard, posting a [demonstration](#) on Monday. In that demonstration, Bard made a [plausible-sounding but incorrect answer](#), similar to those described by OpenAI.

10. WHITE HOUSE RELEASES LIST OF OPEN INFRASTRUCTURE FUNDING OPPORTUNITIES

The White House on Monday [released](#) an updated [listing](#) of open and upcoming funding opportunities under the [Infrastructure Investment and Jobs Act](#) (IIJA). It noted that \$195 billion of the \$1.2 trillion law's funding has been announced or funded to date. The listing includes links to the notices of funding

opportunity or application instructions and categorizes the opportunities by the kind of infrastructure being funded. The calendar for future announcements contains all expected funding opportunities through May 2023, as well as a rougher timeline for releases to Winter 2023-2024.

11. FCC RULE ON FOREIGN COMMUNICATIONS EQUIPMENT SECURITY THREATS

The Federal Communications Commission issued a [final rule](#) to “further secure” communications networks and supply chains “from equipment that poses an unacceptable risk to national security [.]” This action implements the [Secure and Trusted Communications Networks Act of 2019](#), which established a mechanism to prevent communications equipment or services that pose a national security risk from entering US networks and a program to remove such equipment or services currently used in US networks. The rule defines what equipment, including varieties of telecommunications equipment or surveillance cameras, are covered under the law. Firms specified as posing an unacceptable risk include Huawei, ZTE, Hytera, Hikvision, and Dahua, all of which are based in China.

12. US-CHINA RELATIONS

Following the US’ shooting down of a Chinese surveillance balloon in the Atlantic off South Carolina, the Navy is attempting to recover as much of the craft as possible. The US [said](#) the craft was capable of collecting communications signals but that the US was able to block its intelligence-gathering capabilities during its flight over the US and to make the craft transmit information to the US. The President [said](#) in an interview with PBS that he told Chinese President Xi Jinping that the US will “compete fully with China, but we’re not . . . looking for conflict.” He [responded](#) “no” when asked if the balloon shootdown had negatively affected US-China relations. In the interview, the President also said that China has “enormous problems” including “an economy that is not functioning very well.” The Chinese Foreign Ministry [called](#) the comments “extremely irresponsible.”

NATO Secretary General Jens Stoltenberg [said](#) that the balloon “confirms a pattern of behavior” with “[increased](#) Chinese intelligence activities in Europe, again on different platforms. They use satellites, they use cyber, and – as we’ve seen in the United States – also balloons. So we just have to be vigilant.” The Pentagon and State Department [revealed](#) that China has a “fleet” of similar surveillance balloons and has deployed them over five continents; the US is sharing information with “dozens” of other countries as well as [exploring](#) new sanctions “taking action against [Chinese] entities linked to the [People’s Liberation Army] that supported the balloon’s incursion into US airspace.”

In his State of the Union address, the President [said](#) that the US is in “the strongest position in decades to compete with China or anyone else in the world,” adding I am committed to work with China where it can advance American interests and benefit the world” but that “[a]s we made clear last week, if China threatens our sovereignty, we will act to protect our country. And we did.”

13. CHINESE NUCLEAR MISSILE LAUNCHERS

The Pentagon reported to Congress that the “number of land-based fixed and mobile ICBM launchers in China exceeds the number of ICBM launchers” in the US. However, the *Wall Street Journal* [reported](#) that many of China’s land-based launchers are still empty as China continues its nuclear buildup. In addition, the US has more intercontinental land-based missiles as well as advantages in submarine-launched missiles and long-range bombers. Growing Chinese nuclear strength will be important over the next several years as the US considers how to renegotiate the New START arms control treaty with Russia,

which is set to expire in 2026 but for which Russia has currently suspended mandatory inspections. China is not a party to that agreement. Rep. Mike Rogers (R-AL), who chairs the House Armed Services Committee said that the US “cannot allow” China to have nuclear parity; “[t]he time for us to adjust our force posture and increase capabilities to meet this threat is now.”

14. NORTH KOREA UNVEILS NEW MISSILE

During a nighttime military parade to mark the 75th anniversary of the North Korean army, the country [unveiled](#) what appears to be a solid-fuel intercontinental ballistic missile. Most of North Korea’s missiles use liquid fuel, which makes them more vulnerable to attack during the fueling process before launch. The parade also featured 11 Hwasong-17 ICBMs, the most ever in a single parade. The Hwasong-17 is estimated to have a range of up to 9,320 miles. The state-controlled Korean Central News Agency celebrated the event by writing “Nuke for nuke and an all-out confrontation for an all-out confrontation!” During the parade, North Korean leader Kim Jong Un was accompanied by military leaders, his wife Ri Sol Ju, and his daughter, believed to be named Ju Ae.

15. PANDEMIC NEWS

President urges Congress to “remain vigilant”: In his State of the Union, the President [urged](#) Congress to “remain vigilant” on the pandemic, stating that “we still need to monitor dozens of variants and support new vaccines and treatments. So, Congress needs to fund these efforts and keep America safe.” However, the President expressed optimism that the country has “broken the COVID grip.” The President also noted that the Administration would “double down on prosecuting criminals who stole relief money meant to keep workers and small businesses afloat.”

New York City to end municipal vaccine mandate: Beginning February 10, COVID-19 vaccines will no longer be mandatory for City municipal workers, following an expected vote at the Board of Health meeting next week. The mandate will also end for New York City Department of Education employees. “With more than 80% of New Yorkers having received their primary COVID-19 series and more tools readily available to keep us healthy, this is the right moment for this decision,” said Mayor Eric Adams.

Japan to downgrade classification of COVID-19: Japan is planning to [downgrade](#) its classification of COVID-19 on May 8 from Class 2, which includes tuberculosis, to a class that includes seasonal influenza. The move would mark a major shift in the country’s COVID-19 measures, returning Japan essentially to a pre-pandemic normal. Currently, measures taken against COVID-19 are stricter than that of diseases in Class 1, which includes Ebola and the plague. Municipalities can instruct patients to hospitalize or isolate and are subjected to fines if they do not comply and only designated hospitals and clinics can care for COVID-19 patients. With a Class 5 categorization, infected individuals will no longer be required to isolate, and prefectural governments will no longer have authority to issue state of emergency measures. Additionally, more hospitals and clinics will be able to treat COVID-19 patients, alleviating pressure on the health care sector.

Singapore to end all COVID restrictions: Singapore, which for much of the pandemic has had rigorous restrictions, including contact tracing, will [end](#) all [restrictions](#) on February 13. Travelers who are not fully vaccinated will not need to show proof of negative tests nor purchase travel insurance covering medical treatment. However, the Ministry of Health also noted that restrictions under the [Vaccinated Travel Framework](#) adopted in April 2022 might be reinstated “quickly” under certain circumstances, including new severe variants or strain on the health care system. The country said the level of cases was stable

and did not see spikes from increased travel, including from China. Singapore first imposed pandemic-related restrictions on January 29, 2020, beginning with a ban on travelers from Hubei Province, China, and [banned](#) all short-term visitors on March 23, 2020, gradually reopening through “vaccinated travel lanes” in September 2021.

16. COUNTRY SPOTLIGHT: EUROPE

Cases of COVID-19 have generally remained relatively low in Europe in this somewhat mild winter. On February 7, France reported 3,404 [new cases](#) of COVID-19, with Germany reporting 11,696, Austria reporting 3,850, and Switzerland reporting 131. On February 3, Italy reported 4,911 [new cases](#). However, this is unlikely to mean a return to mass tourism soon, particularly from China.

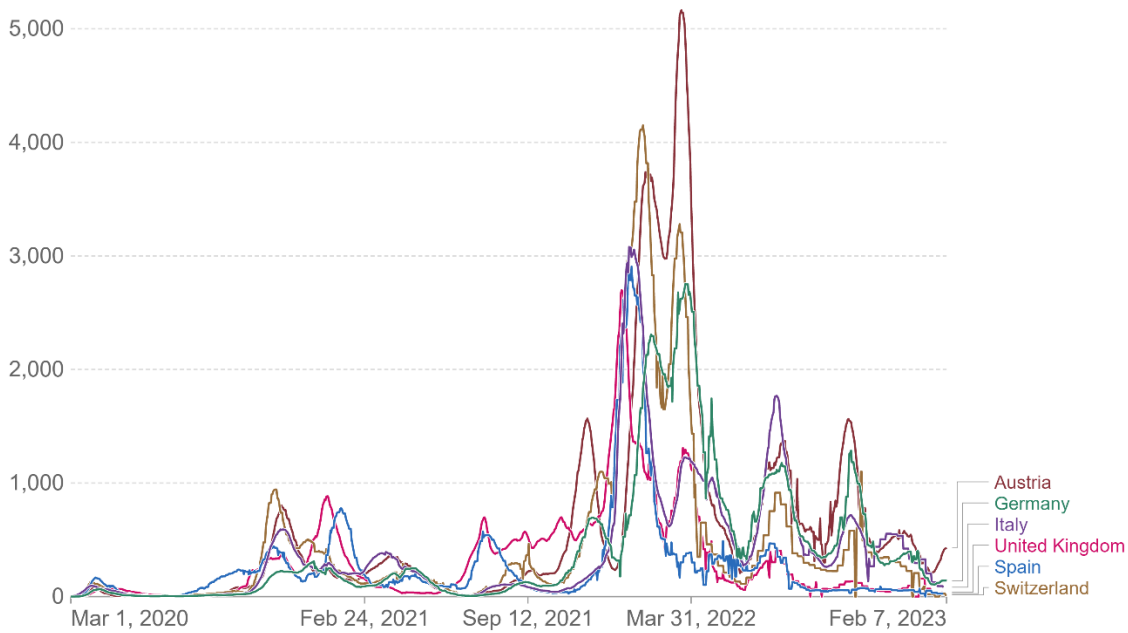
Chinese tourism was once a market worth \$225 billion a year globally. After nearly three years of highly restrictive policies, Chinese citizens are finally able to travel internationally without having to spend weeks in quarantine upon their return. However, because of difficulties Chinese citizens face in obtaining visas from European countries, it is [unlikely](#) that there will be a major wave of travel from China soon, according to Wolfgang Arlt, managing director of the China Outbound Tourism Research Institute (COTRI) in Hamburg. In early January, the EU agreed to introduce mandatory testing for all passengers arriving from China. This slow start is a major disappointment for the European tourism industry, particularly considering that Chinese tourists tend to be large spenders. In Spain, Chinese tourists spend on average \$336 a day, over twice as much as Germans, according to Turespaña, Spain’s official tourism agency. France, Germany, Austria, and Switzerland are among the top twenty most sought-after destinations for Chinese tourists.

Embassies and consulates across Europe are [overwhelmed](#) and understaffed amid China’s sudden policy shift, delaying the issuance of tourist visas and the resumption of business activity. According to Joerg Wuttke, head of the European Union Chamber of Commerce in China, some Chinese executives are waiting six to eight weeks to receive business visas to travel to Europe. Before the pandemic, issuing these documents would take only days. Germany, a key trading partner to China, is among the most affected. “They simply have no staffing to actually cope with the introduction again,” said Wuttke.

Last week, Italy [loosened](#) its requirements for travelers from China. Under an order by Health Minister Orazio Schillaci, Italy will require those traveling from China to test negative within 48 hours of departure and may carry out testing upon arrival “on a random basis.” Italy’s loosening of testing requirements comes in contrast to that of France, which at the end of last month, [extended](#) mandatory COVID-19 tests for travelers arriving from China until February 15.

Daily new confirmed COVID-19 cases per million people

7-day rolling average. Due to limited testing, the number of confirmed cases is lower than the true number of infections.



Source: Johns Hopkins University CSSE COVID-19 Data

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