

CED Public Policy Watch
02.18.2022

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1. INITIAL CLAIMS SEE UPTICK, HINTING AT SUPPLY CHAIN CONSTRAINTS

Initial claims for unemployment insurance increased by 23,000 to 248,000 for the week ending February 12 (last week's claims were revised up by 2,000). Claims for the week increased the most in Missouri (+9,255), Kentucky (+6,164), Ohio (+3,791), Tennessee (+2,946), and Michigan (+1,695 and where claims were up considerably the previous week as well). The supply chain issues (notably semiconductor shortages) impacting auto manufacturers are likely a factor in the uptick of initial claims; major automakers have plants in each of the states listed above. Claims in these states may see an uptick again next week as at least five automakers reported that operations were reduced or halted, citing supply chain issues resulting from the Canadian trucker protest convoy. Continuing claims decreased for the fourth week in a row, dropping by 26,000 to 1.59 million.

2. FED NOMINEES ON HOLD

All of President Biden's nominations and renominations to the Federal Reserve (including Jerome Powell for Chair and Lael Brainard for Vice Chair) are currently on hold following a decision by Senate Banking Committee Republicans to [boycott](#) a vote on moving the

nominations to the full Senate. According to press reports and some political intelligence, Republicans have offered to move only Powell, Brainard, and Governor nominee Philip Jefferson, keeping holds on Governor nominees Lisa Cook and Sarah Bloom Raskin (herself a former Fed Governor and Deputy Secretary of the Treasury), but Majority Leader Schumer has not responded to the offer. Democrats will likely need to wait until Senator Ben Ray Lujan (D-NM) returns from convalescence for his stroke (which he expects in "[a few short weeks](#)") to be able to move the full slate of nominees.

3. *COMPETES* ACT: PROSPECTS FOR CONFERENCE

Both the Senate and House of Representatives have now passed bills designed to advance US technology and increase American competitiveness, particularly in response to China. However, the differences between the two bills are significant.

Last June, the Senate passed the US Innovation and Competition Act (US ICA), the core of which is the former "Endless Frontier" legislation introduced by Sens. Chuck Schumer (D-NY) and Todd Young (R-IN). On February 4, the House passed H.R. 4521, [the America Creating Opportunities for Manufacturing Preeminence in Technology and Economic Stability Act \(COMPETES Act\)](#), which covers much of the same ground but adds many other provisions. Given President Biden's [words](#) of [support](#) on the passage of each bill, we expect that the President would sign any conference agreement that can pass in both chambers (with the sticky wicket clearly being the Senate). Many observers expect that any bill produced in conference would be considerably closer to the Senate bill, passed on a bipartisan basis (neither bill would be suitable for even a long and drawn-out reconciliation process). Conference to resolve differences between the two bills will likely happen in March.

Questions of funding remain difficult and will have to be resolved in conference. Both bills would provide substantial increases in research funding. However, the two bills establish different research institutions and allocate funds among those institutions in very different ways.

USICA would authorize a substantial "Directorate for Technology and Innovation" in the National Science Foundation and centralizes some funding there, while the COMPETES Act distributes funding across many agencies. USICA would authorize (not appropriate) [approximately \\$81 billion to NSF over five years](#), with about a third of that money for the new technology directorate and other monies going to STEM education and for existing NSF programs. In contrast, the COMPETES Act [authorizes raising NSF's budget to about \\$18 billion](#), as well as providing about \$4 billion to the Energy Department.

On semiconductors, however, the bills are clearer: COMPETES appropriates \$52 billion, including \$50.2b for the Commerce Department and \$2.0b for Defense. These funds are exempt from sequestration and count as emergency spending. Commerce will provide subsidies to domestic manufacturers of semiconductors and entities in their supply chains. The Senate

bill has a similar provision, with \$49.5 billion for a CHIPS for America fund and \$2.0b for Defense. In each case, it remains unclear how much would be spent on subsidies for domestic manufacturing and how much would be spent on pure research. Each bill also establishes an office of supply chain resiliency at the Commerce Department, promotes open architecture for advanced telecommunications networks as an alternative to use of Chinese equipment, and strengthens supply chains for critical medical equipment necessary for public health emergencies. In foreign affairs, each bill would require a report to Congress on the origins of the COVID-19 pandemic and calls for strengthening relations with Taiwan.

The House's COMPETES Act also contains provisions on climate change, [labor](#), and immigration that are unlikely to prevail in the final bill. The immigration provisions are particularly interesting, as they would set up a new "W" visa category for entrepreneurs (including essential employees, spouses, and children) and a pathway to permanent residence if their startup is successful, as well as a path to permanent residency for foreign holders of US PhD. STEM degrees working in their fields in the US. The Senate bill would add strong "Buy American" language for construction materials to all Federally-financed projects, including those funded by the new infrastructure law.

CED will continue to follow this legislation and will provide further details as they when the necessary analysis becomes available.

4. REGULATION UPDATE: CALIFORNIA AND HIGHER FUEL ECONOMY STANDARDS

The biggest news in regulation this week is the [expected waiver from EPA](#) under the Clean Air Act to permit California once again to impose [stronger tailpipe emission standards](#) (including for greenhouse gases) than set by the Federal government for cars and light trucks. (A number of other states follow California's standards). The Trump Administration had removed California's waiver in 2019. Restoring the waiver would continue a pattern of the Biden Administration overturning Trump-era rules to restore the substance of rules that existed under the Obama Administration. EPA had [signaled support for California's position last year](#) in a request for public comment. However, even with the waiver restored, California [seems likely to adopt EPA's own new national fuel economy and greenhouse gas emissions standards](#), which will impose a 40mpg requirement by 2026.

5. UKRAINE CRISIS

Breaking: President Biden announced that he is convinced Vladimir Putin has made the decision to invade Ukraine.

The Ukraine crisis continued intensely this week, with increased Russian attacks in eastern Ukraine. [President Biden noted](#) that the risks remain "very high," and the US insists that it has seen [no signs of pullback](#) of Russian forces. Other significant developments include [cyberattacks](#)

against various Ukrainian government ministries and institutions including the Army, Foreign Ministry, and two state-run banks, and the expulsion of the US deputy chief of mission from Moscow. One positive sign this week was the [joint statement](#) on Tuesday by the Senate Majority and Republican Leaders and the chairs and ranking members of the Senate Foreign Affairs, Armed Services, and Intelligence Committees expressing “bipartisan solidarity and resolve to the people of Ukraine, and an equally clear warning to Vladimir Putin[.]” The statement notes support for “strong, robust, and effective sanctions on Russia” and “robust security, economic, and humanitarian assistance for the people of Ukraine,” including “emergency assistance” in case of an invasion. The leaders concluded by noting that “the United States is prepared to meet this challenge with bipartisan and unified resolve.”

6. UK Advances in CPTPP negotiations

Friday morning, Japan [announced](#) that the members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) have agreed that the United Kingdom may advance to the next phase of negotiations; now the UK must respond with a market access offer. This development is significant, as the UK would be the first non-Pacific state to join the trade grouping. The [UK’s application](#) is part of Prime Minister Boris Johnson’s “[Global Britain](#)” strategy for increasing international ties beyond Europe in the wake of Brexit. The CPTPP currently includes Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. Other economies that seek admission to the CPTPP include China and Taiwan; South Korea may apply soon.

Dive deeper: CED recently published a Policy Brief on [Trade Policy in the Pacific Region](#), covering the CPTPP, Regional Comprehensive Economic Partnership, and other developments.

7. CDC ESTIMATES OVER 1,000,000 “EXCESS DEATHS” DURING PANDEMIC

The Centers for Disease Control [announced](#) that estimated “excess deaths” associated with the COVID-19 pandemic have now exceeded 1,000,000. Most of this mortality is from COVID-19 itself; however, the figure includes other deaths that are indirectly related to it, such as cases where people with co-morbidities such as Alzheimer’s disease and heart disease have been unable to obtain treatment and have died. The burden of mortality associated with the pandemic is thus currently about 12% higher than the total number of recorded deaths from COVID-19 itself (1,045,389 vs. 920,097 as of February 16), although there are significant regional variations and variations by race, age, and other factors, all presented by CDC. “Excess deaths” is an estimate, but a conservative one, because the number of COVID-19 deaths only includes information on death certificates (and may thus be an undercount), and because other deaths may have been precipitated in some way by the pandemic (for instance, postponed treatment for unrelated ailments). In related news, CDC data (as of February 16) show that

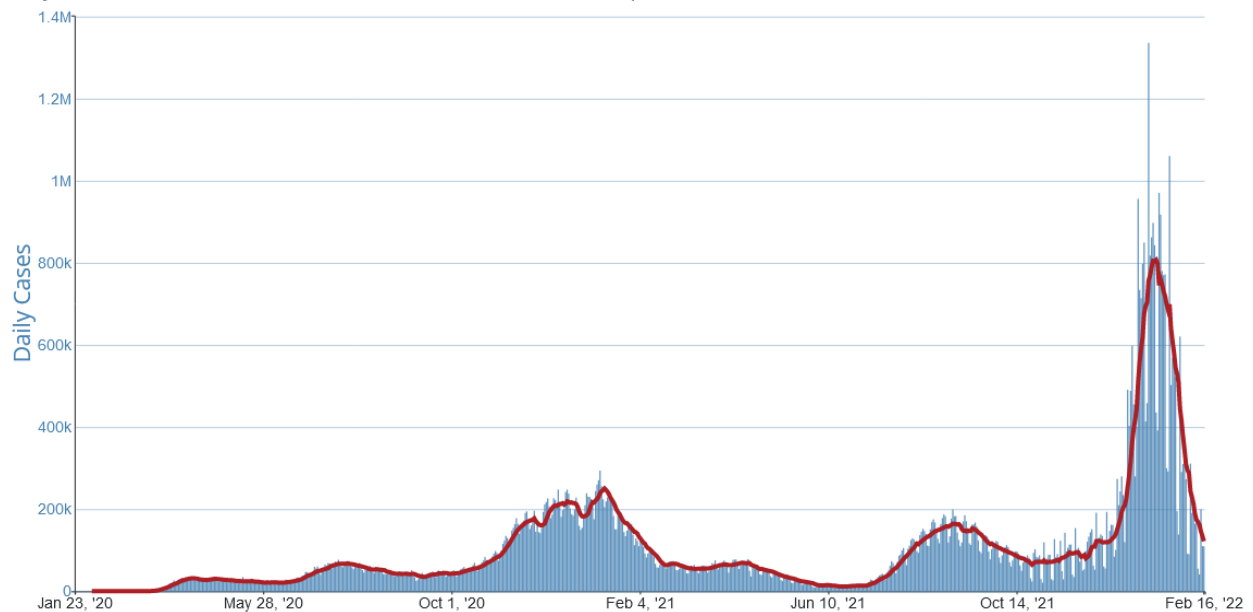
80.5% of Americans over age 5 have received at least one vaccine dose, while [77.6% count as fully vaccinated](#) (two shots of an mRNA regime or one of the Johnson & Johnson vaccine).

8. PANDEMIC NEWS

As usual, there is some good news, and then there is some bad news.

Continuing the trend of the last four weeks, daily new confirmed COVID-19 cases declined, and are declining from coast to coast. The national case count is now below that of the last two peaks, but is still more than 50 percent above the trough that preceded the Omicron wave that began late last year. This is obviously an enormous improvement from a month ago. But history clearly testifies that there is more than enough infection to threaten a resurgence, given the right (that is, wrong) circumstances.

Daily Trends in Number of COVID-19 Cases in The United States Reported to CDC



Thankfully, hospitalization—which lag the case count—are falling widely as well, giving some relief to much overstressed and heroic caregivers. Parts of the country that trailed in the rise in cases are also trailing in the fall in hospitalizations, and so levels of burden remain high in places—the Rocky Mountain states (Wyoming, Montana, Utah, Colorado and the Dakotas, which constitute HHS Region 8) are an example. But at least the trendline is firmly down.

Prevalent Hospitalizations of Patients with Confirmed COVID-19, United States August 01, 2020 – February 13, 2022



80,185

Current 7-Day Average
Feb 07, 2022 – Feb 13, 2022

107,772

Prior 7-Day Average
Jan 31, 2022 – Feb 06, 2022

146,534

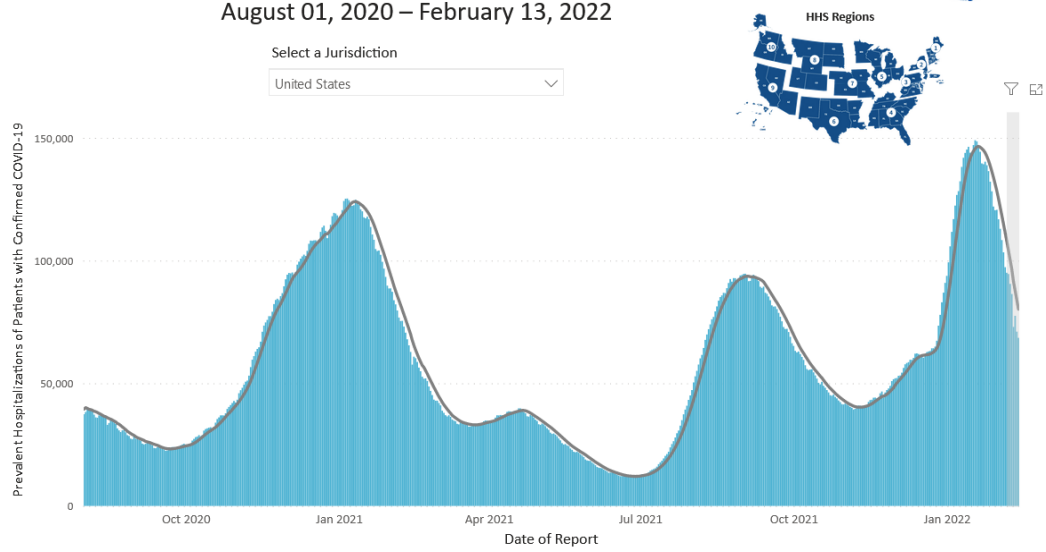
Peak 7-Day Average
Jan 14, 2022 – Jan 20, 2022

-25.6%

Percent change from prior 7-day
avg. of Jan 31, 2022 – Feb 06, 2022

-45.3%

Percent change from peak 7-day
avg. of Jan 09, 2022 – Jan 15, 2022



Prevalent Hospitalizations of Patients with Confirmed COVID-19, HHS Region 8 August 01, 2020 – February 13, 2022



2,246

Current 7-Day Average
Feb 07, 2022 – Feb 13, 2022

2,914

Prior 7-Day Average
Jan 31, 2022 – Feb 06, 2022

3,858

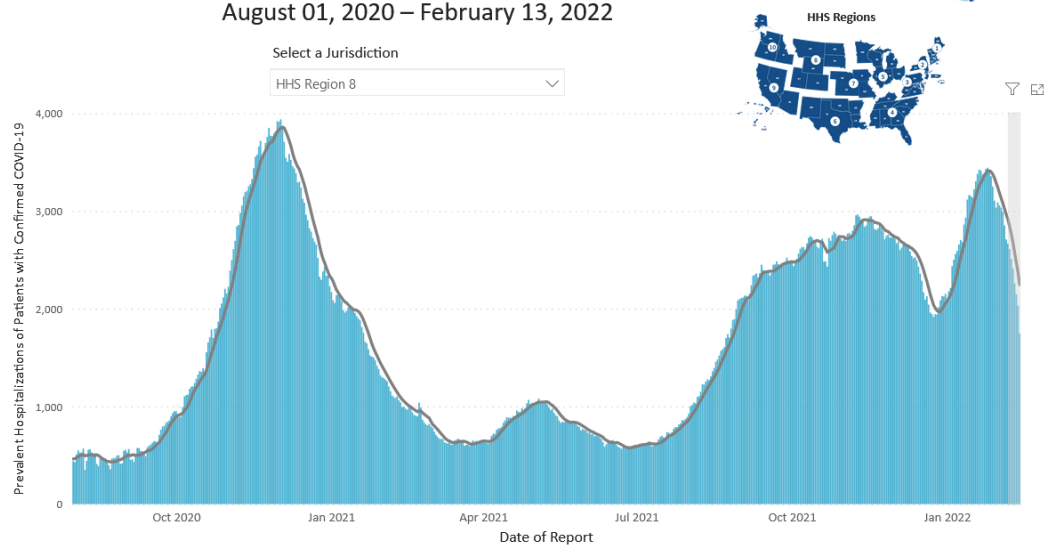
Peak 7-Day Average
Nov 27, 2020 – Dec 03, 2020

-22.9%

Percent change from prior 7-day
avg. of Jan 31, 2022 – Feb 06, 2022

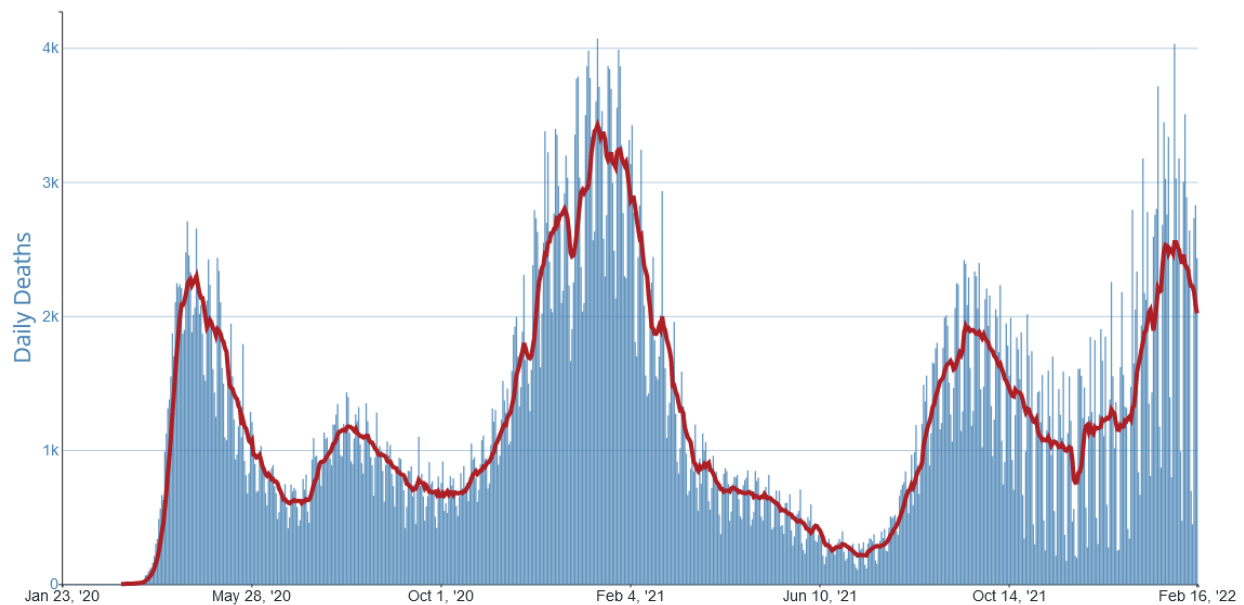
-41.8%

Percent change from peak 7-day
avg. of Jan 12, 2022 – Jan 18, 2022



But the ultimate lagging indicator—deaths—is still saddeningly high. The seven-day trailing average of daily deaths is falling, but is still above 2,000—higher than at the peak of the Delta wave.

Daily Trends in Number of COVID-19 Deaths in The United States Reported to CDC



So the indicators are moving in the right direction, albeit from most unfortunate levels. Once again, it is within the scope of the imagination that there is a light at the end of this long, dark tunnel. But...

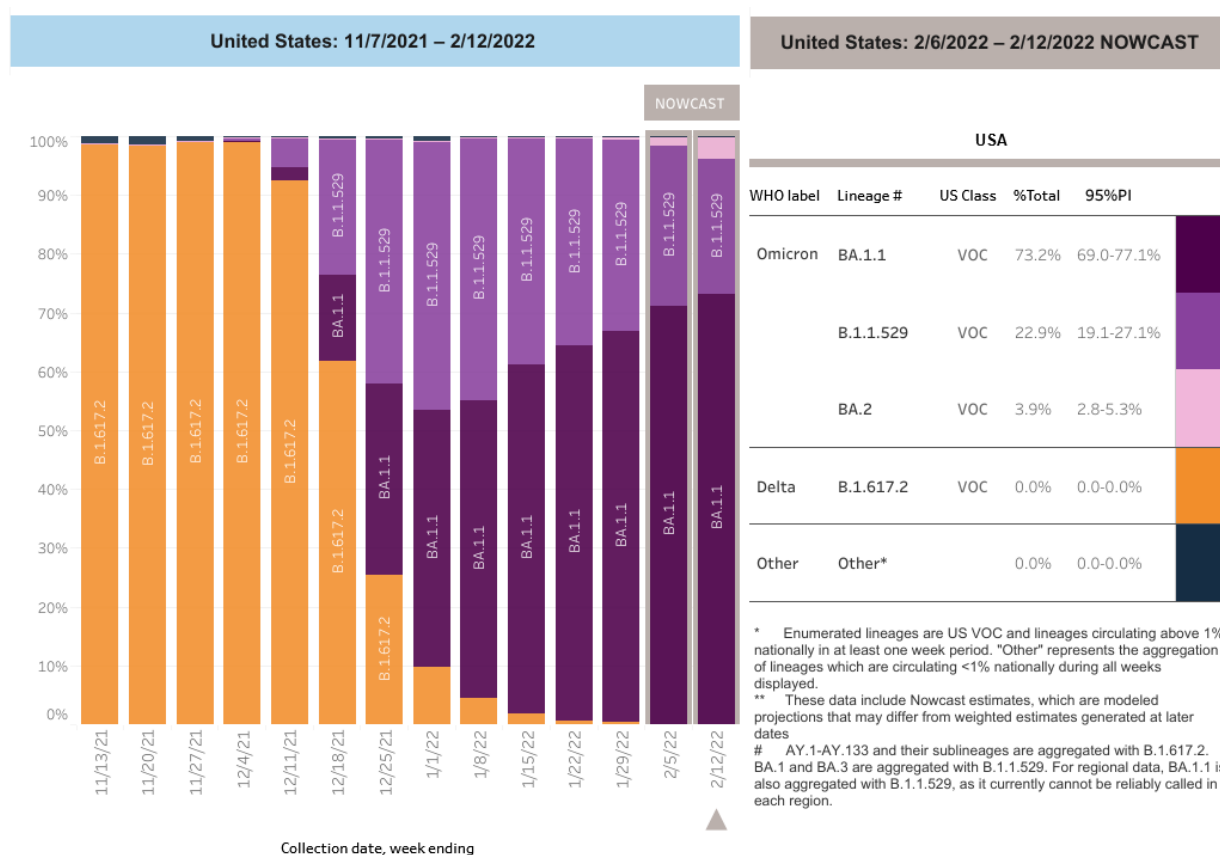
...this is the story that we hope will prove untrue: A pre-print study (that is, not yet peer reviewed) based on laboratory data from Japan (the study itself can be accessed as an Acrobat file via a link in a [news article](#)) states the following in its abstract:

Soon after the emergence and global spread of a new severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) Omicron lineage, BA.1, another Omicron lineage, BA.2, has initiated outcompeting BA.1. Statistical analysis shows that the effective reproduction number of BA.2 is 1.4-fold higher than that of BA.1. Neutralisation experiments show that the vaccine-induced humoral immunity fails to function against BA.2 like BA.1, and notably, the antigenicity of BA.2 is different from BA.1. Cell culture experiments show that BA.2 is more replicative in human nasal epithelial cells and more fusogenic than BA.1. Furthermore, infection experiments using hamsters show that BA.2 is more pathogenic than BA.1. Our multiscale investigations suggest that the risk of BA.2 for global health is potentially higher than that of BA.1.

You don't need a Ph.D. in epidemiology to understand that this study found that BA.2 is more transmissible, more likely to evade prior immunity (including from vaccination), and quite possibly more lethal as well, than the BA.1 virus that caused the recent colossal wave of infection. We have been comforted by the notion that there is a natural tendency of viruses to evolve into less-lethal forms. A virus that killed instantly would be immediately incapable of

propagating itself. However, anything is possible; it ain't *necessarily* so. A virus *could* cause more-serious illness, but take its time in doing so.

The latest CDC data on the prevalence of different strains of the virus show the first hint of such a quantum change in the outlook.



In mid- to late-January, the two conventional strains of Omicron essentially ruled the roost, and crowded out the very last remnants of Delta. However, since then, BA.2 has begun to appear and to show the first signs of growth in prevalence. BA.2 has achieved outright prevalence in at least 10 countries in Asia (including China; see below) and in Europe (Denmark).

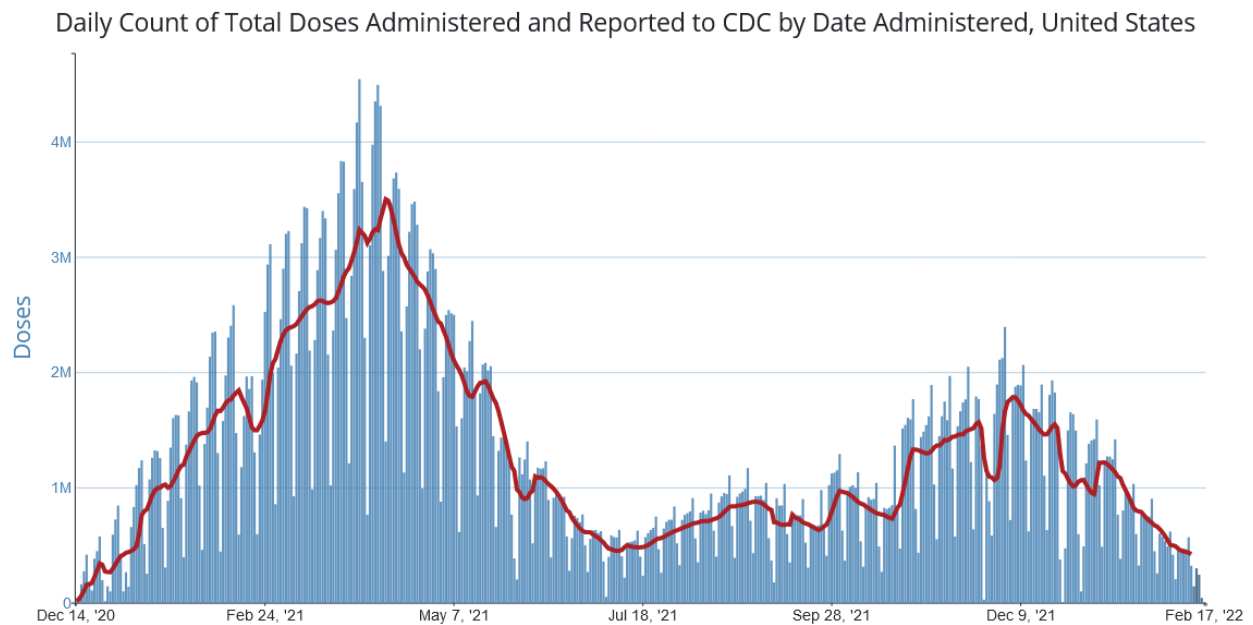
Indications are that a booster shot will help to ward off serious illness from BA.2, as might prior infection with conventional Omicron. But there are also indications that the one antiviral drug that showed promise as a curative against BA.1 (others that worked against Delta have already been discarded as cures against conventional Omicron) is not effective against BA.2.

9. VACCINE, OTHER PREVENTION, AND REMEDY NEWS

So this, of course, is the moment when numerous authorities around the country have chosen to declare victory and remove or ease mask and other regulations. After several states and

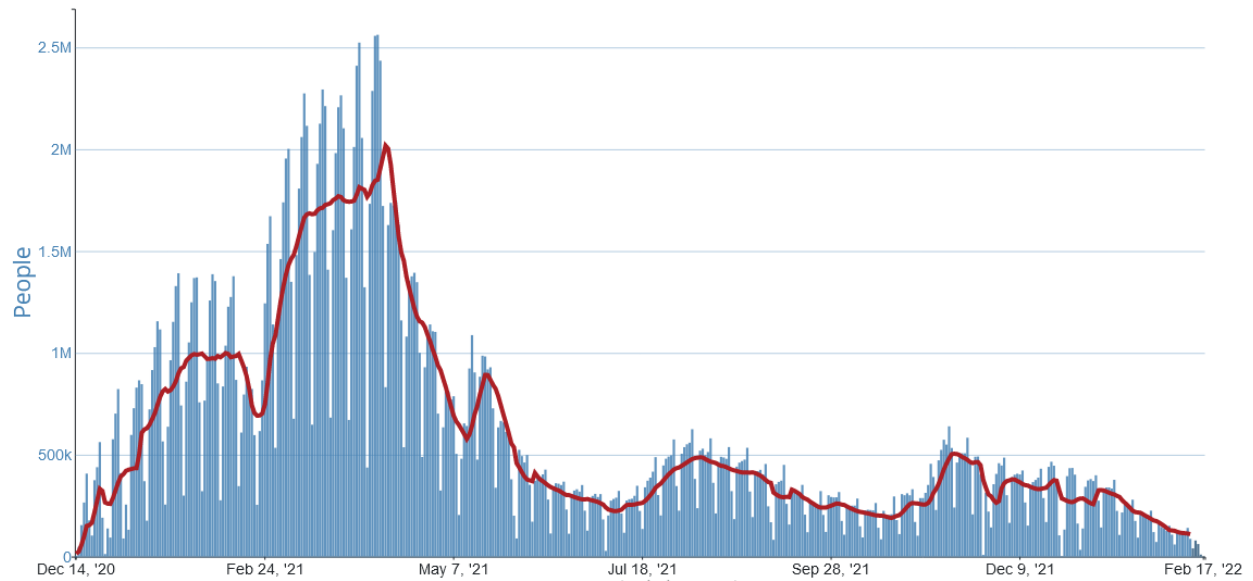
cities have lowered their guard, the CDC has found itself potentially behind the easing curve, and losing credibility with the public. Accordingly, the agency has made its early noises that it will consider new guidance that lifts or reduces restrictions such as mask wearing in localities where contagion is below some level. The question is whether we will be fortunate enough to achieve such standards in light of the recent developments in Omicron. Stay tuned.

And trends in vaccination hold little promise. The number of daily doses continues to decrease.

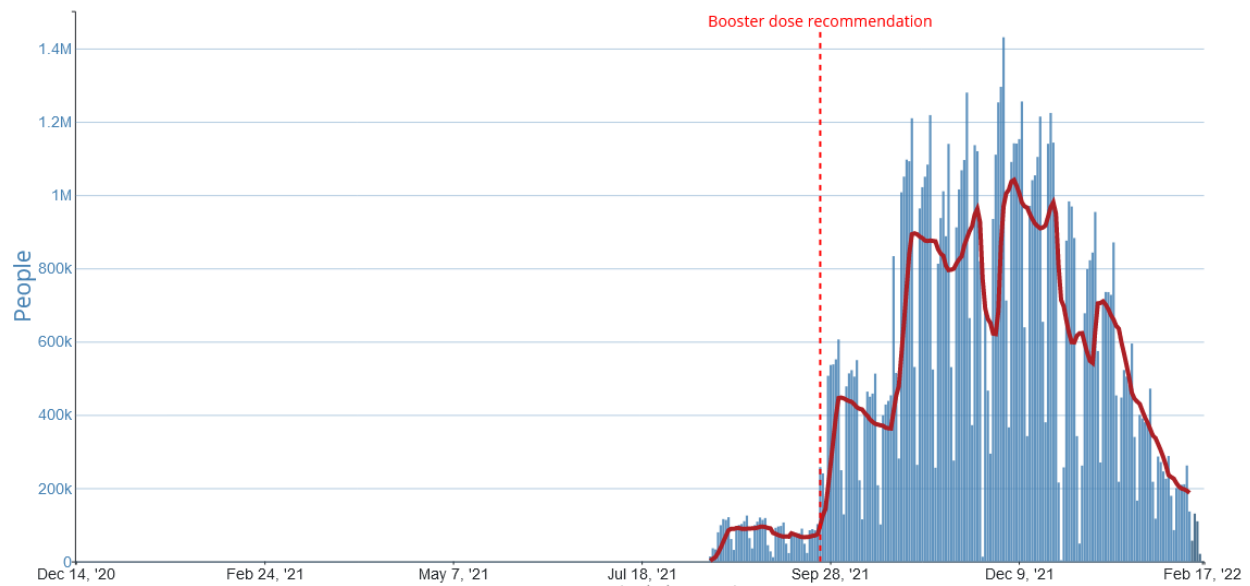


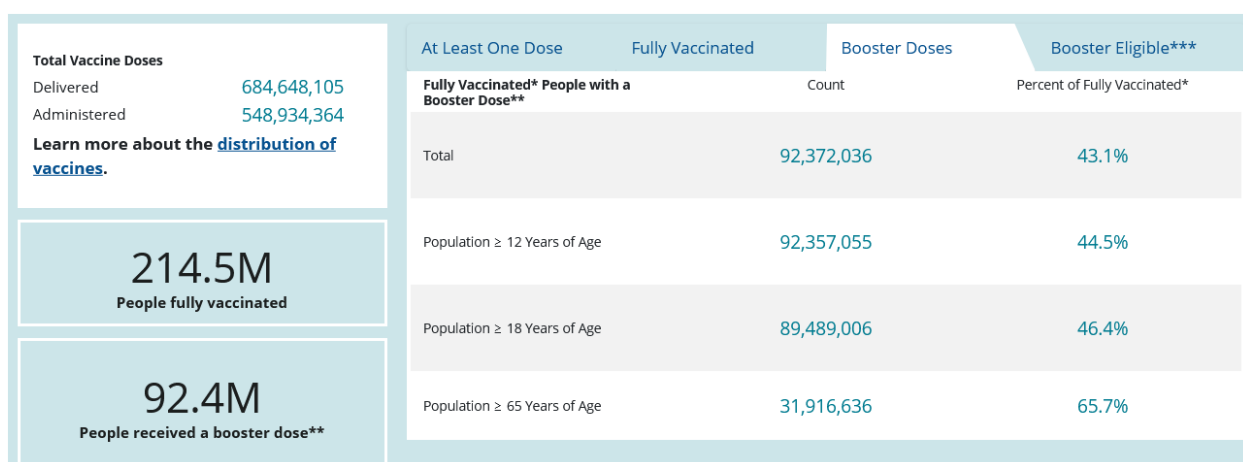
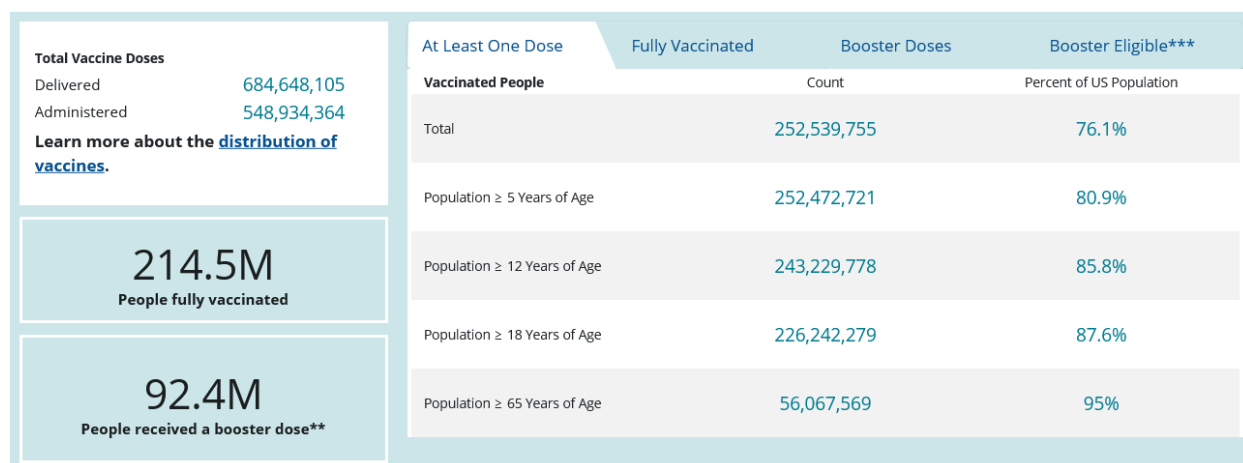
There has been limited progress in convincing unvaccinated Americans to begin inoculation, and even the number of booster doses for those who have undertaken what used to be thought a full regimen is slowing. Given the additional protection that boosters appear to give to Omicron's BA.1 and now BA.2, the absence of enthusiasm for boosters is most distressing.

Daily Count of People Receiving Dose 1 Reported to CDC by Date Administered, United States



Daily Count of Fully Vaccinated People Receiving a Booster Dose Reported to CDC by Date Administered, United States





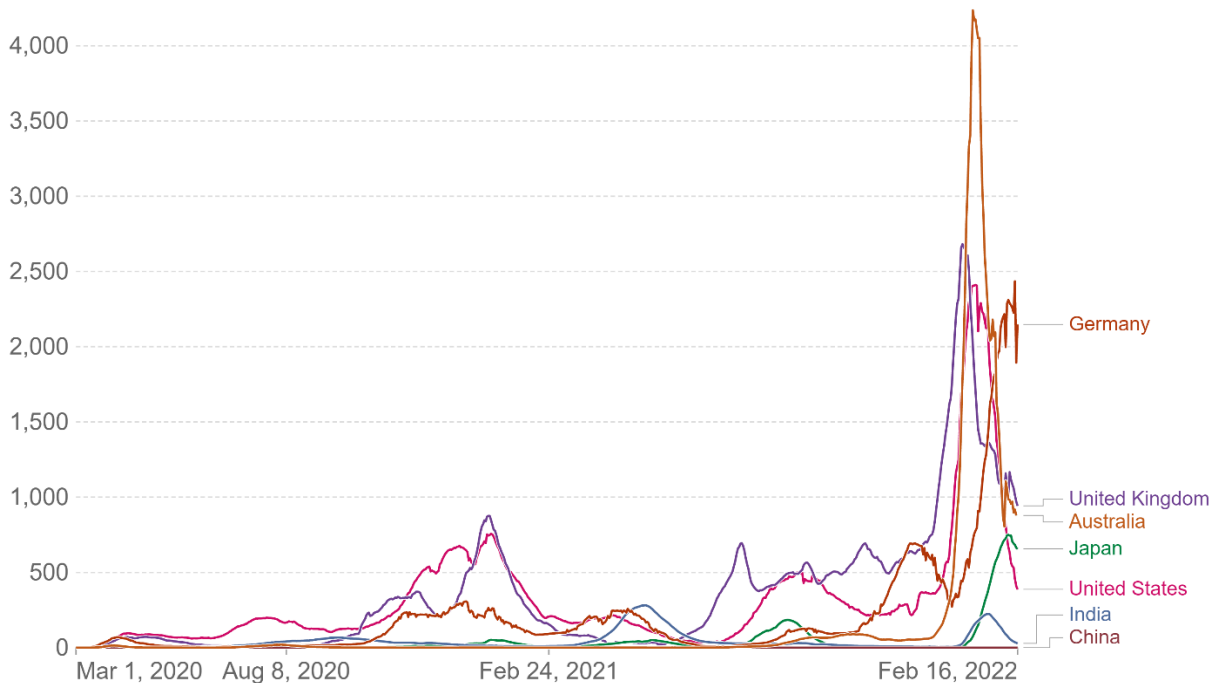
10. SPOTLIGHT ON REOPENING: WILL CHINA ACCEPT AMERICAN DRUGS, AND ABANDON ZERO COVID?

Last weekend, China granted approval to Pfizer's COVID-19 pill, Paxlovid, for emergency use. The [oral pill](#) is designed to be given to adults with mild to moderate COVID-19 who have co-morbidities, and therefore a high risk of progression to severe disease. Such patients would include the elderly, those with health issues relating to the kidney or lungs, cardiovascular disease, and diabetes. The pill has been shown to reduce the risk of hospitalization and death by almost 90 percent.

Paxlovid marks China's first approval of a foreign treatment of the virus. The decision comes as a surprise, and many see it as a rare insight into the future of Beijing's [COVID Zero](#) strategy. China is the last significant economy still attempting to completely eliminate COVID-19, a task that has become nearly impossible given the high transmissibility of both the Delta and Omicron variants. The approval of Pfizer's Paxlovid pill may lay the groundwork for China's COVID-19 containment regime to gradually give way to a more flexible approach, suggested Zeng Guang, a former chief scientist at the Chinese Center for Disease Control and Prevention.

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

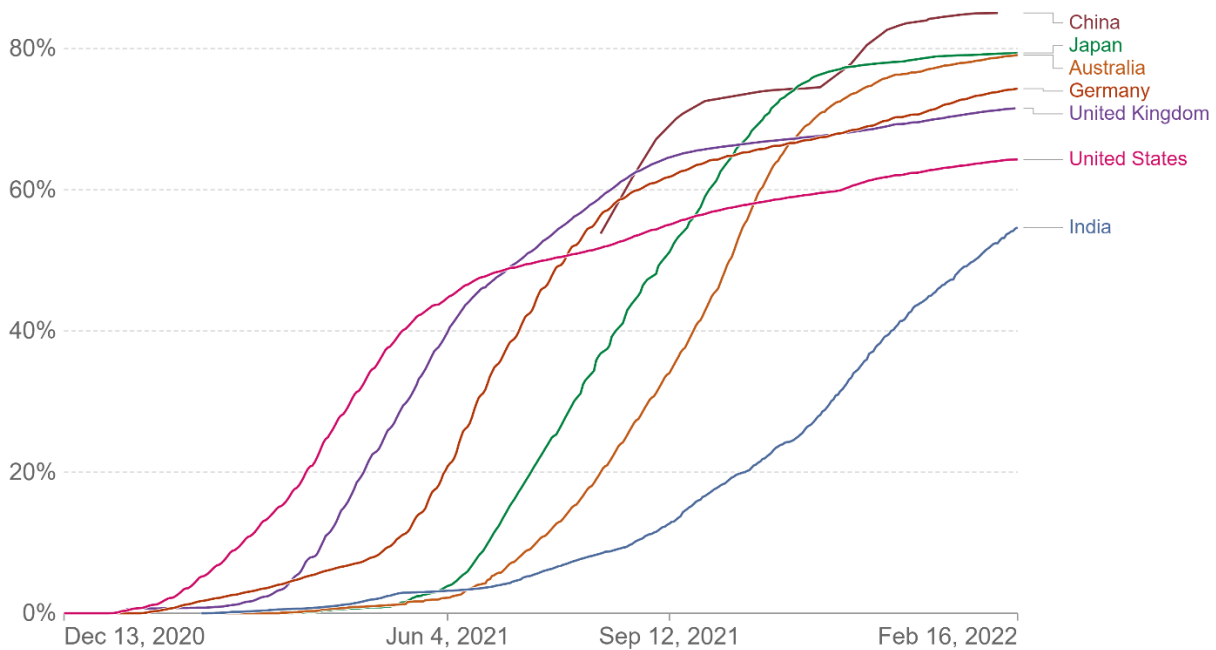
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The approval of Paxlovid eases growing concern that China, the world's second largest pharmaceutical market, is avoiding foreign COVID-19 treatments. "A foreign pill for COVID is much less radioactive than approving a foreign vaccine, because vaccines were at the heart of the soft-power race and such a point of national pride," said Michael Shoebridge, director of the Defence, Strategy and National Security program at the Australian Strategic Policy Institute. The Pfizer-BioNTech vaccine, licensed to Chinese billionaire Guo Guangchang's [Shanghai Fosun Pharmaceutical Group](#), has yet to be approved in the country. Just under 90 percent of China is fully vaccinated, with many having received booster doses. Statistical modeling indicates that China could see more than 600,000 infections a day if its COVID Zero strategy were lifted – an alarming number for a country that has seen only 5,000 COVID-19-related deaths since the very beginning of the pandemic.

Share of people who completed the initial COVID-19 vaccination protocol

Total number of people who received all doses prescribed by the initial vaccination protocol, divided by the total population of the country.

Our World
in Data



Source: Official data collated by Our World in Data

Note: Alternative definitions of a full vaccination, e.g. having been infected with SARS-CoV-2 and having 1 dose of a 2-dose protocol, are ignored to maximize comparability between countries.

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Many [Olympic](#) athletes of Western countries have reported alarm over China's COVID Zero strategy, with one Finnish coach arguing that the measures are a violation of human rights. Athletes who test positive for the virus are placed in isolation for weeks at a time – some complained about being fed very bland food while in quarantine. Athletes are not allowed to return to the Olympic bubble until they are no longer symptomatic and return two consecutive negative tests. While in the bubble, athletes must wear gloves while serving themselves in the cafeteria. This comes as a stark contrast to athletes from the US, where even mask-wearing is still contested. For 1.4 billion people across China, the COVID-19 policies of Beijing's 2022 Summer Olympic represent what life has been like since the onset of the pandemic.