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Weekly News Round-up  
March 10, 2023***

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## **1. DEVELOPMENTS ON UKRAINE**

**Military developments:** Street fighting continued in Bakhmut, including [50 airstrikes](#) Monday night. Western officials [claimed](#) Russia has had "20,000 to 30,000 casualties" (killed and wounded) in the fight for the city, while Ukraine's losses have been "significantly less." NATO Secretary General Jens Stoltenberg [stated](#) said that a fall of Bakhmut "does not necessarily reflect any turning point of the war." Russia reportedly [deployed](#) up to 800 Soviet T-62 tanks from 1954 because of a shortage. Lithuania estimates that reserves of Russian military resources would last for another two years "of a war of the same intensity as today," assuming no other countries assist Russia. Germany may deploy a brigade in Lithuania on a permanent basis. Ukraine [denied](#) it was involved in an attack on a Belarusian airfield last week that destroyed a Russian surveillance plane. Ukraine is [operating](#) an "I Want to Live" program to reach Russian soldiers and encourage peaceful surrender to Ukrainian forces by individuals, groups, or even tanks, with protocols for surrendering given to Russian forces. Part of the program includes arranging paperwork to reflect capture by, rather than surrender to, Ukrainian forces.

**Russian missile attacks:** Russia launched a barrage of attacks across Ukraine Wednesday night, [including](#) with hypersonic missiles. President Zelensky [called](#) the attacks, with 81 missiles and eight Iranian-made drones, "a difficult night." The attacks [targeted](#) both Kyiv's thermo-electric power station and the last remaining Ukrainian supply link to the [Zaporizhzhia](#) nuclear plant -- on the night after UN Secretary

General António Guterres [called](#) for establishing a demilitarized zone around the plant. The connection was later [reestablished](#), with supplies from Ukraine's grid [powering](#) the plant, and back-up diesel generators operated when the connection to the power grid was lost. Ukraine claims only ten days of fuel for back-up operation remain at the plant. International Atomic Energy Agency Director-General Rafael Grossi warned against "complacency" about the attacks. Guterres also repeated during his visit to Kyiv that "[t]he position of the United Nations, which I have consistently expressed, is crystal clear: Russia's invasion of Ukraine is a violation of the U.N. Charter and international law."

**Grain shipments:** Ukraine began negotiating with the UN and Turkey on renewal of the Black Sea Grain Initiative which expires March 18, on the understanding that the other partners were in discussions with Russia. A senior Ukrainian official [said](#) the negotiations are "rather complicated"; Ukraine is proposing an extension of at least a year and wants to expand the agreement to include the port of Mykolaiv. Russia wants further modifications which have not been made public. UN Secretary General Guterres [said](#) it was "critical" that the deal be extended. The UN counts 23 million tonnes of grain exported under the agreement which "contributed to lowering the global cost of food." (The global wheat price has fallen by about 30 percent since June 2022.) The head of the International Grains Council [noted](#) that by the end of the year, the agreement had delivered "a really impressive level of export. In November and December, Ukraine was close to the same level as before the war in terms of exports by sea plus inland" (about 5 million tonnes, close to the 5-6 million Ukraine exported each month before the war).

Ukraine [reported](#) that the winter wheat area sown for the 2023 harvest decreased to about 4.1 million hectares from more than 6 million a year earlier but that the "vast majority of plants" to be harvested in areas it controls are in "relatively good condition." In 2021, Ukraine's wheat harvest was 32.2 million tonnes out of a record 86 million tonnes in grain production; in 2022, the comparable figures were 20.2 million and 54 million tonnes.

**US intelligence chief testifies:** Director of National Intelligence Avril Haines [testified](#) to the Senate that "we do not foresee the Russian military recovering enough this year to make major territorial gains, but Putin most likely calculates the time works in his favor, and prolonging the war, including with potential pauses in the fighting, may be his best remaining pathway to eventually securing Russian strategic interests in Ukraine, even if it takes years." She added that in this "grinding, attritional war . . . neither side has a definitive military advantage [.]". Because Russia suffers from "personnel and ammunition shortages, dysfunction within the military leadership, exhaustion as well as morale challenges" and high casualties, it "will be increasingly challenging for them to sustain even the current level of offensive operations in the coming months and consequently, they may fully shift to holding and defending the territories they now occupy [.]".

On China, Haines [stated](#) that "[w]e do see them providing assistance to Russia in the context of the conflict" (without defining the type of assistance) but is "in a situation in which they've become increasingly uncomfortable about the level of assistance and not looking to do it as publicly as might otherwise occur, given the reputational costs associated with it." She added that she thinks China wishes to avoid further sanctions.

**NordStream pipeline attacks:** The *New York Times* [reported](#) that US officials saw intelligence suggesting that a pro-Ukrainian group carried out the sabotage on the Nord Stream pipelines in the Baltic Sea last year, but there is no evidence of official Ukrainian involvement. German Defense Minister Boris Pistorius [said](#) that "[i]t could just as easily have been a false [flag] operation. The likelihood is equally high." German investigators searched a yacht reportedly used by the saboteurs.

**EU arms spending:** According to a draft document, the EU will [move](#) forward on a plan for a “massive order” in a joint procurement worth up to about €1 billion of all types of ammunition and possibly other defense articles “to send industry a clear demand signal, enabling it to ramp up its production capacity” and shift to defense production. Under the plan, national spare stockpiles would be sent to Ukraine, reimbursed at up to 90 percent of cost by the EU, while the EU would jointly procure ammunition for replenishment of national stocks. Already 25 EU member states and Norway (eligible as a member of the European Economic Area) have expressed interest in the scheme. At a meeting of EU defense ministers in Stockholm, Ukrainian Defense Minister Oleksii Reznikov [listed](#) Ukraine’s priorities as “air defense systems, and also ammunition, ammunition, and again ammunition.”

**Fighter jets:** Ukrainian Defense Minister Oleksii Reznikov [told](#) German newspaper *Bild* that he is “confident” Ukraine will receive “two to three different types of fighter jets” from Western countries through a “coalition” as for provision of modern Western tanks. On settlement of the war, he stated that Ukraine “must receive real security guarantees” as a part of a settlement and that he believes “there is a chance to end this war this year with our victory.” Slovakia is [reportedly](#) considering joint action with Poland to supply MiG-29 fighter jets to Ukraine. The US Air Force commander for Europe and Africa [said](#) that Ukraine has lost 60 aircraft in the war but Russia has lost 70.

**EU natural gas purchases:** The EU is [planning](#) to start purchasing contracts for natural gas collectively beginning in April in an effort to reduce costs and increase supplies for next winter. It claims that over 50 sellers from the US, the Middle East, and African nations have expressed interest in the plan. The EU’s natural gas capacity is reportedly 61 percent full after a relatively mild winter, but as European Commission Vice President Maros Sefcovic said, “I’m very much against any complacency or feeling that the tough times of last year are over because we don’t know what this year has in store for us,” Sefcovic said. “What is increasingly important is that we have to deal with prices. We can’t power our economy at such a huge price differential compared with the US or China.” The plan will include small- and medium-sized companies as sellers as well as energy majors. Ukraine will [participate](#) in the initiative, with purchases up to 2 billion cubic meters of gas, almost enough to replace its 2021 level of imports. Overall, Europe [wants](#) to expand its capacity to regasify liquid natural gas from 178 billion cubic meters to 227 billion cubic meters by 2024, which will require new facilities. German Chancellor Olaf Scholz [said](#) that energy supply for Germany should be sufficient for next winter.

**Putin decree on defense production:** Russian President Putin [issued](#) a decree providing that the state could take over private firms that fail to meet obligations under military contracts if the Russian government imposes martial law. Russia denies that it has plans to impose martial law in Russia, although it has imposed it in the four regions of Ukraine it annexed in September.

## 2. PRESIDENT’S BUDGET RELEASED; DEBT CEILING BILL IN CONGRESS

The President submitted a proposed budget for Fiscal Year (FY) 2024. The budget includes increased spending for domestic programs, higher defense spending, and significant tax increases for corporations and high-earning individuals. On net, the budget seeks to reduce cumulative deficits by about \$3.0 trillion over a decade, from \$21.6 trillion under current law to \$18.6 trillion under its proposals.

**Spending:** Total spending under the proposal is \$6.883 trillion, an increase of \$610 billion from actual outlays in FY 2022 and 4.8 percent above FY 2023 enacted levels for discretionary spending. Defense increases 3.2 percent over 2023 levels to \$842 billion.

Higher discretionary funding includes several areas of CED focus:

- \$20 billion in mandatory funding for HHS public health agencies in support of pandemic prevention, preparedness, and biodefense priorities.
- For HHS early care and education programs, the budget calls for \$22.1 billion in FY2024, an increase of \$2.1 billion.
- The Department of Education receives a \$10.8 billion increase (13.6 percent) from the 2023 enacted level, including funding for expanded preschool, [full-service community schools](#), and [teacher and principal recruitment, training, and retention programs](#), as well as increasing the maximum Pell Grant
- The Budget proposes to restore the full [Child Tax Credit](#), which recently expired after an expansion under the American Rescue Plan.
- A new \$4.7 billion set aside as a Southwest Border Contingency Fund to be used for surge-related functions, tapped incrementally as encounters at the Southwest border reach pre-identified levels. The Budget also increases combined funding for Customs and Border Protection and Immigration and Customs Enforcement by \$800 million and provides \$865 million in funding for Citizenship and Immigration Services to clear its backlog of caseloads.
- An additional \$145 million for the Cybersecurity and Infrastructure Security Agency (CISA), for a total of \$3.1 billion, aimed towards implementing the [Cyber Incident Reporting for Critical Infrastructure Act of 2021](#) and other improvements.

### Tax increases

Major proposed tax increases (with estimated revenue impact) in the Budget include:

- \$1.326 trillion from raising the corporate rate from 21 percent to 28 percent
- \$650 billion from increases to the net Income Investment Tax (NIIT) and Additional Medicare Tax rates and expansion of the NIIT base to pass-through income
- \$549 billion from adopting the undertaxed profits rule, a provision from the OCED's Pillar 2 international tax negotiations
- \$493 billion from tax increases on US worldwide corporate income
- \$437 billion from the "billionaire minimum tax" announced in the State of the Union address
- \$238 billion from raising the current stock buyback tax from 1 to 4 percent
- \$235 billion from top individual income tax rate to 39.6 percent for incomes for virtually all filers earning over \$400,000 per year
- \$214 billion from treating certain capital gains as ordinary income (for incomes above \$1 million)

**Economic assumptions:** The budget relies on economic assumptions finalized in November 2022. The White House [notes](#) that they were broadly in line with other official and private sector forecasts. The economic assumptions include real GDP growth slowing substantially to just a 0.6 percent year-over-year rate in calendar year 2023, consistent with relatively pessimistic forecasts from The Conference Board and other forecasters in late 2022. The budget also assumes that the Consumer Price Index growth would fall to 4.3 percent in 2023, then 2.4 percent in 2024, and to 2.3 percent thereafter.

**Effects on deficits and debt:** Under the White House's assumptions, the proposed budget would cut deficits by a cumulative \$3 trillion over the next decade. However, this fiscal policy would be insufficient to stop or reverse debt accumulation, but instead simply slow the pace of debt accumulation. The White House projects that debt held by the public under the budget will climb from 98.4 percent of GDP in

2023 to 109.8 percent in 2033, the highest ratio in US history, higher even than the period immediately following World War II but lower than [that projected by the Congressional Budget Office](#) under current law, which is 118 percent of GDP in 2033.

**Prospects:** Presidents' budgets are statements of priorities; the budget will likely will not receive a formal vote. With a divided Congress, it is especially unlikely for a budget to guide Congress's decisions. Ideally, Congress would respond to the President's budget with its own full slate of appropriations bills to provide the executive branch with money to carry out government programs for the year—even if it chooses different amounts than those in the President's budget. If portions of the government's funding do not go through the formal appropriations process, Congress may need to enact a continuing resolution, which would continue FY 2023 levels of funding. Failing even a continuing resolution, then there may be a federal government shutdown at the end of FY 2023 in October.

**Impact on debt ceiling debate:** Congress's first fiscal priority is to resolve a looming [debt ceiling impasse](#). Congress will need to pass new legislation making clear what priorities are to be funded and how; the Treasury is likely to run out of cash, borrowing authority, and "extraordinary measures" some time over the summer in the absence of new legislation. At that point, uncertainty created by Congress's conflicting instructions would create financial and constitutional chaos.

Meanwhile, House Republicans [prepared](#) a [bill](#), marked up in the Ways and Means Committee on Thursday, to prioritize certain US government spending in the event that the government is unable to pay its bills past the "X date" under which the government has no additional resources to spend. It would permit continued borrowing after that time only to pay interest on the Federal debt and for benefit payments to Social Security recipients. Republicans are also [considering](#) further prioritization instructions, which would put defense and veterans' benefits ahead of other forms of spending. These instructions would still leave many ambiguities if no broader agreement is reached on the debt ceiling, as most spending (notably on health care) would fall in other categories. The Administration's position remains that Congress should address the debt ceiling and that it is not under negotiation. Rep. Bill Pascrell (D-NJ), a member of the Ways and Means Committee, [wrote](#) a letter Wednesday to Speaker Kevin McCarthy (R-CA) stating that Republicans are inviting "cataclysmic damage to our economy" and demanding a Republican plan to raise the debt ceiling. Economists at Moody's Analytics [forecasted](#) a new estimate for the X date, August 18.

CED's latest [Solutions Brief, Debt Matters: A Road Map for Reducing the Outsized US Debt Burden to 70% of GDP](#), includes a series of recommendations for returning to a path of fiscal health and stability, including a mix of spending cuts, tax reform, saving Social Security and Medicare, and returning to a responsible and enforceable budget process.

### 3. POWELL TESTIMONY TO CONGRESS

In the Semiannual Monetary Policy Report to the Congress, a [prepared testimony](#) and hearing before multiple committees in Congress this week, Federal Reserve Chair Jerome Powell included a critical sentence suggesting that strong data from January had influenced the Federal Reserve's thinking. "If the totality of the data were to indicate that faster tightening is warranted," Powell said, "we would be prepared to increase the pace of rate hikes." The Federal Reserve has increased interest rates eight times since the beginning of 2022. Most of those increases have been in larger increments of 50 or 75 basis points. However, the most recent increase, [announced](#) February 1, was just 25 basis points. Powell's remarks would indicate that the Federal Reserve is prepared to return to a larger increment



again if needed. However, a 50-basis point increase next meeting, while possible, is not definite. In an addition to his prepared remarks, Powell added that “I stress that no decision has been made on this.”

In the weeks following the February meeting, data were released indicating relatively strong economic performance and high inflation. January retail sales data rose an extraordinary 3.0 percent (seasonally-adjusted, month-over-month) from the prior month, suggesting strong consumer demand, though The Conference Board [attributes](#) much of that spike to seasonal adjustments and weather: a cold December, and a much warmer January in much of the country. Further, the Personal Consumption Expenditures (PCE) inflation index data for January [showed](#) high inflation: the “core” index closely watched by the Fed that excludes volatile food and energy prices rose 0.6 percent month-over-month. This is far higher than the pace of monthly increases that would be consistent with the Federal Reserve’s goals, which are 2 percent for the entire year. Some market participants have adjusted their predictions for the pace of increases and now [consider](#) a higher “terminal rate”—the interest rate at which the Federal Reserve concludes its cycle of increases—to be possible, as high as 6 percent.

#### 4. TRADE DEFICIT RISES TO \$68.3 BILLION

The [US trade deficit](#) in January was \$68.3 billion, up \$1.1 billion from December’s revised figure but well below the highs of 2022, according to Census and Bureau of Economic Analysis data. January exports were \$257.5 billion, \$8.5 billion more than in December; January imports were \$325.8 billion, \$9.6 billion more than in December. The rise in exports came from \$10.1 billion increase in goods exports, including \$4.1 billion in consumer goods, of which \$2.8 billion was pharmaceuticals. Also contributing were capital goods exports, which increased \$1.9 billion, and automotive exports, which increased \$1.2 billion. Exports of services, meanwhile, decreased \$1.6 billion on losses in travel (\$1.2 billion) and transport (\$0.7 billion). The increase in imports was also driven by consumer goods (\$4.1 billion) automotive (\$3.1 billion) and capital goods (\$1.4 billion). Imports in services were roughly flat. The trade deficit in goods with China was \$21.9 billion for January, slightly below December’s \$22.8 billion. The deficit in goods with Japan fell \$1.6 billion to \$5.6 billion. The deficit in goods with the European Union remained roughly flat at \$18.5 billion.

#### 5. BEIGE BOOK SHOWS SLIGHT INCREASE IN ECONOMIC ACTIVITY

On Wednesday, the Federal Reserve [published](#) 2023’s second edition of the Beige Book, which collects information on current conditions in each of the twelve Federal Reserve Districts through interviews with key economic participants and analysts. Overall, the Fed reported that “economic activity increased slightly,” with six Fed districts reported little or no change in economic activity since January, while six indicated “a modest pace” of expansion. Supply chain disruptions continued to ease, on balance, and consumer spending generally held steady, while manufacturing activity “stabilized.” The labor market remained “solid” with employment increasing at a modest to moderate pace in most Districts, although “finding workers with desired skills or experience remained challenging,” in part because “[s]everal Districts indicated that a lack of available childcare continued to impede labor force participation.”

On prices, the Fed reported that inflationary pressures remained widespread, though price increases moderated in many Districts”; while energy and raw materials costs rose, freight and shipping costs generally fell. In addition, “[s]ome Districts noted that firms were finding it more difficult to pass on cost increases to their consumers” -- a continuation of the trend reported in January, because of the effects of high inflation and higher interest rates. In sum, the Fed concluded that “[a]mid heightened uncertainty, contacts did not expect economic conditions to improve much in the months ahead.”

## 6. EMPLOYMENT SITUATION REPORT SHOWS RESILIENT LABOR MARKETS

US labor markets remained resilient in February despite continued recession expectations. Although layoffs are picking up in some pockets of the economy, robust job gains overall, labor shortages, and persistently elevated wages all bode unfavorably for slowing inflation. The data underpin the Fed's continued hawkish stance and raise the probability of faster and potentially larger interest rate hikes.

Strong job growth continued in February, with 311,000 jobs added, after an increase of 504,000 jobs (a downward revision) in January. The unemployment rate rose to 3.6 percent from 3.4 percent in January. The labor force participation rate increased slightly from 62.4 percent in January to 62.5 percent. The employment-to-population ratio for prime-age workers (25-54) is now back to its prepandemic level at 80.5 percent. Average hourly earnings growth in February grew to 4.6 percent year over year, from 4.4 percent in January, remaining elevated compared to pre-pandemic trends but still lower than the peak reached in March 2022.

At the sectoral level, leisure and hospitality (105,000), health care and social assistance (62,800), and retail trade (50,100) added the most jobs. Together, they are responsible for nearly 57 percent of job gains over the last three months. These in-person service industries have been facing the most challenging labor shortages. For leisure and hospitality and health care, hiring is expected to continue even with a downturn in the economy. Other industries that recorded significant job gains included government (46,000), professional and business services (45,000), and construction (24,000). While the construction industry keeps adding jobs, job openings in the-sector fell by half between December and January, an early sign that construction jobs growth may slow in coming months.

Notwithstanding the large net gain in employment, cracks in the labor force are forming. Information services, including tech companies, lost 25,000 jobs as layoffs continue in the industry. Over the last three months, the industry recorded a total of 54,000 job losses. Average hourly wages in the industry, declined for a sixth consecutive month at 5.5 percent. Finance and insurance lost 10,000 jobs in February and recorded layoffs in three out of the last four months. Transportation and warehousing lost 21,500 jobs. Employment in manufacturing continued its downward trend, losing 4,000 jobs in February. Temporary help services, a leading indicator for hiring, added a modest 6,800 jobs.

While labor shortages persist, with job openings remaining above historic levels, and layoffs below prepandemic levels, there is a clear shift in hiring away from industries that grew rapidly during the pandemic towards in-person service industries that did not fully recover from pandemic job losses.

## 7. INITIAL UNEMPLOYMENT CLAIMS SHOW LARGEST INCREASE SINCE OCTOBER; OPENINGS DECLINE

The Department of Labor reported Thursday that [initial claims](#) for unemployment insurance, a weekly indicator of labor market health, were 221,000 for the week ending March 4, an increase of 21,000 from the previous week's unrevised level of 190,000. The 4-week moving average was 197,000, rising but still well below recent highs of 261,000 in July 2022. Continuing claims for unemployment rose to 1.7 million, tying the level in December which was the highest since January 2022. The [latest economic forecast](#) from The Conference Board shows the unemployment rate rising to 4.4 percent by the fourth quarter of 2023, well above its current level of 3.4 percent. As multiple labor market reports begin to show softening, initial claims will be a key indicator to watch moving forward.

[Job openings](#) also declined by 410,000 in January to 10.8 million according to the Bureau of Labor Statistics. However, openings still out number unemployed workers by nearly 2:1. In a mixed report for the Federal Reserve, job openings eased less than anticipated, matching other January data indicating the labor market remained firm. Construction led the drop in job openings, declining by 240,000, while openings in food and accommodation fell by 204,000, and openings in finance and real estate declined 151,000. Layoffs rose in January to their highest levels since December 2020 at 1.7 million, while quits fell below 4 million for the first time since May 2021. However the changes in layoffs and quits were concentrated entirely in professional and business services, where job openings and hiring also rose in January. That sector is seen as a bellwether as it includes temporary staffing businesses that react quickly to downturns. The swings point to growing involuntary churn in the sector, signaling some weakness but likely not the definitive softening that the Federal Reserve expects to see. Private payrolls [increased](#) by 242,000 last month, above expectations, according to figures from ADP Research Institute in collaboration with Stanford Digital Economy Lab.

## 8. ADMINISTRATION MEDICARE PROPOSAL

On Tuesday, the White House [released](#) a plan to extend Medicare solvency through 2050, a featured item in this week's 2024 budget proposal. Specifically, the proposal would raise the net investment income tax created by the Affordable Care Act from 3.8 to 5 percent and apply to earnings over \$400,000. It would also apply that tax to certain pass-through business income, an expansion from the current tax on capital gains and investment income. The plan would also allow the federal government to negotiate prices for more drugs than the limited number approved in last year's Inflation Reduction Act (IRA) while allowing negotiation sooner after a drug's launch. Additionally, it would extend an IRA rule to commercial health insurers that requires drug companies to pay rebates to Medicare or the insurer when prices increase faster than inflation. The White House estimates pricing reforms would save \$200 billion over 10 years. The budget proposal would also provide cost savings to Medicare enrollees by capping Part D cost-sharing on certain drugs used to treat chronic conditions at \$2 per prescription per month. With mental health in greater focus, the plan would also eliminate cost-sharing for up to 3 mental or behavioral health visits per year, require parity between physical and mental health coverage under Medicare, and extend coverage to new types of mental health services. While the proposal will face opposition in the Republican-controlled House, if no action is taken, Medicare faces automatic spending cuts for its [65 million](#) beneficiaries beginning in [2028](#).

## 9. FCC PROPOSED RULE ON COMPONENT PARTS OF TELECOMMUNICATIONS NETWORKS

The FCC [issued](#) a proposed rule covering component parts, in addition to the current restrictions on finished products, of telecommunications networks produced by entities on the "Covered List" which includes products from Huawei and ZTE Corporation, arguing that the parts, as well as the finished products "could potentially pose an unacceptable national security risk [.]". The FCC also argues that the rule is justified because of Congressional guidance that components also be destroyed as part of the "rip and replace" procedures in the FCC's reimbursement program under the Secure Networks Act. Comments on the proposed rule are due April 7 and reply comments are due May 8.

## 10. NEW RULE ON COAL POWER PLANT WASTEWATER

EPA [proposed revisions](#) to the rule on wastewater discharge from coal power plants, which could encourage some currently coal-fired plants to switch to natural gas or cease operations. Wastewater from these plants includes toxins and metals such as arsenic, mercury, nickel, and selenium; EPA



[estimates](#) that the new rule “would reduce pollutants discharged through wastewater from coal-fired power plants by approximately 584 million pounds per year.” The rule would require greater filtering of these pollutants before release, which will likely require plant operators to upgrade their systems significantly. It would not apply, however, to plants that agree to stop burning coal by 2028. EPA Administrator Michael Regan [said](#) that the agency’s goal was “to protect public health and water quality” rather than “driving specific outcomes in terms of companies’ investment strategies.” It is likely, however, that some operators will cease using coal rather than comply with the new wastewater rule. The proposal for a 2028 deadline is similar to a proposal under the Trump Administration which had extended a compliance deadline to 2025. EPA [states](#) that 74 electricity generating units at 33 power plants have already announced retirement of the systems or conversion to natural gas.

## 11. NATIONAL EMISSIONS STANDARDS FOR STEAM GENERATING UNITS

EPA [filed](#) a notice, effective March 6, that it is revoking a finding from May 22, 2020 ([85 FR 31286](#)) “that it is not appropriate and necessary to regulate coal- and oil-fired electric utility steam generating units (EGUs) under Clean Air Act (CAA) section 112 [.]” The agency is reverting to a finding from April 25, 2016 ([81 FR 24420](#)), that the EGUs should be regulated for hazardous air pollutants. In the new action, EPA “concluded that the framework applied in the May 22, 2020 finding was ill-suited to assessing and comparing the full range of advantages and disadvantages . . . after weighing the volume of pollution that would be reduced through regulation, the public health risks and harms posed by these emissions, the impacts of this pollution on particularly exposed and sensitive populations, the availability of effective controls, and the costs of reducing this harmful pollution, including the effects of control costs on the electricity generation industry and its ability to provide reliable and affordable electricity.” This is a separate issue from the question of EPA’s authority to regulate greenhouse gas emissions, which the Supreme Court overturned in *West Virginia v. EPA*, as it relies on EPA’s specific authority in under the Clean Air Act upheld in a 2015 Supreme Court case, *Michigan v. EPA*.

## 12. GLOBAL AIR POLLUTION STUDY

A study published this week in [Lancet Planetary Health claims](#) that about 99.82 percent of global land area lies under air at which people are exposed to levels of fine particulate matter 2.5 (PM2.5), above the World Health Organization’s level of recommended safe exposure, and only 0.001 percent of global population breathes air considered acceptable. Globally, over 70 percent of days in 2019 had daily PM2.5 levels above 15 micrograms per cubic meter; the figure rose to over 90 percent in portions of South and East Asia. Air pollution leads to 6.7 million premature deaths per year, with two-thirds of the impact related to fine particulate matter. The study combined formal air pollution measurements from monitoring stations with machine learning and weather and geographic data. The study also showed a decrease in annual PM2.5 concentrations over the past 20 years in North America and Europe.

## 13. SENATE BILL PERMITTING TIKTOK BAN

Senate Intelligence Committee Chairman Mark Warner (D-VA) and Senator John Thune (R-SD) [introduced](#) the RESTRICT Act, a bill to give the Commerce Department authority to review threats from foreign information and communications technologies and recommend remedies, which could include banning technologies and products in the US. The Administration [endorsed](#) the bill. The authority could be used to restrict or ban ByteDance Inc’s TikTok app over national security and data-sharing concerns. Last week, a bill to give the President specific authority to ban TikTok nationally passed the House; the Senate bill gives broader authority to the Administration.

Separately, Director of the National Security Agency General Paul Nakasone [testified](#) to the Senate Armed Services Committee that “TikTok concerns me for a number of different reasons. One is the data that they have. Secondly, is the algorithm and who controls the algorithm. Third is the broad platform influence operations, as we talked about previously. It’s not only a fact that you can influence something, but you can also you know, turn off the message as well when you have such a large population of listeners [.]” Nakasone also testified that China is now a “very capable force” and “formidable foe” in cyberspace.

#### **14. SEC SHORTENING TRADE SETTLEMENT CYCLE**

The Securities and Exchange Commission [adopted](#) a final rule effective May 5, 2023, shortening the standard settlement cycle for most broker-dealer transactions from two business days after the trade date to one business day after the trade date (“T+1”). This follows its 2017 action to shorten the settlement cycle from three to two business days. The Commission wrote that “in part informed by episodes in 2020 and 2021 of increased market volatility that highlighted potential vulnerabilities in the U.S. securities market, [it] believes that shortening the settlement cycle from T+2 to T+1 can promote investor protection, reduce risk, and increase operational and capital efficiency” and that sufficient technological progress has been made for the securities industry to make the transition.

#### **15. NTSB RAIL SAFETY INVESTIGATION**

Following two derailments in less than a month in Ohio, a third in October 2022, and a total of five significant accidents since December 2021, the National Transportation Safety Board [opened](#) a special investigation into “Norfolk Southern Railway’s organization and safety culture” and urged the company “to take immediate action today to review and assess its safety practices, with the input of employees and others, and implement necessary changes to improve safety.”

#### **16. AIR FORCE MISSING RECRUITING GOALS**

Air Force Secretary Frank Kendall [announced](#) that said the service expects “about a 10 percent shortfall” in the active duty Air Force and more in the Guard and Reserve because of “reduced propensity to serve nationally across the board and a limited percentage of qualified candidates.” The Air Force met its recruiting targets in 2022 only because of entrants from a delayed entry program. In addition, the Air Force (active duty and reserves) had a [shortfall](#) of 1,907 pilots against its goal of 21,000 at the end of October, the latest data available, an increase of 260 over the end of 2021. Specifically with respect to active duty pilots, the Air Force is seeking 741 pilots to meet its goal of 13,000. Last year a Defense Department study [found](#) that 77 percent of young Americans do not qualify for military service absent a waiver because of weight, use of drugs, or other mental or physical health problems.

#### **17. SOME STATES LEAVE VOTER REGISTRATION SECURITY GROUP**

Florida, Missouri, and West Virginia [left](#) the Electronic Registration Information Center (ERIC), a data-sharing arrangement that once included 34 states designed to prevent double voting and ensure accurate voter rolls. States participating in ERIC are required to send a postcard to every eligible unregistered voter to encourage registration to share data from voter registration and motor vehicle records and use the data to clean up voter rolls. (The ERIC system does not [connect](#) directly to state voter registration systems and outside groups cannot access personally identifiable information.) The

idea was to compromise between states that wanted to focus on list maintenance and those that wanted to prioritize voter registration. In recent months, some election activists have charged that ERIC is partisan and has shared voter-registration data with liberal groups; ERIC denies the charges. ERIC proponents argue that increased data-sharing among the states will help all states keep their rolls accurate as a tool to promote election integrity. To deter other states from leaving the system, next week, states participating in ERIC will consider reforms requiring members to conduct a requirement to encourage voter-registration and list-maintenance functions only once, making them optional after that.

## 18. CANADA TO INVESTIGATE FOREIGN INTERFERENCE IN ELECTIONS

Prime Minister Justin Trudeau [ordered](#) an investigation by an independent special rapporteur (a step below a full judicial inquiry) into allegations that China interfered in the country's 2019 and 2021 federal elections. The allegations include charges of misinformation directed against candidates from the opposition Conservative Party and provision of money and volunteers in a number of parliamentary ridings (districts). A report in the *Globe and Mail* in February claimed that Canada had intelligence that China preferred to see the incumbent Liberal Party win but only as a minority government, according to the report, one Chinese consular official said that China "likes it when the parties in Parliament are fighting with each other, whereas if there is a majority, the party in power can easily implement policies that do not favor the PRC." Polls suggest that over half of Canadians see the alleged foreign interference as a serious threat to democracy. Trudeau will also share intelligence on the matter with a committee of Parliament. At the G-20 Summit in Bali last November, Trudeau [confronted](#) Chinese President Xi Jinping on the issue and then disclosed the conversation to the press, leading to an angry Chinese response.

## 19. NATIONAL PEOPLE'S CONGRESS CONVENES IN CHINA

The National People's Congress, China's parliament The National People's Congress (NPC), China's parliament, [convened](#) for its annual meeting. This year's meeting is especially important for providing insights into expectations that China's leaders have for the next year, attitudes towards business and the private sector, the extent of the shift in power from the state to the party, and the degree to which President Xi Jinping's third term will represent continuity or change. The NPC reelected President Xi Jinping for a third term and will also confirm new Premier Li Qiang, formerly the Communist Party chief in Shanghai. It will also elect a slate of Vice Premiers, including one with responsibility for the economy. As expected, there has been a greater concentration of power in the Party and around Xi, with less power for the Premier.

After China's relatively weak economic growth of 3 percent last year, outgoing Premier Li Keqiang [announced](#) in his "work report" a growth target of 5 percent for 2023, perhaps relatively easy to achieve now that COVID-19 restrictions have been lifted. As global trade comes under pressure because of economic slowdowns in the US and Europe, China will likely seek to raise domestic consumption this year; another Vice Chairman of the NDRC [said](#) that Chinese consumers should "dare to consume without worries" about future employment or rising prices.

President Xi's speech to the NPC [contained](#) strong and unusual criticism of the US, declaring that "Western countries—led by the U.S.—have implemented all-round containment, encirclement and suppression against us, bringing unprecedentedly severe challenges to our country's development." Xi also [pledged](#) to increase high-end manufacturing and self-reliance in technology and food: "I've always said there are two critical areas for China: one is to safeguard our rice bowl, and the other is to build up

manufacturing. As a great nation with 1.4 billion people, we have to rely on ourselves to resolve those two issues. We can't rely on international markets to save us."

On the role of private enterprise, Xi noted that the Communist Party "has always regarded private enterprises and private entrepreneurs as our own people," while reaffirming his theme of "common prosperity" designed to redress domestic economic imbalances. Before the NPC, Xi had [signaled](#) that greater "party building" would be done in private companies, strengthening the Party's role in them.

New Foreign Minister Qin Gang (formerly Ambassador to the US) said that the US is following a policy of "hegemony" and "camp-based confrontation" to contain China; and warned of "conflict and confrontation" if the US does not "hit the brakes." Qin also [declared](#) strong support for Russia.

## 20. AUSTRALIA TO PURCHASE US NUCLEAR SUBMARINES

Under the AUKUS pact signed in 2021 linking Australia, the UK, and the US, Australia [plans](#) to purchase up to five *Virginia* class nuclear submarines at some point in the 2030s, with British designs and American technology. In the interim, US nuclear submarines are expected to make routine port visits to Australia and may deploy submarines in Western Australia around 2027. Part of the new agreement will include Australian workers in US submarine shipyards for training and work, which will also assist with the current shortage of workers in US shipyards. In addition, Australia plans to extend the life of its *Collins*-class conventionally powered submarines to 2036. The effort by the three countries is designed to counter increased Chinese naval presence in the Indo-Pacific. The deal will require approval by Congress. The President will meet Australian Prime Minister Anthony Albanese and UK Prime Minister Rishi Sunak in San Diego on Monday.

## 21. PANDEMIC NEWS

**US requirements for travelers from China:** The US is planning to relax COVID-19 testing requirements for [travelers from China](#) as early as March 10. Since January 5, travelers from China have been [required](#) to show a negative COVID-19 test before flying as a result of the surge in cases following Beijing's relaxation of its highly stringent policies. The Administration insists the plan, finalized Tuesday, is said to have been driven by public health rather than foreign policy priorities.

**China braces for flu peak:** While cases of COVID-19 have declined, seasonal flu has not yet [peaked](#) in China, but experts say the peak is to come within a month. Case numbers across the country [continue to rise](#), with 390 outbreaks (defined as a group of at least 10 cases) for the week ending February 26, over triple the number for the previous week, according to the Chinese National Influenza Centre. A report by China's Centre for Disease Control and Prevention reported that over a quarter of patients with flu-like symptoms tested positive for the virus, with influenza A responsible for 99 percent of cases in Beijing. Hu Yang of Shanghai Pulmonary Hospital notes that the epidemiological pattern of influenza has been disrupted by three years of COVID-19 restrictions. "For influenza, some reference can be made to the epidemiological trend of the coronavirus. Based on the pattern of coronavirus [outbreaks in China], the peak of influenza infections is likely to last a month or so," explained Hu.

**Japan promotes new tips on COVID-19 prevention:** On Wednesday, Japan's health ministry advisory panel on the coronavirus updated a set of [COVID-19 prevention tips](#) in advance of the country ending most restrictions on May 8. The panel calls on the public to adopt five new basic habits, while removing others including social distancing. The five tips offered by the panel include resting at home or visiting a

hospital if one suspects symptoms of COVID-19; wearing a mask when necessary and covering one's mouth when coughing; avoiding the 3Cs (crowded places, closed spaces, and close-contact settings) and ventilating indoor spaces; washing hands; and exercising and eating well. On Tuesday, Japan confirmed 12,312 [new COVID-19 cases](#), down 2,700 from the week before. Tokyo's seven-day average of new cases on Wednesday stood at 776.9, down 10.4 percent from the week prior.

## 22. SPOTLIGHT: AVIAN FLU

Since the beginning of 2022, [over 58 million farmed birds](#) in 47 states, and a similar number in Europe, have either died from [avian influenza](#) or been culled in efforts to mitigate its spread. The current outbreak is one of the worst on record, with massive amounts of poultry birds culled, wild birds dying in large numbers, and infections among mammals on the rise. The outbreak has contributed to an over 70.1 percent jump in the [price of eggs](#) in the last year, according to the Bureau of Labor Statistics.

Fears are growing about bird flu's potential to spark a human pandemic, especially after the [tragic death](#) of an eleven-year-old girl in Cambodia two weeks ago. The girl, who fell ill with fever, cough, and sore throat and later died in hospital, was the country's first death to the virus in recent years. The girl's father also fell ill, testing positive for H5N1, while eleven additional people who had been in close contact with the girl tested negative. The 49-year-old man, who suffered no symptoms and recovered, and his daughter were infected with H5N1 viruses from [clade 2.3.2.1c](#), an endemic strain in the region. Concern had risen over the possibility that the girl's illness was caused by the 2.3.4.4b strain, a new viral clade which is currently causing major problems in Europe and the Americas. Cambodia's Communicable Disease Control Department (CDC) confirmed that there was [no human-to-human transmission](#) involved in the case of the father and daughter.

Ancestral versions of today's H5N1 virus have been circulating among birds for over 25 years and have not yet mutated to have the ability to spread between human hosts. However, experts remain concerned about the human risks associated with the spillover of the virus to mammal hosts. Outbreaks have been reported in foxes, raccoons, bears, and most notably, mink.

In January, a large [mink farm](#) in Galicia in northwestern Spain suffered an H5N1 outbreak which resulted in the culling of 50,000 mink. The virus is not historically known to spread well between mammals, but the incident in Spain presents a scenario of the virus spreading through a densely packed mammalian population. The chain of infections likely begun after one animal caught a sick bird, with the virus spreading from pen to pen as expected in transmission between mink. Sequenced virus samples from four mink show several changes compared to the virus found in birds, including T271A, a mutation in the gene for polymerase. The change, which has also been seen in viral samples from other infected mammals, helps the virus to better replicate in mammalian tissues. Thijs Kuiken, a veterinary pathologist at Erasmus University Medical Center in the Netherlands, notes that the mink farm outbreak puts the spotlight on the risks associated with mink farming. Most mammals infected with H5N1 have been wild predators feeding on infected birds and are more or less solitary, unlikely to spread the virus far or infect humans. At mink farms, thousands of solitary carnivores live together in tight conditions. "It's a human construct," Kuiken says.

The Administration is considering a mass [vaccination campaign of poultry](#) to curb the largest bird flu outbreak in the nation's history. Farm birds are already vaccinated against diseases such as fowlpox, but an avian flu vaccination campaign would be a complex undertaking. Poultry trade associations are divided over the idea, as it may spur trade restrictions and harm the \$6 billion poultry export industry.



US trading partners want assurance that they are not importing meat from infected birds, and vaccination could make it more difficult to prove that birds are free from infection. However, avian flu experts advise that the Administration should endorse with mass vaccination, in part to reduce the risk of a human pandemic. Opponents worry that such a campaign would fail to stop transmission while spurring the emergence of immune-evasive variants. CDC experts say the risk of a human pandemic is low, but as a precaution, the agency has sent drug manufacturers flu virus samples that could be used to form the basis of human vaccines. CDC is also exploring whether commercial test manufacturers would be willing to develop H5N1 tests similar to those used for detecting SARS-CoV-2. “[T]he reality of the situation is serious enough that we must be taking more steps to prepare for a possible human outbreak of this virus,” said James Krellenstein, a consultant at Global Health Strategies.

