CED Public Policy Watch
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1. DEVELOPMENTS ON UKRAINE

As the number of refugees topped 4,000,000, Russia and Ukraine held a round of peace talks in Istanbul and Russia announced – to deep skepticism – that it would reduce attacks, including around Kyiv and Chernihiv (where the local government claimed that attacks are still taking place). Russian Defense Minister Sergei Shoigu indicated that the "liberation" of the separatist-controlled Donbas was now Russia's "main goal" in the conflict. Ukrainian President Zelensky said there was "nothing concrete" yet in peace talks. Ukraine's position in the talks apparently includes "an international mechanism of security guarantees" as a part of any future neutrality, with NATO countries among the guarantors "legally actively involved in protecting [Ukraine] from any invasion."

European nations are planning for a future of sharply reduced dependence on Russian oil and gas. Poland presented "the most radical plan in Europe for departing from Russian oil by the end of this year," according to Prime Minister Mateusz Morawiecki, plans more advanced than the EU as a whole discussed several weeks ago. Poland has also banned Russian coal imports and is expanding an LNG terminal in the Baltic and relying on a new pipeline for Norwegian gas. Germany's environment minister indicated that Russian oil as a share of Germany's consumption had fallen from 35 to 25 percent, while gas fell from 55 to 40 percent, and coal from 50 to 25 percent, raising the prospect that Germany could end use of Russian coal this year.

President Putin announced that Russia is demanding gas payments in rubles at Russia's Gazprombank. "If such payments aren't made, we will consider this a failure by the client to comply with its obligations." France and Germany have rejected this demand forcefully and other Western countries likely will as well. Russia did meet its Eurobond payments due March 31, with a payment of $329.2 million, the fifth payment since the invasion began.

President Biden is releasing 1,000,000 barrels per day from the Strategic Petroleum Reserve for the next six months as "a wartime bridge to increase oil supply into production" in a bid to influence global markets and in the hope that fuel prices will moderate. He had harsh words for US oil companies: "It's not the time to sit on record profits. It's time to step up for the good of your country," though as the Washington *Post* reported, the duration of the release this could also be seen as "an indication that the Biden administration anticipates a prolonged conflict in Ukraine." This new action follows earlier withdrawals of 80,000,000 barrels from the reserve, including 50,000,000 barrels last November as prices began to rise with supply shortages. The reserve currently includes 568.3 million barrels of oil.

There were several developments regarding China's position between Russia and the West. Guo Ping, rotating chairman of Huawei Technologies, stated that ""Huawei is deeply concerned about this war and the suffering it has caused to the people," while noting that policies on sanctions "are complex and constantly changing, and Huawei is still in the process of careful evaluation." Huawei is, as the *Washington Post* reported, "trying to avoid overt aid to Russia that could trigger secondary sanctions on Chinese companies" and to that end Guo declined to comment on any plans for the use of Huawei's HarmonyOS operating system abroad, including in Russia.

Meanwhile, Russian Foreign Minister Sergei Lavrov met Chinese Foreign Minister Wang Yi in Tunxi, China. Lavrov released a video stating that "We, together with you, and with our sympathisers will move towards a multipolar, just, democratic world order." For his part, Wang supported peace talks with Ukraine but committed to further developing bilateral ties with Russia: "Our striving for peace has no limits, our upholding of security has no limits, our opposition towards hegemony has no limits."

A CED Policy Brief released this week gives an update on current sanctions against Russia.

2. JOB OPENINGS REMAIN HIGH AND UNEMPLOYMENT CLAIMS STAY LOW

February results from the Bureau of Labor Statistics' Jobs Openings and Labor Turnover Survey (JOLTS) showed little change in job openings for the month as employers continued to struggle to fill jobs. Job openings decreased by 17,000 but remained high at 11.3 million. The job openings rate is the number of job openings divided by employment plus job openings. Overall, the job openings rate for the economy stood at 7.0 percent in February. Industries where job openings rates were high, or where jobs are relatively more plentiful, included accommodation and food services (10.2 percent); health care and social assistance (9.0 percent); professional and business services (8.7 percent); and arts, entertainment, and recreation (8.5 percent). For comparison, the job openings rate in February 2020, pre-pandemic, was 4.4 percent. This level of job openings translates to 1.8 job openings for each unemployed person looking for a job.

Initial claims for unemployment insurance (UI) bumped up by 14,000 to 202,000 for the week ending March 26 (last week's claims were revised up by 1,000). Initial UI claims remain low as job openings are plentiful. Continuing claims for UI dropped by 35,000 to another historic low of 1.31 million.

3. PRESIDENT RELEASES BUDGET PROPOSAL

The President submitted his proposed budget for Fiscal Year (FY) 2023. Traditionally the President's budget proposals are more important as indicators of policy priorities than they are of absolute dollar amounts. The major themes of the Budget are increased spending (for both domestic programs and defense), significant tax increases for corporations and high-earning individuals, and a path to reduction of projected Federal budget deficits from their current trajectory.

Total spending under the proposal is $5.792 trillion, a decrease of over $1 trillion from in total outlays in FY 2021 during the height of the pandemic and just under the estimated total outlays of $5.852 trillion for FY 2022. Every major agency of the Federal Government would spend more, often at double-digit increases. Proposed defense spending is $773 billion and "prioritizes China as the [Defense] Department's pacing challenge." Total non-defense domestic "discretionary" spending (excluding items such as Social Security and Medicare) is $873 billion.

While the overall theme is "Building a Better America," the document takes an ambiguous attitude towards the Build Back Better program the President has advocated, noting that the budget "includes a deficit neutral reserve fund to account for future legislation [.]" This signals strong continued interest in reaching a deal on a smaller Build Back Better package in the Senate, presumably one that Senator Joe Manchin (D-WV) can support, in areas from the child tax credit to environmental provisions.

The budget also proposes a series of tax increases, including a "20 percent minimum tax on multi-millionaires and billionaires." The tax would apply to those with more than $100 million. The proposed budget would also raise the corporate tax rate to 28 percent from its current 21 percent. While the proposal also increases the top marginal income tax rate to 39.6 percent for earners above $400,000 (single) or $450,000 (married), it does not raise taxes on anyone making less than $400,000 per year, fulfilling a campaign promise.

Using the White House's estimates, the proposed budget would cut deficits around $1 trillion over the next decade. Deficits over the next ten years never go under $1 trillion and generally rise each year after a projected low of $1.154 trillion in 2023. Because the Federal Government will still run deficits, the national debt will still increase – a dangerous outcome, particularly given higher interest rates, as a recent CED Solutions Brief "Dealing With Fiscal Debt: A Policy Roadmap" explained.

Congressional attention will now turn to working on 13 appropriations bills, holding hearings and making what progress it can in a sharply partisan atmosphere.

For more information on the budget, please see CED's Policy Brief "The President's FY 2023 Budget."

4. FDIC SEEKS COMMENTS ON BANK MERGER POLICY

Citing rapid consolidation in the industry and "significant changes" in the financial system, FDIC issued a request for information "regarding the application of the laws, practices, rules, regulations, guidance, and statements of policy" applicable to mergers between banks and between other depository institutions. The FDIC called attention to the sharp rise in "systemically-important banking organizations," with 33 insured institutions now having assets greater than $100 billion, nine of which are owned by bank holding companies bank holding companies designated as Global Systemically Important Banks (U.S. GSIBs) and three others owned by foreign banks having that designation, the failure of any of which could "present significant challenges to the FDIC's resolutions and receivership functions and could present a threat to the financial stability of the United States." At the same time, the agency notes that "the number of institutions with assets less than $10 billion has declined from 15,099 in 1990 to 4,851 in 2020, a reduction of approximately 68 percent," which "may limit access to financial services and credit in communities, potentially adversely affecting the welfare of the communities' workers, farmers, small businesses, startups, and consumers."

The agency is seeking comments on issues such as the financial stability factor in bank mergers introduced in the Dodd-Frank Wall Street Reform and Consumer Protection Act, prudential factors such as capital levels and earnings, and the definition of the "convenience and needs" factor in evaluating bank merger applications and access to capital in communities. Comments in response to the request for information are due no later than May 31.

5. JUSTICE DEPARTMENT ENDORSES TECHNOLOGY ANTITRUST LEGISLATION

The Justice Department sent a formal letter of support for the American Innovation and Choice Online Act, sponsored by Senators Amy Klobuchar (D-MN) and Charles Grassley (R-IA). The bill would prevent companies dominant in any technology market from favoring their own products or services above those of competing businesses and would give the antitrust agencies (Justice and the Federal Trade Commission) new tools to challenge allegedly anticompetitive conduct by these companies in court. Acting Assistant Attorney General for Legislative Affairs Peter Hyun wrote that "The Department views the rise of dominant platforms as presenting a threat to open markets and competition, with risks for consumers, businesses, innovation, resiliency, global competitiveness, and our democracy." The legislation passed the Judiciary Committee on a bipartisan basis and is now before the full Senate; a companion bill has passed a House committee. Both bills, however, face strong opposition from major technology companies and also from California Democrats concerned about the potential impact on companies in their state.

6. OSHA PROPOSED RULE ON WORKPLACE INJURIES AND ILLNESSES

In another instance of seeking to repeal a Trump-era rule to adopt something closer to an Obama-era standard, the Occupational Safety and Health Administration released a proposed rule that, most significantly, would require establishments with more than 100 employees in designated industries to submit information from OSHA injury and illness tracking forms once a year electronically and make other changes to the classification system that determines which industries must file. OSHA "intends to post the data" from the proposed submissions "on a public website after identifying and removing information that reasonably identifies individuals directly, such as individuals' names and contact information." OSHA justifies this change on the grounds that it would permit easier analysis of the data and claims total annual costs to American businesses would be $3.9 million per year. Both earlier rulemakings in this area about establishment-specific data, from 2016 and 2019, were subject to litigation regarding electronic submission alleging that "the publication of establishment-specific injury and illness data would lead to misuse of confidential and proprietary information," and OSHA also lost two Freedom of Information Act suits regarding release of this data (one involving injuries and illnesses at Amazon fulfillment centers). Comments on the proposed rule are due May 31.

7. NHTSA RULE ON SAFETY IN DRIVERLESS CARS

In a sign of the potential automotive future, the National Highway Traffic Safety Administration issued a final regulation providing that vehicles with Automated Driving Systems (ADS) must provide "the same high levels of occupant protection that current passenger vehicles provide" even those ADS vehicles may not have traditional devices such as a steering wheel. ADS vehicles must meet the crashworthiness standards of traditional vehicles.

8. PANDEMIC NEWS

The highly contagious subvariant of Omicron known as BA.2 is now the dominant strain in new US cases, according to estimates from the CDC on Tuesday. The strain, which led to a surge of cases in Europe, accounted for 55 percent of new US cases in the week ending March 26. BA.1, the original version of the Omicron variant which became dominant last December, was responsible for the record-high cases seen throughout the US last winter. While BA.2 is more transmissible than BA.1, it has not been shown to cause more severe illness, and vaccines continue to provide strong protection against severe illness.

CDC and the FDA authorized a second booster shot (a fourth shot for those on mRNA vaccines) for those 50 and older and for immunocompromised people above 12 or 18 (depending on the nature of the condition resulting in immunocompromise).

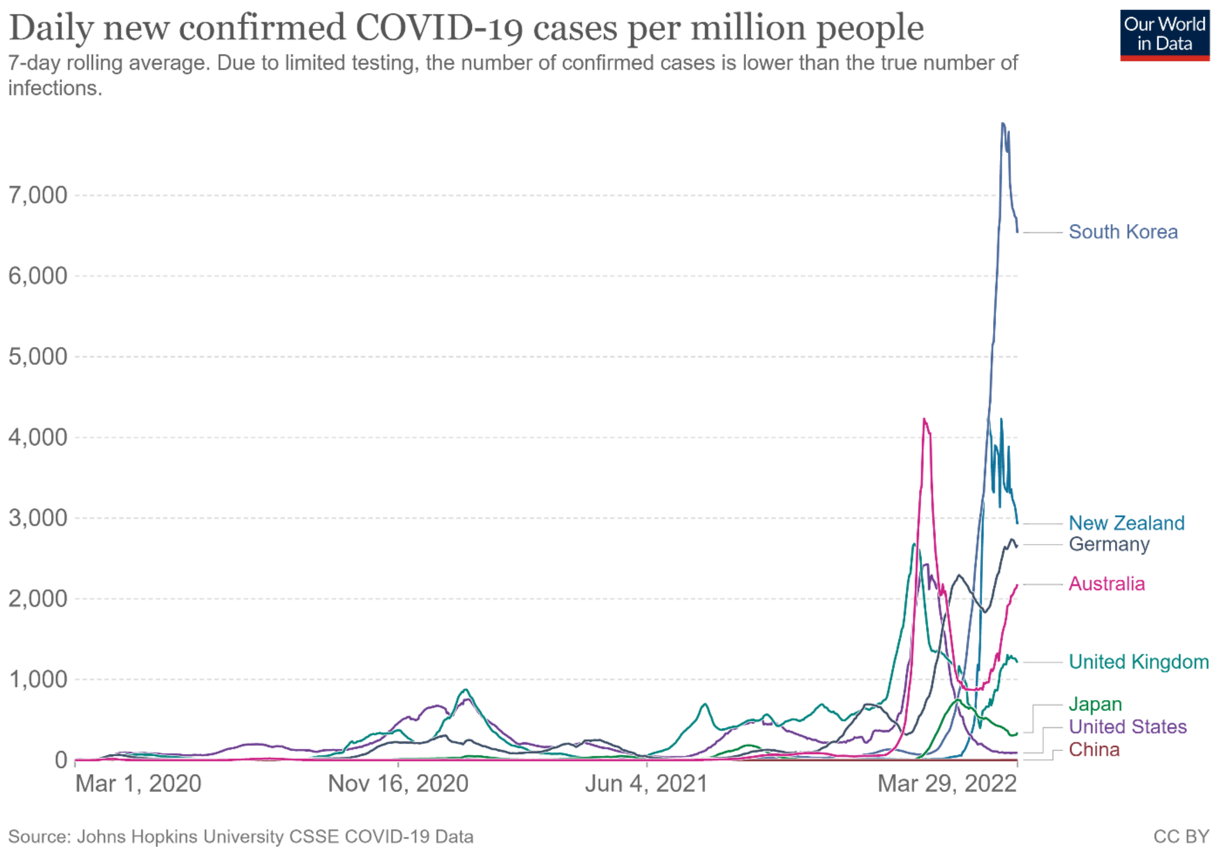
The nearly 17 million Americans who received the one-shot Johnson & Johnson COVID-19 vaccine should consider themselves less protected against serious illness and hospitalization than those who received Pfizer and Moderna shots. Data released Tuesday by the CDC suggests that J&J recipients should receive a booster dose with one of the mRNA vaccines if they have not done so already. The data from the ten-state study showed that three doses of an mRNA vaccine offer the best protection. A J&J shot followed by an mRNA booster is the next best, with two shots of J&J offering lower-level protection. The study found that a single shot of J&J is only 31 percent effective against hospitalization.

The President received his second booster shot on Wednesday in a White House event which he used to encourage Americans over 50 to get their second – or first – booster and announced the forthcoming covid.gov, “a one-stop shop where anyone in America can find what they need to navigate the virus: free vaccines and boosters, free at-home tests, high-quality masks,” “test to treat” locations where treatment can be administered immediately after a positive test, and information about the level of COVID-19 spread in local communities. The President said the decline in case numbers “does not mean that COVID-19 is over; it means that COVID-19 no longer controls our lives.” He also called on Congress to provide supplemental funding for pandemic-related needs, which would include tests for the medically uninsured and potential fourth shots for all Americans.

Finally, the Administration is reportedly planning to lift the Title 42 public health restriction that permits rapid deportation of immigrants arriving in the US on the grounds that border detention facilities could permit spread of COVID-19. The policy was adopted in the early days of the pandemic in 2020. The Administration has faced pressure on this issue on a number of fronts, including a legal challenge to the policy. It will formally defer to CDC to make the decision, which is expected shortly, and is reportedly planning further measures to strengthen border security in advance of an expected surge in migration once the restriction is lifted.

9. COUNTRY SPOTLIGHT: NEW CHINA LOCKDOWNS

Global health experts believed that the highly transmissible Omicron variant would prove too difficult to contain, even with the most stringent of measures and thus countries with zero-COVID policies would put their zero-tolerance strategies to rest. This week, China did the opposite. After two weeks of isolated compound lockdowns, Shanghai has been split into two. On Sunday, the city’s officials declared a staggered lockdown that closed nonessential businesses, halted public transportation, and confined people to their homes. Starting Monday, those living in the eastern half of the city of 26 million were given stay-at-home orders for five days, with the western half due to enter a lockdown by the end of the week. Shanghai has reported approximately 20,000 COVID-19 infections since March 1, recording more cases in four weeks than in the previous two years. Shanghai follows the example of Shenzhen, a finance and technology center next to Hong Kong with a population of 17.5 million, which went into a lockdown on March 13. Shenzhen, home to some of China's most prominent companies including Huawei Technologies, shut down nonessential businesses after reporting 1,938 new cases in a single day.

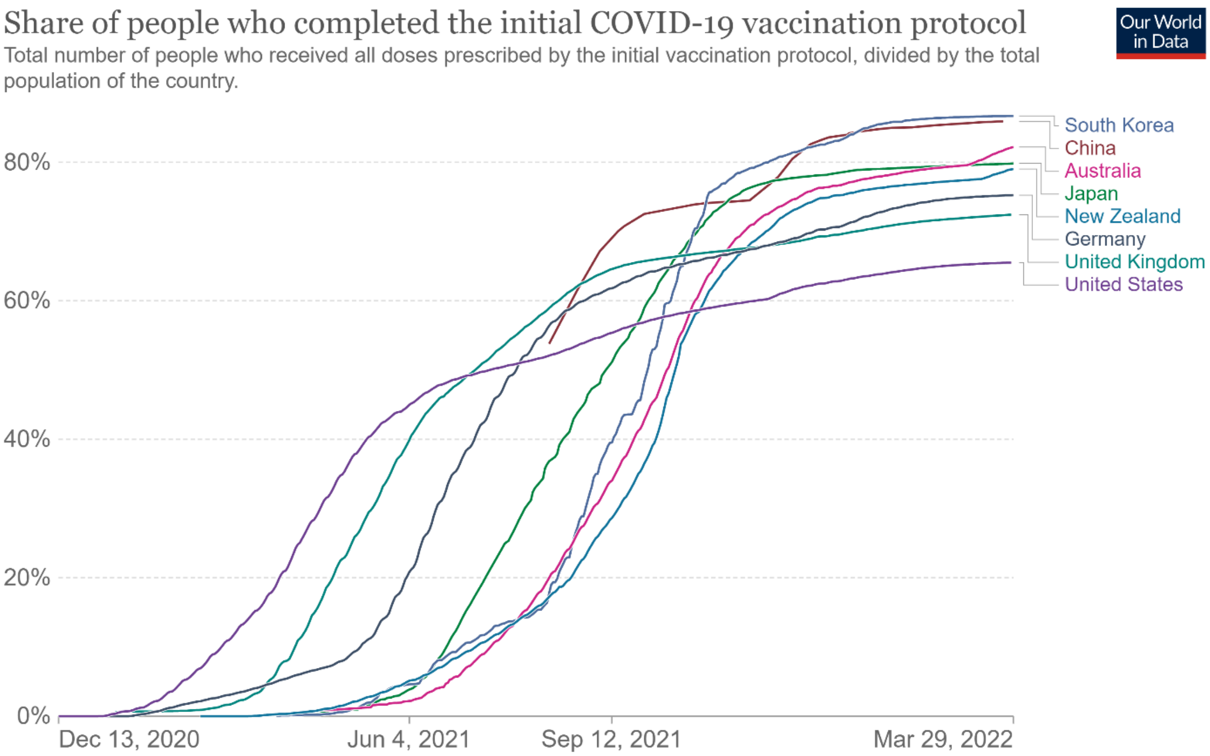


Ahead of Monday's lockdown in Shanghai, 20,000 financial services staff were called back to their offices in the Lujiazui financial district and ordered to spend the lockdown sleeping by their desks to keep business operations running smoothly. Traders and fund managers were offered between 500 and 2,000 yuan (between 78 and 314 USD) per night to camp out at work, with companies placing folding beds under workers' desks. Firms are providing staff with sleeping bags, toiletries, and food through the lockdown. Zhong Ou Asset Management, a firm with $98 billion in assets under management, already had several of its top employees staying overnight over the past few weeks as case numbers climbed.

The Shanghai lockdown has sparked fear and frustration among European firms in China. "While the majority of G20 countries are exiting pandemic-related lockdowns, China appears to be stuck with its old toolbox of zero tolerance and draconian measures to fight Covid," said Joerg Wuttke, president of the European Union Chamber of Commerce in China (EUCCC). The EUCCC pointed that supply chains will be disrupted as essential workers are quarantined and key materials are unable to be delivered.

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.



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.