

**CED Public Policy Watch**  
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## 1. DEVELOPMENTS ON UKRAINE

The focus of fighting this week was Sievierodonetsk; by Wednesday, Ukrainian forces controlled only the outskirts of the city, although Ukrainian forces have not surrendered, [according to](#) Luhansk Governor Serhiy Haidai. Ukraine's navy [claimed](#) (on Facebook) to have pushed Russian warships 100 kilometers from the Black Sea coast.

The supply of heavy artillery to Ukraine remained a major issue; the UK [promised](#) to send the M270 long-range artillery system with a range of 50 miles to help Ukraine counter Russia's attacks in the east; Ukrainian President Zelensky thanked Prime Minister Johnson for his "complete understanding" of the country's needs (and congratulated him on winning the vote of no-confidence among Conservative MPs). Oleskiy Arestovych, an aide to Zelensky, [requested](#) 60 multiple rocket launchers to both meet defense needs and defeat Russia in the east, without launching attacks into Russia itself; with 40, Arestovych [claimed](#) the Russian assault would be slowed down, while with 20, the outcome would not change much. The US has so far given [four](#) High Mobility Artillery Rocket Systems (HIMARS). President Putin [warned](#) western countries against supplying heavy weapons to Ukraine. [CNN](#) reported on trench warfare near Kryvyi Rih in southern Ukraine, with strong artillery fire on both sides and the armies fighting "to a standstill."

On Tuesday, Ukrainian President Zelensky said in an [interview](#) with the *Financial Times* that "Victory must be achieved on the battlefield." Declaring that stalemate was "not a[n] option" and reiterating that Ukraine's war aims included restoring Ukraine's borders before the invasion as "a serious temporary victory" while stating that Ukraine's eventual goal remains the "full de-occupation of our entire territory" (which would include Crimea). Zelensky said he is ready for talks but only with President Putin as there was "nobody else to talk to" to resolve the conflict, adding "[t]here cannot be talks behind Ukraine's back anytime."

The USS *Kearsarge* amphibious assault ship [visited Stockholm](#) to reaffirm support for Sweden and participate in a NATO training exercise including Sweden and Finland. Chairman of the Joint Chiefs of

Staff Mark Milley said that the visit “is a pretty strong statement. We are committed to a rules-based international order . . . and the idea that strong, powerful countries cannot just arbitrarily attack smaller weaker countries as we have seen in Ukraine.”

The Estonian Prime Minister, Kaja Kallas, is concerned about maintaining European unity for the long haul in the war. She [noted](#) that “we are coming to a point when the sanctions are painful for our own countries, and now the question is how much pain we are willing to endure. . . . It is getting more and more difficult because of high inflation, and energy prices.” Drawing on her own experience growing up in the USSR, she added, “Gas might be expensive, but freedom is priceless. People living in the free world do not really understand that.” Further, Kallas implicitly criticized French President Macron’s ongoing dialogue with President Putin, saying “I do not see any point in talking to him if we want to get the message through that he is isolated and the message that he will not escape unpunished for this and will be held accountable for all the crimes committed. I am very worried by the premature calls for a ceasefire or peace, since a ceasefire does not mean the atrocities will end in the occupied territories. We have already made this mistake three times, in Georgia, Donbas and Crimea, and we cannot make this mistake again.”

The European Parliament [voted](#) 438-65, with 94 abstentions, in favor of a non-binding resolution that the EU give Ukraine formal candidate status for EU membership “as a clear political signal of solidarity with the people of Ukraine.” Meanwhile, Russia apparently [plans to stage](#) a referendum on joining Russia in the occupied part of Zaporizhzhia region, according to the *Guardian* citing the Russian state-owned news agency TASS.

The World Bank [approved](#) \$1.49 billion for Ukraine to pay salaries of government and social workers, bringing its total support for Ukraine since the invasion to over \$4 billion.

NATO will hold a summit June 29-30 in Madrid, which President Biden will attend. Japanese Prime Minister Fumio Kishida is [considering](#) attending the summit to discuss the situation in Ukraine. While Japan has long had an observer at NATO, Kishida would be the first Japanese leader to attend a NATO summit, which will take place following the G-7 meeting in Germany which Kishida and Biden will also attend. Japan will hold elections for the Upper House of the Diet on July 10, and Kishida’s decision may [depend](#) on the political situation at the time. Australia, South Korea, and New Zealand have also been invited to the summit.

The Treasury Department [blocked](#) US persons from new purchases of [Russian securities](#), including debt and equity, although investors may keep or sell (to non-US persons) their existing holdings.

The US Office of Foreign Assets Control formally [published](#) general licenses providing certain exemptions from sanctions, specifically: authorizing transactions “related to telecommunications and certain-Internet-based communications”; permitting winding down of operations involving blocked entities including financial institutions (through June 7) and of accounting, trust and corporation formation, and management consulting services in Russia (through July 7), and authorizing transactions involving credit rating and auditing services in Russia until August 20.

On Thursday, State Department Senior Advisor for Energy Security [said](#) that he “can’t deny” that Russia has higher oil and gas revenues now than before the war began, citing the rise in global oil prices, even with discounts for some customers, and a strong increase in global oil demand.

The countries of Bulgaria, North Macedonia, and Montenegro [denied overflight rights](#) to a plane seeking to carry Russian Foreign Minister Sergei Lavrov to Serbia. Russia [described](#) this as a “hostile action,” although Russia has also [closed its airspace](#) to Western aircraft in retaliatory sanctions to the banning of Russian aircraft from EU and US airspace.

A judge [authorized](#) the Justice Department to seize two jets owned by oligarch Roman Abramowitz, a Boeing 787-8 Dreamliner, and a Gulfstream G650ER. However, the Dreamliner is reportedly in Dubai and the Gulfstream in Russia, so Justice will not be able to seize the aircraft. Justice had greater success in seizing the *Amadea*, a yacht worth \$300 million owned by oligarch Suleyman Kerimov, when a Fijian court [ruled](#) that the yacht had entered Fijian waters illegally and had no connection to the country. The court [permitted](#) the US to seize and [reflag](#) it as illegal proceeds of criminal evasion of US sanctions, and it is now enroute to the United States.

At the United Nations, European Council President Charles Michel [accused](#) Russia of “using food supplies as a stealth missile against developing countries,” prompting Russian Ambassador Vassily Nebenzia to walk out of the meeting. Michel stated that “Russia is solely responsible for this food crisis.” Secretary of State Blinken [noted](#) “credible reports” of Russia stealing Ukrainian grain to sell; President Zelensky [warned](#) that without relief of the Russian blockade, 70-75 million tonnes of grain could be stuck in Ukraine by the autumn harvest.

Work continued on efforts to open a corridor for the export of Ukrainian grain and Russian food and fertilizers as UN Secretary General António Guterres [said](#) that “[t]he war’s impact on food security, energy and finance is systemic, severe, and speeding up.” The UN’s Global Crisis Response Group [claims](#) that 94 countries with a population of 1.6 billion people are “severely exposed to at least one dimension of the crisis and unable to cope with it.” Otherwise, up to 50 million more people may face food insecurity from the crisis. Italian Foreign Minister Luigi Di Maio [told](#) a meeting of Mediterranean countries that Russia’s port blockade could kill “millions” of people and called for “clear and concrete signals from Russia.” Lebanon’s government told the same meeting food and fuel price increases were worsening his country’s economic crisis.

The Russian and Turkish foreign ministers [reported](#) “substantial” discussions on a proposal for a shipping corridor to allow Ukrainian grain exports, but there was no deal as of Thursday afternoon. Under the proposal, which would be backed by the UN, Turkey would reportedly assist in demining Ukrainian ports and escort commercial vessels into the Black Sea. Ukraine [remains concerned](#) that the proposal, freeing Russian ships, could permit Russian attacks on Odesa, noting that “[e]ffective security guarantees are needed for the resumption of maritime transport [.]”

## **2. INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE SLOWLY TRENDING UP**

[Initial claims for unemployment insurance \(UI\)](#) increased by 27,000 to 229,000 for the week ending June 4 (last week’s claims were revised down by 9,000). Initial UI claims have slowly trended up with the new four-week moving average hitting 215,000 this week, up from 170,000 in early April. Continuing claims remained unchanged at 1.31 million and have not shown any upward trend, suggesting that individuals are not remaining in an unemployed status for an extended period. Last week’s [jobs report](#) indicated that 35.3 percent of all individuals unemployed in May were unemployed for less than 5 weeks.

## **3. YELLEN DISCUSSES INFLATION**

In [testimony](#) to the Senate Finance Committee on Tuesday, Treasury Secretary Yellen cited “unacceptable levels of inflation as well as the headwinds associated with the disruptions caused by the pandemic’s effect on supply chains, and the effect of supply side disturbances to oil and food markets resulting from Russia’s war in Ukraine.” In response to questions, Yellen [said](#) the Administration’s forecast of 4.7 percent inflation for this year would probably have to be revised upwards, noting “I do expect inflation to remain high although I very much hope that it will be coming down now,” given that the [Personal Consumption Expenditures index](#) excluding food and energy fell to 4.9 percent in April.

#### 4. US TRADE DEFICIT NARROWS

The Commerce Department [reported](#) that the US trade deficit had the greatest monthly fall ever in dollar terms, with [imports](#) falling because of pandemic-related lockdowns in China and rising exports. Overall, the trade deficit fell \$20.6 billion over the month to a total of \$87.1 billion. The trade deficit with China fell by \$8.5 billion, the vast majority of a \$10.1 billion reduction in imports. One bright spot was travel, with inbound travel to the United States counting as an export. Travel exports were \$10.7 billion, the largest since the onset of the pandemic. Americans also spent \$8.3 billion abroad (“travel imports”).

#### 5. WORLD BANK WARNS OF STAGFLATION

The World Bank’s [Global Economic Prospects report](#) global growth forecast warns that stagflation may be coming. The Bank cut its estimate of global growth this year from 4.1 percent to 2.9 percent, further noting that “subdued growth will likely persist throughout the decade because of weak investment in most of the world.” Noting that “[b]etween 2021 and 2024 global growth is projected to have slowed by 2.7 percentage points -- more than twice the deceleration between 1976 and 1979,” Bank President David Malpass stated that “[t]he risk from stagflation is considerable with potentially destabilizing consequences for low- and middle-income economies”; Malpass also warned of the risk of malnutrition and famine arising from the global food crisis.

Compounding the problems lower- and middle-income countries face, the *Washington Post* [reported](#) that “one-quarter of the typical poor country’s debt burden now carries variable interest rates, up from 11 percent in 2010.” This makes repayment more difficult as interest rates rise and reduces the “fiscal space” for policymakers in developing countries. More broadly, the Bank [estimated](#) that per capita incomes in developing countries would be 5 percent below the pre-pandemic trend, a lingering effect of the pandemic’s impact on growth.

#### 6. UAE MINISTER DISCUSSES OIL PRICES

Even as the Brent benchmark oil price hit [\\$120 per barrel](#) this week, United Arab Emirates Energy Minister Suhail Al-Mazrouei [predicted](#) that prices would continue to rise, based on an expected return of high Chinese demand. Al-Mazrouei said on Wednesday that “[i]f we continue consuming, with the pace of consumption we have we are nowhere near the peak, because . . . China will come [back] with more consumption.” The UAE ranks [eighth](#) in the world in oil production -- but third in among OPEC countries, after Saudi Arabia and Iraq.

Speaking on [CNN](#), Commerce Secretary Gina Raimondo said it is a “brutal reality” that the Administration cannot do much to lower gasoline prices, continuing that “this is, in large part, caused by Putin’s aggression. [Since the troop movements began], gas prices have gone up over \$1.40 a gallon,

and the President is asking for Congress and others for potential ideas. But as you say, the reality is that there isn't very much more to be done."

## **7. ALUMINIUM AND STEEL AGREEMENTS WITH THE UNITED KINGDOM**

The President signed proclamations adjusting tariffs on [aluminum](#) and [steel](#) imports from the United Kingdom, based on agreements that will "expand coordination on trade remedies and customs matters," monitor bilateral trade, and address "excess capacity and carbon intensity in these sectors [.]". Tariffs will be replaced with a tariff-rate quota that will restrict the quantity of imports from the UK without imposing of the tariffs imposed in January 2018.

## **8. NEW BROADBAND INVESTMENTS**

The Administration announced this week, [\\$25 billion from American Rescue Plan](#) funds will go toward investments aimed at providing all Americans with high-speed, reliable, and affordable internet access. This investment is in addition to the \$65 billion allocated towards broadband in the [Bipartisan Infrastructure Law](#). The money includes \$10 billion through the [Capital Projects Fund](#) which is providing resources to states to deliver affordable, reliable, high-speed internet infrastructure and other connectivity projects; \$8 billion in [state and local investments](#) toward expanding affordable digital connectivity, through construction of affordable and high-speed broadband infrastructure and assisting households for Internet access and digital literacy; and \$7 billion through the Federal Communications Commission's [Emergency Connectivity Fund](#) to help schools and libraries close the "homework gap" by providing access and devices to students.

## **9. INDIVIDUAL INCOME TAX RECEIPTS EXPECTED TO HIT RECORD**

[According to](#) the Congressional Budget Office, individual income tax payments to the IRS are expected to reach a record in Fiscal Year 2022 (which ends September 30) -- \$2.6 trillion, or 10.6 percent of GDP, a sharp rise from 9.1% in Fiscal Year 2021. Possible reasons for the increase include signs of strength in the economy, payments from business owners and investors who have captured gains in securities markets, and rising wages in a tight labor market.

## **10. SMALL BUSINESS SIZE STANDARDS**

The Small Business Administration adopted a [final rule](#) that will broaden eligibility for some SBA programs. Under the changes, a business will use a 24-month average, rather than 12 months, in calculating its number of employees for purposes of all SBA programs, and businesses may use a five-year average, rather than three years, in calculating average annual receipts for SBA programs including for business loans and disaster loans. These changes implement changes Congress approved in 2021 and 2018. Given the decline in employees and in annual receipts that many small businesses faced during the pandemic, these changes will permit more businesses to be eligible for SBA loans.

## **11. DEFENSE PRODUCTION ACT AND CLEAN ENERGY ECONOMY**

The President signed six Presidential Determinations lifting tariffs and using the Defense Production Act to encourage domestic production of vital products and materials for the clean energy economy. The first Determination removes tariffs for two years on importation of solar cells and modules from Southeast Asia (Cambodia, Malaysia, Thailand and Vietnam), the source of nearly 75 percent of solar

modules imported in 2020. However, the Administration has [not closed](#) a long-running investigation into the Chinese solar panel and solar cell industry, and the Commerce Department [stated](#) that “[e]xisting duties on Chinese and Taiwanese imports of solar cells and modules remain in effect. The second uses Defense Production Act authority to promote [solar photovoltaic modules and module components](#). Materials covered by other Determinations include [insulation](#); [electrolyzers, fuel cells, and platinum group metals](#); [electric heat pumps](#); and [transformers](#) and other components of the electric power grid.

## 12. PANDEMIC NEWS

The Administration has outlined a [plan](#) to launch its vaccination campaign for the roughly 18 million American children under the age of five. It has made available ten million vaccine doses to states and health providers, offering equal numbers of both Pfizer-BioNTech and Moderna vaccines. The timing of the campaign’s launch is expected to [overlap](#) with the Juneteenth federal holiday. “We could see vaccines start to be delivered to sites over that long weekend. We do expect that many pediatricians’ offices will be closed to observe Juneteenth on that Monday. So, realistically, vaccines for our youngest kids could start in earnest as early as Tuesday, June 21,” an administration official told reporters Wednesday.

According to CDC [data](#), as of late February, Americans who have gotten their booster appear to be [testing positive](#) for COVID-19 more often than those vaccinated with only the initial series. Approximately 119 out of 100,000 boosted individuals tested positive for COVID-19 during the week of April 23, according to CDC data. In comparison, 56 out of 100,000 individuals vaccinated with only a primary series tested positive. Dr. Sheela Shenoi, an infectious disease doctor and assistant professor at the Yale School of Medicine, asserts that these numbers are not telling the entire story. “There’s no biological reason that people who have had [the vaccine] and boosters are going to be at increased risk for COVID,” noted Shenoi. The data is likely driven by other factors including the prevalence of unreported at-home testing, behavioral differences among those boosted and those not, and the likelihood that those boosted have health conditions that place them at higher risk of infection. The numbers, which are updated monthly, showed that unvaccinated individuals had the highest case rates overall.

Moderna is seeking authorization for an [updated COVID-19 vaccine](#) designed specifically to protect against Omicron subvariants. Preliminary data released Wednesday showed that its Omicron-specific booster produced 1.75 times as many neutralizing antibodies against the version of Omicron, known as BA.1, that circulated over the winter, compared to its existing vaccine. The Omicron variant has mutated quickly, and the BA.4 and BA.5 subvariants already make up 13 percent of new cases in the US, according to the [CDC’s estimates](#). “We’re pretty confident this vaccine is going to provide a benefit even against the family of omicron subvariants,” said Moderna President Stephen Hoge.

On Tuesday, a federal advisory committee voted to recommend that regulators [authorize](#) COVID-19 vaccine Novavax. Novavax, an [early beneficiary](#) of Operation Warp Speed, has [struggled](#) over the past two years to successfully manufacture its product at scale. The vaccine would likely not be available for weeks if it were to receive authorization, in contrast to other vaccines made available just days after being cleared. The two-dose vaccine would become the fourth shot to receive clearance for adults in the US and would provide an option for adults who are allergic to mRNA vaccines.

## 13. COUNTRY SPOTLIGHT: CHINA

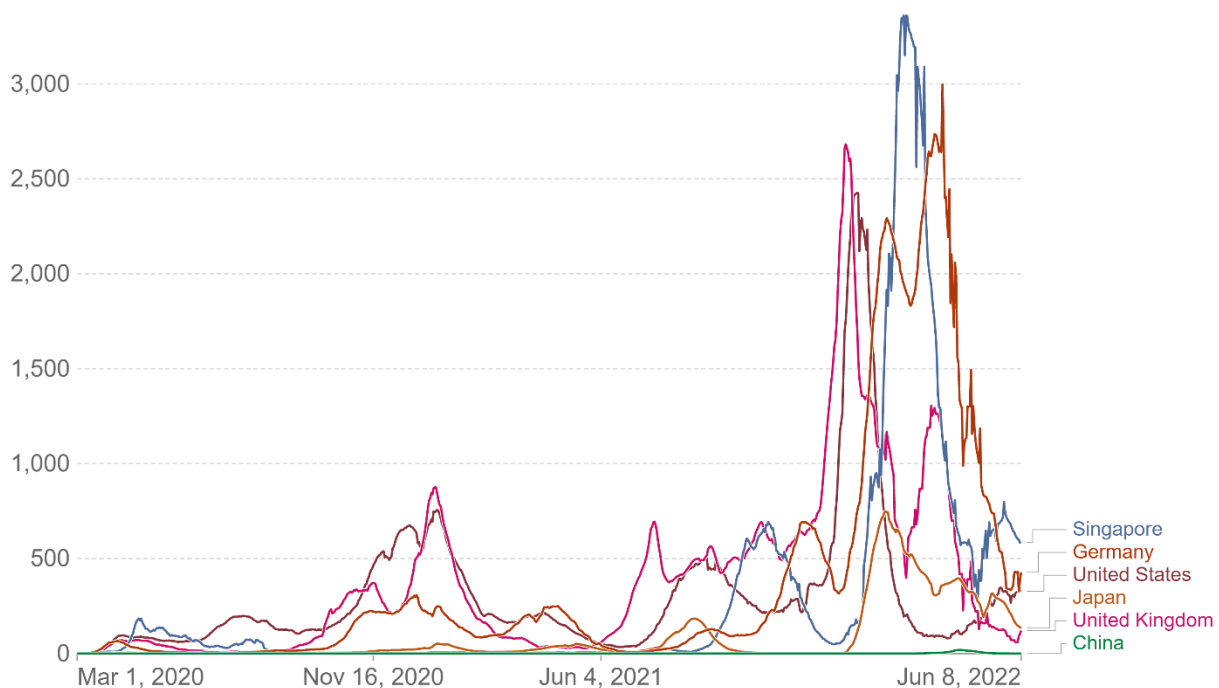


A week after easing COVID restrictions, Shanghai will [lock down](#) a district of 2.7 million people on Saturday to conduct mass testing. The city [eased](#) many restrictions last week, putting an end to the city-wide, two-month-long lockdown. The south-western district of Minhang will be placed under “closed management,” and will be lifted “after samples have been collected,” noted district authorities in a social media post on Thursday. They gave no specific time or date of when the closure is to be lifted. Shanghai reported nine new local infections on Thursday, none of which were in Minhang. Residents expressed fear on social media concerning the ambiguity of the situation. “If there are abnormal results after the tests, what will you do? Continue the lockdown?” asked a user on Chinese social media site Weibo. Authorities of other Shanghai districts have [issued notices](#) saying that residents will be subject to two days of confinement and another 12 days of rigorous testing from Thursday.

## 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.

Our World  
in Data



Source: Johns Hopkins University CSSE COVID-19 Data

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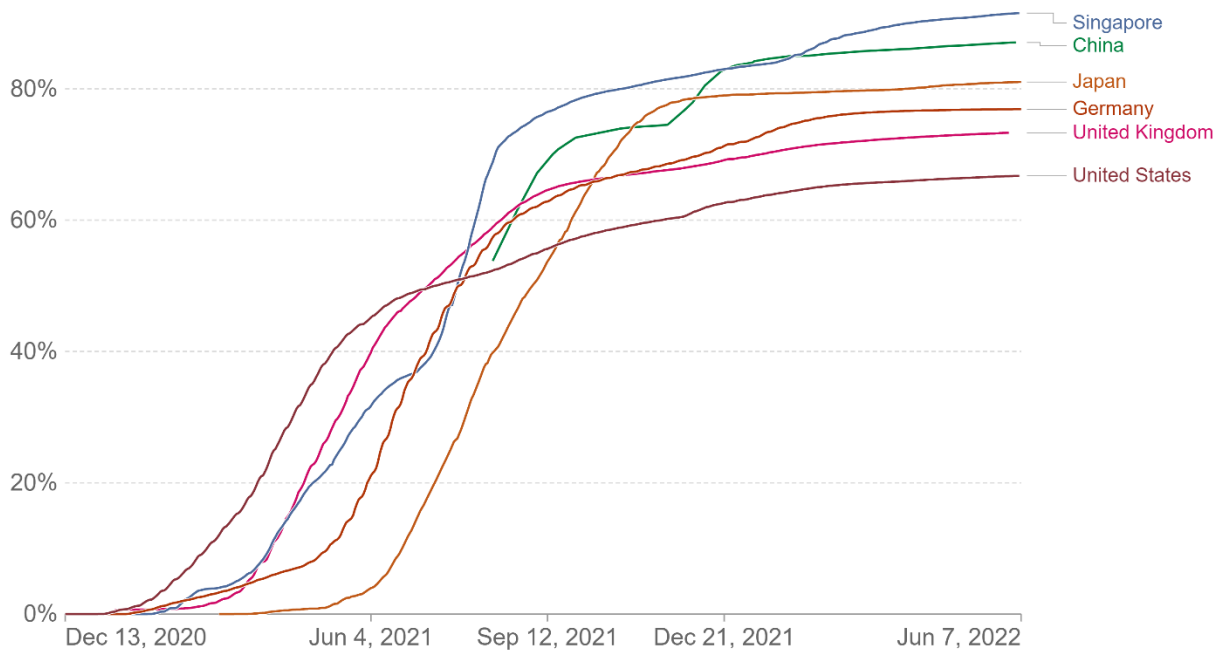
In Shanghai's Xuhui district, green fences and red wooden boards have sprung up over the past week, barricading residents and reviving frustration. Officials [traced three infections](#) to Xuhui's Red Rose, a popular beauty salon in the city center that reopened June 1. The shop had served 502 customers from 15 of Shanghai's 16 districts in the past eight days. Authorities announced that 16 of the salon's employees did not undergo daily COVID-19 testing as required, and that 90,000 people linked to Red Rose staff or customers had been tested.

Shanghai is not the only Chinese city backsliding on its reopening plans. In Beijing, authorities in the Chaoyang district of over 3 million people ordered entertainment venues and internet cafes to shut down on Thursday. Additionally, patrons of four Beijing bars were told to identify themselves and self-isolate.

## 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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