

CED Public Policy Watch
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1. DEVELOPMENTS ON UKRAINE

The future of Russian gas supplies to Europe dominated the news this week, as Russia's Gazprom initially [told](#) customers that it could no longer guarantee gas supplies to Europe because of "extraordinary" circumstances and would declare force majeure on its contracts, a step rejected by European customers. At the time, shipments had ceased because of a ten-day maintenance halt on the Nord Stream 1 pipeline. As part of the maintenance, Canada [sent](#) a turbine for the pipeline to Russia via Germany after repairs had been completed on it, at the direct request of the German government over Ukraine's objections. Once the repaired turbine was installed, Germany [stated](#) there was "no technical justification" for reduced shipments. European governments had [feared](#) that Russia would not restore any gas shipments but on Thursday, at the end of the maintenance period, Gazprom [restored](#) service to Germany at 40 percent of capacity, the same level of service as in mid-June following an earlier round of Russian gas supply cuts.

The European Commission continued planning for what may be a cutoff of Russian gas later this year, encouraging voluntary reductions in gas use now and preparing to adopt new rules to be in force this winter. The Commission is reportedly [recommending](#) a 15 percent voluntary reduction target in gas use. Should it become necessary, the Commission [could order](#) mandatory consumption reductions in an emergency; it may also act at the request of two EU countries. The plan will be discussed further next week at a meeting of the EU's [Energy Council](#). Hungary [banned](#) exports of Russian gas to other European countries; Hungary had earlier received an exemption from the EU's ban on Russian oil.

Russia was China's [top oil supplier](#) for a second consecutive month. Imports in June were about 1.77 million barrels per day, exceeding the 1.23 million barrels per day China imported from Saudi Arabia, previously been China's top oil supplier.

European leaders also [discussed](#) a new “six and a half” package of limited additional sanctions against Russia, focusing on an EU-wide ban on Russian gold (some European countries have already imposed this sanction) as well as additional bans on certain chemicals and machinery that can be used for military purposes and, reportedly, Sberbank (Russia’s largest bank). The sanctions package also [names](#) 48 individuals and nine entities, including actors who have been involved in Russian propaganda efforts. However, in an effort to aid the global food crisis, the EU is also [reaffirming](#) that its sanctions do not apply to food or fertilizer; a draft of the sanctions package states that the sanctions do not “target in any way the trade in agricultural and food products, including wheat and fertilizers, between third countries and Russia,” and the EU may [consider](#) unblocking certain assets at Russian banks connected to food and fertilizer trade to “make it abundantly clear that there is nothing in the sanctions that is slowing the transport of grain out of Russia or Ukraine [.]”

Hungarian Prime Minister Viktor Orban [criticized](#) EU sanctions, saying that “at first I thought we just shot ourselves in the foot, but the European economy shot itself in the lungs and is gasping for air . . . Brussels thought that the sanctions policy would hurt the Russians, but it hurts us more.” In sharp contrast, Ukrainian President Zelensky [said](#) that the latest sanctions package “is not enough and I am telling my partners this frankly. Russia must feel a much higher price for the war to force it to seek peace.”

The US is deeply [concerned](#) that Russia will take steps to annex parts of Ukraine, with John Kirby of the National Security Council [stating](#) on the basis of declassified US intelligence that Russia is beginning “an annexation playbook” for the Donbas, Kherson, and Zaporizhzhia regions involving “illegitimate” officials, conversion to the ruble, and forced applications for Russian citizenship. Russia used a similar pattern in 2014 in its annexation of Crimea. This comes as Russian Foreign Minister Sergei Lavrov [announced](#) that Russian military “tasks” extend beyond the Donbas region to include areas of southern Ukraine.

“Now the geography is different. It’s not just Donetsk and Luhansk, it’s Kherson, Zaporizhzhia, and a number of other territories.”

Lavrov also [said](#) that peace talks “don’t make sense in the current situation.” Dmitri Medvedev, head of the Russian National Security Council, likewise [dismissed](#) calls for peace talks, saying “Russia will achieve all its goals. There will be peace -- on our terms.” Andriy Yermak, President Zelensky’s chief of staff, [reiterated](#) Ukraine’s goal that the war not last into the winter, for fear it would make Ukraine’s counteroffensive more difficult if Russian troops have time over the winter to harden their positions.

In military news, Ukraine [launched](#) artillery attacks against the Antonivskyi bridge in the Kherson region, a critical link to Crimea, and another signal of a possible Ukrainian counteroffensive towards Kherson. The US will [provide](#) four additional HIMARS (High Mobility Artillery Rocket Systems) to Ukraine, along with Guided Multiple Launch Rocket System ammunition. Defense Secretary Lloyd Austin stated that “[t]he Ukrainians have made excellent use of HIMARS, and you can see the impact on the battlefield. Russia is keeping up its relentless shelling, and that’s a cruel tactic that harkens back to the horrors of World War I. So Ukraine needs the firepower and the ammunition to withstand this barrage and to strike back.” Ukraine’s Minister of Defense [said](#) the country had destroyed 30 command stations and Russian ammunition depots using HIMARS. The UK will [supply](#) more weaponry, including artillery guns, more than 1600 anti-tank weapons, and drones, part of an additional £1 billion in military aid promised by outgoing Prime Minister Boris Johnson. EU leaders also [endorsed](#) an additional €500 million in funding for military assistance to Ukraine, bringing the total to €2.5 billion.

Russian President Putin [visited](#) Iran, meeting with Iranian leaders as well as Turkish President Recep Tayyip Erdoğan; Putin thanked Erdoğan for his efforts to mediate an effort to permit export of grain via the Black Sea. However, the actual plan among the UN, Russia, Ukraine, and Turkey was not signed this week.

Ukraine [devalued](#) the hryvnia by 25 percent against the US dollar. Turkey, Sweden, and Finland will [meet](#) in August as part of a monitoring committee to measure the Nordic' countries counter-terrorism efforts, part of the agreement which permitted NATO to endorse membership for the two countries. Turkish Foreign Minister Mevlut Çavuşoğlu warned that progress was essential to secure formal Turkish ratification of NATO expansion.

A rare Fabergé Easter egg [may have been found](#) on a seized yacht (apparently the *Amadea*, now docked in San Diego harbor after a voyage from Fiji), according to US Deputy Attorney General Lisa Monaco. The Justice Department's "KleptoCapture" program and "REPO" (Russian Elites, Proxies, and Oligarchs) task force is working to locate and seize assets subject to sanctions. Monaco endorsed the idea of using the profits from seized assets to support Ukraine, for which the Administration has requested authority from Congress.

2. HOUSING MARKET COOLS

Privately-owned housing starts in June [declined](#) to a seasonally adjusted annual rate of 1,559,000. The revised May rate was 1,591,000 and the rate in June 2021 was 1,664,000. The decline was driven by single family homes, where the rate fell to 967,000, down from 1,051,000 in May and 1,091,000 in June 2021. High mortgage rates are playing a role in the slowing housing market. The average 30-year fixed rate mortgage rate [peaked at 5.81 percent](#) in June, up from May's high of 5.30 percent and considerably above the 3.02 percent high in June 2021.

3. SURVEYS SHOW BUSINESS ACTIVITY FALLING

The [New York Fed survey](#) of service industry business leaders in New York, northern New Jersey, and southwestern Connecticut showed declining business activity for the first time since March 2021. While strong majorities of business leaders reported higher wages and prices paid, as well as higher prices charged to customers, the strength of those majorities declined from the prior month's survey. Similarly, a survey by the Philadelphia Fed [showed](#) that manufacturers in its district assess activity to have declined overall in July. The diffusion index was -12.3, meaning that the share of firms reporting decreases in activity (24 percent) exceeded the share of firms reporting increases (12 percent) by 12.3 percentage points. This was the largest negative reading since 2020. Firms are reporting fewer new orders, but higher shipments and employment, suggesting that demand is falling but supply is rising. The Philadelphia Fed's district, from which the survey sample was taken, encompasses parts of Pennsylvania, New Jersey, and Delaware.

4. INITIAL UNEMPLOYMENT CLAIMS REACH NEW HIGH

In the week ending July 16, seasonally-adjusted initial claims for unemployment insurance [reached](#) a year-to-date high of 251,000, the highest figure since November 2021. This measure has steadily risen since mid-March, suggesting the labor market has cooled over the last four months. The household

survey has [shown](#) a steady unemployment rate of 3.6 percent since March, and The Conference Board's most recent [economic forecast](#) expects the rate to remain there for the rest of the year.

5. CONGRESSIONAL DEBATE ON CHIPS ACT

A bill containing roughly \$50 billion in subsidies to encourage US semiconductor manufacturing [cleared](#) a 64-34 procedural vote in the Senate Tuesday evening. Though semiconductor funding has been the core element of the bill, this vote [tested support](#) for a broader package that could include additional funding for scientific research through the National Science Foundation and the Energy Department's Office of Science. Speaker Nancy Pelosi [announced](#) her support for a bill, which the House may debate next week, saying that the goal of the legislation is that the US "returns to its status as a world leader" in semiconductor manufacturing. Elements of the bill are still being modified. But it is possible that the bill could pass both chambers prior to the August recess. If the House and Senate agree on a final package, it would culminate a process that began more than 18 months ago. In January 2021, Congress [authorized](#), as part of the National Defense Authorization Act for 2021, several programs to promote semiconductor R&D and fabrication in the US. However, it did not appropriate funds for those programs. Since then, each chamber has separately voted for funding in some form. The Senate [passed](#) the United States Innovation and Competition Act in June 2021 and the House [passed](#) the America COMPETES Act in February 2022.

6. UK LEADERSHIP CONTEST

Former Chancellor of the Exchequer [Rishi Sunak](#) and current Foreign Secretary [Liz Truss](#) will advance to voting among members of the Conservative Party to be Britain's next Prime Minister, as former Equalities Minister Kemi Badenoch and current Trade Secretary Penny Mordaunt were eliminated in rounds of voting by Conservative MPs. The [final results](#) gave Sunak 137 votes, Truss 113, and Mordaunt 105. [Polling](#) among Conservative Party members shows that Truss would beat Sunak; however, [polling](#) from Conservative Home shows the race narrowing over the past week. The electorate of Conservative Party members is [small](#); it includes about 160,000 dues-paying members, who are [reportedly](#) half over 60, 97% white, and overrepresents men and southern England. Postal ballots will be sent to eligible party members in the first week of August and are due by September 2, with the result to be announced on September 5. Sunak has opposed increased borrowing to pay for tax cuts; the UK representative of the IMF [praised](#) this stance, saying "I think debt-financed tax cuts at this point would be a mistake" and suggesting further government investment as a better policy.

7. PRESIDENT'S SPEECH ON CLIMATE CHANGE

On Wednesday, the President [spoke](#) at the site of a former coal plant in Massachusetts now manufacturing heavy-duty cables for offshore wind turbines to address climate change and encourage Congress "to act with urgency and resolve when our nation faces clear and present danger." Noting that extreme weather events cost the US \$145 billion last year and disrupt supply chains, the President said that "[c]limate change is literally an existential threat to our nation and to the world" and that he regards it as an "emergency," promising to use executive powers "to combat the climate crisis in the absence of congressional actions [.]" The President also announced a \$2.3 billion investment to help communities build infrastructure to address climate change-related disasters, including \$385 million immediately available to the states to help with air conditioning in homes and schools, and promoted increased use of wind power along the Atlantic coast and in the Gulf of Mexico. In addition, the Labor Department is conducting inspections of workplaces to ensure compliance with heat-related standards.

8. GLOBAL CLIMATE CHANGE MEETING

As Britain endured its [hottest day on record](#) and [other countries in Europe](#) faced temperatures above 40 degrees Celsius, UN Secretary General António Guterres [told](#) environmental ministers from 40 countries meeting in Germany at the Petersberg Climate Dialogue that “[h]alf of humanity is in the danger zone, from floods, droughts, extreme storms, and wildfires. No nation is immune. Yet we continue to feed our fossil fuel addiction.” He drew a stark conclusion: “We have a choice. Collective action or collective suicide. It is in our hands.” The ministers were meeting in preparation for the Paris Agreement [Conference of the Parties 27](#) (COP 27) to be held in Egypt in November. European Commission Vice President Frans Timmermann [noted](#) that few countries other than the new Labor government in Australia are expected to meet their pledges last year to present stronger plans for reducing greenhouse gas emissions before the November meeting tied to a goal to limit global temperature rise to 1.5 degrees Celsius above pre-industrial levels.

9. IMF TO DOWNGRADE GLOBAL GROWTH FORECAST

Kristalina Georgieva, Managing Director of the International Monetary Fund, [told](#) Japanese broadcaster NHK that the IMF’s upcoming global economic forecast would show lower growth for 2022 than the 3.6 percent it had projected in April. She noted the impact of COVID-19 on China and the financial tightening induced by central banks around the world in response to inflation. “We have seen a massive pickup in inflation leading to tightening of financial conditions,” she said. The IMF’s next forecast will be [released](#) July 26.

10. US TRADE REPRESENTATIVE CHALLENGES MEXICO’S ENERGY POLICIES

United States Trade Representative Katherine Tai Wednesday [alleged](#) that Mexican energy policies did not uphold Mexico’s commitments under the USMCA trade agreement, favoring Mexico’s state-owned utility company Comisión Federal de Electricidad (CFE), and its state-owned oil and gas company, Petróleos Mexicanos (PEMEX) over their American counterparts, some of whom have invested in Mexico. Specifically, the US objects to a Mexican law under which its grid operator gives CFE’s electricity priority over competitors, Mexico giving PEMEX (but not other companies) an extension on the maximum sulfur content in fuel, and Mexico requiring users of the natural gas transportation network to demonstrate they use natural gas from PEMEX or CFE. Mexican President Andrés Manuel López Obrador [dismissed](#) these charges in a press conference.

11. CIA DIRECTOR ON CHINA AND TAIWAN

In an appearance at the Aspen Security Forum, CIA Director Bill Burns [said](#) that “I wouldn’t underestimate President Xi’s determination to assert China’s control” over Taiwan but noted the chances “of that become higher, it seems to us, the further into this decade that you get.” Burns said that the Russian invasion of Ukraine “probably affects less the question of whether the Chinese leadership might choose some years down the road to use force to control Taiwan, but how and when they would do it,” adding that “I suspect the lesson that the Chinese leadership and military are drawing is that you’ve got to amass overwhelming force if you’re going to contemplate that in the future,” “control the information space,” and “do everything you can to shore up your economy against the potential for sanctions.”

12. ELECTORAL COUNT ACT REFORM INTRODUCED

A bipartisan group of 16 Senators led by Joe Manchin (D-WV) and Susan Collins (R-ME) [introduced](#) a bill to reform the Electoral Count Act of 1887 which governs the actual counting of electoral votes by the Vice President in Congress. Among other provisions, the bill would codify that the Vice President's role in counting electoral votes is limited (confirming the interpretation that Vice President Pence gave on January 6, 2021), raises the threshold for objections to state-certified electors to one-fifth of each of the House and Senate (instead of the current one member of each body), provide that a state may send only one set of electors to Congress (submitted by the governor or another official previously designated by the state), and establish a three-judge appellate panel to hear cases concerning contested electors, with direct appeal to the Supreme Court. The *Washington Post* [reported](#) that the Senators are also introducing a separate bill addressing the official Presidential transition process, doubling fines for those convicted of intimidating or threatening election workers, and clarifying how the US Postal Service handles official Election Mail.

Earlier this week, former President Jimmy Carter and former Secretary of State James A. Baker III coauthored a *Wall Street Journal* [opinion piece](#) calling for reform of the Electoral Count Act, which they termed "an antiquated, muddled and potentially unconstitutional law that allows uncertainty during a critical step in the peaceful transfer of power." They urged that "congressional objections [to a state's electors] should be allowed only on the basis of clearly defined and narrow criteria, and prohibited when results are fully verified in accordance with the law. The reform could also clarify that Congress's constitutional authority to set the time of presidential elections precludes state legislatures from changing the means for choosing electors after voting has begun." Carter and Baker had earlier co-chaired the 2005 Commission on Federal Election Reform, noting that in that effort "the debate occasionally grew heated. But by listening to one another, we found agreement on tough issues. Lawmakers should be able to do the same."

13. ITALIAN PRIME MINISTER RESIGNS

Italian Prime Minister Mario Draghi [resigned](#) after losing support from the parties, the populist Five Star Movement, rightist Lega, and Silvio Berlusconi's Forza Italia, that did not participate in a confidence vote in the Italian Senate designed to ensure Draghi could continue in office. Last week, Lega and Forza Italia had continued to back Draghi, but their refusal to support him now meant Draghi could not win a vote of confidence. The country could face elections as early as September.

14. DEPARTMENTS OF LABOR AND COMMERCE ANNOUNCE CYBERSECURITY APPRENTICE SPRINT

The Departments of Labor and Commerce Tuesday [unveiled](#) a 120-day [effort](#) to fill cybersecurity positions throughout the economy. They estimate that there are 700,000 open positions in the field. "The 120-Day Cybersecurity Apprenticeship Sprint will increase awareness of current successful cybersecurity-related Registered Apprenticeship programs while recruiting employers and industry associations to expand and promote Registered Apprenticeships as a means to provide workers with high-quality, earn-as-you-learn training for good-paying cybersecurity jobs," said Secretary of Labor Marty Walsh. The Department of Labor's Office of Apprenticeship pledges it will be accelerating its process and allowing companies to launch apprenticeships in under 48 hours.

15. US POSTAL SERVICE TO PURCHASE ELECTRIC VEHICLES

In a departure from earlier plans, the US Postal Service will [purchase](#) electric vehicles so that at least 40 percent of its delivery truck fleet will be electric, rather than 10 percent. USPS will now [acquire](#) the minimum number of vehicles (50,000) under a previously-agreed contract with Oshkosh Defense (10 percent of which are electric vehicles) and purchase another 34,000 vehicles, at least 40 percent of which will be electric. USPS currently has [217,000 trucks](#) in its fleet. The President has set a [goal](#) that the entire US Government fleet will be electric by 2035.

16. PANDEMIC NEWS

Two cases of new Omicron sub-variant BA.2.75 were [detected](#) in Singapore as of July 14. The two individuals traveling from India immediately self-isolated upon testing positive and have since fully recovered. The BA.2.75 variant, nicknamed “Centaurus,” was first detected in India in early May and has since been detected in the US, UK, Australia, Germany, and Canada, and several other countries. Singapore’s Ministry of Health has said that there is currently no evidence to indicate that BA.2.75 has substantially different virulence or severity compared with its Omicron predecessors.

As Japan’s government decided [not to impose strict limits on activity](#) during this BA.5-fueled seventh wave of the virus, it faces the [challenge](#) of preventing the country’s medical system from becoming overwhelmed. On Saturday, Japan recorded a record high of over 110,000 new infections. Over 105,500 were reported on Sunday, almost double that of the week earlier. Tokyo Governor Yuriko Koike is working to reduce the number of deaths and severely ill patients while keeping social and economic activity intact. The city’s government last week informed medical associations to ensure that high-risk patients will be admitted to hospitals. Tokyo has boosted capacity to accept lower risk patients and increased rooms at treatment facilities from 9,000 to 12,000.

The UK has [opened an investigation](#) into the government’s handling of the pandemic, although ministers will not testify until next summer. Baroness Heather Hallett, the investigation’s head (a former judge), will conduct cross-examinations of witnesses on subjects ranging from lockdowns to the handling of scientific advice to vaccines, as well as the “performance and effectiveness” of government during the crisis, including public messaging. The panel will be able to compel production of evidence and have subpoena power. Despite the delay in beginning formal hearings, Lady Hallett seeks to work “as speedily as possible so lessons are learned before another pandemic strikes.” [Nearly 200,000](#) Britons have died from COVID-19. On the anniversary of the lifting of lockdown restrictions in the UK, Dame Kate Bingham, who headed the UK’s vaccine taskforce in 2020, [praised](#) the government response but also noted missed opportunities, including insufficient commercial expertise in government and missing an opportunity to [manufacture antibodies](#) in the UK to promote treatment for immunocompromised people who cannot receive vaccines and prepare for future pandemics.

After five decades of federal service under seven Presidents, Dr. Anthony Fauci has announced that he [plans to retire](#) by the end of the President’s term. As his career as head of the National Institute of Allergy and Infectious Diseases and more recently as White House chief medical advisor winds down, Fauci noted that he would like to spend his time repairing the national bonds that the pandemic shredded, as well as the heavily partisan environment that science itself has become. “We’re in a pattern now. If somebody says, ‘You’ll leave when we don’t have COVID anymore,’ then I will be 105,” Fauci told *Politico*. “I think we’re going to be living with this.” If called to testify, Fauci will stress the importance of vaccines and boosters, but acknowledge that there may never be a moment when the country can claim a definitive victory over the ever-evolving virus. Fauci first came to national prominence decades ago for his work in the fight against HIV/AIDS.

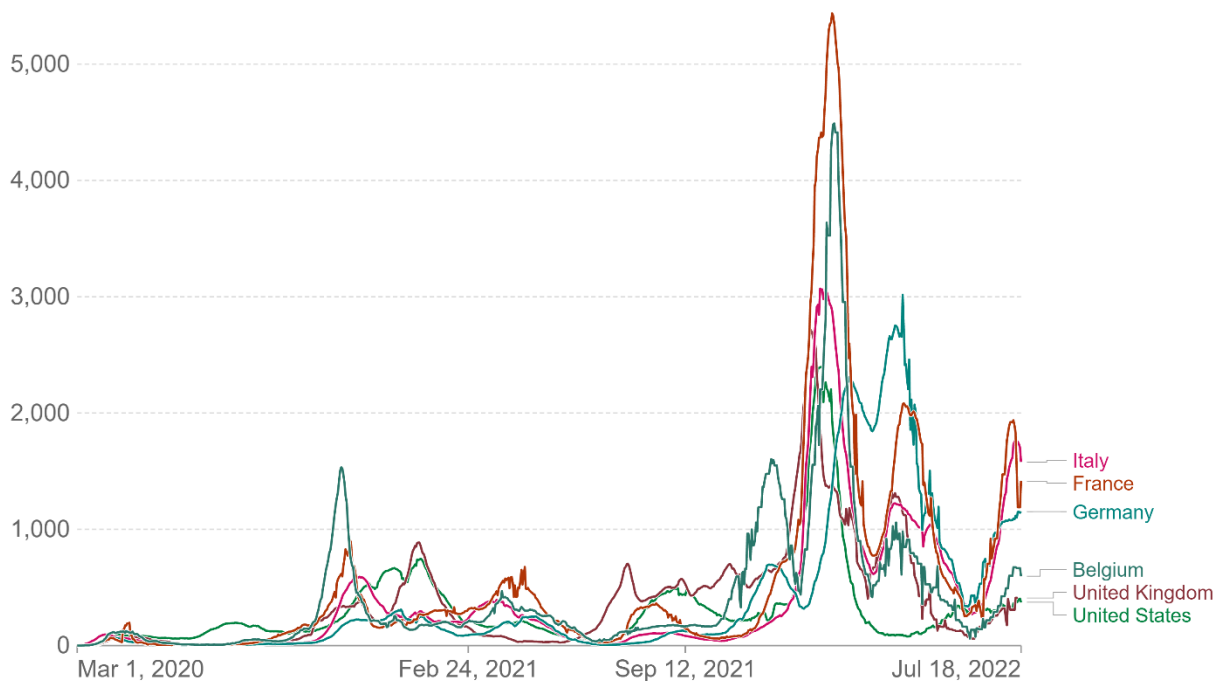
17. COUNTRY SPOTLIGHT: GERMANY

The World Health Organization said Tuesday that COVID-19 cases [have tripled](#) across the European continent in the past six weeks, accounting for nearly half of all global infections. The 53 countries in the European region reported nearly 3 million new cases in the past week, killing approximately 3,000 people every week. Cases are only expected to increase as we approach the autumn and winter months. “This forecast presents a huge challenge to the healthcare workforce in country after country, already under enormous pressure dealing with unrelenting crises since 2020,” said WHO’s Europe director, Dr. Hans Kluge. The WHO released its fall strategy for combatting COVID-19 on Tuesday, calling for second boosters for those age 5 and older with weak immune systems, the promotion of mask-wearing indoors, and better ventilation in schools and offices.

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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Germany reported a 7-day rolling average of 96,170 new infections on July 18, up from 59,987 four weeks earlier. To combat the rising case numbers, Justice Minister Marco Buschmann said that Germans will soon be [required to wear protective masks](#) in indoor public spaces to help fight the spread but noted that the country will not return to lockdowns, school closures, or curfews. German Health Minister Karl Lauterbach said last Friday that he [recommends](#) everyone talk to their doctor about the option of a second booster dose. Early last week, the EU’s health commissioner [recommended](#) booster doses for all people aged 60 or older. Germany has been giving second boosters to those age 70 and older already.

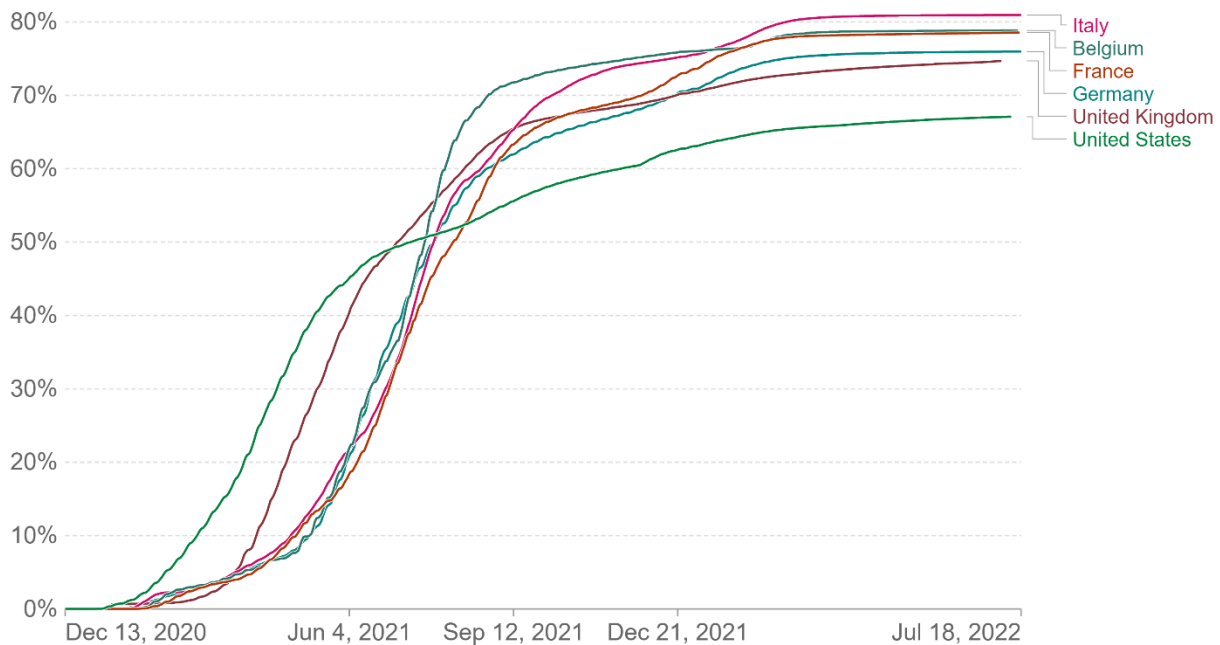
Figures published two weeks ago by a German health insurance organization show that one percent of individuals who were diagnosed with COVID-19 in 2020 took [sick leave](#) in 2021 due to symptoms of long

COVID. Research has found that [over two-thirds](#) of those hospitalized with COVID-19 still suffer symptoms a year later. The sick leave was lengthy, averaging 105 days. Lauterbach said on July 10 that long COVID presents a major problem for society, with the potential to disrupt the labor market. Researchers still have a long way to go to discover treatments for the thousands of people living with long COVID. "There are not enough specialist doctors, not enough treatment places, and we still do not have medications," Lauterbach said in an interview with *Zeit Online*. "This will also be relevant for the labor market, as many will no longer be able to return to their previous level of performance," Lauterbach warned.

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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